



Capitol Comments November 2018

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

“Small cheer and great welcome makes a merry feast.” – William Shakespeare

Joint federal agency issuances, actions and news

Agencies Propose Community Bank Leverage Ratio for Qualifying Community Banking Organizations

(11.21.2018) 

Three federal banking agencies invited public comment on a proposal that would simplify regulatory capital requirements for qualifying community banking organizations, as required by the Economic Growth, Regulatory Relief, and Consumer Protection Act. The proposal would provide regulatory burden relief to qualifying community banking organizations by giving them an option to calculate a simple leverage ratio, rather than multiple measures of capital adequacy.

Under the proposal, a community banking organization would be eligible to elect the community bank leverage ratio framework if it has less than \$10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a community bank leverage ratio greater than 9 percent. A qualifying community banking organization that has chosen the proposed framework would not be required to calculate the existing risk-based and leverage capital requirements. Such a community banking organization would be considered to have met the capital ratio requirements to be well capitalized for the agencies' prompt corrective action rules provided it has a community bank leverage ratio greater than 9 percent.

The proposal was jointly issued by the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. Comments will be accepted for 60 days after publication in the Federal Register.

Source [link](#).

Comment: Although this is welcome relief, many community banks would still not be helped by this modest change. ICBA has supported the 8% level.

Agencies Propose Amendments to Regulation CC Regarding Funds Availability (11.21.2018) 

WASHINGTON, D.C. — The Bureau of Consumer Financial Protection and the Federal Reserve Board jointly proposed amendments to Regulation CC that would implement a statutory requirement to adjust for inflation the amount of funds depository institutions must make available to their customers. The amendments would apply in circumstances ranging from next business day withdrawal of certain check deposits to setting the threshold amount for determining whether an account has been repeatedly withdrawn.

Regulation CC implements the Expedited Funds Availability Act of 1987 (EFA Act). The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amended the EFA Act to grant the Bureau and the Board joint rulemaking authority for funds-availability schedules, disclosure policies, payment of interest, and other EFA Act provisions implemented by Regulation CC.

The Dodd-Frank Act amendments require that the EFA Act's dollar amounts be inflation adjusted every five years by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The first set of proposed adjustments are detailed in the attached Federal Register notice. To help ensure that institutions have sufficient time to implement the adjustments, the agencies propose a compliance date that would be at least 12 months after publication of a final rule in the Federal Register.

The agencies also propose to implement in Regulation CC, EFA Act amendments made by the Economic Growth, Regulatory Relief, and Consumer Protection Act, which include extending coverage of the EFA Act to American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam.

Finally, the agencies are providing an additional opportunity for public comment on certain funds-availability amendments in subpart B of Regulation CC that the Board published in 2011 regarding funds availability schedule provisions and associated definitions. In taking this step, the agencies have not made a decision on whether to make any aspects of the 2011 proposal final. Reopening the comment period will provide the agencies with up-to-date public views to consider.

The agencies are accepting comments on all aspects of the proposed amendments for 60 days following publication in the Federal Register.

Source [link](#).

Comment: The proposed amendments would make various other technical changes to Reg. CC, including a clarification in the regulation that the FRB and CFPB have joint rulemaking authority under certain provisions of the EFA Act.

Agencies Announce Dollar Thresholds in Regulations Z and M for Exempt Consumer Credit and Lease Transactions (11.21.2018)

WASHINGTON, D.C. — The Federal Reserve Board and the Bureau of Consumer Financial Protection (Bureau) 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 2019. 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, 2018, the protections of the Truth in Lending Act and the Consumer Leasing Act generally will apply to consumer credit transactions and consumer leases of \$57,200 or less in 2019. 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.

The attached notices will be published shortly in the Federal Register.

Source [link](#).

Comment: Be sure your systems are updated for the new thresholds!

FDIC Issues Notice of Proposed Rulemaking to Exempt Residential Real Estate Transactions of \$400,000 or Less from Appraisal Requirements (11.20.2018)

The Federal Deposit Insurance Corporation (FDIC) issued a notice of proposed rulemaking to raise the threshold for residential real estate transactions requiring an appraisal to \$400,000. This proposal is in response to concerns raised about the time and cost associated with completing residential real estate transactions.

[From the OCC release the same day – This proposal, which will be issued jointly, responds to concerns raised by financial institutions about the time and cost associated with completing residential real estate transactions. The proposal was developed jointly by the OCC, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. The agencies believe raising this threshold for residential real estate transactions from the current level of \$250,000, last increased in 1994, could provide meaningful burden relief from the appraisal requirements, without posing a threat to the safety and soundness of financial institutions.]

The FDIC believes raising this threshold for residential real estate transactions from the current level of \$250,000, last increased in 1994, could provide meaningful burden relief from the appraisal requirements, without posing a threat to the safety and soundness of financial institutions.

Rather than requiring an appraisal, the proposal would require that residential real estate transactions exempted by the threshold obtain an evaluation consistent with safe and sound banking practices. Evaluations provide an estimate of the market value of real estate but could be less burdensome than appraisals because the FDIC's appraisal regulations do not require evaluations to be prepared by state licensed or certified appraisers. In addition, evaluations are typically less detailed and costly than appraisals. Evaluations have been required for transactions exempted from the appraisal requirement by the current residential threshold since the 1990s.

This proposal responds, in part, to comments that the current exemption level for residential transactions had not kept pace with price appreciation in the residential real estate market. These comments were received during the recent Economic Growth and Regulatory Paperwork Reduction Act review process and during the

rulemaking process that led to a final rule, issued in April 2018, which raised the appraisal threshold for commercial real estate transactions from \$250,000 to \$500,000.

The proposal also would incorporate the rural residential appraisal exemption in the Economic Growth, Regulatory Relief and Consumer Protection Act to the list of exempt transactions and require evaluations for these exempt transactions. In addition, the proposal would require institutions to appropriately review appraisals for compliance with the Uniform Standards of Professional Appraisal Practice, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Comments will be accepted for 60 days from publication in the Federal Register.

Source [link](#).

Comment: This proposed update in thresholds is welcome relief and will be significantly easier to implement than the rural exception! The OCC estimates that this rule would provide appraisal relief for 40% of annual home sales. It's important to note that this rule would not apply to loans wholly or partially insured or guaranteed by, or eligible for sale to, a government agency or government-sponsored agency.

FFIEC to Promote Awareness of Potential LIBOR Changes, December 6 Webinar Will Discuss Market Developments, Risks (11.19.2018)

The Federal Financial Institutions Examination Council (FFIEC) will hold a webinar on December 6, 2018, to promote awareness and understanding of efforts to develop alternative reference rates to LIBOR, because of the uncertainty as to continued availability of LIBOR after 2021.

The December webinar will provide participants with background information on LIBOR and recent developments in the market, including initiatives of the Alternative Reference Rates Committee (ARRC). The agencies will also answer questions submitted by participants.

