Capitol Comments

April 2018

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

Joint federal agency issuances, actions and news

Revised Interagency Examination Procedures for Regulation X and Regulation Z (04.19.2018)

The Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council recently developed the attached interagency examination procedures for Regulation X – Real Estate Settlement Procedures Act (RESPA) and Regulation Z – Truth in Lending (TILA). These revised examination procedures supersede the examination procedures transmitted with CA Letter 15-6.

The attached procedures reflect the following amendments to Regulation Z and Regulation X published by the Consumer Financial Protection Bureau (CFPB):

- Amendments to Regulation Z and Regulation X1 related to mortgage servicing that were effective in October 2017, unless otherwise specified; and
- Other amendments to Regulation Z published through April 2016, including rules related to mortgage lending by small creditors serving rural and underserved areas.

These procedures do not incorporate amendments to Regulation Z regarding the CFPB's TILA-RESPA integrated disclosure rule or regarding prepaid accounts. Those amendments will be addressed in a future update.

If you have any questions concerning this guidance, please contact Dana Miller, Counsel, at (202) 452-2751, or Amy Henderson, Managing Counsel, at (202) 452-3140. In addition, questions may be sent via the Board's public website.

Attachments:

- Revised Interagency Examination Procedures for Regulation Z
- Revised Interagency Examination Procedures for Regulation X

Source link.

Comment: Bankers should revise their compliance audit procedures to reflect the updated examination procedures for both Regulation Z (TILA) and Regulation X (RESPA.)

Agencies Propose Transition of New Current Expected Credit Losses (CECL) Accounting Standard into Regulatory Capital Framework (04.17.2018)

The federal banking agencies today proposed a revision to their regulatory capital rules to address and provide an option to phase in the regulatory capital effects of the new accounting standard for credit losses, known as the "Current Expected Credit Losses" (CECL) methodology.

The proposal addresses the regulatory capital treatment of credit loss allowances under the CECL methodology and would allow banking organizations to phase in the day-one regulatory capital effects of CECL adoption over three years. The proposal would revise the agencies' regulatory capital rules and other rules to take into consideration differences between the new accounting standard and existing U.S. generally accepted accounting principles.

In June 2016, the Financial Accounting Standards Board issued a new accounting standard for credit losses that includes the CECL methodology, which replaces the existing incurred loss methodology for certain financial assets.

The notice of proposed rulemaking applies to all banking organizations. Comments on this proposal will be accepted for 60 days after publication in the Federal Register.

Attachment: Current Expected Credit Losses (CECL) Proposed Rule

The FDIC has produced a summary for community banks that explains the proposed simplifications to the new capital rule. This document can be accessed here:

https://www.fdic.gov/regulations/capital/capital/community-bank-summary-20170927.pdf.

Source link**.**

Comment: Although the phasing of day-one regulatory capital effects of CECL and implementation of the standard are independent of each other, it is still worth noting the importance of the transition to the CECL model, given that the effective date for community banks is twenty months away.

FFIEC Issues Joint Statement on Cyber Insurance and Its Potential Role in Risk Management Programs (04.10.2018)

The Federal Financial Institutions Examination Council (FFIEC) members today issued a joint statement to describe matters that financial institutions should consider if they are determining whether to use cyber insurance as a component of their risk management programs.

The FFIEC members do not require financial institutions to maintain cyber insurance. The evolving cyber insurance market and the shifting cyber threat landscape may, however, prompt financial institutions to consider whether cyber insurance would be an effective part of their overall risk management programs.

The joint statement notes that cyber attacks are increasing in volume and sophistication and that traditional general liability insurance policies may not provide effective coverage for all potential exposures caused by cyber events. Cyber insurance could offset financial losses from a variety of exposures—including data breaches resulting in the loss of confidential information—that may not be covered by more traditional insurance policies. Financial institution management should assess the scope of coverage of current insurance and consider how cyber insurance may fit into the institution’s overall risk management framework.

As with any insurance coverage, cyber insurance does not diminish the importance of a sound control environment. Rather, cyber insurance may be a component of a broader risk management strategy that includes identifying, measuring, mitigating, and monitoring cyber risk exposure.

Financial institutions may find additional information on risk management and cybersecurity risk management on the FFIEC's website at http://www.ffiec.gov.

Source link**.**

Comment: The joint statement emphasized that, while cyber insurance may be an effective tool for mitigating financial risk associated with cyber incidents, it does not remove the need for a sound control environment. Rather, cyber insurance should be a component in a financial institution's risk management program. The current trend for our insured community banks is to purchase cyber insurance at least at minimal liability limits and maximum limits allowed for to cover expenses related to breaches of personal information. Since general liability policies EXCLUDE cyber losses, in most known situations, it's important to purchase a separate cyber policy. Since coverage could be found in the bank's financial institution bond for some cyber exposures related to loss of money, our recommendation is that the same carrier provide the bond and cyber insurance.

