



## Capitol Comments October 2019

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

*“October is a Hallelujah! reverberating in my body year-round.” – John Nichols*

### Joint federal agency issuances, actions and news

#### ***Reporting Data on Loans to Small Businesses and Small Farms in the Consolidated Reports of Condition and Income (Call Report) (10.18.2019)***

On October 17, 2019, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation published a notice requesting comment on ways to modify the current requirements for reporting data on loans to small businesses and small farms in the Call Report so that the reported data better reflect lending to these sectors of the U.S. economy.

The U.S. Government Accountability Office (GAO) reviewed the data collected on Call Report Schedule RC-C, Part II, Loans to Small Businesses and Small Farms, as part of a study of the effect of regulations on small business lending. After summarizing its findings, the GAO recommended that the agencies reevaluate, and modify as needed, the requirements for the data institutions report in the Call Report to better reflect lending to small businesses. Therefore, the agencies are requesting feedback on ways to improve the usefulness of the Call Report data on loans to small businesses and small farms.

Comments, which may be submitted to any or all of the agencies by the methods described in the notice, must be received by December 16, 2019. After reviewing the comments, the agencies will decide what further steps to take with respect to the collection of small business and small farm lending data.

Attachment: [Federal Register Notice](#)

Source [link](#).

***Comment: Loans must meet the rules of Schedule RC-C1 of the Call Report to flow through to the Small Business and Small Farm reporting in Schedule RC-C2 and are impactful for CRA reporting. The Call Report instructions contain detailed information regarding purpose, collateral and types of borrowers. If you have ideas about how to make this reporting less burdensome and more meaningful, please comment!***

## **FDIC and Fed Request Information on the Use and Impact of CAMELS Ratings (10.18.2019)**

In keeping with ongoing initiatives to increase transparency and improve efficiency, the Federal Deposit Insurance Corporation and Federal Reserve Board are inviting public comment on their use of the Uniform Financial Institutions Rating System, also known as the CAMELS rating system.

The agencies seek comments on the consistency of ratings assigned under the CAMELS system. The agencies are also interested in comments concerning how they use CAMELS ratings in enforcement actions and in reviewing bank applications.

The agencies' outreach on CAMELS ratings is consistent with their commitment to provide opportunities for public feedback on issues affecting supervised institutions.

Because comments will be made public, submitters should not include confidential rating and examination information. Comments will be accepted for 60 days after publication of the agencies' request for information in the Federal Register.

Attachment:

[Request for Information on Application of the Uniform Financial Institutions Rating System](#)

Source [link](#).

***Comment: The release specifically states that it is not a proposal to modify the CAMELS system, noting that CAMELS is a product of the Federal Financial Institutions Examination Council.***

## **Federal Regulators Seek Comment on Proposed Guidance for Credit Risk Review Systems (10.17.2019)**

The FDIC, the Federal Reserve, the Office of the Comptroller of the Currency, and the National Credit Union Administration (the Agencies) are seeking comment on proposed guidance for credit risk review systems. The proposed guidance discusses sound management of credit risk, a system of independent and ongoing credit review, and appropriate communication regarding the performance of the institution's loan portfolio to its management and board of directors. The proposed guidance updates, as a stand-alone document, the elements of an effective credit risk review system currently contained in the Interagency Policy Statement on the Allowance for Loan and Lease Losses (Attachment 1 - Loan Review Systems), issued in 2006.

Highlights:

- FDIC-supervised institutions should "Establish a system of independent, ongoing credit review and appropriate communication to management and to the board of directors."<sup>1</sup>
- The proposed guidance aligns with the Interagency Guidelines Establishing Standards for Safety and Soundness for insured depository institutions.
- The proposed guidance updates and reaffirms the key elements of an effective credit risk review system contained in Attachment 1 – Loan Review Systems, including: qualifications and independence of credit risk review personnel; the frequency, scope, and depth of reviews; and the review, follow-up, communication, and distribution of results.
- The proposed guidance includes updates to reflect current industry credit review practices as well as terminology to align with the "current expected credit losses" (CECL) methodology.
- The extent to which the principles discussed in the proposed guidance are applicable depend on an institution's size, complexity, loan type, risk profile, and risk management practices.