This webinar and other communication activities are part of a broader FFIEC initiative that will inform supervised financial institutions and examiners about the potential transition from LIBOR, including the effect on institutions and financial products. Staff from FFIEC member agencies will supplement information produced by the ARRC to clarify and highlight potential impacts to supervised financial institutions and to answer questions about the potential transition from LIBOR to an alternative reference rate.

To register, please visit the [industry outreach registration](#) website.

Source [link](#).

Comment: Commercial bankers should evaluate the impact of this development on their interest rate pricing and loan documentation. As noted, LIBOR may not be available after 2021, and banks should be aware of possible alternative rates that will be used as benchmarks in the future and how to prepare for that possibility.

Agencies Issue Proposal to Streamline Regulatory Reporting for Qualifying Small Institutions (11.07.2018)



WASHINGTON—The three federal banking agencies invited public comment on a proposal to reduce regulatory reporting burden on small institutions by expanding the number of regulated institutions eligible

for streamlined reporting. The proposal would implement section 205 of the Economic Growth, Regulatory Relief, and Consumer Protection Act.

The proposal would permit insured depository institutions with total assets of less than \$5 billion that do not engage in certain complex or international activities to file the most streamlined version of the Call Report, the FFIEC 051 Call Report. The agencies also are proposing to reduce by approximately 37 percent the number of existing data items reportable in the FFIEC 051 Call Reports for the first and third calendar quarters.

The Federal Reserve Board and the OCC also are proposing similar reduced reporting for certain uninsured institutions that they supervise with less than \$5 billion in total consolidated assets that meet the same criteria.

All institutions, regardless of size, submit a quarterly Call Report that includes data used by regulators to monitor the condition, performance, and risk profile of individual institutions and the industry as a whole.

Comments must be received by January 18, 2019.

Source [link](#).

Comment: The so-called streamlined version is still too cumbersome and should be re-evaluated.

FFIEC HMDA Alert - 2019 Filing Instructions Guide (11.08.2018)

The 2019 HMDA Filing Instructions Guide is now available.

Source [link](#).

Comment: Update your HMDA procedures with this guide.

Updated Home Mortgage Disclosure Act Small Entity Compliance Guide (10.30.2018)

The Bureau has updated the Home Mortgage Disclosure Small Entity Compliance Guide to reflect amendments made by Section 104(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act and the 2018 interpretive and procedural rule.

Source [link](#).

Comment: Update your HMDA procedures with this guide.

Federal Financial Institutions Regulatory Agencies Announce Availability of 2017 Small Business, Small Farm, and Community Development Lending Data (10.25.2018)

The three federal banking agency members of the Federal Financial Institutions Examination Council (FFIEC) with Community Reinvestment Act (CRA) responsibilities announced the availability of data on small business, small farm, and community development lending reported by certain commercial banks and savings associations, pursuant to the CRA. The agencies releasing the data are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency.

An FFIEC disclosure statement on the reported 2017 CRA data, in electronic form, is available for each reporting commercial bank and savings association. The FFIEC also prepared aggregate disclosure statements of small business and small farm lending for all of the metropolitan statistical areas and non-metropolitan

counties in the United States and its territories. These statements are available for public inspection on the FFIEC website (www.ffiec.gov/cra).

Source [link](#).

Comment: For 2017, banks and savings associations with \$1.226 billion or more in assets were obligated to report this data under CRA. Of the 718 lenders reporting, 177 were below that threshold and reported voluntarily or because they elected to be evaluated as a “large” institution during CRA examinations.

BCFP actions and news

Bureau Releases Remittance Rule Assessment Report (10.26.2018)

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires the Bureau of Consumer Financial Protection (Bureau) to review some of its rules within five years after they take effect. These formal reviews are called assessments. The Bureau’s Remittance Rule took effect on Oct. 28, 2013, and this report publishes the findings of the Bureau’s assessment of the Remittance Rule. In general, the Remittance Rule gave certain protections to consumers that send remittance transfers from the United States to another country. In its assessment, the Bureau used both its own research and external sources to evaluate the effectiveness of the Remittance Rule in meeting the purposes and objectives of the Bureau, and the specific goals of the Remittance Rule stated by the Bureau prior to the Rule’s effective date.

Source [link](#).

Comment: Among other data, the report notes that about 80% of banks are exempt because they are below the 100-transfer threshold.

Public Statement Regarding Payday Rule Reconsideration and Delay of Compliance Date (10.26.2018)

The Bureau expects to issue proposed rules in January 2019 that will reconsider the Bureau's rule regarding Payday, Vehicle Title, and Certain High-Cost Installment Loans and address the rule's compliance date. The Bureau will make final decisions regarding the scope of the proposal closer to the issuance of the proposed rules. However, the Bureau is currently planning to propose revisiting only the ability-to-repay provisions and not the payments provisions, in significant part because the ability-to-repay provisions have much greater consequences for both consumers and industry than the payment provisions. The proposals will be published as quickly as practicable consistent with the Administrative Procedure Act and other applicable law.

Source [link](#).

Comment: A federal court this week granted the Bureau of Consumer Financial Protection’s request to delay the effective date of its rule on small-dollar loans. The decision delays the August 2019 compliance date.

Revised Small Entity Compliance Guides Released (11.15.2018)

The BCFP recently issued revised versions of the small entity compliance guides for the Loan Originator Rule and the Home Ownership and Equity Protection Act (HOEPA) Rule.

Source [link](#).

Comment: The BCFP revised the compliance guide for the Loan Originator Rule in three notable respects. First, the revised guide includes a process for contacting the BCFP with informal inquiries about the rule. Second, the revised guide puts into effect the TILA/RESPA Disclosure rule. Third, and pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act, which was adopted earlier this year, the revised guide includes an exemption from certain rules applicable to loan originators for retailers of manufactured and modular homes and their employees.

The BCFP made two notable revisions to the compliance guide for the HOEPA Rule. First, the revised guide broadens the exemption from the concept of a loan originator. This broader exemption should be taken into account when considering the requirement to include loan originator compensation in points and fees for purposes of the points and fees threshold under the rule. Second, the revised guide includes a process for contacting the BCFP with informal inquiries about the rule.

Bureau of Consumer Financial Protection and Federal Housing Finance Agency Release National Survey of Mortgage Originations Dataset for Public Use (11.08.2018)

WASHINGTON, D.C. — The Bureau of Consumer Financial Protection (BCFP) and the Federal Housing Finance Agency (FHFA) released for public use a new loan-level dataset collected through the National Survey of Mortgage Originations (NSMO) that provides insights into borrowers' experiences in getting a residential mortgage.

The NSMO is a component of the National Mortgage Database (NMDB®), the first comprehensive repository of detailed mortgage loan information designed to support policymaking and research efforts and to help regulators better understand emerging mortgage and housing market trends. The NMDB was launched by FHFA and the BCFP in 2012

Source [link](#).

