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## The FDIC Reports on the Outlook for the U.S. Consumer Sector in 2005: Trends in Spending and Lending

### FOR IMMEDIATE RELEASE

Consumer spending in 2005 will be much more dependent on the growth of jobs and incomes than has been the case in recent years, according to the Winter 2004 issue of the **FDIC Outlook** released today. Other articles in the report cover trends in housing markets, risks facing home equity and auto lenders, and the growing Hispanic market for banking services.

The following are highlights from the report:

**Consumer Sector Outlook for 2005:** Since the 2001 recession, consumer incomes and spending have benefited from the temporary effects of lower taxes and cash from strong refinancing activity. As these effects dissipate, the strength of the job market becomes much more important in determining the amount consumers can spend and their ability to service debt.

**Trends in National and Regional Housing Markets:** Home price appreciation continues to be strong, particularly on the East and West Coasts. However, signs of speculative market activity were noted in such areas as Florida, Nevada and parts of California.

**Concerns about Home Equity Lending:** Risks may be rising in portfolios of home equity lines of credit at FDIC-insured institutions as outstanding balances are increasing rapidly and new loan programs are enabling more households to access the equity in their homes.

**Potential Risks in Competitive Auto Lending:** In the highly competitive auto finance market, banks are battling for market share against captive auto finance companies as



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well as credit unions and other financial institutions. As a result, some lenders may be loosening auto loan underwriting standards, which could leave them vulnerable to credit losses if interest rates continue to rise or if economic fundamentals were to weaken.

**Opportunities for Banks in the Hispanic Market:** While the increasing importance of the Hispanic population is widely recognized, the market for financial services in this key segment "is still in its infancy." The report says that as this market "continues to mature, large banks and community banks alike will find new opportunities to meet the demands of the Hispanic marketplace by customizing their products to its unique needs." FDIC analysts map recent growth trends of the Hispanic population and note how rising purchasing power is translating into greater demand for financial services, a need that evolves over time as immigrants earn progressively more.

The Winter 2004 **FDIC Outlook** is available on the Web at: [www.fdic.gov/bank/analytical/regional/index.html](http://www.fdic.gov/bank/analytical/regional/index.html).