Federal Banking Agencies Issue Final Rule to Exempt Commercial Real Estate Transactions of $500,000 or Less from Appraisal Requirements (04.02.2018)

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued a final rule that increases the threshold for commercial real estate transactions requiring an appraisal from $250,000 to $500,000.

The agencies originally proposed to raise the threshold, which has been in place since 1994, to $400,000, but determined that a $500,000 threshold will materially reduce regulatory burden and the number of transactions that require an appraisal. The agencies also determined that the increased threshold will not pose a threat to the safety and soundness of financial institutions.

The final rule allows a financial institution to use an evaluation rather than an appraisal for commercial real estate transactions exempted by the $500,000 threshold. Evaluations provide a market value estimate of the real estate pledged as collateral, but do not have to comply with the Uniform Standards of Professional Appraiser Practices and do not require completion by a state licensed or certified appraiser.

The final rule responds, in part, to concerns financial industry representatives raised that the current threshold level had not kept pace with price appreciation in the commercial real estate market in the 24 years since the threshold was established and about regulatory burden during the Economic Growth and Regulatory Paperwork Reduction Act review process completed in March 2017.

Source link.

Comment: Note that the final rule stipulates that real-estate related transactions secured by a single one-to-four family residential property is excluded. The rule was effective when published in the Federal Register which was April 9, 2018.

Revisions to the Consolidated Reports of Condition and Income (Call Report) for June 2018; Webinar on Call Report Revisions Scheduled for April 5, 2018 (03.30.2018)

The Federal Financial Institutions Examination Council (FFIEC) has approved the implementation of additional burden-reducing revisions to all three versions of the Call Report. These Call Report changes were proposed by the three federal banking agencies, under the auspices of the FFIEC, in November 2017 (see FIL-57-2017, dated November 8, 2017) as part of ongoing efforts to ease reporting requirements and lessen reporting burden on small and large institutions. The proposal resulted from the third and final phase of the agencies' review of the data collected in all Call Report schedules, the re-evaluation of certain previously reviewed schedules, and consideration of industry comments and feedback received over the course of this FFIEC initiative. After considering the comments received on the November 2017 proposal, the banking agencies are proceeding with the revisions to the FFIEC 051, FFIEC 041, and FFIEC 031 Call Reports as proposed. These revised reporting requirements, which include the removal or consolidation of existing data items and certain new or increased reporting thresholds, will take effect June 30, 2018, subject to approval by the U.S. Office of Management and Budget.

The burden-reducing changes from the agencies' November 2017 proposal supplement previously announced Call Report revisions originally proposed in June 2017 that also will take effect June 30, 2018 (see FIL-2-2018, dated January 3, 2018). The Call Report revisions from the June and November 2017 proposals, together with the implementation of the new FFIEC 051 report and other burden-reducing changes to the FFIEC 031 and FFIEC 041 reports in March 2017, collectively affect approximately 51 percent of the data items for smaller, less complex institutions and 28 percent of the data items for all other institutions that were contained in the Call Reports for December 31, 2016.

Institutions are reminded that the banking agencies also are implementing revisions to several Call Report schedules in response to changes in the accounting for equity securities and other equity investments in the report forms for March 31, 2018, which is the first report date when certain institutions must adopt these accounting changes for financial reporting purposes. Additionally, in a final rule issued on November 21, 2017, the banking agencies amended their regulatory capital rules to extend the transition provisions applicable during 2017 for certain regulatory capital deductions, risk weights, and minority interest limitations for non-advanced approaches banking organizations. The instructions for Call Report Schedule RC-R, Regulatory Capital, will be revised effective March 31, 2018, to incorporate these extended transition provisions.

On Thursday, April 5, 2018, from 1:00 p.m. to 2:30 p.m., Eastern Time, the banking agencies, under the auspices of the FFIEC, will conduct a webinar for bankers to discuss the Call Report changes described above. The webinar also will cover the revisions to the reporting of equity securities and other equity investments, the instructional changes resulting from the regulatory capital transitions rule, and the burden-reducing Call Report revisions taking effect June 30, 2018. In addition, the webinar will address the reporting implications of the new tax law enacted in December 2017. A question-and-answer period will follow the webinar presentations. Institutions are encouraged to submit questions before the webinar by emailing CallReportsTaskForce@occ.treas.gov. Participants also will be able to submit questions electronically throughout the webinar via the entry link below. A recording of the webinar will be archived for viewing after the event.

Source link.

FFIEC Provides Update on Examination Modernization Project (03.22.2018)

The members of the Federal Financial Institutions Examination Council (FFIEC) today announced an update on its Examination Modernization Project that was undertaken as a follow-up to the review of regulations under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA).