Comment: According to FHFA Deputy Director Sandra Thompson, "The goal of the survey is to obtain information to help improve lending practices and the mortgage process for future borrowers."

Helping to Prevent Scams Targeted at Veterans (11.08.2018)

Veterans and spouses, look out for these signs of possible Aid and Attendance benefit scams:

- Offers to file an application to get you benefits or increase your pension for a fee
- Claims to get you benefits faster for a fee
- Advice to move your money so you'll qualify for benefits

The Bureau's [latest fraud and scam prevention placemat](#) on Aid and Attendance benefit scams is free to the public for [bulk ordering](#). This placemat is part of a series of [consumer education placemats](#) that meal service providers deliver to homebound seniors and senior meal sites. Other groups that might be interested in distributing this placemat are veteran nursing homes, VA hospitals, veteran/military service organizations, faith-based organizations, and financial institutions. Here are some ways you can protect yourself and your friends and family from Aid and Attendance benefit scams, and other types of elder abuse or financial exploitation:

Here are some ways you can protect yourself and your friends and family from Aid and Attendance benefit scams, and other types of elder abuse or financial exploitation:

Place an order for the Aid and Attendance benefit scam prevention and awareness placemats and share with people in your community. The placemats can be used year-round to help educate older adults and others about these scams.

- Report any crimes to your law enforcement's non-emergency number. If you suspect that someone is a victim of elder abuse or financial exploitation, report it to your local Adult Protective Services (APS). If you think the person's safety may be at risk, call 911.
- Report scams and financial abuse to your state attorney general.
- Report suspected scams to the Federal Trade Commission.

Contact the VA at 800-827-1000 if you have general questions about the Aid and Attendance benefit.

Source [link](#).

Comment: This material could be shared with customers as part of a bank's financial literacy outreach. Consider making it a part of the bank's elder financial abuse program as well.

FDIC actions and news

FDIC-Insured Institutions Reported \$62 Billion in Net Income in Third Quarter 2018 - Community Bank Net Income Increases to \$6.8 Billion (11.20.2018)

- Industry Net Income Registers a Strong Increase of 29.3 Percent from a Year Ago
- Higher Net Operating Revenue and a Lower Effective Tax Rate Boost Net Income
- Community Bank Net Income Rises 21.6 Percent from Third Quarter 2017
- Net Interest Margin Widens to 3.45 Percent as Asset Yield Increases Outpace Funding Cost Growth
- Annual Growth Rate for Loan and Lease Balances Is 4 Percent
- Noncurrent Rate Continues to Decline and Net Charge-Off Rate Remains Stable

"While the banking industry reported another positive quarter, we continue to monitor its overall performance in a rising interest-rate environment with competitive lending conditions."

-- FDIC Chairman Jelena McWilliams

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of \$62 billion in the third quarter of 2018, up \$14 billion (29.3 percent) from a year ago. The improvement in earnings was attributable to higher net operating revenue and a lower effective tax rate. Financial results for the third quarter of 2018 are included in the FDIC's latest Quarterly Banking Profile released.

Of the 5,477 insured institutions reporting third quarter financial results, more than 70 percent reported year-over-year growth in quarterly earnings. The percent of unprofitable banks in the third quarter declined to 3.5 percent from 4 percent a year ago.

"The banking industry reported another strong quarter," FDIC Chairman Jelena McWilliams said.

"Improvement in net income was led by higher net operating revenue and a lower effective tax rate. Loan balances grew, net interest margins improved, and the number of 'problem banks' continued to decline. Community banks also reported another positive quarter, with loan growth and a net interest margin surpassing the overall industry."

"While the performance results were strong, the extended period of low interest rates and the competition to attract loan customers have led to heightened exposure to interest-rate risk, and credit risk. Banks must maintain prudent management of these risks in order to sustain lending through the economic cycle."

Source [link](#).

Comment: Reports from 5,044 insured community banks showed \$6.8 billion in net income, reflecting an increase of \$1.2 billion (21.6%) from a year earlier. This increase resulted primarily from higher net operating revenue and a lower effective tax rate.

FDIC Requests Information on Small-Dollar Lending (11.14.2018)

The Federal Deposit Insurance Corporation (FDIC) announced that it is seeking public comment on issues related to small-dollar lending by FDIC-supervised financial institutions.

The Request for Information (RFI) solicits comments on the consumer demand for small-dollar credit products, the supply of small-dollar credit products currently offered by banks, and what the FDIC can do to better enable banks to offer responsible, prudently underwritten credit products to meet consumer demand.

"While it would be optimal if all Americans could meet their financial needs without the need to borrow money or sell something," said Chairman McWilliams, "studies have shown that unfortunately that is not the reality for many Americans. Consumers benefit when small-dollar credit products are available from banks. I encourage the public to use the RFI process to tell us how to ensure that consumers can obtain small dollar credit from banking institutions in a responsible manner."

Comments must be received by January 22, 2019.

Source [link](#).

Comment: Remember the Sub-Prime Lending Guidance? This is quite the flip. The problems in this area will still be usury laws and public perception as well as repayment ability.

FDIC Releases 2018 Version of Money Smart for Adults (11.14.2018)

The FDIC released the 2018 version of its popular instructor-led Money Smart for Adults financial education curriculum. Instructors can use the fully scripted materials with minimal preparation to deliver unbiased, relevant, and accurate financial education.

"The FDIC's Money Smart for Adults helps people gain the knowledge, confidence, and skills to use banks more effectively and manage their finances. And it gives banks a valuable tool to build deeper relationships with their customers," said FDIC Chairman Jelena McWilliams.

The 2018 version of Money Smart for Adults fully replaces the previous version, which was released in 2010. Features of the 2018 version of Money Smart for Adults include:

- Fourteen modules that cover basic financial topics and include vibrant graphics and exercises;
- Expanded content on topics such as mobile banking, reading a pay statement, renting an apartment, and creative ways to save money, as well as updated information on standard topics such as credit reports and scores;

- Activities that allow participants to practice what they've learned during training, and apply it to their own lives;
- A "Take Action" section that encourages participants to identify at least one thing they plan to do because of what they learned during the training;
- An updated Guide to Presenting Money Smart for Adults that guides instructors on how to use the Money Smart material effectively, along with supplemental tools and tips for supporting participants with disabilities; and
- An updated Scenarios for Financial Inclusion supplement featuring individuals with disabilities considering various financial decisions.

To learn more about the FDIC's Money Smart program and to download the materials or order a DVD with the new curriculum, visit the Money Smart page on the FDIC's website at www.fdic.gov/moneysmart or click here for an immediate [download](#).

[Join the Money Smart Alliance](#) and be listed as a member to enhance partnership opportunities. [Subscribe](#) to the [Money Smart News](#) to keep up-to-date and read success stories about how Money Smart is used.

Source [link](#).

