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Falling oil prices will boost income growth, even with the potential for lower U.S. investment, New York Fed President William Dudley said on Monday.

In prepared remarks for an afternoon speech, Dudley said a $20-per-barrel decline in the price of oil would equal a $670 billion transfer of wealth.

It will also, he noted, support both consumer spending and global growth.

Dudley, as he has in past, said it would be reasonable to expect interest rates to rise starting in mid-2015, though he said the speed of rate hikes would depend on the market's reaction.

He also cited a "brighter" economic outlook and said growth appeared to be running above trend.

Dudley said the U.S. central bank will unleash more aggressive rate rises if financial markets, which include short- and long-term rates, equities, and the dollar, are less responsive than desired.

"How much one pushes on the short-term interest rate lever depends, in part, on how financial market conditions respond to such adjustments," he said in a speech.

"All else equal, less responsiveness implies larger interest rate adjustments and vice versa."

Some Democratic senators have criticized the Federal Reserve for being too close to the financial giants it regulates, especially cross-hiring between the government agency and major institutions such as Goldman Sachs. The New York Fed chief insisted, however, that it wasn't a major concern.

"There are always things that are going to happen that we're not going to find," Dudley told CNBC in an on-air interview.

He did not think there was a need for institutional overhaul, and emphasized a policy in which examiners could not spend too many years at a particular institution.

"Is the U.S. banking system much safer and sounder than it was five years ago?" he said. "I think the answer is clearly yes."

Reuters contributed to this report.