The objective of the project is to identify and assess ways to improve the effectiveness, efficiency, and quality of community financial institutions safety and soundness examination processes, particularly through increased leveraging of technology. The agencies expect these efforts to help reduce unnecessary regulatory burden on community financial institutions.

Examiner guidance will cover the following community bank examination communication or transparency practices:

- Assist community financial institutions to prepare for the examination by providing prior notification and addressing spacing needs, staffing, and logistics.
- Tailor the examination request list and scope to the unique risk profile and business model of the institution.
- Facilitate the secure exchange of information between institution management and examiners.
- Inform institution management of areas under review and provide management the opportunity to communicate any additional information or clarification before the conclusion of the examination.
- Establish clear expectations regarding items the financial institutions are expected to address.

Source link.

CFPB actions and news

CFPB Issues Request for Information on Consumer Complaints and Inquiries (04.11.2018)

The Consumer Financial Protection Bureau (Bureau) today issued a Request for Information (RFI) on its handling of consumer complaints and inquiries. The Bureau is seeking comments and information from interested parties to assist the Bureau in assessing its handling of consumer complaints and consumer inquiries and, consistent with law, considering whether changes to its processes would be appropriate. To date the Bureau has received 1.5 million consumer complaints. This is the 12th in a series of RFIs announced as part of Acting Director Mick Mulvaney's call for evidence to ensure the Bureau is fulfilling its proper and appropriate functions. This RFI will provide an opportunity for the public to submit feedback and suggest ways to improve outcomes for both consumers and covered entities.

The RFI on consumer complaints is available at:
https://files.consumerfinance.gov/f/documents/cfpb_rfi_consumer-complaints-inquiries_042018.pdf

The CFPB will begin accepting comments once the RFI is printed in the Federal Register, which is expected to occur on approximately April 16th. The RFI will be open for comment for 90 days.

Source link**.**

Comment: The CFPB defines consumer complaints as 'submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer's personal experience with a financial product or service.' It defines 'consumer inquiries' as 'consumer requests for information—typically proffered by telephone—to its Office of Consumer Response about consumer

financial products and services, the status of a complaint, an action taken by the Bureau, and often combinations thereof.'

CFPB Issues Request for Information on Consumer Financial Education (04.04.2018)

The Consumer Financial Protection Bureau (Bureau) today issued a Request for Information (RFI) on consumer financial education. The Bureau is seeking comments and information from interested parties to assist the Bureau in assessing the overall efficiency and effectiveness of its consumer financial education programs. This includes the Bureau's delivery of financial education through online tools, print publications, and community collaborations. This the 11th in a series of RFIs announced as part of Acting Director Mick Mulvaney's call for evidence to ensure the Bureau is fulfilling its proper and appropriate functions. This RFI will provide an opportunity for the public to submit feedback and suggest ways to improve outcomes for both consumers and covered entities. The next RFI in the series will address consumer inquiries, and will be issued next week.

The RFI on consumer financial education is available at:
https://files.consumerfinance.gov/f/documents/cfpb_rfi_consumer-education_042018.pdf

The CFPB will begin accepting comments once the RFI is printed in the Federal Register, which is expected to occur on approximately April 9. The RFI will be open for comment for 90 days.

More information about the call for evidence is available at: http://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/open-notices/call-for-evidence/

Source link**.**

CFPB Issues Semi-Annual Report (04.02.2018)

Today, the Consumer Financial Protection Bureau (Bureau) released its semi-annual report highlighting the Bureau's work. This is the first report issued by Acting Director Mick Mulvaney and it includes his four recommendations for statutory changes to the Bureau.

"The Bureau is far too powerful, with precious little oversight of its activities," said Acting Director Mick Mulvaney. "The power wielded by the Director of the Bureau could all too easily be used to harm consumers, destroy businesses, or arbitrarily remake American financial markets. I'm requesting that Congress make four changes to the law to establish meaningful accountability for the Bureau. I look forward to discussing these changes with Congressional members."

In the report's introduction letter, Acting Director Mulvaney recommends four changes to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The first recommendation is to fund the Bureau through Congressional appropriations. The second is to require legislative approval of major rules. His third recommendation is to ensure that the Director answers to the President in the exercise of executive authority. And the fourth is to create an independent Inspector General for the Bureau.

The report primarily covers the Bureau's significant work from April 1, 2017 to Sept. 30, 2017, the period before the President appointed Mick Mulvaney as Acting Director. As part of its regulatory work, in February 2017, the Bureau established a task force to help identify and reduce unwarranted regulatory burdens consistent with its objectives under the Dodd-Frank Act. During this period, the Bureau also issued guidance on topics such as maintaining compliance management systems, combatting elder abuse, responding to natural disasters, and ensuring accuracy in credit reporting. The Bureau's enforcement work included actions taken against illegal practices in mortgage servicing, student loan servicing, credit reporting, and debt collection.