Comment: This is a fabulous resource for a bank's financial literacy program.

Share of U.S. Households without a Bank Account Continues to Drop - Unbanked Rate Declines to 6.5 Percent in 2017 (10.23.2018)

For the third consecutive survey period, the number of U.S. households without a bank account fell, according to the results of the 2017 biennial National Survey of Unbanked and Underbanked Households released by the Federal Deposit Insurance Corporation (FDIC).

"The good news is that our nation's banking system is serving more American households than ever before. The bad news is that even as the overall number of people who are unbanked has declined, 8.4 million households continue to lack a banking relationship," said FDIC Chairman Jelena McWilliams.

The percentage of U.S. households that were unbanked in 2017 the most recent year of the survey, was 6.5 percent, the lowest rate recorded since the FDIC began conducting the survey in 2009. It was down from 7.0 percent in 2015, and down significantly from a high of 8.2 percent in 2011. The unbanked numbers for 2017 equate to 14.1 million adults in 8.4 million households not having a checking or savings account.

The decline in the unbanked rate from 2015 to 2017 can be explained almost entirely by improvements in the socioeconomic circumstances of U.S. households.

The number of underbanked U.S. households was also down compared to 2015 levels. In 2017, 18.7 percent of U.S. households were considered underbanked, or approximately 48.9 million adults in 24.2 million households. For purposes of the survey, the term underbanked refers to households that had an account at an insured institution but also obtained financial products or services outside of the banking system.

Consistent with previous surveys, banking status in 2017 varied considerably across the U.S. population. For example, unbanked and underbanked rates were higher among lower-income households, less-educated households, younger households, black and Hispanic households, households headed by working-age individuals with a disability, and households with incomes that tend to vary from month to month.

Mobile banking continues to become an increasingly important way for consumers to access their accounts. In 2017, mobile banking was used by 40.4 percent of banked U.S. households to access their account, almost double the 23.2 percent four years earlier.

According to the survey results, 86.0 percent of banked households visited a bank branch in the past 12 months, and 35.4 percent visited ten or more times. This held true for households that used online or mobile banking as their primary means for accessing their accounts: 81.0 percent of banked households that used mobile banking as their primary method visited a branch in the past 12 months, and nearly one-quarter (23.0 percent) visited ten or more times.

Other key findings in the survey include:

- Nearly 13 percent of households (14.8 million households) demonstrated unmet demand for mainstream small-dollar credit, and a majority of these households (57.2 percent) reported staying current on bills in the prior year. The report notes that new underwriting technologies, such as those that rely on transactions in consumers' checking accounts, could help expand credit availability for some of these households.
- One in five U.S. households (22.7 million households) did not use mainstream credit in the prior 12 months and, consequently, may lack a credit score. Black and Hispanic households at every income level evaluated in the survey were more likely to be in this condition than white households. The report notes that helping these households establish and build a credit history can make it easier for them to access credit on reasonable terms when a need arises.
- Along with 86 percent of banked households, almost one in six unbanked households visited a bank branch in the past year. The report notes that these visits may represent key opportunities to inform unbanked households about products and services that can meet their needs.
- While unbanked rates have fallen in recent years, those that remain unbanked have proven more and more likely to respond that they are "not very likely" or "not at all likely" to open a bank account in the next year (75.0 percent in 2017 versus 62.1 percent in 2013). This fact, along with evidence that certain population segments remain much more likely to be unbanked, suggests that strategies targeted at addressing barriers to bank account ownership for specific groups may help further reduce unbanked rates.
- The share of households reporting that they turned to nonbank firms in the last year for the provision of credit and transaction services tracked in the survey dropped to 22.1 percent, down from 24.0 percent in 2015 and 24.9 percent in 2013. The drop was evidenced in both the use of credit and transaction services.

The FDIC survey began in 2009 and is conducted every other year in partnership with the U.S. Census Bureau. It provides detailed national, state, and local data to inform understanding of access to banking and to support economic inclusion efforts.

Go to economicinclusion.gov for additional survey findings, to generate custom tables, and to download information from all five surveys. Data also is available for metropolitan areas and states.

Attachment:

[2017 National Survey of Unbanked and Underbanked Households Results](#)

Source [link](#).

OCC actions and news

OCC Publication Discusses Importance of Bank Financing for Rural Broadband Initiatives (11.26.2018)

WASHINGTON — The Office of the Comptroller of the Currency (OCC) published the latest edition of its Community Development Investments newsletter, “Expanding Internet Access: Bank Financing for Rural Broadband Initiatives.”

This edition of Community Development Investments discusses the important role national banks and federal savings associations can play in helping rural communities gain reliable, high-speed internet access through broadband networks. The newsletter explains how banks financing broadband initiatives can help reduce the digital divide and improve job, educational, and other opportunities in rural communities that are struggling economically with unreliable internet access.

In addition, the newsletter explains how banks financing certain broadband development initiatives may receive Community Reinvestment Act consideration for promoting economic development in rural communities and helping to revitalize distressed and low- and moderate-income communities

This edition of *Community Development Investments* is the latest information released by the OCC to educate banks, community leaders, and others on the importance of expanding broadband access in rural areas. Earlier in 2018, the OCC’s Community Affairs staff released a brief video that highlights how banks have financed rural broadband development initiatives. The video, titled “Bank Financing for Rural Broadband Initiatives,” is available on the OCC’s Rural Broadband Financing and Development resources page at www.occ.gov/rural. These resources can also be found by searching with the keywords “rural broadband” on www.occ.gov.

Related Links

- *Community Development Investments: “Expanding Internet Access: Bank Financing for Rural Broadband Initiatives”*
- OCC’s Rural Broadband Financing and Development resources page
- District Community Affairs Officers

Source [link](#).

Comptroller of the Currency Discusses Condition of the U.S. Banking System (11.14.2018)

Comptroller of the Currency Joseph M. Otting discussed the condition of the U.S. federal banking system during a speech in Tokyo.

His remarks described the strength and resiliency of the U.S. banking system and ongoing efforts to ensure the system continues to be a source of strength for the U.S. and global economies.

[Remarks](#) (PDF)

Source [link](#).

Federal Reserve actions and news

Senior Loan Officer Opinion Survey on Bank Lending Practices (11.14.2018)

The October 2018 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the standards and terms on, and demand for, bank loans to businesses and households over the past three months, which generally corresponds to the third quarter of 2018.¹

Regarding loans to business borrowers, banks indicated that they eased their standards and terms for commercial and industrial (C&I) loans while experiencing weaker demand for such loans on balance.² At the same time, banks reportedly left their standards unchanged on most categories of commercial real estate (CRE) loans, while demand reportedly weakened for most categories of such loans.

