



## Capitol Comments August 2018

When there is a deadline or effective date associated with an item, you will see this graphic:

***“August, the summer’s last messenger of misery, is a hollow actor.”***

### Joint federal agency issuances, actions and news

#### ***FFIEC CRA Alert - 2018 Census and Geocoding System Demographic Data Release (08.16.2018)***

The [FFIEC CRA website](#) has been recently updated.

The [2018 Census Data Products](#) have been released, and the [Geocoding System](#) has been updated with 2018 Census demographic data.

Source [link](#).

***Comment: Regulators rely on census and demographic data to help assess compliance with the Home Mortgage Disclosure Act (HMDA) and the Community Reinvestment Act (CRA) and to perform fair lending examinations.***

### BCFP actions and news

#### ***Bureau Releases HMDA File Verification Tool (08.13.2018)***

The File Format Verification Tool (FFVT) is a resource for testing whether your file meets certain formatting requirements specified in the HMDA Filing Instructions Guide, specifically that the file is:

- pipe-delimited;
- has the proper number of data fields; and
- has data fields formatted as integers, where necessary.

The FFVT does not allow you to submit HMDA data.

The FFVT was developed with no login functions, and does not log identifying information about you or your files. The FFVT simply allows HMDA filers to test the formatting of their files. Thus, no Federal agency will receive or be able to view the files you test using it.

The FFVT will run efficiently for most files, but it will run more slowly for larger files (e.g., containing more than 20,000 entries). This website essentially runs on the same software as the HMDA Platform. This means that if your file passes all the checks on this website, then your file will be in the correct format required to be uploaded to the HMDA Platform.

Source [link](#).

***Comment: This new resource to is used to test whether a HMDA file meets formatting requirements specified in the HMDA Filing Instructions Guide (FIG).***

### ***Updates Regulation P to Implement Legislation Amending Gramm-Leach-Bliley Act (08.10.2018)***

WASHINGTON, D.C. – The Bureau of Consumer Financial Protection (Bureau) finalized amendments to implement legislation that allows financial institutions that meet certain requirements to be exempt from sending annual privacy notices to their customers.

The Gramm-Leach-Bliley Act (GLBA) generally requires that financial institutions send annual privacy notices to customers. These notices must describe the privacy practices of financial institutions, including whether and how they share customers’ nonpublic personal information. If the institution shares this information with unaffiliated third parties in ways other than specified by the GLBA, the institution typically must notify customers of their right to opt out of having their information shared and inform them how to do so.

In December 2015, Congress amended the GLBA as part of the Fixing America’s Surface Transportation Act (FAST Act). This amendment to the GLBA provides financial institutions that meet certain conditions an exemption to the requirement under the GLBA to deliver an annual privacy notice. A financial institution can use the annual notice exception if it limits its sharing of customer information so that the customer does not have the right to opt out, and has not changed its privacy notice from the one previously delivered to its customer. The rule issued by the Bureau implements this legislation and establishes deadlines for institutions resuming annual privacy notices if their practices change and they therefore cease to qualify for the exemption.

The final rule issued is available at: [https://files.consumerfinance.gov/f/documents/bcfp\\_glba-privacy-notices\\_final-rule\\_amendment\\_2018-08.pdf](https://files.consumerfinance.gov/f/documents/bcfp_glba-privacy-notices_final-rule_amendment_2018-08.pdf).

Source [link](#).

***Comment: Amen, amen! The rule is long overdue! Arguably, the change in law made in 2015 was self-effectuating.***

### ***Acting Director Mulvaney Statement on Fintech Developments (07.31.2018)***

WASHINGTON, D.C. – Bureau of Consumer Financial Protection (Bureau) Acting Director Mick Mulvaney issued the following statement regarding actions by the Department of the Treasury and the Office of the Comptroller of the Currency to promote innovation in the financial services marketplace:

“We welcome the important steps taken by our fellow agencies to promote innovation. Success will be determined by how well U.S. regulators coordinate their efforts. We look forward to working with our State and Federal partners to ensure American global leadership in the FinTech space for years to come.”

Source [link](#).

***Comment: This is not a change in position – remember ‘Project Catalyst?’ That was the initiative designed to devise new policies to foster innovation in financial services in 2017 by the then CFPB that never gained traction.***

### ***Bureau Roundtables Seek Public Input (07.26.2018)***

As part of its commitment to engage stakeholders in active dialogue about key issues, the Bureau recently held three roundtables to gather feedback about the Requests for Information (RFIs) the Bureau recently issued.

Acting Director Mick Mulvaney and Acting Deputy Director Brian Johnson, along with senior staff, hosted three roundtables at the Bureau’s headquarters in Washington, D.C. Two industry roundtables included representatives of 29 different financial services trade associations, and a third roundtable included representatives of 25 community and consumer groups.

Participants at the roundtables offered a diversity of perspectives and valuable insights into the various issues the RFIs addressed including supervision and enforcement, the consumer complaint database, and rulemaking.

The Bureau looks forward to continuing engagement with its stakeholders through roundtables such as these, as well as other outreach activities to seek feedback on the Bureau’s approach to its work. The Bureau is grateful to all of the attendees that took time to participate and actively engage in these important discussions.

You can browse all of the [recent RFIs and review the public feedback submitted](#).

Source [link](#).