According to the report, during the period Oct. 1, 2016 to Sept. 30, 2017, the Bureau handled approximately 317,200 consumer complaints. The most-complained-about products or services were debt collection at 27 percent of complaints, credit reporting at 27 percent, and mortgages at 13 percent. Approximately 80 percent of all consumer complaints were submitted through the Bureau's website. Companies have responded to approximately 93 percent of complaints sent to them for response during the period.

The full text of the semi-annual report is available at:
https://files.consumerfinance.gov/f/documents/cfpb_semi-annual-report_spring-2018.pdf

Source link**.**

Comment: Notably shorter in length compared to prior releases, this report does not include any aggregate numbers for how much consumers obtained in consumer relief and how much was assessed in civil money penalties in supervisory and enforcement actions during the period covered by the report, which was April 1, 2017 through September 1, 2017.

CFPB Issues Request for Information on Its Guidance and Implementation Support (03.28.2018)

The Consumer Financial Protection Bureau (Bureau) today issued a Request for Information (RFI) on the Bureau's guidance and implementation support. The Bureau is seeking comments and information from interested parties to assist in assessing the overall effectiveness and accessibility of its guidance materials and activities, including implementation support. The Bureau is also considering whether it would be appropriate to make changes to the formats, processes, and delivery methods for providing this guidance. And it is considering whether it would be appropriate to make changes to the disclaimers used on certain forms of guidance. This is the tenth in a series of RFIs announced as part of Acting Director Mick Mulvaney's call for evidence to ensure the Bureau is fulfilling its proper and appropriate functions. This RFI will provide an opportunity for the public to submit feedback and suggest ways to improve outcomes for both consumers and covered entities. The next RFI in the series will address consumer education, and will be issued next week.

The RFI on guidance and implementation support is available at: https://files.consumerfinance.gov/f/documents/cfpb_rfi_guidance-and-implementation_032018.pdf

The CFPB will begin accepting comments once the RFI is printed in the Federal Register, which is expected to occur on approximately April 2. The RFI will be open for comment for 90 days.

The Bureau anticipates issuing RFIs on the following topics in the coming weeks:

- Consumer Education
- Consumer Inquiries

The Bureau has also extended the comment deadlines for the first three RFIs issued as part of the call for evidence. The new deadlines are available at: http://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/open-notices/call-for-evidence/

Source link**.**

CFPB Issues Request for Information on Inherited Regulations and Inherited Rulemaking Authorities (03.22.2018)

The Consumer Financial Protection Bureau (Bureau) today issued a Request for Information (RFI) on the Bureau's inherited regulations and inherited rulemaking authorities. The Bureau is seeking comments and information from interested parties to assist the Bureau in considering whether it should amend the regulations or exercise the rulemaking authorities that it inherited from other federal government agencies. This is the ninth in a series of RFIs announced as part of Acting Director Mick Mulvaney's call for evidence to ensure the Bureau is fulfilling its proper and appropriate functions to best protect consumers. This RFI will provide an opportunity for the public to submit feedback and suggest ways to improve outcomes for both consumers and covered entities. The next RFI in the series will address the Bureau's guidance and implementation support, and will be issued next week.

The RFI on inherited rules and rulemaking authorities is available at:https://files.consumerfinance.gov/f/documents/cfpb_rfi_inherited-regulations_032018.pdf

The CFPB will begin accepting comments once the RFI is printed in the Federal Register, which is expected to occur on March 26. The RFI will be open for comment for 90 days.

The Bureau anticipates issuing RFIs on the following topics in the coming weeks:

- Guidance and Implementation Support
- Consumer Education
- Consumer Inquiries

The Bureau has also extended the comment deadlines for the first three RFIs issued as part of the call for evidence. The new deadlines are available at: http://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/open-notices/call-for-evidence/

Source link**.**

Comment: Under the Dodd-Frank Act, the authority to promulgate rules relating to the consumer financial protection laws was transferred to the CFPB, which republished and assumed responsibility for regulations that had been issued by other federal agencies. These previously-issued, or "inherited," regulations (along with rulemaking authority inherited by the Bureau that was not exercised by the Bureau's predecessors) are the focus of this RFI.

FDIC actions and news

FDIC Hosts Use of Technology in the Business of Banking Forum in Arlington, Virginia (04.12.2018)

The Federal Deposit Insurance Corporation (FDIC) will host a forum on the Use of Technology in the Business of Banking on Monday, May 7, 2018. Panels will focus on emerging technologies that are transforming banking operations; the impact of emerging technologies on retail banking, including new and innovative delivery channels, enhanced customer experiences, and economic inclusion; and consumer financial data access—balancing rights and security.