For loans to households, banks reported easing their standards on most categories of residential real estate (RRE) loans while experiencing weaker demand for such loans on balance. In contrast, banks reportedly left their standards on auto and credit card loans about unchanged, while demand for such loans also remained unchanged. To better understand how consumer lending standards have been changing conditional on borrower credit quality, this survey also included a set of special questions asking banks to assess the likelihood of approving credit card and auto loan applications by borrower FICO score in comparison with the beginning of the year. Banks reported they were less likely to approve such consumer loans for borrowers with FICO scores of 620 in comparison with the beginning of the year, while they were more likely to approve such consumer loans for borrowers with FICO scores of 720 over this same period.

In addition, the survey included two sets of special questions inquiring about the effect of the slope of the yield curve on lending policies. Banks were first asked how their lending policies have changed in response to the flattening of the yield curve since the beginning of this year. Banks generally indicated that the change in the slope of the yield curve so far this year had not affected their standards or price terms across the major loan categories. In contrast, when asked to assess their potential response to a prolonged hypothetical moderate inversion of the yield curve, banks responded that they would tighten standards or price terms across every major loan category if the yield curve were to invert, a scenario that they interpreted as a signal of a deterioration in economic conditions.

Source [link](#).

Other federal action and news

FTC - Fake Promises Offer No Sigh of (Debt) Relief (11.20.2018)

An offer of reduced monthly payments — or complete forgiveness — on your student loan may make you want to sign up...and exhale. Unfortunately, though, some of those programs wind up costing you hundreds or thousands of dollars for nothing in return. What's more, you could've gotten real help for free.

Impetus Enterprise, Inc. and related defendants made such promises, according to a recent complaint filed by the FTC. The FTC says the defendants, doing business as Aidnest, Aiding Student Relief, and other names, deceived student loan borrowers by offering to get them reduced payments or even forgiveness on their loans. According to the complaint, the companies widely marketed things like complete loan forgiveness in under 10 years, which most borrowers are actually not eligible to get.

The FTC says people often paid around \$500 to get student loan debt "relief," based on what turned out to be empty promises. In addition, the FTC says that the companies charged those fees up front, which is illegal to do before actually helping people with debt relief. The FTC asked the court to put a halt to these activities and is trying to get money back to people.

You can get free assistance from the US Department of Education to do things like:

- [Lower your monthly payments](#)
- [Consolidate federal student loans](#)
- [Check on loan forgiveness](#), and
- [Get out of default](#)

Also, be sure to learn more about student loans, including relief programs and how to spot scams.

Source [link](#).

CSBS - Impact of Bank Failure is Sometimes Greater Than the Sum of its Parts (11.16.2018)

Staff at the Research and Statistics Division of the Federal Reserve Board recently published a working paper examining whether financial stress at small banks has a different impact on the real economy than financial stress at larger banks.

The working paper estimates that the failure of a single large banking organization with an assumed \$100 billion in deposits would result in approximately a 107 percent decline in quarterly real GDP growth, whereas stress among five smaller banking organizations—each with an assumed \$20 billion in deposits—would result in roughly a 22 percent decline in quarterly real GDP growth.

The paper is an important contribution to the research on the connection between bank size and systemic risk. The findings of the paper are critical to keep in mind as federal regulators seek to tailor regulations applicable to large and small banks while limiting potential damage to the economy in future financial crises.

Source [link](#).

FinCEN Reissues Real Estate Geographic Targeting Orders and Expands Coverage to 12 Metropolitan Areas (11.15.2018)

WASHINGTON—The Financial Crimes Enforcement Network (FinCEN) announced the issuance of revised 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, which previously varied by city, is now set at \$300,000 for each covered metropolitan area. FinCEN is also requiring that covered purchases using virtual currencies be reported.

Previous GTOs provided valuable data on the purchase of residential real estate by persons implicated, or allegedly involved, in various illicit enterprises including foreign corruption, organized crime, fraud, narcotics trafficking, and other violations. 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.

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](#).

CSBS - Data Corner: Distribution of Bank Branches (11.09.2018)

This animated map shows the distribution of the top 10 banks branch locations (ranked by assets) versus all of the other banks in the system from 1994 through 2018. The top 10 banks (in red) are heavily focused in urban/metropolitan areas, while the other 5,541 banks (in green), mostly community banks, often provide the only coverage in less dense/more rural areas outside of major cities.

Source [link](#).

FTC Seeks Comment on Proposed Rule Implementing Law Providing Free Credit Monitoring for Active Duty Military Consumers (11.01.2018)

The Federal Trade Commission is seeking comment on a proposed rule to implement a 2018 law requiring the nationwide consumer reporting agencies to provide free electronic credit monitoring services for active duty military consumers.

The Economic Growth, Regulatory Relief, and Consumer Protection Act, passed earlier this year, mandated that the FTC issue a rule regarding certain requirements of the law. The FTC's Notice of Proposed Rulemaking (NPRM) proposes a rule that would require the nationwide consumer reporting agencies (CRAs) to provide a free electronic credit monitoring service that would notify active duty military members within 24 hours of any "material" additions or modifications to their credit files. It states that contact information, appropriate proof that the consumer is an active duty member of the military, and proof of the consumer's identity may be required to take advantage of this service.

The proposed rule specifies how military consumers may prove their active duty status, such as providing a copy of their active duty orders. It also sets forth key terms such as "electronic credit monitoring service," which is defined as a service through which the CRAs provide, at a minimum, electronic notification of material additions or modifications to a consumer's file. In addition, the proposed rule prohibits the CRAs from requiring active duty military consumers to agree to terms or conditions, or representing that consumers must purchase a product or service in order to obtain the free credit monitoring service.

The NPRM seeks comment on these provisions and other aspects of the proposed rule such as:

- Are the restrictions on secondary uses and disclosures of information collected from an active duty military consumer requesting the credit monitoring service necessary?
- Are the methods used to verify appropriate proof of active duty military status adequate?
- Does the definition of "material additions or modifications" adequately cover the changes to a consumer's file that should require notification?
- Is the proposed ban on marketing until after an active duty military consumer who has indicated an interest in obtaining the free credit monitoring service has been enrolled in that service necessary? Does it impose undue burdens on the CRAs?

The proposed NPRM will be published in the Federal Register shortly along with instructions on how to submit comments. The deadline for submitting comments is January 7, 2019.

Source [link](#).

Comment: The FTC proposes to: (1) require nationwide credit reporting agencies (CRAs) to provide a free electronic credit monitoring service to active duty military consumers; (2) define new terms related to this requirement; and (3) specify what constitutes appropriate proof of active military duty status.

FTC - Scammers Increasingly Demand Payment by Gift Card (10.16.2018)

Through Consumer Sentinel we hear from people across the country about frauds they encounter in the marketplace. One thing we learn from these reports is how scammers want to be paid. People are telling us that they're increasingly being told to pay with gift cards – specifically, by giving someone the PIN number off the back of a gift card. Often people are specifically asked for certain brands, like iTunes and Google Play cards.

