ICBND
INDEPENDENT COMMUNITY BANKS of NORTH DAKOTA

Capitol Comments

November 2019

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

"It was November. The month of crimson sunsets. Parting birds. Deep, sad hymns of the sea. Passionate wind songs to the pines." – Anne of Green Gables

Joint federal agency issuances, actions and news

Federal Bank Regulatory Agencies Issue Final Rule on Treatment of High Volatility Commercial Real Estate (11.19.2019)

Three federal bank regulatory agencies finalized a rule to modify the treatment of high volatility commercial real estate (HVCRE) exposures as required by the Economic Growth, Regulatory Relief, and Consumer Protection Act.

The final rule clarifies certain terms contained in the HVCRE exposure definition, generally consistent with their usage in the Call Report instructions. The final rule also clarifies the treatment of credit facilities that finance one- to four-family residential properties and the development of land, which is substantially similar to the proposal issued in July.

Additionally, in response to the comments, the final rule provides banking organizations with the option to maintain their current capital treatment for acquisition, development, or construction loans originated between January 1, 2015, and the effective date of the final rule, April 1, 2020.

Source link.

Comment: The final rule is aimed at simplifying HVCRE treatment.

Updated FFIEC IT Examination Handbook - Business Continuity Management Booklet (11.14.2019)

The Federal Financial Institutions Examination Council (FFIEC) issued the Business Continuity Management (BCM) booklet, which is part of the FFIEC Information Technology Examination Handbook. The booklet replaces the Business Continuity Planning booklet issued in February 2015.

Highlights:

- The BCM booklet describes principles and practices for managing business continuity. The booklet also helps examiners determine whether management adequately addresses risks related to the availability of critical financial products and services.
- The booklet also contains updated procedures to help examiners evaluate the adequacy of an entity's business continuity management program.
- The change from business continuity planning to business continuity management reflects the expanded role information technology (IT) plays in supporting business operations and meeting customer expectations.
- The booklet focuses on assessing an entity's resilience through an enterprise risk management (ERM) perspective that considers technology, business operations, communication strategies, training, testing, maintenance, and improvement — issues critical to business continuity. The degree of maturity, integration and documentation between the BCM and ERM processes should be assessed commensurate with the entity's size, complexity, and risk profile.
- The incorporation of industry principles and frameworks provides examiners with a durable means to assess business continuity management. The changes do not impose new requirements on examined entities.

Source link.

Comment: As the booklet now makes clear, business continuity focuses on more than just the planning process to recover operations after an event and also includes the continued maintenance of systems and controls. The Business Continuity Management booklet is part of the FFIEC Information Technology Examination Handbook (IT Handbook) and replaces the Business Continuity Planning booklet issued in February 2015. Don't overlook the importance of vendors' business continuity management as well.

Banker Webinar: Community Bank Leverage Ratio Framework (11.08.2019)

The FDIC, the Office of the Comptroller of the Currency (OCC), and the Board of Governors of the Federal Reserve System (FRB) will host an interagency webinar on November 21, 2019, from 2:00 p.m. to 3:30 p.m. Eastern Time to discuss the community bank leverage ratio (CBLR).

Highlights:

- The FDIC, the OCC, and the FRB will host an interagency webinar on Thursday, November 21, 2019, from 2:00 p.m. to 3:30 p.m. ET to address the optional CBLR framework.
- Participants can join the webinar event using the following link: https://www.mymeetings.com/nc/join.php?i=PWXW9687895&p=8722196&t=c.
- Participants may dial in to the webinar by calling 800-619-3328 and using participant passcode 8722196.
- Participants are asked to join the webinar 20 minutes before it begins.
- A question–and–answer session will follow the presentation. We encourage participants to submit questions via email before the webinar to regulatorycapital@fdic.gov or during the webinar to rac@fdic.gov.
- Conference slides and a webinar broadcast will be available after the webinar on the FDIC's regulatory capital website.
- A community bank compliance guide is available at the following link: Community Bank Guide.

Source link.

Comment: While the webinar happens on the same day this edition of Capitol Comments is published, it is available for viewing after at a later date.

Proposed Regulatory Reporting Revisions (11.06.2019)

The banking agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), have issued the attached Federal Register notice requesting comment on proposed capital-related reporting changes and other reporting revisions. These proposed changes and revisions apply to the Consolidated Reports of Condition and Income (Call Report) and to the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101). Institutions are encouraged to comment on the proposal by December 3, 2019.

Highlights:

- The proposed reporting revisions would affect all three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051), as applicable, as well as the FFIEC 101 regulatory capital report, which is applicable to a limited number of institutions.
- The proposed capital-related changes to the Call Report and the FFIEC 101 report would implement various changes to the agencies' capital rule, including the capital simplifications rule and the community bank leverage ratio rule that have been finalized by the agencies. These reporting changes would take effect the same quarters as the effective dates of the various currently final or potentially final capital rules.
- Other proposed Call Report revisions include:
- A change in the scope of the FFIEC 031 and an instructional revision affecting the reporting of a lessee's operating lease liabilities on the balance sheet, which would be implemented March 31, 2020; and
- An instructional clarification addressing home equity lines of credit that convert from revolving to non-revolving status, which would take effect March 31, 2021.
- Redlined copies of the FFIEC report forms showing the proposed revisions are available on the FFIEC's Reporting Forms webpage for each report form. Redlined draft revisions to the instructions for these reports soon will be available on these webpages.
- Institutions should review interagency FIL-68-2019 for further information about the agencies' regulatory reporting proposals.
- This FIL expires one year after issuance.

Source link.

Revised Effective Date for Simplifications to the Capital Rule (11.04.2019)

The Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency and the Federal Reserve Board (the agencies) jointly issued a final rule that permits insured depository institutions and depository institution holding companies to implement the simplifications to the capital rule on January 1, 2020, rather than April 1, 2020. These banking organizations may elect to use the revised effective date of January 1, 2020, or wait until the quarter beginning April 1, 2020.

Highlights:

- On July 22, 2019, the agencies issued a final rule titled Regulatory Capital: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (simplifications rule), which simplified the regulatory capital treatment for mortgage servicing assets, certain deferred tax assets arising from temporary differences, investments in the capital of unconsolidated financial institutions, and the calculation of minority interest. These provisions in the simplifications rule were effective as April 1, 2020.
- Under the effective date revision in this final rule, non-advanced approaches banking organizations may implement the simplification rule beginning on January 1, 2020. Non-advanced approaches banking organizations must implement these changes by April 1, 2020.
- Non-advanced approaches banking organizations can implement the simplified capital treatment in the simplifications rule by completing their Call Report for the first quarter or second quarter of 2020, as applicable under this final rule.
- The transition provisions to the regulatory capital rules issued by the agencies in November 2017 will cease to apply to non-advanced approaches banking organizations in the quarter in which the banking organization adopts the simplifications rule.
- The simplifications rule is also applicable to non-advanced approaches banking organizations that qualify and elect to use the community bank leverage ratio framework.

Source link.

Comment: This final rule makes technical amendments to the effective date of the CBLR framework final rule announced below.