The forum will bring together representatives of banks that use or are considering using emerging technologies, firms offering emerging technologies, bank trade associations, and federal and state financial regulatory agencies, as well as thought leaders on the use of technology in the business of banking and leaders of consumer and community organizations.

The forum will be held from 9:00 a.m. to 3:45 p.m. Eastern Time in the FDIC's Sheila C. Bair Auditorium, 3501 Fairfax Drive, Arlington, Virginia, 22226. Registration is required to attend. Those wishing to attend may complete the online registration by Friday, April 20, 2018. Seating is limited.

The forum also will be webcast live and recorded for on-demand access after the event. The link to access the live webcast will be available on the FDIC.gov home page the morning of the event.

Source link**.**

OCC actions and news

OCC Hosts Detroit Workshop for Board Directors and Bank Management (04.23.2018)

The Office of the Comptroller of the Currency (OCC) will host a workshop in Detroit, Mich., at the DoubleTree Suites Detroit Downtown-Fort Shelby, June 5-6, for directors, senior management team members, and other key executives of national community banks and federal savings associations supervised by the OCC.

The Building Blocks: Keys to Success for Directors and Senior Management workshop combines lectures, discussion, and exercises to provide practical information on the roles and responsibilities of board participation. Taught by seasoned OCC supervision staff, the workshop focuses on duties and core responsibilities of directors and management, discusses major laws and regulations, and increases familiarity with the examination process.

The workshop fee is $99. Participants receive course materials, assorted supervisory publications, and a Dictionary of Banking Terms. The workshop is limited to the first 35 registrants.

The workshops are two of the 25 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.

Source link.

OCC Hosts Risk Governance and Compliance Risk Workshops in Omaha (04.13.2018)

The Office of the Comptroller of the Currency (OCC) will host two workshops in Omaha, Neb., at the Hilton Omaha, May 22 and 23, for directors of national community banks and federal savings associations supervised by the OCC.

The Risk Governance workshop on May 22 combines lectures, discussion, and exercises to provide practical information for directors to effectively measure and manage risks. The workshop also focuses on the OCC's approach to risk-based supervision and major risks in the financial industry.

The Compliance Risk workshop on May 23 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 areas of interest.

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.

Source link**.**

OCC Hosts Compliance and Operational Risk Workshops in Memphis (03.27.2018)

The Office of the Comptroller of the Currency (OCC) will host two workshops in Memphis, Tenn., at the DoubleTree Memphis Downtown, May 8 and 9, for directors of national community banks and federal savings associations supervised by the OCC.

The Compliance Risk workshop on May 8 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 areas of interest.

The Operational Risk workshop on May 9 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.

Source link**.**

OCC Hosts California Workshop for Board Directors and Bank Management (03.26.2018)

The Office of the Comptroller of the Currency (OCC) will host a workshop in Glendale, Calif., at the Hilton Los Angeles North/Glendale, May 1-2, for directors, senior management team members, and other key executives of national community banks and federal savings associations supervised by the OCC.

The Building Blocks: Keys to Success for Directors and Senior Management workshop combines lectures, discussion, and exercises to provide practical information on the roles and responsibilities of board participation. Taught by seasoned OCC supervision staff, the workshop focuses on duties and core responsibilities of directors and management, discusses major laws and regulations, and increases familiarity with the examination process.

The workshop fee is $99. Participants receive course materials, assorted supervisory publications, and a Dictionary of Banking Terms. The workshop is limited to the first 35 registrants.

The workshops are two of the 25 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.

Source link**.**

Federal Reserve actions and news

Beige Book (04.18.2018)

This report was prepared at the Federal Reserve Bank of Dallas based on information collected on or before April 9, 2018. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

Overall Economic Activity

Economic activity continued to expand at a modest to moderate pace across the 12 Federal Reserve Districts in March and early April. Outlooks remained positive, but contacts in various sectors including manufacturing, agriculture, and transportation expressed concern about the newly imposed and/or proposed tariffs. Consumer spending rose in most regions, with gains noted for nonauto retail sales and tourism, but mixed results for vehicle sales. Manufacturing activity grew moderately, and demand for nonfinancial services was mostly solid. Residential construction and real estate activity expanded further, although low home inventories continued to constrain sales in several Districts. Loan demand increased, and commercial real estate activity and construction improved since the last report. Transportation services activity expanded in over half of the reporting Districts, buoyed by increases in port traffic and/or air, rail and/or trucking shipments. Agricultural conditions were little changed or worsened on net, in part due to persistent drought conditions. Contacts in the energy sector cited a pickup in activity, except in the Richmond District, where coal production was flat and natural gas production dipped slightly.