To understand this issue better, we looked at fraud reported directly to the FTC. To avoid skewing the results, we excluded reports about shop-at-home purchases – this Spotlight is not about the use of gift cards to purchase retail goods, but rather their use as a payment vehicle for scams.

We found that from January through September of this year, gift cards and reload cards (like MoneyPak) were reported as a payment method in 26% of the fraud reports in which people told us how they paid, up from just 7% in 2015 – a 270% increase. Con artists favor these cards because they can get quick cash, the transaction is largely irreversible, and they can remain anonymous.

People report that con artists direct them to buy gift or reload cards at well-known stores like Walmart, Target, Walgreens, and CVS. According to these reports, they demand some specific card brands. While these change over time, iTunes cards have been the top card brand by a wide margin since 2016. By contrast, Google Play cards were not reported in significant numbers until this year.

Source [link](#).

Comment: Good information to share with consumers to help them protect themselves!

Publications, articles, reports, studies, testimony & speeches

How do Capital Requirements Affect Loan Rates? Evidence from High Volatility Commercial Real Estate (11.21.2018)

We study how bank loan rates responded to a 50% increase in capital requirements for a subcategory of construction lending, High Volatility Commercial Real Estate (HVCRE). To identify this effect, we exploit variation in the loan terms determining whether a loan is classified as HVCRE and the time that a treated loan would be subject to the increased capital requirements. We estimate that the HVCRE rule increases loan rates by about 40 basis points for HVCRE loans, indicating that a one percentage point increase in required capital raises loan rates by about 9.5 basis points.

Source [link](#).

Mexico's Economy Posts Strong Third-Quarter Growth (11.19.2018)

Mexico's economic output recovered sharply in the third quarter, rising an annualized 3.6 percent after contracting in the second quarter. The consensus growth forecast for 2018 held steady in October at 2.1 percent. 1

More recent data are mostly positive. Exports, employment and industrial production posted positive growth, but retail sales declined. Inflation ticked up, and the peso depreciated slightly against the dollar in October.

GDP Bounces Back in the Third Quarter

Mexico's third-quarter real gross domestic product (GDP) grew an annualized 3.6 percent after the second quarter's weak showing of -0.6 percent (Chart 1). Growth was broad based. Service-related activities (wholesale and retail trade, transportation and business services) grew 3.2 percent. Goods-producing industries (including manufacturing, construction and utilities) expanded 2 percent, and agricultural output increased 3.2 percent.

Source [link](#).

Comment: The U.S. economy and Mexico's economy are inextricably linked.

Inflation and the Gig Economy: Have the Rise of Online Retailing and Self-Employment Disrupted the Phillips Curve? (11.16.2018)

Abstract: During the recovery from the Great Recession, inflation did not reach the central bank's 2 percent objective as quickly as many models had predicted. This coincided with increases in online shopping, which arguably made retail markets more contestable and damped retail inflation. This hypothesis is tested using data on the online share of retail sales, which are incorporated into an econometric model. Results imply that the rise of online retail has flattened the Phillips Curve, reducing the sensitivity of inflation to unemployment rate changes. Improvement in fit from just including the online share is tiny—so far. Other results indicate that market-based price indexes are more sensitive to unemployment than measures such as core PCE, which puts a sizable weight on items with imputed prices that may slowly adjust to market conditions. Further, measures of online sales that internalize substitution between online and traditional mail order sales better help track the impact of online sales on inflation dynamics.

A complementary factor is the “gig” economy and the rise of self-employment, which by reducing the bargaining power of labor, could lower the natural rate of unemployment. Model performance and fits are improved using a hybrid approach in which the rise of online sales can flatten the slope of the Phillips Curve by reducing retail pricing power and the prevalence of gig or self-employment can lower the natural rate of unemployment.

By omitting important structural changes in both goods and labor markets, conventional Phillips Curve models have failed to track how the rise of online retailing has flattened the Phillips Curve and how the rise of the gig economy (self-employment) has lowered the natural rate of unemployment. One notable difference between the price-price and wage-price results is that the combined effects of online shopping and self-employment are more notable on wage inflation than on price inflation. This could plausibly reflect that improvements in information technology may have undermined the pricing power of workers in labor markets to a greater degree than they have affected the pricing power of producers in goods markets.

Source [link](#).

Comment: The Phillips Curve describes a historical inverse relationship between rates of unemployment and corresponding rates of rises in wages that result within an economy. This is very interesting reading for those amateur economists out there.

St. Louis Fed Ag Survey: Economic Conditions Deteriorate More Than Expected in the Third Quarter (11.15.2018)

ST. LOUIS — Eighth District agricultural bankers reported that farm income had declined and that farm household spending and capital expenditures remained below levels compared with a year ago, according to the latest Agricultural Finance Monitor published by the Federal Reserve Bank of St. Louis. The number of bankers reporting third-quarter declines was larger than three months ago and they expect farm income and expenditures to decline again in the fourth quarter.

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

Farm Income Continues to Decline

The majority of agricultural bankers continue to report declines in farm income relative to a year earlier. The current index value marks the 19th consecutive quarter with a value below 100. Based on a diffusion index methodology with a base of 100 (results above 100 indicate proportionately more bankers report higher income compared with the same quarter a year ago; results lower than 100 indicate proportionately more bankers report lower income from a year earlier), the third-quarter index value for farm income was 45.

Overall, bankers were slightly less optimistic when asked about the prospects for farm income in the fourth quarter of 2018. As one Missouri lender stated, farmers are hurting, “I expect no change in the marketing plans because they have bills to pay and will need to sell the crop to make those payments. Small farmers are hurting because of the low prices and are usually the ones who do not have on-farm storage to allow them to hold their harvested crops.” Bankers also reported that household spending and capital expenditures in the third quarter were lower than a year earlier.

Quality Farmland Values and Cash Rents Rose

Quality farmland values rose 2.5 percent in the third quarter along with ranchland or pastureland values which also increased by 1.5 percent. Cash rents for quality farmland rose 2 percent in the third quarter, while cash rents for ranchland or pastureland rose 0.8 percent. Bankers are split on whether cash rents for ranchland and pastureland will decrease or increase over the next three months.

Special Questions Regarding Development Concerns, Loan Repayments and U.S. Soybean Prices

The first special question revealed the top concern for bankers continued to be low commodity prices, as reported by a 77.3 percent majority. The second special question asked agricultural bankers which types of loans they expect to experience repayment problems over the second half of 2018. Nearly 71.4 percent of bankers expect the largest increase in repayment problems to be operating lines of credit.

U.S. soybean prices have fallen sharply since the Chinese government imposed tariffs on imports of U.S. soybeans in late July. This development caused some industry analysts to speculate that U.S. soybean producers would delay the marketing of all or part of their crop in the hope of a rebound in prices. A little

more than half, 54.5 percent, responded to the third special question that soybean producers in their area do plan to delay selling all or part of their crop.