***Comment: In June, Acting Director Mulvaney disbanded the memberships of its three “advisory councils” to the bureau. The consumer, bank and credit union advisory panels that provide industry input and advice to the agency would be reconstituted to “new, smaller memberships,” the bureau said in a blog post. To date, no new memberships have been announced.***

## **FDIC actions and news**

### ***Modifications to the Statement of Policy for Section 19 of the Federal Deposit Insurance Act (08.20.2018)***

The FDIC has issued modifications to its Statement of Policy (SOP) for Section 19 of the Federal Deposit Insurance (FDI) Act. Section 19 prohibits, without the prior written consent of the FDIC, a person convicted of any criminal offense involving dishonesty, breach of trust, money laundering, or who has entered into a pretrial diversion or similar program (program entry) in connection with a prosecution for such offense, from participating in the affairs of an FDIC-insured institution. On January 8, 2018, the FDIC published in the Federal Register notice of proposed modifications and sought public comment. On July 19, 2018, after consideration of comments received, the FDIC Board of Directors approved modifications to the SOP’s de minimis exceptions to filing an application and made additional technical and clarifying changes. The modifications are expected to reduce the number of Section 19 applications and regulatory burden. The updated SOP is available on the FDIC’s website and was published in the Federal Register on August 3, 2018.

Source [link](#).

***Comment: These modifications should allow persons who truly do not present a risk to the system to find employment in an insured bank. But don't forget the SAFE Act and Reg Z requirement for criminal background checks for MLOs.***

### ***Money Smart for Small Business – 3<sup>rd</sup> Quarter Town Hall Webinar (08.01.2018)***

Any organization considering Money Smart for Small Business (MSSB) can participate in the MSSB Quarterly Town Hall Webinars to gain an understanding of the following factors:

- How MSSB connects to their organization's mission and strategic objectives.
- By way of examples portrayed, learn how to customize the MSSB modules to meet the diverse needs of small business owners.
- Learn how to engage subject matter experts to co-train some MSSB modules.
- How to make the content of each module compelling and engaging and;
- How to incorporate FDIC and SBA staff, related to the adoption and implementation of MSSB.
- Additionally, participants can ask questions to the presenters, FDIC and SBA staff, related to the adoption and implementation of MSSB.

Source [link](#).

***Comment: From the MSSB home page – 'Money Smart for Small Business (MSSB) provides a practical introduction to topics related to starting and managing a business. Developed jointly by the Federal Deposit Insurance Corporation (FDIC) and the U.S. Small Business Administration (SBA), this instructor-led curriculum consists of 13 modules. FDIC and SBA invite eligible organizations to begin teaching this free curriculum right away!'***

### ***FDIC Publishes 25th Anniversary Special Edition of Consumer Newsletter (08.03.2018)***

FDIC Consumer News, the newsletter published quarterly by the Federal Deposit Insurance Corporation since the fall of 1993, is celebrating its 25th anniversary with a special expanded edition featuring updated versions of 25 of our more popular articles.

A lot has changed in banking and financial services in the last 25 years. For example, the FDIC deposit insurance limit increased from \$100,000 to \$250,000 and consumers who used to bank at branches now enjoy internet banking at home and mobile banking by smartphone from virtually anywhere. Even so, many of the core concepts on matters such as saving, borrowing money, and avoiding fraud and theft remain generally the same. The new guide, entitled "25 Years of Tips You Can Bank On: Time-Tested Strategies for Managing and Protecting Your Money," includes one article from each year going back to 1993. Topics include saving for retirement, understanding FDIC deposit insurance coverage, money tips for travelers, and how to search for lost or forgotten bank accounts.

The special edition can be read or printed by visiting [www.fdic.gov/consumers/consumer/news/cnsum18](http://www.fdic.gov/consumers/consumer/news/cnsum18), with e-reader and Spanish versions forthcoming. The Spanish-language versions of past FDIC Consumer News articles are at [www.fdic.gov/quicklinks/spanish.html](http://www.fdic.gov/quicklinks/spanish.html).

### **About FDIC Consumer News**

The goal of FDIC Consumer News is to deliver timely, reliable and innovative tips and information about financial matters, free of charge. To find current and past issues, visit [www.fdic.gov/consumernews](http://www.fdic.gov/consumernews).

Note: Beginning September 2018, FDIC Consumer News will become a paperless, monthly publication. The new articles will still be posted at [www.fdic.gov/consumernews](http://www.fdic.gov/consumernews). Printable and Spanish versions will be available on the same webpage. To subscribe to receive an email when new articles are released, go to [www.fdic.gov/about/subscriptions/index.html](http://www.fdic.gov/about/subscriptions/index.html), provide the necessary information, then select "Consumer News." You can also learn about new articles if you "like" the FDIC Facebook page ([www.facebook.com/FDICgov](http://www.facebook.com/FDICgov)) or follow the FDIC on Twitter ([twitter.com/FDICgov](http://twitter.com/FDICgov)).

The FDIC encourages financial institutions, government agencies, consumer organizations, educators, the media, and anyone else to help make the tips and information in FDIC Consumer News widely available. The publication may be reprinted in whole or in part without permission. Please credit FDIC Consumer News. Organizations also may link to or mention the FDIC website.

Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's banks and savings associations, 5,607 as of March 31, 2018. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars—insured financial institutions fund its operations.

Source [link](#).

***Comment: This newsletter is a free, useful tool that banks can use as part of their consumer financial literacy outreach.***

## OCC actions and news

### ***Revisions to Impact of Evidence of Discriminatory or Other Illegal Credit Practices on Community Reinvestment Act Ratings (08.15.2018)***

The Office of the Comptroller of the Currency (OCC) is issuing this bulletin to make public the revised Policies and Procedures Manual (PPM) 5000-43, which clarifies the OCC's policy for applying the regulatory framework to determine the effect of evidence of discriminatory or other illegal credit practices on the Community Reinvestment Act (CRA) rating of a national bank, federal savings association, or federal branch. This updated PPM replaces the similarly titled PPM issued in October 2017.