Employment and Wages

Widespread employment growth continued, with most Districts characterizing growth as modest to moderate. Labor markets across the country remained tight, restraining job gains in some regions. Contacts continued to note difficulty finding qualified candidates across a broad array of industries and skill levels. Reports of labor shortages over the reporting period were most often cited in high-skill positions, including engineering, information technology, and health care, as well as in construction and transportation. Businesses were responding to labor shortages in a variety of ways, from raising pay to enhancing training to increasing their use of overtime and/or automation, among other strategies. Upward wage pressures persisted but generally did not escalate; most Districts reported wage growth as only modest.

Prices

Prices increased across all Districts, generally at a moderate pace. There were widespread reports that steel prices rose, sometimes dramatically, due to the new tariff. Prices for building materials continued to rise briskly, especially for lumber, drywall, and concrete. Transportation costs also generally rose, with contacts citing higher fuel prices and shortages of truck drivers as the primary causes. There were scattered reports of companies successfully passing through price increases to customers in manufacturing, information technology, transportation, and construction. Businesses generally anticipate further price increases in the months ahead, particularly for steel and building materials.

Source link.

Comment: The general assessment -- modest to moderate growth across all 12 districts -- is unchanged. One upgrade comes for auto sales which are now described as mixed vs flat to declining in the last Beige Book in early March. Low supply is once again said to be holding down home sales though commercial real estate is said to have improved modestly.

Federal Reserve Board accepting applications for its Community Advisory Council (04.16.2018)

The Federal Reserve Board announced on Monday that it is accepting applications from individuals who wish to be considered for membership on the Community Advisory Council (CAC). The CAC was formed in 2015. It advises the Board on issues affecting consumers and communities and complements two of the Board's other advisory councils whose members represent depository institutions--the Federal Advisory Council and the Community Depository Institutions Advisory Council.

The CAC is made up of a diverse group of experts and representatives of consumer and community development organizations and interests, including affordable housing, community and workforce development, small business, and asset and wealth building. CAC members meet semiannually with members of the Board of Governors in Washington to provide a range of perspectives on the economic circumstances and financial services needs of consumers and communities, with a particular focus on the concerns of low- and moderate-income consumers and communities.

The Board expects to announce the appointment of CAC members in the fall of 2018. Applicants from previous years are encouraged to re-apply in 2018. Additional information about the selection process, including instructions for submitting an application, can be found in the attached Federal Register Notice.

Source link.

Legal Interpretations - Bank Holding Companies/Savings and Loan Holding Companies/Change in Control - 2018 Letters (04.05.2018)

Letter to Donald S. Waack, Esq. advising that American Century Companies, Inc. and its affiliated entities collectively may acquire up to 15 percent of any class of voting securities of a bank holding company, bank, savings and loan holding company, or savings association without being deemed to have acquired control of that institution under the Bank Holding Company Act, the Home Owners' Loan Act, or the Change in Bank Control Act when the acquisition complies with certain conditions.

Source link.

Federal Reserve to Study Payments Fraud and Security Vulnerabilities (03.29.2018)

The Federal Reserve announced today that work will begin this month on a new study that will measure fraud and associated costs in the U.S. payments system and identify the causes and contributing factors to fraud. The study is part of the Federal Reserve's ongoing effort to improve and support payment security throughout the industry, as outlined in the Federal Reserve Next Steps in the Payment Improvement Journey paper released last year.

The Boston Consulting Group (BCG), a global management consulting firm, will conduct the study, which is expected to be completed in four to six months. The study will systematically and objectively measure payment fraud and identify and provide insight on payment security vulnerabilities. The Federal Reserve expects the results of the study will help inform its ongoing collaboration with the industry to enhance end-to-end payment security.

"The vast number of participants and complex nature of the payments industry make it challenging to determine where the greatest opportunities exist for significantly mitigating fraud," said Ken Montgomery, the Federal Reserve's payments security strategy leader and chief operating officer of the Federal Reserve Bank of Boston. "We hope to bring greater insight to the challenge with a comprehensive view of payment fraud data and payment security vulnerabilities that will help inform next steps for ongoing industry collaboration."

BCG was chosen through a competitive bidding process that considered a number of factors including expertise, ability to conduct an independent assessment and proposed assessment approach.

Source link**.**

Comment: The study is part of the Fed's ongoing effort to improve payment security, as outlined in its 'Federal Reserve Next Steps in the Payment Improvement Journey' report released last September.