Source [link](#).

Comment: Of concern, for the July through September period of 2018, repayment rates on non-real-estate farm loans were again lower than a year ago.

Federal Reserve to Review Strategies, Tools, And Communication Practices It Uses to Pursue Its Mandate of Maximum Employment and Price Stability (11.15.2018)

The Federal Reserve next year will review the strategies, tools, and communication practices it uses to pursue its congressionally-assigned mandate of maximum employment and price stability. The review will include outreach to a broad range of interested stakeholders.

"With labor market conditions close to maximum employment and inflation near our 2 percent objective, now is a good time to take stock of how we formulate, conduct, and communicate monetary policy," said Federal Reserve Chairman Jerome H. Powell.

As part of the outreach effort, the Federal Reserve System will sponsor a research conference June 4-5, 2019, at the Federal Reserve Bank of Chicago, with speakers and panelists from outside the System. Additionally, Reserve Banks will host a series of public events around the country to hear from a wide range of stakeholders.

Beginning around the middle of 2019, Federal Reserve policymakers will discuss the perspectives offered during the outreach events as part of their review of how to best pursue the Fed's statutory mandate. At the end of the process, policymakers will assess the information and perspectives gathered during the year of review and will report their findings.

Source [link](#).

Comment: In an effort to promote more transparency, Chairman Powell plans to start holding news conferences after all eight Fed meetings each year.

Why Does the Yield-Curve Slope Predict Recessions? (11.13.2018)

Many studies document the predictive power of the slope of the Treasury yield curve for forecasting recessions. This work is motivated, for example, by the empirical evidence in figure 1, which shows the term-structure slope, measured by the spread between the yields on ten-year and two-year U.S. Treasury securities, and shading that denotes U.S. recessions (dated by the National Bureau of Economic Research). Note that the yield-curve slope becomes negative before each economic recession since the 1970s. That is, an "inversion" of the yield curve, in which short-maturity interest rates exceed long-maturity rates, is typically associated with a recession in the near future.

Source [link](#).

Comment: When a yield curve inverts, it's because investors have little confidence in the near-term economy. They are demanding more yield for a short-term investment than for a long-term one. They would prefer to buy long-term bonds and tie up their money for 10 years even though they receive lower yields.

FRB Statistical Release - Consumer Credit - G.19 (11.07.2018)

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

- [Consumer Credit Outstanding](#)
- [Levels](#)
- [Flows](#)

Source [link](#).

Robert S. Kaplan - The Neutral Rate of Interest (10.24.2018)

In the September Federal Open Market Committee (FOMC) meeting, the Federal Reserve raised the federal funds rate to a range of 2 to 2.25 percent. In our statement announcing the decision, we ceased to include language that described the current stance of monetary policy as "accommodative."

I supported the most recent federal funds rate increase. In my recent speeches and essays, I have been arguing that the Federal Reserve should be gradually and patiently raising the federal funds rate until we get into the range of a "neutral stance." Once we've reached that point, I intend to assess the outlook for the U.S. economy and look at a broad range of factors before deciding what further actions, if any, might then be appropriate.

One challenge in moving toward a neutral stance is the inherently imprecise and uncertain nature of estimating what constitutes "neutral." This judgment is more of an art than a science and involves observing and analyzing a wide variety of factors. The uncertainty of this judgment is complicated by the fact that 2018 U.S. gross domestic product (GDP) growth has been substantially aided by sizable fiscal stimulus, whose impact is likely to fade somewhat in 2019 and further in 2020.

The purpose of this essay is to explore a number of the key issues associated with using the neutral rate concept in formulating monetary policy. In particular, I will discuss several of the challenges associated with estimating this rate, describe limitations on the use of this concept, and explain how it might best be used in debating and determining the appropriate path for the U.S. federal funds rate.

Source [link](#).

Selected federal rules – proposed

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

Posted

Date **SUMMARY OF PROPOSED RULE**

11.21.2018

[Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations](#) - The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) are inviting public comment on a notice of proposed rulemaking (proposal) that would provide 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. Under the proposal, most depository institutions and depository institution holding companies that have less than \$10 billion in total consolidated assets, that meet risk-based qualifying

criteria, and that have a community bank leverage ratio (as defined in the proposal) of greater than 9 percent would be eligible to opt into a community bank leverage ratio framework. Such banking organizations that elect to use the community bank leverage ratio and that maintain a community bank leverage ratio of greater than 9 percent would not be subject to other risk-based and leverage capital requirements and would be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act and regulations implementing that section, as applicable, and the generally applicable capital requirements under the agencies' capital rule. Comments are due 60 days after publication in the Federal Register.

11.21.2018 [Availability of Funds and Collection of Checks \(Regulation CC\)](#) - The Board and the Bureau (Agencies) are proposing amendments to Regulation CC, which implements the Expedited Funds Availability Act (EFA Act) (2018 Proposal), and are also providing an additional opportunity for public comment on certain amendments to Regulation CC that the Board proposed in 2011 (2011 Funds Availability Proposal). In the 2018 Proposal, the Agencies are proposing a calculation methodology for implementing a statutory requirement to adjust the dollar amounts in the EFA Act every five years by the aggregate annual percentage increase in the Consumer Price Index for Wage Earners and Clerical Workers (CPIW) rounded to the nearest multiple of \$25. The 2018 Proposal would also implement 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 would make certain other technical amendments. With regard to reopening comments on the 2011 Funds Availability Proposal, the Board published proposed amendments to Regulation CC in the Federal Register on March 25, 2011. As discussed below, the Board and the Bureau now have joint rulemaking authority with respect to subpart B of Regulation CC, related definitions, and appendices of the amendments that the Board proposed on that date. The Board and the Bureau are reopening the comment period for the 2011 Funds Availability Proposal. Comments are due 60 days after publication in the Federal Register.

11.20.2018 [Real Estate Appraisals](#) - The OCC, Board, and FDIC (collectively, the agencies) are inviting comment on a proposed rule to amend the agencies' regulations requiring appraisals for certain real estate related. The proposed rule would increase the threshold level at or below which appraisals would not be required for residential real estate-related transactions from \$250,000 to \$400,000. Consistent with the requirement for other transactions that fall below applicable thresholds, regulated institutions would be required to obtain an evaluation of the real property collateral that is consistent with safe and sound banking practices. The proposed rule would make conforming changes to add 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 to the list of exempt transactions. The proposed rule would require evaluations for these exempt transactions. Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the proposed rule would amend 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. Comments are due 60 days after publication in the Federal Register.

09.18.2018 [High Volatility Commercial Real Estate](#) - Three federal banking agencies invited public comment on a proposal to modify the agencies' capital rules for high volatility commercial real estate exposures, as required by the Economic Growth, Regulatory Relief, and Consumer Protection Act. The proposal also asks for comment on certain terms contained in the revised definition of high volatility commercial real estate. The changes, when finalized, would apply to all banking organizations subject to the agencies' capital rules. Comments are due 11.27.2018.