Community Bank Leverage Ratio Framework (11.04.2019)

The federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework, for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule will be effective on January 1, 2020.

Highlights:

- The community bank leverage ratio (CBLR) final rule will be effective on January 1, 2020, and will allow qualifying community banking organizations to calculate a leverage ratio to measure capital adequacy. Banks opting into the CBLR framework (CBLR banks) will not be required to calculate or report risk-based capital.
- A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. It also cannot be an advanced approaches institution.
- The final rule adopts tier 1 capital and the existing leverage ratio into the community bank leverage ratio framework. The tier 1 numerator takes into account the modifications made in relation to the capital simplifications and current expected credit losses methodology (CECL) transitions rules as of the compliance dates of those rules.

- A CBLR bank will not be subject to other capital and leverage requirements. It will be deemed to have met the "well capitalized" ratio requirements and be in compliance with the generally applicable capital rule.
- A CBLR bank that ceases to meet any qualifying criteria in a future period and that has a leverage ratio greater than 8% will be allowed a grace period of two reporting periods to satisfy the CBLR qualifying criteria or comply with the generally applicable capital requirements.
- A CBLR may opt out of the framework at any time, without restriction, by reverting to the generally applicable risk-based capital rule.
- A community bank compliance guide is available at the following link: CBLR Community Bank Guide.

Source link.

Comment: Banks with $1 billion and under in assets can opt in to CBLR. This framework implements S. 2155 and should provide some regulatory burden relief. This rule simplifies regulatory capital requirements for mortgage servicing assets, certain deferred tax assets, investments in the capital of unconsolidated financial institutions and calculations related to capital held by third parties, as well as makes other technical changes. Remember that it is not mandatory but rather permissive. This webinar is a good opportunity to develop your understanding of the framework and decide whether to use it. Consider tuning in to the webinar on CBLR described earlier in this bulletin!

Agencies Announce Dollar Thresholds in Regulations Z and M for Exempt Consumer Credit and Lease Transactions (10.31.2019)

The Consumer Financial Protection Bureau (Bureau) and Federal Reserve Board announced the dollar thresholds in Regulation Z (Truth in Lending) and Regulation M (Consumer Leasing) that will apply for determining exempt consumer credit and lease transactions in 2020. These thresholds are set pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amendments to the Truth in Lending Act and the Consumer Leasing Act that require adjusting these thresholds annually based on the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). If there is no annual percentage increase in the CPI-W, the Federal Reserve Board and the Bureau will not adjust this exemption threshold from the prior year. However, in years following a year in which the exemption threshold was not adjusted, the threshold is calculated by applying the annual percentage change in CPI-W to the dollar amount that would have resulted, after rounding, if the decreases and any subsequent increases in the CPI-W had been taken into account. Transactions at or below the thresholds are subject to the protections of the regulations.

Based on the annual percentage increase in the CPI-W as of June 1, 2019, the protections of the Truth in Lending Act and the Consumer Leasing Act generally will apply to consumer credit transactions and consumer leases of $58,300 or less in 2020. However, private education loans and loans secured by real property (such as mortgages) are subject to the Truth in Lending Act regardless of the amount of the loan.

Although the Dodd-Frank Act generally transferred rulemaking authority under the Truth in Lending Act and the Consumer Leasing Act to the Bureau, the Federal Reserve Board retains authority to issue rules for certain motor vehicle dealers. Therefore, the agencies are issuing these notices jointly.

Source link.

Comment: This is an annual adjustment. Update your Reg Z and Reg M procedures for the increased threshold.

Agencies Announce Threshold for Smaller Loan Exemption from Appraisal Requirements for Higher-Priced Mortgage Loans (10.31.2019)

The Consumer Financial Protection Bureau, Federal Reserve Board, and Office of the Comptroller of the Currency announced that the threshold for exempting loans from special appraisal requirements for higher-priced mortgage loans during 2020 will increase from $26,700 to $27,200.

The threshold amount will be effective January 1, 2020, and is based on the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) as of June 1, 2019.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 amended the Truth in Lending Act to add special appraisal requirements for higher-priced mortgage loans, including a requirement that creditors obtain a written appraisal based on a physical visit to the home's interior before making a higher-priced mortgage loan. The rules implementing these requirements contain an exemption for loans of $25,000 or less and also provide that the exemption threshold will be adjusted annually to reflect increases in the CPI-W. If there is no annual percentage increase in the CPI-W, the agencies will not adjust this exemption threshold from the prior year. However, in years following a year in which the exemption threshold was not adjusted, the threshold is calculated by applying the annual percentage change in CPI-W to the dollar amount that would have resulted, after rounding, if the decreases and any subsequent increases in the CPI-W had been taken into account.

Source link.

Comment: This is another threshold adjustment for Reg Z. Again, update your procedures for the increased threshold.

CFPB actions and news

CFPB Issues Interpretive Rule on Regulation Z Screening and Training Requirements for Mortgage Loan Originators with Temporary Authority (11.15.2019)

The Bureau issued an interpretive rule that clarified the 2013 Loan Originator rule does not require loan originator organizations to comply with certain screening and training requirements if the individual loan originator is authorized to act as a loan originator with temporary authority under the SAFE Act. The Bureau also updated the Loan Originator Rule Small Entity Compliance Guide to include reference to the interpretive rule.

You can access the interpretive rule here: https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/regulation-z-truth-lending-screening-and-training-requirements-loan-originators/

You can access the updated Loan Originator Rule Small Entity Compliance Guide here: https://www.consumerfinance.gov/policy-compliance/guidance/loan-originator-rule/

Source link.

Comment: This rule implements changes from S. 2155.

Financial Well-Being by State (11.13.2019)

The bureau releasing the first state-by-state report on the financial well-being of adults in the United States, as measured by the CFPB Financial Well-Being Scale. The report is based on public data from the Financial Industry Regulatory Authority Investor Education Foundation (FINRA Foundation) 2018 National Financial Capability Study State-by-State Survey (NFCS). The report highlights important patterns found in the distribution of scores by state and age group.

Read the report and learn more about the financial well-being of older adults in each state.

Source link.

Comment: Of note in the report, just over 35 percent of Texans say they could come up with $2,000 and only 87.5 percent are banked.

FDIC actions and news

FDIC Proposes New Rule Clarifying Federal Interest Rate Authority - Proposal to Address Marketplace Uncertainty Following 2015 Court Opinion (11.19.2019)

WASHINGTON – The Federal Deposit Insurance Corporation's Board of Directors is proposing a new rule to clarify the Federal law governing interest rates state banks may charge their customers. The FDIC's proposal is intended to address marketplace uncertainty in the wake of a 2015 court ruling that called into question the enforceability of interest rate terms following the sale or assignment of a loan originated by a national bank to a third-party non-bank.

