**BANKING:** Housing Not Contributing to District Bank Loan Losses

Banks in the Dallas Fed’s district escaped the housing market woes of 2006, probably because the region hasn’t seen the home-price declines of other parts of the country. With housing markets slumping in many areas, nationwide mortgage charge-offs (net of recoveries) on one- to four-family residences rose 53 percent to $1.8 billion last year. Residential mortgages account for nearly 19 percent of U.S. banks’ assets.

In the Eleventh District, which includes Texas and parts of Louisiana and New Mexico, banks recorded a decline in residential mortgage charge-offs of 16 percent in 2006, suggesting their focus has been on prime rather than subprime mortgages. District banks’ residential mortgages account for about 9 percent of assets.

The difference in mortgage markets doesn’t show up in profitability. Eleventh District banks earned a return on average assets of 1.3 percent in 2006, just about on par with other U.S. banks. In general, the industry considers returns of 1 percent or better to be robust.

For U.S. banks, loan charge-offs fell from $28.5 billion in 2005 to $23.3 billion in 2006, an 18 percent drop. The improvement came largely from a 27 percent decline in losses from nonmortgage consumer loans.

Eleventh District banks reported a 16.5 percent decline in total charge-offs. As with banks across the country, regional losses in nonmortgage consumer loans fell.

—Kenneth J. Robinson

**METRO ECONOMIES:** Austin Leads, but All Majors Show Positive Signs

Through the first four months of 2007, Austin had the most dynamic economy of Texas’ five major metropolitan areas—at least that’s the message from the Dallas Fed’s Texas Business-Cycle Index and employment data.

The index, a barometer based on nonfarm jobs, unemployment rates, real wages and retail sales, jumped 9 percent for Austin, well above the 3.7 percent rise in the state index. Austin’s employment grew 3.6 percent, or 8,700 jobs, eclipsing the state’s 1.8 percent.

Dallas employment rose 2.7 percent, or 18,400 jobs. Fort Worth added 7,000 jobs, up 2.5 percent. The two North Texas neighbors were a tad below the state average, with business-cycle index gains of 3.5 percent.

Since the start of the year, San Antonio (at 1.8 percent) and Houston (at 1.7 percent) have met the state average in job creation. The increase in San Antonio’s business-cycle index was high at 5.8 percent. Houston’s gain was average at 3.8 percent.

While the major metros are doing well, the border region as a whole has generated little momentum. El Paso has lost 600 jobs so far this year, and Brownsville and Laredo show meager gains. The exception is McAllen, where employment has risen 5.6 percent, or 3,800 jobs, and the business-cycle index has posted an 8.7 percent increase.

—Laila Assanie

**IMMIGRATION:** Demand Heavy for Visas to Admit Skilled Workers

On the very first day U.S. Citizenship and Immigration Services started to accept fiscal 2008 petitions for skilled-worker visas, the annual cap of 65,000 was exhausted. A record 120,000 new applications were filed.

H1-B visas, initiated in 1990, admit workers with expertise in fields ranging from medicine to mathematics and high-tech services to fine arts. Two factors explain the recent surge in demand—the rapid growth in U.S. service jobs and the mounting backlog of visa petitions since 2004, when the annual quota was reduced to 65,000, with an additional 20,000 visas possible for foreign workers who have U.S. advanced degrees.

Texas employers have relied on H1-B visas, especially in two fast-growing sectors—professional and business services and educational and health services.

Texas firms filed about 8 percent of all H1-B applications in 2006, the most recent year for state data. Dallas–Fort Worth led with 40 percent of the total, followed by Houston at 36.5 percent, Austin at 10.7 percent and San Antonio at 3.2 percent.

Two-fifths of Texas’ visa applications were in IT-related occupations, such as programmer, system analyst, computer software engineer, software developer and consultant. Architectural and engineering services accounted for another fifth, while teachers, professors and health care professionals made up about 16 percent of the pool.

—Laila Assanie