#### **Rescissions**

The updated PPM replaces and rescinds OCC PPM 5000-43, "Impact of Evidence of Discriminatory or Other Illegal Credit Practices on Community Reinvestment Act Ratings" (October 12, 2017).

This bulletin replaces and rescinds OCC Bulletin 2017-40, "Impact of Evidence of Discriminatory or Other Illegal Credit Practices on Community Reinvestment Act Ratings."

#### **Note for Community Banks**

The OCC applies PPM 5000-43 to all OCC-supervised banks that are subject to the CRA, including community banks.

Source [link](#).

*Comment: Most interesting is the fact that the OCC deleted a footnote from PPM 5000-43. That footnote stated that the OCC's policy is not to downgrade ratings by more than one level. The new language says 'the OCC's general policy is to downgrade the rating by only one rating level unless such illegal practices are found to be particularly egregious.' So in situations found to be 'particularly egregious' the ratings downgrade could be two levels.*

### **OCC Hosts Compliance and Operational Risk Workshops in Houston (08.15.2018)**

WASHINGTON — The Office of the Comptroller of the Currency (OCC) will host two workshops in Houston at the Houston Marriott South at Hobby Airport, September 25 and 26, for directors of national community banks and federal savings associations supervised by the OCC.

The Compliance Risk workshop on September 25 combines lectures, discussion, and exercises on the critical elements of an effective compliance risk management program. The workshop also focuses on major compliance risks and critical regulations. Topics of discussion include the Bank Secrecy Act, Flood Disaster Protection Act, Fair Lending, Home Mortgage Disclosure Act, Community Reinvestment Act, and other compliance hot topics.

The Operational Risk workshop on September 26 focuses on the key components of operational risk—people, processes, and systems. The workshop also covers governance, third-party risk, vendor management, internal fraud, and cybersecurity.

The workshop fee is \$99. Participants receive course materials and assorted supervisory publications. The workshop is limited to the first 35 registrants.

The workshops are taught by experienced OCC staff and are offered nationwide to enhance and expand the skills of national community bank and federal savings association directors. To register for this workshop, visit [www.occ.gov/occworkshops](http://www.occ.gov/occworkshops).

Source [link](#).

### **Bank Accounting Advisory Series Updated (08.15.2018)**

WASHINGTON — The Office of the Comptroller of the Currency (OCC) released an update to the Bank Accounting Advisory Series (BAAS).

The BAAS covers a variety of topics and promotes consistent application of accounting standards among national banks and federal savings associations.

This edition of the BAAS reflects accounting standards issued by the Financial Accounting Standards Board on such topics as hedging and credit losses. Additionally, this edition includes recent answers to frequently asked questions from the industry and examiners.

The BAAS does not represent official rules or regulations of the OCC. Rather, it represents the OCC's Office of the Chief Accountant's interpretations of generally accepted accounting principles and guidance based on the facts and circumstances presented. Deviations from these interpretations may raise supervisory concerns.

The OCC updates the BAAS annually.

Source [link](#).

***OCC Begins Accepting National Bank Charter Applications from Financial Technology Companies (07.31.2018)***

WASHINGTON — The Office of the Comptroller of the Currency (OCC) announced it will begin accepting applications for national bank charters from nondepository financial technology (fintech) companies engaged in the business of banking.

“Over the past 150 years banks and the federal banking system have been the source of tremendous innovation that has improved banking services and made them more accessible to millions. The federal banking system must continue to evolve and embrace innovation to meet the changing customer needs and serve as a source of strength for the nation’s economy,” said Comptroller of the Currency Joseph M. Otting. “The decision to consider applications for special purpose national bank charters from innovative companies helps provide more choices to consumers and businesses, and creates greater opportunity for companies that want to provide banking services in America. Companies that provide banking services in innovative ways deserve the opportunity to pursue that business on a national scale as a federally chartered, regulated bank.”

The OCC’s decision is consistent with bi-partisan government efforts at federal and state levels to promote economic opportunity and support innovation that can improve financial services to consumers, businesses, and communities. The decision was documented in a policy statement and supplement to the OCC’s Comptroller’s Licensing Manual. The OCC’s decision follows extensive outreach with many stakeholders over a two-year period, and after reviewing public comments solicited following the publication of Exploring Special Purpose National Bank Charters for Fintech Companies in December 2016, and Comptroller’s Licensing Manual Draft Supplement: Evaluating Charter Applications From Financial Technology Companies in March 2017.

In announcing the decision, the policy statement and Comptroller’s Licensing Manual Supplement stress:

- Every application will be evaluated on its unique facts and circumstances.
- Fintech companies that apply and qualify for, and receive, special purpose national bank charters will be supervised like similarly situated national banks, to include capital, liquidity, and financial inclusion commitments as appropriate. Fintech companies will be expected to submit an acceptable contingency plan to address significant financial stress that could threaten the viability of the bank. The plan would outline strategies for restoring the bank’s financial strength and options for selling, merging, or liquidating the bank in the event the recovery strategies are not effective.
- The expectations for promoting financial inclusion will depend on the company’s business model and the types of planned products, services, and activities.
- New fintech companies that become special purpose national banks will be subject to heightened supervision initially, similar to other de novo banks.
- The OCC has the authority, expertise, processes, procedures, and resources necessary to supervise fintech companies that become national banks and to unwind a fintech company that becomes a national bank in the event that it fails.