The FDIC's proposal would codify legal guidance the agency has relied upon for more than 20 years regarding interest rates that may be charged by State-chartered banks and insured branches of foreign banks. The guidance, which is consistent with decades of case law, provides that a permissible interest rate on a loan, as permitted by the law where the bank is located, would not be affected by subsequent events, such as a change in State law, a change in the relevant commercial paper rate, or the sale/assignment/transfer of the loan. However, in 2015 the U.S. Court of Appeals for the Second Circuit ruled in Madden v. Midland Funding, LLC that federal interest rate authority does not apply following the sale or assignment of a loan to a non-bank, which created uncertainty regarding the enforceability of loans originated and sold by State banks.

Although the proposal does not address which entity is the "true lender" when a state bank makes a loan and assigns it to a third party, the proposal states that the FDIC views unfavorably entities that partner with a State bank with the sole goal of evading a lower interest rate established under the law of the entity's licensing state.

The FDIC is soliciting public comment on the proposal, which implements sections 27 and 24(j) of the Federal Deposit Insurance Act and seeks to reaffirm and codify this 'valid-when-made' doctrine.

Attachments:

Fact Sheet

FDIC's Notice of Proposed Rulemaking

FDIC Chairman Jelena McWilliams' statement

Source link.

Comment: This proposed rule is in alignment with the OCC proposed rule to clarify the 'Valid-When-Made' Doctrine.

FDIC Releases Three Reports Analyzing Growth of Nonbank Lending - Decades-Long Shifts Reported in Corporate and Mortgage Loans Between Banks and Nonbanks (11.14.2019)

WASHINGTON – The Federal Deposit Insurance Corporation (FDIC) released a multi-part analysis of changes in the U.S. banking system since the 1950s, especially changes occurring since the financial crisis in 2008. These analyses address the shift in some lending from banks to nonbanks; how corporate borrowing has moved between banks and capital markets; and the migration of some home mortgage origination and servicing from banks to nonbanks.

FDIC's reports will be published in the next edition of FDIC Quarterly. They include:

Bank and Nonbank Lending Over the Past 70 Years — Total lending in the U.S. has grown dramatically in the past 70 years and, since the 1970s, the share of bank loans has generally fallen as nonbanks gained market share in residential mortgage and corporate lending. In other business lines, shifts in loan holdings from banks to nonbanks have been less pronounced as banks and nonbanks continue to play important roles in lending for commercial real estate, agricultural loans, and consumer credit. Studying the roles that banks and nonbanks play in lending markets allows for a better understanding of how banks respond to growth in nonbank lending and the implications of associated risks for the banking sector and the broader economy.

Leveraged Lending and Corporate Borrowing: Increased Reliance on Capital Markets, With Important Bank Links — Over the past decade, U.S. nonfinancial corporate debt reached record highs as issuance of corporate bonds and leveraged loans grew rapidly while credit quality and lender protections deteriorated. Much of this growth in corporate borrowing came through capital markets, though important connections to the banking system remain. This article examines this shift in corporate borrowing to capital markets over the past several decades. It also details the ways corporate debt has grown, the resulting risks this shift poses to banks since the 2008 financial crisis, and what factors could mitigate those risks.

Trends in Mortgage Origination and Servicing: Nonbanks in the Post-Crisis Period — The mortgage market changed notably after the collapse of the U.S. housing market in 2007 and the financial crisis that followed. A substantive share of mortgage origination and servicing, and some of the risk associated with these activities, migrated outside of the banking system. Some risk remains with banks or could be transmitted to banks through other channels, including bank lending to nonbank mortgage lenders and servicers. Changing mortgage market dynamics and new risks and uncertainties warrant investigation of potential implications for systemic risk.

Source link.

Comment: So, arguably the Dodd Frank Act, designed to address the shadow banking concerns, has actually shifted more mortgage origination and servicing away from banks.

FDIC Consumer News: Banking at the Speed of Technology (10.29.2019)

Follow these tips to help ensure your money stays secure

Millions of people today use mobile devices to manage their finances, and the number of users continues to grow. Why? Mobile banking technology and services provide so much convenience. You can access your account from just about anywhere using a smartphone or mobile computer device today. As demand grows, the banking industry strives to improve online services while keeping customers' funds safe.

Source link.

Comment: While the speed of technological change in the financial world is only getting faster, the agencies' efforts to update and revise rules in light of those changes remains suspect.

Request for Information on the Use of the Uniform Financial Institutions Rating System (10.23.2019)

The Federal Deposit Insurance Corporation and the Federal Reserve Board are seeking information and comments from interested parties regarding the consistency of ratings assigned by the agencies under the Uniform Financial Institutions Rating System (more commonly known as CAMELS ratings). The agencies also are interested in receiving feedback concerning the current use of CAMELS ratings by the agencies in their bank application and enforcement action processes. The agencies will be accepting comments for 60 days.

Statement of Applicability to Institutions with Total Assets under $1 Billion: This Financial Institution Letter announces a request for information from any FDIC-supervised institution and the public.

Highlights:

- The agencies assign CAMELS ratings to each supervised insured depository institution through examinations and ongoing monitoring processes as part of their supervision program.
- The CAMELS rating system aids in consistently identifying problem institutions and the agencies are interested in comments regarding this consistency.
- The CAMELS ratings have certain supervisory implications for insured depository institutions and are taken into consideration when evaluating an institution's application and notice filings (collectively considered filings) and when determining the need for formal enforcement action.
- This request for information is not a proposal to modify the CAMELS ratings definitions, which were issued through the Federal Financial Institutions Examination Council.
- Given confidentiality requirements applicable to financial institutions' CAMELS ratings and other report of examination findings and conclusions, the agencies realize there are limitations on responses regarding the consistency of how CAMELS ratings are assigned. The agencies, however, welcome general comments that do not breach these confidentiality requirements.
- Comments on the Request for Information will be accepted for 60 days after publication in the Federal Register.

Source link.

Comment: As noted, this request for comment is not about making any changes to the current CAMELS rating system.

Announcing FDICconnect's Enterprise File Exchange (EFX) - Replacement for FDICconnect's Examination File Exchange (EFE) (10.21.2019)

On September 30, 2019, the Federal Deposit Insurance Corporation (FDIC) launched the new Enterprise File Exchange (EFX) module through FDICconnect. EFX is a secure application for FDIC-insured institutions to exchange examination-related documentation with the FDIC and State banking authorities.

Highlights:

- On September 30, 2019, FDICconnect-Enterprise File Exchange (EFX) replaced FDICconnect-Examination File Exchange (EFE) as the primary tool for exchanging examination-related documentation.
- EFX will be used for all examination planning activities that commence on or after September 30, 2019.
- EFE will remain available for ongoing examinations until approximately April 1, 2020.
- FDICconnect-EFX features include:
- Expanded file transfer capabilities, including the ability to upload multiple files and folders simultaneously
- Modernized drag and drop feature for file/folder uploads
- Updated file management functionality, including the ability to resume a failed/interrupted file transfer
- Enhanced permission and audit capabilities
- Improved file transfer performance and speed
- Expanded ability to accept larger files (up to 50 GB)
- Modernized user interface

Source link.