Selected federal rules – upcoming effective dates

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

EFFECTIVE

DATE:	SUMMARY OF FINAL RULE:
01.01.2018	Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to Advanced Approaches Capital Rules . The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are adopting a final rule to extend the regulatory capital treatment applicable during 2017 under the regulatory capital rules (capital rules) for certain items. These items include regulatory capital deductions, risk weights, and certain minority interest limitations. The relief provided under the final rule applies to banking organizations that are not subject to the capital rules' advanced approaches (non-advanced approaches banking organizations). Specifically, for these banking organizations, the final rule extends the current regulatory capital treatment of mortgage servicing assets, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, significant investments in the capital of unconsolidated financial institutions in the form of common stock, non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock, and common

equity tier 1 minority interest, tier 1 minority interest, and total capital minority interest exceeding the capital rules' minority interest limitations. Under the final rule, advanced approaches banking organizations continue to be subject to the transition provisions established by the capital rules for the above capital items. Therefore, for advanced approaches banking organizations, their transition schedule is unchanged, and advanced approaches banking organizations are required to apply the capital rules' fully phased-in treatment for these capital items beginning January 1, 2018.

- 01.16.2018 [Payday, Vehicle Title, and Certain High-Cost Installment Loans](#) - The Bureau of Consumer Financial Protection (Bureau or CFPB) is issuing this final rule establishing regulations creating consumer protections for certain consumer credit products and the official interpretations to the rule. First, the rule identifies it as an unfair and abusive practice for a lender to make covered short-term or longer-term balloon-payment loans, including payday and vehicle title loans, without reasonably determining that consumers have the ability to repay the loans according to their terms. The rule exempts certain loans from the underwriting criteria prescribed in the rule if they have specific consumer protections. Second, for the same set of loans along with certain other high-cost longer-term loans, the rule identifies it as an unfair and abusive practice to make attempts to withdraw payment from consumers' accounts after two consecutive payment attempts have failed, unless the consumer provides a new and specific authorization to do so. Finally, the rule prescribes notices to consumers before attempting to withdraw payments from their account, as well as processes and criteria for registration of information systems, for requirements to furnish and obtain information from them, and for compliance programs and record retention. The rule prohibits evasions and operates as a floor leaving State and local jurisdictions to adopt further regulatory measures (whether a usury limit or other protections) as appropriate to protect consumers. Effective Date: This regulation is effective January 16, 2018. Compliance Date: Sections 1041.2 through 1041.10, 1041.12, and 1041.13 have a compliance date of August 19, 2019. A federal court granted the Bureau of Consumer Financial Protection's request to delay the effective date of its rule on small-dollar loans. The decision delays the August 2019 compliance date.
- 04.09.2018 [Final rule Exempting Commercial Real Estate Transactions of \\$500,000 or Less From Appraisal Requirements](#) - 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.
- 05.16.2018 [Beneficial Ownership Requirements for Legal Entity Customers of Certain Financial Products and Services with Automatic Rollovers or Renewals](#). The Financial Crimes Enforcement Network (FinCEN) is issuing this ruling to provide a 90-day limited exceptive relief to covered financial institutions from the obligations of the Beneficial Ownership Requirements for Legal Entity Customers (31 CFR § 1010.230) (Beneficial Ownership Rule) with respect to certain financial products and services that automatically rollover or renew (i.e., certificate of deposit (CD) or loan accounts) and were established before the Beneficial Ownership Rule's Applicability Date, November 11, 2018. This exception begins, retroactively, on November 11, 2018, and will expire on November 9, 2018. During this time, FinCEN will determine whether and to what extent additional exceptive relief November be appropriate for such financial products and services that were established before November 11, 2018, but are expected to rollover or renew after such date.
- 06.01.2018 [Federal Mortgage Disclosure Requirements Under the Truth in Lending Act \(Regulation Z\)](#). The Bureau of Consumer Financial Protection (Bureau) is amending Federal mortgage disclosure requirements under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA) that are implemented in Regulation Z. The amendments relate to when a creditor November compare charges paid by or imposed on the consumer to amounts disclosed on a Closing Disclosure, instead of a Loan Estimate, to determine if an estimated closing cost was disclosed in good faith.
- 07.01.2018 [Availability of Funds and Collection of Checks](#) The Board is amending subparts A, C, and D of Regulation CC, Availability of Funds and Collection of Checks (12 CFR part 229), which implements the Expedited Funds Availability Act of 1987 (EFA Act), the Check Clearing for the 21st Century Act of 2003 (Check 21 Act), and the official staff commentary to the regulation.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 depository banks to receive, and paying banks to send, returned checks electronically. The Board has retained, without change, the current same-day settlement rule for paper checks. The Board is also applying Regulation CC's existing check warranties under subpart C to checks that are collected electronically, and in addition, has adopted new warranties and indemnities related to checks collected and returned electronically and to electronically-created items.
- 09.17.2018 [Amendment to the Annual Privacy Notice Requirement Under the Gramm-Leach-Bliley Act \(Regulation P\)](#). The Bureau of Consumer Financial Protection (Bureau) is amending Regulation P, which requires, among other things, that financial institutions provide an annual notice describing their privacy policies and practices to their customers. The amendment implements a December 2015 statutory amendment to the Gramm-Leach-Bliley Act providing an exception to this annual notice requirement for financial institutions that meet certain conditions.
- 10.01.2018 [TRID 2.0](#) The Consumer Financial Protection Bureau (CFPB) finalized updates to its "Know Before You Owe" mortgage disclosure rule with amendments that are intended to formalize guidance in the rule, and provide greater clarity and certainty. The changes will facilitate implementation of the Know Before You Owe rule by the mortgage industry. The CFPB is also

releasing a limited follow-up proposal to address an additional implementation issue. While the amendments became effective 60 days after publication in the Federal Register, mandatory compliance with the amendments is not required until November 1, 2018.

04.01.2019

[Prepaid Accounts under the Electronic Fund Transfer Act \(Regulation E\) and the Truth In Lending Act \(Regulation Z\)](#). The BFCP 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 November 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 BFCP’s [prepaid rule implementation page](#). The 2018 Prepaid Amendments extend the effective date of the 2016 Prepaid Rule to April 1, 2019. All provisions of the Prepaid Rule will become effective on April 1, 2019.

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.
BFCP	Bureau of Consumer Financial Protection
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 November be criminal in nature.
SDN	Specially Designated National
TILA	Truth in Lending Act
TIN	Tax Identification Number
Treasury	U.S. Department of Treasury

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that the publisher is not engaged in the rendering of legal, accounting or other professional advice - from a Declaration of Principles adopted by the American Bar Association and a Committee of Publishers and Associations. © 2018 Compliance Adviser. *All rights reserved.* Kelly Goulart, Editor