Source [link](#).

***Comment: The Conference of State Bank Supervisors (CSBS) continues in its opposition to the FinTech charter.***

## ***Revised Comptroller's Handbook Booklet and Rescissions (07.23.2018)***

The Office of the Comptroller of the Currency (OCC) issued the "Capital and Dividends" booklet of the Comptroller's Handbook. The revised booklet presents the regulatory capital framework and discusses the regulatory capital rules that define regulatory capital and establish minimum capital standards. The booklet also provides guidance to examiners for assessing banks' capital adequacy and compliance with capital and dividend regulations.

### **Rescissions**

This revised booklet rescinds and replaces the "Capital Accounts and Dividends" booklet issued in August 1991 (narrative) and March 1998 (procedures) and the following:

- Examining Bulletin 1992-4, "Risk-Based Capital Guidance" (June 29, 1992)
- OCC Bulletin 2012-16, "Capital Planning: Guidance for Evaluating Capital Planning and Adequacy" (June 7, 2012)
- Office of Thrift Supervision Examination Handbook 110, "Capital Stock and Ownership" (December 2003)
- Office of Thrift Supervision Examination Handbook 120, "Capital Adequacy" (September 2010)

### **Note for Community Banks**

The "Capital and Dividends" booklet applies to examinations of all OCC-supervised banks. Certain provisions applicable only to advanced approaches banks (as defined in 12 CFR 3) are shown in specifically marked boxes throughout the booklet.

### **Highlights**

The revised booklet

- reflects changes to the regulatory capital rule.
- reflects the integration of the Office of Thrift Supervision into the OCC.
- includes expanded examination procedures for capital, dividends, and capital adequacy.
- includes an internal control questionnaire and verification procedures.
- incorporates the information in OCC Bulletin 2012-16, "Capital Planning: Guidance for Evaluating Capital Planning and Adequacy."

The Economic Growth, Regulatory Relief, and Consumer Protection Act (Pub. L. 115–174) (Act), signed into law on May 24, 2018, requires the OCC, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System (agencies) to make certain changes to the capital framework. The agencies are working jointly to amend their regulations to incorporate the Act's changes. On July 6, 2018, the agencies issued the "Interagency Statement Regarding the Impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act," setting out the positions they will take while making regulatory changes.

Source [link](#).

## ***Annual Host State Loan-to-Deposit Ratios (07.25.2018)***

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) issued on June 15, 2018, the host

state loan-to-deposit (LTD) ratios. The OCC is issuing this bulletin to inform national banks about how these ratios are used to determine compliance with section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 (IBBEA).

Section 109 of the IBBEA applies to community banks that have covered interstate branches. Section 109 does not apply to federal savings associations.

These ratios:

- provide host state LTD ratios using data as of June 30, 2017. The data exclude banks designated for Community Reinvestment Act (CRA) purposes as wholesale or limited purpose, credit card banks, and special purpose banks.
- update data last released on June 21, 2017.

#### Background

The OCC regulation that implements the CRA prohibits the use of interstate branches primarily for deposit production. Specifically, 12 CFR 25, subpart E, “Prohibition Against Use of Interstate Branches Primarily for Deposit Production,” implements the requirements of IBBEA section 109. The regulation includes specific tests for determining whether an interstate bank is lending appropriately in host states where it has branches.

Section 109 of the IBBEA provides a process to test compliance with the statutory requirements. The first step in the process involves an LTD ratio test that compares a bank’s statewide LTD ratio with the host state LTD ratio for banks in a particular state. A second step is conducted if a bank’s statewide LTD ratio is less than one-half of the published ratio for that state or if data are not available at the bank to conduct the first step. The second step requires the appropriate agency to determine whether the bank is reasonably helping to meet the credit needs of the communities served by the bank’s interstate branches.

A bank that fails both steps is subject to sanctions by the appropriate agency. 12 CFR 25, subpart E, applies to “banks” as defined under 12 USC 1813(a)(1), which includes national banks but not federal savings associations.

Source [link](#).

***Comment: Remember that the LTD ratio tests apply to all banks with interstate branches — not just national ones.***

## Federal Reserve actions and news

***Outlook Live Webinar - Complaints as a Supervisory and Risk Management Tool*** 

Wednesday, August 29, 2018

Times: 11:00 a.m. – 12:00 noon Pacific

12:00 noon – 1:00 p.m. Mountain

1:00 p.m. – 2:00 p.m. Central

2:00 p.m. – 3:00 p.m. Eastern

This presentation will summarize what an effective complaints management system looks like. Laurie Lavaroni of the Federal Reserve Bank of San Francisco and Alinda Murphy of the Federal Reserve Bank of Kansas City

will discuss how examiners investigate complaints and employ them during risk-focused supervision. We will explore a complaints management model that incorporates current agency guidance and what is scalable for community banks.

The presentation will be followed with a Questions and Answers segment, where presenters will respond to audience questions. In addition to taking questions during the webinar, please consider sending in questions via email in advance of the event to facilitate the Q&A segment.

#### Registration

Please click on the URL or copy and paste it into your browser to register for this webinar:

<http://www.webcaster4.com/Webcast/Page/577/26788>

This webinar is part of an ongoing series of events focused specifically on consumer compliance issues. The "Outlook Live" Webinar Series is a Federal Reserve System initiative produced in conjunction with the Federal Reserve System's newsletter Consumer Compliance Outlook.

Source [link](#).