OCC actions and news

OCC Proposes Rule to Clarify "Valid-When-Made" Doctrine (11.18.2019)

WASHINGTON—The Office of the Comptroller of the Currency (OCC) is soliciting comments on a proposed rule to clarify that when a national bank or savings association sells, assigns, or otherwise transfers a loan, interest permissible prior to the transfer continues to be permissible following the transfer.

This proposal will address confusion about the effect of a transfer on a loan's valid interest rate, including confusion resulting from a recent decision from the U.S. Court of Appeals for the Second Circuit (Madden v. Midland Funding, LLC).

The proposed rule would apply to all national banks and state and federal savings associations. Comments will be accepted for 60 days after publication in the Federal Register. The Federal Deposit Insurance Corporation is also issuing a proposal that would address this issue.

Source link.

Comment: The 'valid-when-made' doctrine holds that a loan's interest rate will remain legal as long as it was legal when the loan was made, regardless of who ends up holding the loan later on. There is likely to be significant consumer advocate opposition to this rule as it appears designed to potentially facilitate some payday lending programs.

Kevin Greenfield Named Deputy Comptroller for Operational Risk (11.07.2019)

WASHINGTON—The Office of the Comptroller of the Currency (OCC) announced Kevin Greenfield would become the agency's Deputy Comptroller for Operational Risk.

In this role, Mr. Greenfield will oversee development of policy and examination procedures addressing operational risk, bank information technology, cybersecurity, critical infrastructure resilience, payments systems, and corporate and risk governance. He will take on these new duties this month.

"Kevin is a top-notch professional with deep experience in understanding and assessing banks' ability to manage the operational risks they face," said Comptroller of the Currency Joseph Otting. "The agency and the federal banking system are fortunate to have someone with his background and expertise in this important role."

Mr. Greenfield previously served as the OCC's Director for Bank Information Technology for the Operational Risk Division where he managed a team responsible for developing, communicating, and interpreting policies for the OCC's supervision of technology operations at financial institutions. He represented the OCC on several interagency groups that focus on coordination and development of information technology risk management supervisory guidance for topics such as information security, resiliency, technology operations, corporate governance, and independent risk management.

Prior to being named Director for Bank Information Technology in 2014, Mr. Greenfield spent 14 years with the OCC's Large Bank Supervision where he examined large and complex technology operations at several of the largest U.S. financial institutions. In this role, he held various technology supervision roles at large financial institutions based in Pittsburgh, Charlotte, and New York City.

Mr. Greenfield is a graduate of the University of Dayton and holds the Certified Information Systems Auditor (CISA) professional certification.

Mr. Greenfield is filling a vacancy created when the previous Deputy Comptroller for Operational Risk Beth Dugan became a Deputy Comptroller for Large Bank Supervision.

Source link.

Other federal action and news

Veterans, Servicemembers, and Fraud: by the Numbers (11.18.2019)

When people report scams to the FTC, we learn a lot about how they experience fraud. These fraud reports are important for law enforcement and education efforts. And, as more and more people report fraud, the data can tell a more detailed story about specific groups of people. One example is recent data showing some differences between military consumers – both veterans and active duty – and civilians.

Since 2015, the FTC has gotten 163,000 fraud reports from military retirees and veterans; nearly 13,000 from active duty servicemembers; and three million from civilians. Of these fraud reports, 12% of retirees and veterans reported a financial loss from the fraud – lower than the 16% of active duty servicemembers reporting a loss and the 14% of civilians who reported a loss.

Source link.

FinCEN Reissues Real Estate Geographic Targeting Orders for 12 Metropolitan Areas (11.08.2019)

WASHINGTON—The Financial Crimes Enforcement Network (FinCEN) announced the renewal of its Geographic Targeting Orders (GTOs) that require U.S. title insurance companies to identify the natural persons behind shell companies used in all-cash purchases of residential real estate. The purchase amount threshold remains $300,000 for each covered metropolitan area.

These renewed GTOs will be identical to the May 2019 GTOs with one modification: the new GTOs will not require reporting for purchases made by legal entities that are U.S. publicly-traded companies. Real estate purchases by such entities are identifiable through other business filings.

The terms of this Order are effective beginning November 12, 2019 and ending on May 9, 2020. GTOs continue to provide valuable data on the purchase of residential real estate by persons possibly involved in various illicit enterprises. Reissuing the GTOs will further assist in tracking illicit funds and other criminal or illicit activity, as well as inform FinCEN's future regulatory efforts in this sector.

Today's GTOs cover certain counties within the following major U.S. metropolitan areas: Boston; Chicago; Dallas-Fort Worth; Honolulu; Las Vegas; Los Angeles; Miami; New York City; San Antonio; San Diego; San Francisco; and Seattle.

FinCEN appreciates the continued assistance and cooperation of the title insurance companies and the American Land Title Association in protecting the real estate markets from abuse by illicit actors.

Any questions about the Orders should be directed to the FinCEN Resource Center at FRC@FinCEN.gov.

A copy of the GTO is available here.

Frequently asked questions regarding these GTOs are available here.

Source link.

Comment: While this is directed at title companies, it is reflective of overall risks of money laundering in those geographic areas.

State Regulators Support the Federal Reserve Creating and Operating FedNow (11.07.2019)

State regulators support the Federal Reserve Board's decision to develop a new faster payments system called FedNow service. This service will provide the infrastructure needed to achieve ubiquitous, safe and efficient faster payments in the United States, the CSBS wrote in a comment letter.

In the letter, CSBS covered:

- Its broad and longstanding support of the Fed's role in operating U.S. payment systems.
- How the Fed's unique capabilities will ensure equitable and ubiquitous access to faster payments services, such as the ability to reach and coordinate with the over 10,000 financial institutions in the US.
- State regulators' support for limiting direct access to Federal Reserve services to depository institutions.
- Issues that the Fed should study as it implements and operates FedNow, including its effect on the composition of the banking industry.

Source link.

Comment: The Fed has previously indicated that the development could take five years. It appears that this program may be on a faster – and much needed – track!

CSBS Podcast - #13 - Reengineering Nonbank Supervision (11.07.2019)

Our guest for this podcast is Chuck Cross. He is CSBS senior vice president of nonbank supervision and consumer protection. A former state regulator from Washington State, Chuck also was part of the team that stood up the Consumer Finance Protection Bureau after it was created by Congress.

For the past few years, Chuck and his team have been focused on one really big issue: the rise of nonbanks in financial services and what that means for regulators, policymakers and consumers.

Since the financial crisis, consumers have been turning to nonbanks for valuable financial services. For instance, nonbanks now originate roughly two-thirds of all home loans in the United States. It is safe to say that, without nonbanks, millions of homebuyers would not have received as favorable terms for a mortgage or perhaps a mortgage at all.

At the same time, compared to depositories, nonbanks present different kinds of risk that regulators have to supervise and protect consumers. Compared to depositories, nonbanks rely more on third parties for liquidity, hold lower operating capital, and lack asset diversification.

Source link.

Comment: On a related note, a federal judge ruled that the OCC lacks the authority to grant bank charters to nonbanks that are ineligible for deposit insurance, a setback for the OCC's efforts to establish a special-purpose bank charter for fintech companies.