The Fed Releases Housing Market Perspectives and Looks at Tax Breaks (03.28.2018)

ST. LOUIS – The new Mortgage Interest Deduction (MID) seems popular with the public but disliked by economists. While some homeowners may lose wealth in the short run, the benefits many economists see from a reduction in the MID and lower house prices could yield a net positive for the economy. William Emmons, assistant vice president, and chief economist of the St. Louis Fed's Center for Household Financial Stability, explains why in this issue of Housing Market Perspectives.

The Tax Cuts and Jobs Act of 2017 places new limits on deductions for state and local taxes and property taxes, and scales back the MID. Many economists expect these changes to reduce the number of taxpayers who claim the MID on itemized returns starting with the 2018 tax year.

Economists view the MID as inefficient because it distorts house prices and the mix of housing constructed while also encouraging greater mortgage borrowing. The MID's primary benefit is purported to be its encouragement of homeownership. Economists point to research that Emmons shares where MID actually reduced the homeownership rate by about 5 percentage points. (It raised house prices so much—through the capitalization of tax benefits—that homes became out of reach for some buyers.)

Emmons believes the biggest losers would be home owners with large mortgages. The biggest winners would be renters for whom homeownership is a goal and now becomes possible due to declining house prices.

"Thus, while the new tax law makes a significant dent in a policy that many economists view as inefficient and regressive," Emmons writes. "A worthy goal for future tax reform may be a closer examination of the MID as a whole, particularly if the expected economic benefits from partial repeal of the MID materialize."

Source link.

Comment: The authors contend that recent increases in the mortgage rate would increase user costs of homeownership and offset gains in after-tax income due to tax relief. The rate increases along with house price increases will weigh on affordability, particularly of first-time homebuyers. However, amidst robust

economic growth and pent-up demand for housing, the authors remain optimistic about the U.S. housing market in 2018.

Other federal action and news

State Financial Regulators Name Fintech Innovation Contacts (04.10.2018)

To foster communication between regulators and industry regarding financial technology, regulators from all 50 states and the District of Columbia have designated an Innovation Staff Contact within their offices, the Conference of State Bank Supervisors (CSBS) announced today.

The Innovation Contact will be the primary contact for fintech officials, streamlining communication on money transmission, payments and lending. The full list can be found here.

John Ryan, CSBS president and CEO, said: "State regulators see how fintech is reshaping the financial services industry. And an Innovation Contact is but the latest step that states are taking to engage with industry and modernize nonbank regulation."

Robin Wiessmann, Pennsylvania secretary of banking and securities, explained: "Innovation Contacts will smooth the process for new fintechs navigating the licensing process and seeking feedback on business plans. Regulators will be better able to review business concepts, encourage positive aspects of change, and protect consumers."

Collectively, state regulators oversee 79 percent of all U.S. banks and 23,000 nonbanks licensed at the state level. In 2017, state regulators, through CSBS, committed to moving towards an integrated, 50-state licensing and supervisory system for fintechs and other nonbanks. CSBS adopted CSBS Vision 2020 to reflect implementation initiatives, such as:

- A Fintech Industry Advisory Panel of 33 companies to identify pain points and recommend solutions
- A next generation technology platform, now in development, to streamline licensing and supervision
- State efforts to harmonize their licensing and supervisory practices.

Source link**.**

Comment: In 2017, the CSBS introduced '*Vision 2020 for Fintech and Non-Bank Regulation*,' an initiative geared towards streamlining the state regulatory system to support business innovation and harmonize licensing and supervisory practices, while still protecting the rights of consumers.

Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (FIN-2018-G001) (04.03.2018)

The Financial Crimes Enforcement Network (FinCEN) is issuing these Frequently Asked Questions to assist covered financial institutions in understanding the scope of the Customer Due Diligence Requirements for Financial Institutions, published on May 11, 2016, as amended on September 29, 2017 ("CDD Rule" or "Rule"), available at https://www.fincen.gov/resources/statutes-regulations/federal-register-notices/customer-due-diligence-requirements. On July19, 2016, FinCEN published FAQs, available at https://www.fincen.gov/news/news-releases/frequently-asked-questions-regarding-customer-due-diligence-requirements. FinCEN may issue additional FAQs, guidance, or grant exceptive relief as appropriate.

A covered financial institution with notice of or a reasonable suspicion that a customer is evading or attempting to evade beneficial ownership or other customer due diligence requirements should consider whether it should not open an account, close an account, or file a suspicious activity report, regardless of any interpretations below.

Source link.

Comment: This FAQ addresses some very technical questions – particularly 7, 9, 11, and 12. For any bank, it's 'must' reading and will likely lead a bank to amend its AML procedures regarding beneficial ownership.