***Comment: This should be of interest to every bank. The BCFP added the management of consumer complaints to the necessary elements of an effective compliance management system in 2016.***

#### ***Federal Reserve Board launches Consumer Compliance Supervision Bulletin (07.26.2018)***

The Federal Reserve Board on Thursday launched the Consumer Compliance Supervision Bulletin--a new publication that will provide bankers and others interested in consumer protection with high-level summaries of pertinent supervisory issues. The Bulletin complements other Federal Reserve System outreach programs for banking organizations, such as the Consumer Compliance Outlook publication and its companion webinar series, Outlook Live.

The Bulletin, which will be published by the Board's Division of Consumer and Community Affairs, is intended to enhance transparency regarding the Federal Reserve's consumer compliance supervisory program, and highlight violations that have been identified. It will also provide practical steps for institutions to consider when managing consumer compliance risks.

The inaugural issue of the Bulletin focuses on the illegal discrimination practice known as "redlining," as well as discriminatory loan pricing and underwriting. The issue also discusses unfair or deceptive acts or practices involving overdrafts, loan officer misrepresentations, and products and services marketed to students. Finally, the Bulletin briefly highlights recent regulatory and policy developments.

Source [link](#).

***Comment: While the Bulletin is primarily focused on state-chartered banks that are members of the Federal Reserve System, it contains advice which will be applicable to all banks and even non-banks.***

#### ***Beige Book - Informal Review by the Federal Reserve Banks (07.18.2018)***

Economic activity continued to expand across the United States, with 10 of the 12 Federal Reserve Districts reporting moderate or modest growth. The outliers were the Dallas District, which reported strong growth driven in part by the energy sector, and the St. Louis District where growth was described as slight. Manufacturers in all Districts expressed concern about tariffs and in many Districts reported higher prices and

supply disruptions that they attributed to the new trade policies. All Districts reported that labor markets were tight and many said that the inability to find workers constrained growth. Consumer spending was up in all Districts with particular strength in Dallas and Richmond. Contacts reported higher input prices and shrinking margins. Six Districts specifically mentioned trucking capacity as an issue and attributed it to a shortage of commercial drivers. Contacts in several Districts reported slow growth in existing home sales but were not overly concerned about rising interest rates. Commercial real estate was largely unchanged.

### **Employment and Wages**

Employment continued to rise at a modest to moderate pace in most Districts. Labor markets were described as tight, with most Districts reporting firms had difficulty finding qualified labor. Shortages were cited across a wide range of occupations, including highly skilled engineers, specialized construction and manufacturing workers, IT professionals, and truck drivers; some Districts indicated labor shortages were constraining growth. Districts noted firms were adding work hours, strengthening retention efforts, partnering with local schools, and converting temporary workers to permanent, as well as raising compensation to attract and retain employees. On balance, wage increases were modest to moderate, with some differences across sectors; a couple of Districts cited a pickup in the pace of wage growth.

### **Prices**

Prices increased in all Districts at a pace that was modest to moderate on average; reports showed upticks in inflation in several Districts. The prices of key inputs rose further, including fuel, construction materials, freight, and metals; a few Districts described these input price pressures as elevated or strong. Tariffs contributed to the increases for metals and lumber. However, the extent of pass-through from input to consumer prices remained slight to moderate. Movements in agricultural commodities prices were mixed across products and Districts. Pricing pressures are expected to intensify further moving forward in some Districts, while in others the outlook is for stable price increases at a modest to moderate pace.

Source [link](#).

***Comment: From one analysis – ‘The July Beige Book, at 32 pages, includes 31 instances of the words “tariff” or “tariffs.” Nearly all of the Fed’s regional districts made reference to tariffs in their individual reports.’***

### ***The July 2018 Senior Loan Officer Opinion Survey on Bank Lending Practices (07.09.2018)***

The July 2018 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the standards and terms on, and demand for, bank loans to businesses and households over the past three months, which generally correspond to the second quarter of 2018. Responses were received from 72 domestic banks and 22 U.S. branches and agencies of foreign banks. Unless otherwise indicated, this summary refers to the responses of domestic banks.

Regarding loans to businesses, respondents to the July survey indicated that they eased their standards and terms on commercial and industrial (C&I) loans to firms of all sizes and kept commercial real estate (CRE) lending standards about unchanged on balance. Banks reported stronger demand for C&I loans by small firms and weaker demand for CRE loans.

Banks also responded to a set of special questions inquiring about the level of banks' current lending standards relative to the midpoint of the range over which banks' standards have varied between 2005 and the present. Banks, on balance, reported that their levels of lending standards on C&I loans are currently at

the easier end of the range from 2005 to the present. For CRE loans, banks reported currently having relatively tight lending standards on net.

For loans to households, banks reported that, on balance, their lending standards on residential real estate (RRE) loans and auto loans remained little changed, while a moderate share of banks tightened standards on credit card loans. In addition, banks reported weaker demand for all categories of RRE loans, while demand for consumer loans reportedly remained about unchanged. From a longer-term perspective, banks, on balance, reported that their current level of RRE and subprime consumer lending standards are at the tighter end of the range from 2005 to now.

Source [link](#).

*Comment: In the previous quarter, banks kept terms and standards for business loans unchanged or eased them slightly, while tightening slightly on commercial real estate loans and easing in most residential mortgage loan categories.*

## Other federal action and news

### ***FTC - How to Donate Wisely After a Disaster (08.09.2018)***

Natural disasters and weather emergencies are in the news. Whether it's the devastating wildfires along the West Coast, the relentless rains and flooding along the East Coast, or tornado strikes in the Midwest, it's heartbreaking to see people lose their homes and businesses. But it's despicable when scammers exploit such tragedies to appeal to your sense of generosity.