USDA Establishes Domestic Hemp Production Program (10.29.2019)

U.S. Secretary of Agriculture Sonny Perdue announced the establishment of the U.S. Domestic Hemp Production Program. This program, as required by the 2018 Farm Bill, creates a consistent regulatory framework around hemp production throughout the United States.

"At USDA, we are always excited when there are new economic opportunities for our farmers, and we hope the ability to grow hemp will pave the way for new products and markets," said Secretary Perdue. "We have had teams operating with all hands-on-deck to develop a regulatory framework that meets Congressional intent while seeking to provide a fair, consistent, and science-based process for states, tribes, and individual producers who want to participate in this program."

The interim final rule becomes effective upon publication in the Federal Register. Following publication, USDA invites public comment on the interim rule and the information collection burden. The interim final rule is posted on USDA's website.

USDA also developed guidelines for sampling and testing procedures that are being issued concurrently with this rule. These documents provide additional information for sampling agents and hemp testing laboratories.

More information about the provisions of the interim final rule is available on the U.S. Domestic Hemp Production Program web page on the Agricultural Marketing Service (AMS) website.

Once state and tribal plans are in place, hemp producers will be eligible for a number of USDA programs, including insurance coverage through Whole-Farm Revenue Protection. For information on available programs, visit farmers.gov/hemp.

Source link.

Comment: While the interim final rule is effective immediately, comments are open for 60 days. States that have legalized hemp production and want to have primary regulatory authority over the production of hemp may submit a plan concerning the monitoring and regulation of hemp production for USDA approval. State plans must detail procedures and testing for Delta-9 tetrahydrocannabinol (THC), the chemical that produces intoxication in marijuana. Once USDA formally receives a plan from a state, it would have 60 days under the rule to approve or reject it.

FTC - Scams and Older Consumers: Looking at the Data (10.23.2019)

The FTC just sent a report to Congress called Protecting Older Consumers 2018-2019. The report suggests steps to take to help protect older consumers from fraud. But the evidence also shows a thing or two everyone else can learn from them. Check out the sometimes surprising findings in this year's report.

Older adults were the least likely of any age group to report losing money to scams. The overwhelming majority of fraud reports filed with the FTC's Consumer Sentinel Network by people 60+ didn't indicate any monetary loss. What's more, consumers in that age group spotted fraud and reported it before losing any money at nearly twice the rate of people between 20 and 59.

Source link.

Comment: Good news for folks concerned about elder financial fraud! However, it also means that there is a need for good financial literacy programs for younger customers.

Publications, articles, reports, studies, testimony & speeches

Industrial Production and Capacity Utilization - G.17 (11.15.2019)

Industrial production fell 0.8 percent in October after declining 0.3 percent in September. Manufacturing production decreased 0.6 percent in October. Much of this decline was due to a drop of 7.1 percent in the output of motor vehicles and parts that resulted from a strike at a major manufacturer of motor vehicles. The decreases for total industrial production, manufacturing, and motor vehicles and parts were their largest since May 2018, April 2019, and January 2019, respectively.

Excluding motor vehicles and parts, the index for total industrial production moved down 0.5 percent, and the index for manufacturing edged down 0.1 percent. Mining production decreased 0.7 percent, while utilities output fell 2.6 percent.

At 108.7 percent of its 2012 average, total industrial production was 1.1 percent lower in October than it was a year earlier. Capacity utilization for the industrial sector decreased 0.8 percentage point in October to 76.7 percent, a rate that is 3.1 percentage points below its long-run (1972–2018) average.

Source link.

What's Up (or Not Up) with Wages? (11.12.2019)

Recent commentary has suggested that slack may remain in the labor market because of restrained wage growth. Our analysis suggests that recent wage gains are, instead, consistent with what we view as a tight labor market.

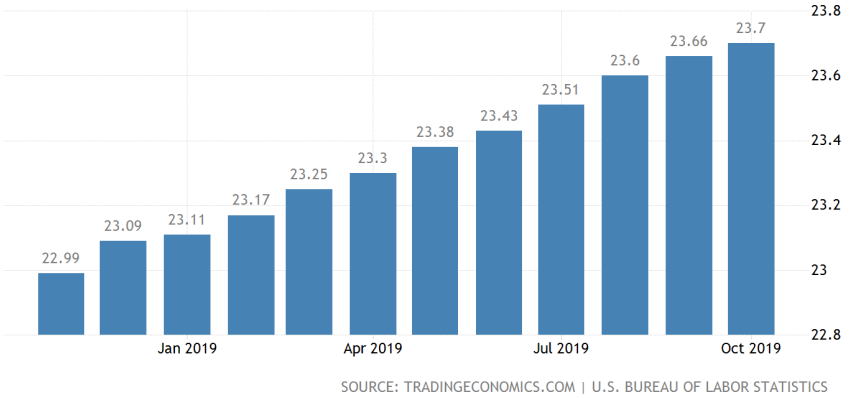
We estimate a wage-inflation Phillips curve model—this Phillips curve depicts the inverse relationship between unemployment and wage growth rates—to understand wage growth over the business cycle. In particular, this model relates nominal wage growth to long-term inflation expectations and the "unemployment gap."

The unemployment gap is the difference between the actual unemployment rate and the natural rate of unemployment and is used to capture cyclical factors affecting wage growth. The natural rate is the unemployment rate that would prevail in a "neutral" labor market, one without the highs and lows of the business cycle.

A negative unemployment gap (when the unemployment rate is below the natural rate) is expected to exert upward pressure on wage growth and vice-versa. We convert nominal wage growth into real (inflation-adjusted) wage growth by subtracting a measure of long-run inflation expectations—10-year personal consumption expenditures (PCE) inflation expectations.

Source link.

Comment: Wages in the United States increased to $23.70 USD an hour in October from $23.66 USD an hour in September of 2019.



The Federal Reserve's Review of Its Monetary Policy Strategy, Tools, and Communication Practices

Vice Chair Richard H. Clarida (11.14.2019)

I am delighted to be at the Cato Institute today to participate in your annual monetary conference. The last time I had the privilege of speaking at this conference was in 2004. This year's conference, "Fed Policy: A Shadow Review," takes up the Federal Reserve's 2019 review of our monetary policy strategy, tools, and communication practices. This topic is, of course, timely and one to which I and others have devoted much thought over the past year.

Motivation for the Review

Although I will have more to say about the review in a moment, let me state at the outset that we believe our existing framework, which has been in place since 2012, has served us well and has enabled us to achieve and sustain our statutorily assigned goals of maximum employment and price stability. However, we also believe now is a good time to step back and assess whether, and in what possible ways, we can refine our strategy, tools, and communication practices to achieve and maintain our goals as consistently and robustly as possible.

With the U.S. economy operating at or close to maximum employment and price stability, now is an especially opportune time to conduct this review. The unemployment rate is near a 50-year low, and inflation is running close to our 2 percent objective. With this review, we hope to ensure that we are well positioned to continue to meet our statutory goals in coming years.