Publications, articles, reports, studies, testimony & speeches

Essay by President Robert S. Kaplan - Taking the Long View: Creating a Better Future for Our Children and Grandchildren (04.16.2018)

Turn on the television or pick up a newspaper and you'll likely see a discussion of what's happening now—the latest scandal, current geopolitical developments, stock market movements, the latest GDP numbers or corporate earnings announcements. This focus on the here and now is so ingrained that we may not be aware of the short-term nature of the news flow. In the midst of this, it is sometimes easy to lose focus on the fact that short-term events often occur as a result of more persistent underlying forces that can take many years to unfold.

What does all this have to do with the work of a central banker? I spend a good part of my time trying to understand economic conditions and make sound monetary policy decisions based on my analysis of those conditions. In this job, I am keenly aware that short-term cyclical developments are only part of the story in understanding the U.S. and global economies.

Source link.

Mobile Banking: A Closer Look at Survey Measures (03.27.2018)

The growing use of smartphones and the Internet has brought rapid change to financial services. These new technologies have given consumers and banks new tools for managing money and changed the customer-bank relationship. They have also raised new concerns about security and access. Mobile banking may help to address some challenges consumers face, like the decline in physical bank branch locations or the need for timely access to account payment and balance information. However, a well-designed and secure mobile platform, as well as consumer access to and facility with mobile technology and the Internet, are likely needed in order for mobile banking to be a reliable banking channel.

This note presents new estimates of mobile banking use in 2017, as well as insights on types of users and their behaviors. This "under-the-hood" look at estimates of mobile banking use can inform discussions about consumer access to banking services and tools for account management. Careful measurement is the first step in understanding how a broad spectrum of consumers could tap the potential of mobile financial services while addressing possible concerns about technology.

Source link.

Comment: Based on those survey results, half of all adults in the U.S. with a bank account used a smartphone in 2017 to access that account. Community banks should consider how mobile banking fits into their channel delivery strategy.

Chicago Fed National Activity Index Points to Pickup in Economic Growth (03.26.2018)

Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to +0.88 in February from +0.02 in January. All four broad categories of indicators that make up the index increased from January, and three of the four categories made positive contributions to the index in February. The index's three-month moving average, CFNAI-MA3, increased to +0.37 in February from +0.16 in January.

Source link.

The Near-Term Growth Impact of the Tax Cuts and Jobs Act (03.23.2018)

Abstract: This note uses existing empirical estimates of the macroeconomic effects of tax changes to project the near-term impact of the Tax Cuts and Jobs Act on US GDP growth. Applying recent reduced form estimates of tax multipliers with the projected revenue impact of the Act yields a level of GDP that is predicted to be 1.3% higher by 2020, with most of the growth front-loaded in 2018. Accounting for the composition of the Act in terms of its individual and corporate provisions leads to a similar GDP increase by 2020, but with stronger growth in 2018 and a partial reversal in the following years. Accounting for the impact of TCJA on marginal individual tax rates raises the projected growth impact considerably, while accounting for the distribution of the tax changes across income groups suggests a more delayed positive impact on GDP. These projections are conditional on mean reverting dynamics of future taxes that are estimated from postwar US data.

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.

Posted Date	**SUMMARY OF PROPOSED RULE**
08.22.2017	In preparation for a forthcoming proposal that would simplify regulatory capital requirements, federal banking regulators on Tuesday [August 22nd] proposed a rule that would extend the existing transitional capital treatment for certain regulatory capital deductions and risk weights. The extension would apply to banking organizations that are not subject to the agencies' advanced approaches capital rules. As part of the recent review of regulations under the Economic Growth and Regulatory Paperwork Reduction Act, the agencies announced that they are developing a proposal that would simplify the capital rules to reduce regulatory burden, particularly for community banks. That proposal would simplify the capital rules' treatment of mortgage servicing assets and other items. However, under the current capital rules, the transitional treatment for those items is scheduled to be replaced with a different treatment on April 1, 2018. Comments on this proposal will be accepted for 30 days after publication in the Federal Register. The Notice of Proposed Rulemaking was published in the Federal Register on October 27, 2017, and comments must be received by December 26, 2017.

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:
04.09.2018	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 commercial real estate transactions from $250,000 to $500,000. The final rule defines commercial real estate transaction as a real estate-related financial transaction that is not secured by a single 1-to-4 family residential property. It excludes all transactions secured by a single 1-to-4 family residential property, and thus construction loans secured by a single 1-to-4 family residential property are excluded. For commercial 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.
05.11.2018	FinCEN is issued final rules under the Bank Secrecy Act to clarify and strengthen customer due diligence requirements for: Banks; brokers or dealers in securities; mutual funds; and futures commission merchants and introducing brokers in commodities. The rules contain explicit customer due diligence requirements and include a new requirement to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions.
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.1 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 depositary 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.
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 may 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	Credit Card Accountability Responsibility and Disclosure Act of 2009
CFPB	Consumer Financial Protection Bureau
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	CFPB, 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