If you're looking for a way to help, the FTC urges you to be cautious of potential charity scams. Do some research to ensure that your donation will go to a reputable organization that will use the money as promised.

Consider these tips:

- Donate to charities you know and trust with a proven track record with dealing with disasters.
- Be alert for charities that seem to have sprung up overnight in connection with current events. Check out the charity with the Better Business Bureau's (BBB) Wise Giving Alliance, Charity Navigator, Charity Watch, or GuideStar.
- Designate the disaster so you can ensure your funds are going to disaster relief, rather than a general fund that the charity could use for any of its work.
- If you get donation requests by email, never click on links or open attachments in e-mails unless you know who sent it. You could unknowingly install malware on your computer.
- Don't assume that charity messages posted on social media are legitimate. Research the organization yourself.
- When texting to donate, confirm the number with the source before you donate. The charge will show up on your mobile phone bill, but donations are not immediate.
- Find out if the charity or fundraiser must be registered in your state by contacting the [National Association of State Charity Officials](#). If they should be registered, but they're not, consider donating through another charity.

To learn more, go to [ftc.gov/charity](http://ftc.gov/charity). For tips to help you prepare for, deal with, and recover from a natural disaster or severe weather event, visit Dealing with Weather Emergencies.

Source [link](#).

***Comment: Certainly worth sharing with customers who are eager to respond to natural disasters and weather emergencies across the country and around the world.***

### ***FinCEN Extension of Limited Exception from Beneficial Ownership Requirements for Legal Entity Customers of Certain Financial Products and Services with Rollovers and Renewals (08.08.2018)***

On May 16, 2018, the Financial Crimes Enforcement Network (FinCEN) issued a 90-day limited exceptive relief to covered financial institutions from the obligations of the Beneficial Ownership Rule for Legal Entity Customers (Beneficial Ownership Rule)<sup>1</sup> for certain financial products and services (i.e., certificate of deposit or loan accounts) that were established before the Beneficial Ownership Rule's Applicability Date, May 11, 2018. FinCEN issued the 90-day limited exception in order to determine whether, and to what extent, a further exception would be appropriate for such products and services. The exception expires on August 9, 2018, but may be extended, modified or revoked at FinCEN's discretion

FinCEN is extending the limited exception for an additional 30 days, up to and including September 8, 2018, from the obligations of the Beneficial Ownership Rule for rollover or renewal of certain financial products and services (i.e., certificate of deposit or loan accounts) that were established before May 11, 2018 to further consider the issue.

Source [link](#).

***Comment: Banking groups continue to argue that the verification should be tied to the new 'customer' rather than to a 'new account.'***

### ***FTC - Watch Out for Card Skimming at the Gas Pump (08.07.2018)***

With the summer travel season in high gear, the FTC is warning drivers about skimming scams at the pump. Skimmers are illegal card readers attached to payment terminals. These card readers grab data off a credit or debit card's magnetic stripe without your knowledge. Criminals sell the stolen data or use it to buy things online. You won't know your information has been stolen until you get your statement or an overdraft notice.

Source [link](#).

***Comment: Gas pumps received a three-year extension on EMV transition in 2017, meaning fuel pumps will continue to be a fertile field for fraudsters with skimmers until October 2020.***

## **Publications, articles, reports, studies, testimony & speeches**

### ***Creighton University Rural Mainstreet Index (08.16.2018)***

August Survey Results at a Glance:

- \* For a seventh straight month the overall index rose above growth neutral.
- \* Bankers reported a decline in the sale of agriculture equipment and expect sales to decline by another 7.8 percent over the next 12 months.

- \* More than one-half of bankers supported cutting recently enacted tariffs.
- \* In reaction to weak farm commodity prices and income, almost one-third of bank CEOs reported rejecting a higher percentage of farm loans.

Source [link](#).

***Comment: ‘Surveys over the past several months indicate the Rural Mainstreet economy is solid but with less positive economic growth. However, the negative impacts of recent trade skirmishes have begun to surface with the weakening of already anemic grain prices,’ said Ernie Goss, PhD, Jack A. MacAllister Chair in Regional Economics at Creighton University’s Heider College of Business, Omaha, Nebraska.***

### ***St. Louis Fed Ag Survey: Bankers See Decline in Farm Income and Quality Land Values in Second Quarter (08.09.2018)***

ST. LOUIS — The latest survey shows the majority of agricultural bankers expect farm income to decline next quarter, just as it did in this second quarter report. Quality farmland values also fell in the most recent survey, according to the latest Agricultural Finance Monitor published by the Federal Reserve Bank of St. Louis. There was a slight improvement in cash rents compared to a year ago.

The survey was conducted from June 15, 2018, through June 30, 2018. The results presented here are based on the responses from 24 agricultural banks within the boundaries of the Eighth Federal Reserve District. The Eighth District includes all or parts of seven Midwest and Mid-South states: Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

Source [link](#).

### ***Chicago Fed National Activity Index (07.23.2018)***

Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rebounded to +0.43 in June from -0.45 in May. Two of the four broad categories of indicators that make up the index increased from May, and three of the four categories made positive contributions to the index in June.

The index’s three-month moving average, CFNAI-MA3, edged up to +0.16 in June from +0.10 in May.

Source [link](#).