The U.S. and foreign economies have changed in some important ways since the Global Financial Crisis. Perhaps most significantly, neutral interest rates appear to have fallen in the United States. A fall in neutral rates increases the likelihood that a central bank's policy rate will hit its effective lower bound (ELB) in future economic downturns. That development, in turn, could make it more difficult during downturns for monetary policy to support spending and employment and to keep inflation from falling too far below the central bank's objective—2 percent in the case of the Federal Reserve.

Source link.

The Economic Outlook - Chair Jerome H. Powell (11.13.2019)

Chairman Lee, Vice Chair Maloney, and members of the Committee, I appreciate the opportunity to testify before you today. Let me start by saying that my colleagues and I strongly support the goals of maximum employment and price stability that Congress has set for monetary policy. We are committed to providing clear explanations about our policies and actions. Congress has given us an important degree of independence so

that we can effectively pursue our statutory goals based on facts and objective analysis. We appreciate that our independence brings with it an obligation for transparency and accountability. Today I will discuss the outlook for the economy and monetary policy.

The Economic Outlook

The U.S. economy is now in the 11th year of this expansion, and the baseline outlook remains favorable. Gross domestic product increased at an annual pace of 1.9 percent in the third quarter of this year after rising at around a 2.5 percent rate last year and in the first half of this year. The moderate third-quarter reading is partly due to the transitory effect of the United Auto Workers strike at General Motors. But it also reflects weakness in business investment, which is being restrained by sluggish growth abroad and trade developments. These factors have also weighed on exports and manufacturing this year. In contrast, household consumption has continued to rise solidly, supported by a healthy job market, rising incomes, and favorable levels of consumer confidence. And reflecting the decline in mortgage rates since late 2018, residential investment turned up in the third quarter following an extended period of weakness.

Source link.

The Growth and Challenges of Cyber Insurance (11.12.2019)

Cyberattacks have grown in frequency and cost over the past decade, with high-profile cases, such as the 2013 Target data breach, the 2017 Equifax data breach, and the leak of Democratic National Committee emails during the 2016 election making national headlines. Ransomware attacks, intellectual property theft, and fraud cost companies billions in recovery expenses, fines, and lost revenues every year. More firms are purchasing cyber insurance as a way to cover losses and expenses resulting from cyber incidents.

However, cyber insurance alone is not a panacea, and even firms that have cyber insurance may not be as protected as they think. Unlike traditional lines of business such as private auto insurance, where standardized policies provide liability or collision coverage, cyber insurance policy language is not standardized. The types of risks covered under cyber insurance vary significantly across policies and businesses, and insurers do not always agree on what loss events are covered under those policies. The features of cyber events, including a limited loss history, the unreliability of past data when predicting future events, and the possibility of a large-scale attack where losses are highly correlated across companies and/or industries, make it difficult to write comprehensive policies. In this Chicago Fed Letter, we examine the extent to which cyber insurance can help protect businesses and the wider economy from the costs of cyberattacks and how institutional factors and legal uncertainties may obstruct the development of this market.

Source link.

Comment: A cyber insurance policy, also referred to as cyber risk insurance or cyber liability insurance coverage (CLIC), is designed to help an organization mitigate risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event.

Why Climate Change Matters for Monetary Policy and Financial Stability - Governor Lael Brainard (11.08.2019)

I want to thank my colleagues at the Federal Reserve Bank of San Francisco, especially Mary Daly, Galina Hale, Òscar Jordà, and Glenn Rudebusch, for organizing this research conference. The presentations today provide

important insights into the many important ways climate-related risks may affect our financial system and broader economy.

Similar to many areas around the country, we need not look far from here to see the potentially devastating effects of our changing climate. Less than a hundred miles from here, families have lost their homes and businesses, and entire communities have been devastated by the Kincade fire. Some have described PG&E's bankruptcy as the first climate change bankruptcy. Some insurers have discontinued policies in fire-prone areas, which, in turn, is changing the costs of homeownership and the risk profiles of previously underwritten mortgages. Yet we can also see not far from here the promise of green innovation.

The Federal Reserve's Responsibilities

So how does climate change fit into the work of the Federal Reserve? To support a strong economy and a stable financial system, the Federal Reserve needs to analyze and adapt to important changes to the economy and financial system. This is no less true for climate change than it was for globalization or the information technology revolution.

Climate change is projected to increase the frequency and intensity of extreme weather events, raise average temperatures, and cause sea levels to rise. Climate risks are projected to have profound effects on the U.S. economy and financial system. To fulfill our core responsibilities, it will be important for the Federal Reserve to study the implications of climate change for the economy and the financial system and to adapt our work accordingly. Congress has assigned the Federal Reserve specific responsibilities in monetary policy, financial stability, financial regulation and supervision, community and consumer affairs, and payments. Climate risks may touch each of these.

Source link.

Comment: Climate-induced financial instability reinforces the growth-reducing effects of climate change.

Consumer Credit - G.19 (11.07.2019)

September 2019

Consumer credit increased at a seasonally adjusted annual rate of 5 percent during the third quarter. Revolving credit increased at an annual rate of 2-1/4 percent, while nonrevolving credit increased at an annual rate of 6 percent. In September, consumer credit increased at an annual rate of 2-3/4 percent.

Source link.

Selected federal rules – proposed

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

PROPOSED DATE	SUMMARY OF PROPOSED RULE
07.25.2019	Request for Public Comment on the Federal Trade Commission's Implementation of the Children's Online Privacy Protection Rule - The Federal Trade Commission ("FTC" or "Commission") requests public comment on its implementation of the Children's Online Privacy Protection Act ("COPPA" or "the Act"), through the Children's Online Privacy Protection Rule ("COPPA Rule" or "the Rule"). DATES: Written comments must be received on or before October 23, 2019. The Commission will hold a

public workshop to review the COPPA Rule on October 7, 2019. FTC Extends Deadline for Comments on COPPA Rule until December 9, 2019.

10.17.2019 Interagency Policy Statement on Allowances for Credit Losses - The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (collectively, the banking agencies), and the National Credit Union Administration (collectively, the agencies) are inviting public comment on a proposed interagency policy statement on allowances for credit losses (ACLs). The agencies are issuing this proposed interagency policy statement in response to changes to U.S. generally accepted accounting principles (GAAP) as promulgated by the Financial Accounting Standards Board (FASB) in Accounting Standards Update (ASU) 2016–13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and subsequent amendments issued since June 2016. These updates are codified in Accounting Standards Codification (ASC) Topic 326, Financial Instruments—Credit Losses (FASB ASC Topic 326). This proposed interagency policy statement describes the measurement of expected credit losses under the current expected credit losses (CECL) methodology and the accounting for impairment on available-for-sale (AFS) debt securities in accordance with FASB ASC Topic 326; supervisory expectations for designing, documenting, and validating expected credit loss estimation processes, including the internal controls over these processes; maintaining appropriate ACLs; the responsibilities of boards of directors and management; and examiner reviews of ACLs. **DATES: Comments must be received by December 16, 2019.**