### ***New Report Finds Southern States Struggle to Train for Middle-Skill Jobs (07.23.2018)***

ST. LOUIS – A new report from the Federal Reserve Bank of St. Louis shows that Southern states are at risk of being left behind in this economic expansion if they don’t address a middle-skill workforce gap. “Building a Skilled Workforce for a Stronger Southern Economy,” co-authored with the Federal Reserve Bank of Atlanta and the National Skills Coalition, cited barriers that prevent people from working, training for middle-skill jobs or advancing their careers prevalent among Southern states.

“To create a skilled and thriving Southern economy, state leaders must create an inclusive workforce,” write the report’s authors. “If Southern states are going to close their skill gaps, they must provide opportunities for all adults – including people of color – to access high-quality education and training. More than four in 10

Southerners are people of color. And people of color will make up the majority of the U.S. population by 2044.”

The Southern economy – once built on low-skill industries – must now compete in an economy where the majority of job openings require education and training beyond high school. Those training opportunities are limited for many Southerners, who face obstacles such as burdensome transportation and child care costs, high incarceration rates, persistent poverty, and lack of infrastructure in rural areas.

Source [link](#).

***Comment: Southern states are at risk of being left behind in an accelerating economy if they don't create more ways to educate and train people.***

## Selected federal rules – proposed

Proposed rules are included only when community banks August want to comment. Date posted August not be the same as the Federal Register Date.

Posted  
Date

SUMMARY OF PROPOSED RULE

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07.05.2018 [Fedwire Funds Message Format](#). The Board of Governors of the Federal Reserve System (Board) is requesting comment on a proposal to adopt the ISO® 20022 message format for the Fedwire® Funds Service. ISO 20022 is an international standard that would replace the Fedwire Funds Service's current, proprietary message format. The migration to ISO 20022 would take place in three phases beginning in 2020 and ending in 2023. Comments are due September 4, 2018.

## Selected federal rules – upcoming effective dates

Not all final rules are included. Only rules affecting community banks are reported, but we make no guarantees that these are all the final rules your bank needs to know about.

EFFECTIVE  
DATE:

SUMMARY OF FINAL RULE:

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01.01.2018 [Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to Advanced Approaches Capital Rules](#). The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are adopting a final rule to extend the regulatory capital treatment applicable during 2017 under the regulatory capital rules (capital rules) for certain items. These items include regulatory capital deductions, risk weights, and certain minority interest limitations. The relief provided under the final rule applies to banking organizations that are not subject to the capital rules' advanced approaches (non-advanced approaches banking organizations). Specifically, for these banking organizations, the final rule extends the current regulatory capital treatment of mortgage servicing assets, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, significant investments in the capital of unconsolidated financial institutions in the form of common stock, non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock, and common equity tier 1 minority interest, tier 1 minority interest, and total capital minority interest exceeding the capital rules' minority interest limitations. Under the final rule, advanced approaches banking organizations continue to be subject to the transition provisions established by the capital rules for the above capital items. Therefore, for advanced approaches banking organizations, their transition schedule is unchanged, and advanced approaches banking organizations are required to apply the capital rules' fully phased-in treatment for these capital items beginning January 1, 2018.

05.16.2018 [Beneficial Ownership Requirements for Legal Entity Customers of Certain Financial Products and Services with Automatic Rollovers or Renewals](#). The Financial Crimes Enforcement Network (FinCEN) is issuing this ruling to provide a 90-day limited exceptive relief to covered financial institutions from the obligations of the Beneficial Ownership Requirements for Legal Entity Customers (31 CFR § 1010.230) (Beneficial Ownership Rule) with respect to certain financial products and services that automatically rollover or renew (i.e., certificate of deposit (CD) or loan accounts) and were established before the Beneficial Ownership Rule's Applicability Date, August 11, 2018. This exception begins, retroactively, on August 11, 2018, and will expire on August 9, 2018. During this time, FinCEN will determine whether and to what extent additional exceptive relief August be appropriate for such financial products and services that were established before August 11, 2018, but are expected to rollover or renew after such date.

06.01.2018 [Federal Mortgage Disclosure Requirements Under the Truth in Lending Act \(Regulation Z\)](#). The Bureau of Consumer Financial Protection (Bureau) is amending Federal mortgage disclosure requirements under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA) that are implemented in Regulation Z. The amendments relate to when a creditor August compare charges paid by or imposed on the consumer to amounts disclosed on a Closing Disclosure, instead of a Loan Estimate, to determine if an estimated closing cost was disclosed in good faith.

07.01.2018 [Availability of Funds and Collection of Checks](#) The Board is amending subparts A, C, and D of Regulation CC, Availability of Funds and Collection of Checks (12 CFR part 229), which implements the Expedited Funds Availability Act of 1987 (EFA Act), the Check Clearing for the 21st Century Act of 2003 (Check 21 Act), and the official staff commentary to the regulation.<sup>1</sup> In the final rule, the Board has modified the current check collection and return requirements to reflect the virtually all-electronic check collection and return environment and to encourage all depository banks to receive, and paying banks to send, returned checks electronically. The Board has retained, without change, the current same-day settlement rule for paper checks. The Board is

also applying Regulation CC's existing check warranties under subpart C to checks that are collected electronically, and in addition, has adopted new warranties and indemnities related to checks collected and returned electronically and to electronically-created items.

- 09.17.2018 [Amendment to the Annual Privacy Notice Requirement Under the Gramm-Leach-Bliley Act \(Regulation P\)](#). The Bureau of Consumer Financial Protection (Bureau) is amending Regulation P, which requires, among other things, that financial institutions provide an annual notice describing their privacy policies and practices to their customers. The amendment implements a December 2015 statutory amendment to the Gramm-Leach-Bliley Act providing an exception to this annual notice requirement for financial institutions that meet certain conditions.
- 10.01.2018 [TRID 2.0](#) The Consumer Financial Protection Bureau (CFPB) finalized updates to its “Know Before You Owe” mortgage disclosure rule with amendments that are intended to formalize guidance in the rule, and provide greater clarity and certainty. The changes will facilitate implementation of the Know Before You Owe rule by the mortgage industry. The CFPB is also releasing a limited follow-up proposal to address an additional implementation issue. While the amendments became effective 60 days after publication in the Federal Register, mandatory compliance with the amendments is not required until October 1, 2018.
- 04.01.2019 [Prepaid Accounts under the Electronic Fund Transfer Act \(Regulation E\) and the Truth In Lending Act \(Regulation Z\)](#). The CFPB is issuing this final rule to create comprehensive consumer protections for prepaid accounts under Regulation E, which implements the Electronic Fund Transfer Act; Regulation Z, which implements the Truth in Lending Act; and the official interpretations to those regulations. The final rule modifies general Regulation E requirements to create tailored provisions governing disclosures, limited liability and error resolution, and periodic statements, and adds new requirements regarding the posting of account agreements. Additionally, the final rule regulates overdraft credit features that August be offered in conjunction with prepaid accounts. Subject to certain exceptions, such credit features will be covered under Regulation Z where the credit feature is offered by the prepaid account issuer, its affiliate, or its business partner and credit can be accessed in the course of a transaction conducted with a prepaid card. For additional information, see the CFPB’s [prepaid rule implementation page](#).

## Common words, phrases, and acronyms

APOR	“Average Prime Offer Rates” are derived from average interest rates, points, and other pricing terms offered by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics.
CARD Act	<a href="#">Credit Card Accountability Responsibility and Disclosure Act of 2009</a>
CFPB	<a href="#">Consumer Financial Protection Bureau</a>
CFR	<a href="#">Code of Federal Regulations</a> . Codification of rules and regulations of federal agencies.
CRA	<a href="#">Community Reinvestment Act</a> . This Act is designed to encourage loans in all segments of communities.
CRE	Commercial Real Estate
CSBS	<a href="#">Conference of State Bank Supervisors</a>
CTR	<a href="#">Currency Transaction Report</a> . Filed for each deposit, withdrawal, exchange of currency that involves a transaction in currency of more than \$10,000.
Dodd-Frank Act	<a href="#">The Dodd–Frank Wall Street Reform and Consumer Protection Act</a>
DOJ	<a href="#">Department of Justice</a>
FDIC	<a href="#">Federal Deposit Insurance Corporation</a>

EFTA	<a href="#">Electronic Fund Transfer Act</a>
Federal bank regulatory agencies	FDIC, FRB, and OCC
Federal financial institution regulatory agencies	CFPB, FDIC, FRB, NCUA, and OCC
FEMA	<a href="#">Federal Emergency Management Agency</a>
FFIEC	<a href="#">Federal Financial Institutions Examination Council</a>
FHFA	<a href="#">Federal Housing Finance Agency</a>
FHA	<a href="#">Federal Housing Administration</a>
FinCEN	<a href="#">Financial Crime Enforcement Network</a>
FR	<a href="#">Federal Register</a> . U.S. government daily publication that contains proposed and final administrative regulations of federal agencies.
FRB, Fed or Federal Reserve	<a href="#">Federal Reserve Board</a>
FSOC	<a href="#">Financial Stability Oversight Council</a>
FTC	<a href="#">Federal Trade Commission</a>

GAO	<a href="#">Government Accountability Office</a>
HARP	<a href="#">Home Affordable Refinance Program</a>
HAMP	<a href="#">Home Affordable Modification Program</a>
HMDA	<a href="#">Home Mortgage Disclosure Act</a>
HOEPA	<a href="#">Home Ownership and Equity Protections Act of 1994</a>
HPML	<a href="#">Higher Priced Mortgage Loan</a>
HUD	<a href="#">U.S. Department of Housing and Urban Development</a>
IRS	<a href="#">Internal Revenue Service</a>
MLO	Mortgage Loan Originator
MOU	Memorandum of Understanding
NFIP	<a href="#">National Flood Insurance Program</a> . U.S. government program to allow the purchase of flood insurance from the government.
NMLS	<a href="#">National Mortgage Licensing System</a>
OCC	<a href="#">Office of the Comptroller of the Currency</a>
OFAC	<a href="#">Office of Foreign Asset Control</a>

OREO	<a href="#">Other Real Estate Owned</a>
QRM	Qualified Residential Mortgage
Reg. B	<a href="#">Equal Credit Opportunity</a>
Reg. C	<a href="#">Home Mortgage Disclosure</a>
Reg. DD	<a href="#">Truth in Savings</a>
Reg. E	<a href="#">Electronic Fund Transfers</a>
Reg. G	<a href="#">S.A.F.E. Mortgage Licensing Act</a>
Reg. P	<a href="#">Privacy of Consumer Financial Information</a>
Reg. X	<a href="#">Real Estate Settlement Procedures Act</a>
Reg. Z	<a href="#">Truth in Lending</a>
RESPA	<a href="#">Real Estate Settlement Procedures Act</a>
SAR	<a href="#">Suspicious Activity Report</a> – Report financial institutions file with the U.S. government (FinCEN) regarding activity that August be criminal in nature.
SDN	Specially Designated National
TILA	<a href="#">Truth in Lending Act</a>
TIN	Tax Identification Number
Treasury	<a href="#">U.S. Department of Treasury</a>

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