10.17.2019 Interagency Guidance on Credit Risk Review System - The OCC, the Board, the FDIC, and the NCUA (collectively, the agencies) are inviting comment on proposed guidance for credit risk review systems. This proposed guidance is relevant to all institutions supervised by the agencies. The proposed guidance discusses sound management of credit risk, a system of independent, ongoing credit review, and appropriate communication regarding the performance of the institution's loan portfolio to its management and board of directors. **DATES: Comments must be received by December 16, 2019.**

10.18.2019 Reporting of Data on Loans to Small Businesses and Small Farms - The OCC, the Board, and the FDIC (collectively, the agencies) are requesting comment on ways to modify the current requirements for reporting data on loans to small businesses and small farms in the Consolidated Reports of Condition and Income (Call Report) so that the reported data better reflect lending to these sectors of the U.S. economy. **DATES: Comments must be received by the agencies no later than December 16, 2019.**

10.18.2019 Request for Information on Application of the Uniform Financial Institutions Rating System - The FRB and the FDIC (collectively, the agencies) are seeking information and comments from interested parties regarding the consistency of ratings assigned by the agencies under the Uniform Financial Institutions Rating System (UFIRS). The assigned ratings are commonly known as CAMELS ratings. The agencies also are interested in receiving feedback concerning the current use of CAMELS ratings by the agencies in their bank application and enforcement action processes. **DATES: Comments must be received by the agencies no later than December 30, 2019.**

11.18.2019 Permissible interest on loans that are sold, assigned, or otherwise transferred - The Office of the Comptroller of the Currency (OCC) is soliciting comments on a proposed rule to clarify that when a national bank or savings association sells, assigns, or otherwise transfers a loan, interest permissible prior to the transfer continues to be permissible following the transfer. This proposal will address confusion about the effect of a transfer on a loan's valid interest rate, including confusion resulting from a recent decision from the U.S. Court of Appeals for the Second Circuit (Madden v. Midland Funding, LLC). The proposed rule would apply to all national banks and state and federal savings associations. Comments will be accepted for 60 days after publication in the Federal Register. The Federal Deposit Insurance Corporation is also issuing a proposal that would address this issue. **Comments must be received by [INSERT DATE THAT IS 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].**

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.

EFFECTIVE DATE:	SUMMARY OF FINAL RULE:
09.03.2019	Availability of Funds and Collection of Checks (Regulation CC) -The Board and the Bureau (Agencies) are amending Regulation CC, which implements the Expedited Funds Availability Act (EFA Act), to implement a statutory requirement in the EFA Act to adjust the dollar amounts under the EFA Act for inflation. The Agencies are also amending Regulation CC to incorporate the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amendments to the EFA Act, which include extending coverage to American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam, and making certain other technical amendments. This rule is effective September 3, 2019, except for the amendments to 12 CFR 229.1, 229.10, 229.11, 229.12(d), 229.21, and appendix E to part 229, which are effective July 1, 2020.

10.01.2019 Regulatory Capital Rule: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 - 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 (final rule) to simplify certain aspects of the capital rule. The final rule is responsive to the agencies' March 2017 report to Congress pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996, in which the agencies committed to meaningfully reduce regulatory burden, especially on community banking organizations. The key elements of the final rule apply solely to banking organizations that are not subject to the advanced approaches capital rule (non-advanced approaches banking organizations). Under the final rule, non-advanced approaches banking organizations will be subject to simpler regulatory capital requirements for mortgage servicing assets, certain deferred tax assets arising from temporary differences, and investments in the capital of unconsolidated financial institutions than those currently applied. The final rule also simplifies, for non-advanced approaches banking organizations, the calculation for the amount of capital issued by a consolidated subsidiary of a banking organization and held by third parties (sometimes referred to as a minority interest) that is includable in regulatory capital. In addition, the final rule makes technical amendments to, and clarifies certain aspects of, the agencies' capital rule for both non-advanced approaches banking organizations and advanced approaches banking organizations (technical amendments). Revisions to the definition of high-volatility commercial real estate exposure in the agencies' capital rule are being addressed in a separate rulemaking. This rule is effective October 1, 2019, except for the amendments to 12 CFR 3.21, 3.22, 3.300, 217.21, 217.22, 217.300(b) and (d), 324.21, 324.22, and 324.300, which are effective April 1, 2020. For more information, see SUPPLEMENTARY INFORMATION.

10.01.2019 Recordkeeping for Timely Deposit Insurance Determination - The FDIC is amending its rule entitled "Recordkeeping for Timely Deposit Insurance Determination" to clarify the rule's requirements, better align the burdens of the rule with the benefits, and make technical corrections. This rule is effective on October 01, 2019.

10.09.2019 Real Estate Appraisals - SUMMARY: The OCC, Board, and FDIC (collectively, the agencies) are adopting a final rule to amend the agencies' regulations requiring appraisals of real estate for certain transactions. The final rule increases the threshold level at or below which appraisals are not required for residential real estate transactions from $250,000 to $400,000. The final rule defines a residential real estate transaction as a real estate-related financial transaction that is secured by a single 1-to-4 family residential property. For residential real estate transactions exempted from the appraisal requirement as a result of the revised threshold, regulated institutions must obtain an evaluation of the real property collateral that is consistent with safe and sound banking practices. The final rule makes a conforming change to add to the list of exempt transactions those transactions secured by residential property in rural areas that have been exempted from the agencies' appraisal requirement pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule requires evaluations for these exempt transactions. The final rule also amends the agencies' appraisal regulations to require regulated institutions to subject appraisals for federally related transactions to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice. DATES: This final rule is effective on October 9, 2019, except for the amendments in instructions 4, 5, 9, 10, 14, and 15, which are effective on January 1, 2020.

10.10.2019 Thresholds Increase for the Major Assets Prohibition of the Depository Institution Management Interlocks Act Rules - SUMMARY: The OCC, the Board, and the FDIC (collectively, the agencies) are issuing a final rule that increases the thresholds in the major assets prohibition for management interlocks for purposes of the Depository Institution Management Interlocks Act (DIMIA). The DIMIA major assets prohibition prohibits a management official of a depository organization with total assets exceeding $2.5 billion (or any affiliate of such an organization) from serving at the same time as a management official of an unaffiliated depository organization with total assets exceeding $1.5 billion (or any affiliate of such an organization). DIMIA provides that the agencies may adjust, by regulation, the major assets prohibition thresholds in order to allow for inflation or market changes. The final rule increases both major assets prohibition thresholds to $10 billion to account for changes in the United States banking market since the current thresholds were established in 1996. DATES: The final rule is effective on October 10, 2019.

11.24.2019 Sec. 106 of Economic Growth, Regulatory Relief, and Consumer Protection Act titled 'Eliminating barriers to jobs for loan originators.' - Section 106 allows certain state-licensed mortgage loan originators (MLOs) who are licensed in one state to temporarily work in another state while waiting for licensing approval in the new state. It also grants MLOs who move from a depository institution (where loan officers do not need to be state licensed) to a non-depository institution (where they do need to be state licensed) a grace period to complete the necessary licensing. This rule is effective on November 24, 2019.

01.01.2020 Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations - 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 that provides for a simple measure of capital adequacy for certain community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (final rule). Under the final rule, depository institutions and depository institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to tier1 capital divided by average total consolidated assets) of greater than 9 percent, will be eligible to opt into the community bank leverage ratio framework (qualifying community banking organizations). Qualifying community banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than 9 percent will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. The final rule includes a two-quarter grace period during which a qualifying community banking organization that temporarily fails to meet any of the qualifying criteria, including the greater

than 9 percent leverage ratio requirement, generally would still be deemed well capitalized so long as the banking organization maintains a leverage ratio greater than 8 percent. At the end of the grace period, the banking organization must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must comply with and report under the generally applicable rule. Similarly, a banking organization that fails to maintain a leverage ratio greater than 8 percent would not be permitted to use the grace period and must comply with the capital rule's generally applicable requirements and file the appropriate regulatory reports. DATES: The final rule is effective on January 1, 2020.

01.01.2020 U.S. Department of Labor Final Overtime Rule - SUMMARY: The Department of Labor is updating and revising the regulations issued under the Fair Labor Standards Act implementing the exemptions from minimum wage and overtime pay requirements for executive, administrative, professional, outside sales, and computer employees. DATES: This final rule is effective on January 1, 2020.

01.01.2020 Home Mortgage Disclosure (Regulation C) 2019 - SUMMARY: The Bureau of Consumer Financial Protection (Bureau) is amending Regulation C to adjust the threshold for reporting data about open-end lines of credit by extending to January 1, 2022, the current temporary threshold of 500 open-end lines of credit. The Bureau is also incorporating into Regulation C the interpretations and procedures from the interpretive and procedural rule that the Bureau issued on August 31, 2018, and implementing further section 104(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act. DATES: This final rule is effective on January 1, 2020, except that the amendments to § 1003.2 in amendatory instruction 6, the amendments to § 1003.3 in amendatory instruction 7, and the amendments to supplement I to part 1003 in amendatory instruction 8 are effective on January 1, 2022.

01.01.2020 Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds - SUMMARY: The OCC, Board, FDIC, SEC, and CFTC are adopting amendments to the regulations implementing section 13 of the Bank Holding Company Act. Section 13 contains certain restrictions on the ability of a banking entity and nonbank financial company supervised by the Board to engage in proprietary trading and have certain interests in, or relationships with, a hedge fund or private equity fund. These final amendments are intended to provide banking entities with clarity about what activities are prohibited and to improve supervision and implementation of section entities with clarity about what activities are prohibited and to improve supervision and implementation of section 13. Effective Date: The effective date for this release is January 1, 2020. Compliance Date: Banking entities must comply with the final amendments by January 1, 2021. The 2013 rule will remain in effect until the compliance date, and a banking entity must continue to comply with the 2013 rule. Alternatively, a banking entity may voluntarily comply, in whole or in part, with the amendments adopted in this release prior to the compliance date, subject to the agencies' completion of necessary technological changes.

01.01.2020 Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations - SUMMARY: 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 that provides for a simple measure of capital adequacy for certain community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (final rule). Under the final rule, depository institutions and depository institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to tier 1 capital divided by average total consolidated assets) of greater than 9 percent, will be eligible to opt into the community bank leverage ratio framework (qualifying community banking organizations). Qualifying community banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than 9 percent will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. The final rule includes a two-quarter grace period during which a qualifying community banking organization that temporarily fails to meet any of the qualifying criteria, including the greater than 9 percent leverage ratio requirement, generally would still be deemed well-capitalized so long as the banking organization maintains a leverage ratio greater than 8 percent. At the end of the grace period, the banking organization must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must comply with and report under the generally applicable rule. Similarly, a banking organization that fails to maintain a leverage ratio greater than 8 percent would not be permitted to use the grace period and must comply with the capital rule's generally applicable requirements and file the appropriate regulatory reports. This rule is effective on January 01, 2020.

04.01.2020 Regulatory Capital Treatment for High Volatility Commercial Real Estate (HVCRE) Exposures - 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 revise the definition of "high volatility commercial real estate (HVCRE) exposure" in the regulatory capital rule. This final rule conforms this definition to the statutory definition of "high volatility commercial real estate acquisition, development, or construction (HVCRE ADC) loan," in accordance with section 214 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). The final rule also clarifies the capital treatment for loans that finance the development of land under the revised HVCRE exposure definition. DATES: The final rule is effective on April 1, 2020.

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.
CFPB	Consumer Financial Protection Bureau
CARD Act	Credit Card Accountability Responsibility and Disclosure Act of 2009
CFR	Code of Federal Regulations. Codification of rules and regulations of federal agencies.
CRA	Community Reinvestment Act. This Act is designed to encourage loans in all segments of communities.
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
CTR	Currency Transaction Report. Filed for each deposit, withdrawal, exchange of currency that involves a transaction in currency of more than $10,000.
Dodd-Frank Act	The Dodd–Frank Wall Street Reform and Consumer Protection Act
DOJ	Department of Justice
FDIC	Federal Deposit Insurance Corporation
EFTA	Electronic Fund Transfer Act
Federal bank regulatory agencies	FDIC, FRB, and OCC
Federal financial institution regulatory agencies	BFCP, FDIC, FRB, NCUA, and OCC
FEMA	Federal Emergency Management Agency
FFIEC	Federal Financial Institutions Examination Council
FHFA	Federal Housing Finance Agency
FHA	Federal Housing Administration
FinCEN	Financial Crime Enforcement Network
FR	Federal Register. U.S. government daily publication that contains proposed and final administrative regulations of federal agencies.

FRB, Fed or Federal Reserve	Federal Reserve Board
FSOC	Financial Stability Oversight Council
FTC	Federal Trade Commission
GAO	Government Accountability Office
HARP	Home Affordable Refinance Program
HAMP	Home Affordable Modification Program
HMDA	Home Mortgage Disclosure Act
HOEPA	Home Ownership and Equity Protections Act of 1994
HPML	Higher Priced Mortgage Loan
HUD	U.S. Department of Housing and Urban Development
IRS	Internal Revenue Service
MLO	Mortgage Loan Originator
MOU	Memorandum of Understanding
NFIP	National Flood Insurance Program. U.S. government program to allow the purchase of flood insurance from the government.
NMLS	National Mortgage Licensing System
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Asset Control
OREO	Other Real Estate Owned
QRM	Qualified Residential Mortgage
Reg. B	Equal Credit Opportunity
Reg. C	Home Mortgage Disclosure
Reg. DD	Truth in Savings
Reg. E	Electronic Fund Transfers
Reg. G	S.A.F.E. Mortgage Licensing Act
Reg. P	Privacy of Consumer Financial Information
Reg. X	Real Estate Settlement Procedures Act
Reg. Z	Truth in Lending
RESPA	Real Estate Settlement Procedures Act
SAR	Suspicious Activity Report – Report financial institutions file with the U.S. government (FinCEN) regarding activity that may be criminal in nature.
SDN	Specially Designated National

TILA	Truth in Lending Act
TIN	Tax Identification Number

Treasury	U.S. Department of Treasury