- The proposed guidance will be issued as a stand-alone document, and not part of loan loss reserve guidance, to highlight the important role of credit risk review systems in an institution's overall risk management program.

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

Related Topics:

[Appendix A to Part 364—Interagency Guidelines Establishing Standards for Safety and Soundness Interagency Policy Statement on the Allowance for Loan and Lease Losses](#)

Attachment:

[Proposed Interagency Guidance on Credit Risk Review Systems](#)

Source [link](#).

***Comment: Meanwhile, FASB has extended the implementation date for CECL until 2023 for most non-publicly traded institutions. Specifically, small public lenders, public lenders that don't file with the Securities and Exchange Commission, and private and nonprofit lenders will now have until 2023 to implement CECL.***

***Federal Financial Regulatory Agencies Seek Comment on Proposed Interagency Policy Statement on Allowances for Credit Losses and Proposed Interagency Guidance on Credit Risk Review Systems***

***(10.17.2019)*** 

Four federal financial regulatory agencies requested comment on a proposed Interagency Policy Statement on Allowances for Credit Losses. This proposed policy statement is intended to promote consistency in the interpretation and application of the Financial Accounting Standards Board's (FASB) credit losses accounting standard, which introduces the current expected credit losses (CECL) methodology.

The proposed interagency policy statement describes the measurement of expected credit losses using the CECL methodology and updates concepts and practices detailed in existing supervisory guidance that remain applicable. CECL is effective for most public financial institutions beginning in 2020, and the FASB recently decided to defer the effective date of CECL for all other institutions to 2023. The proposed interagency policy statement would be effective at the time of each institution's adoption of the credit losses accounting standard.

The agencies also are requesting comment on the proposed Interagency Guidance on Credit Risk Review Systems. The guidance presents principles for establishing a system of independent, ongoing credit risk review in accordance with safety and soundness standards.

The proposals were issued by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency. Comments on each proposal will be accepted for 60 days after publication in the Federal Register.

Attachments:

[Proposed Interagency Policy Statement on Allowances for Credit Losses](#)

[Proposed Interagency Guidance on Credit Risk Review Systems](#)

Source [link](#).

***Comment: The proposed guidance stresses that bank employees involved with assessing credit risk should be independent from an institution's lending function.***

### ***Agencies Finalize Changes to Simplify Volcker Rule (10.08.2019)***

Five federal financial regulatory agencies announced that they finalized revisions to simplify compliance requirements relating to the "Volcker rule." By statute, the Volcker rule generally prohibits banking entities from engaging in proprietary trading or investing in or sponsoring hedge funds or private equity funds.

Under the revised rule, firms that do not have significant trading activities will have simplified and streamlined compliance requirements, while firms with significant trading activity will have more stringent compliance requirements. Community banks generally are exempt from the Volcker rule by statute. The revisions continue to prohibit proprietary trading, while providing greater clarity and certainty for activities allowed under the law. With the changes, the agencies expect that the universe of trades that are considered prohibited proprietary trading will remain generally the same as under the agencies' 2013 rule.

The changes were jointly developed by the Federal Reserve Board, the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission.

The rules will be effective on January 1, 2020, with a compliance date of January 1, 2021.

Attachments:

[Final Rule](#)

Source [link](#).

***Comment: Community banks generally are exempt from the Volcker rule by statute. The revisions continue to prohibit proprietary trading, while providing greater clarity and certainty for activities allowed under the law.***

### ***Agencies Issue Final Rule to Update Management Interlock Rules (10.02.2019)***

The federal bank regulatory agencies finalized updates to rules restricting the ability of a director or other management official to serve at more than one depository institution or depository holding company. The updates provide relief for community banks that have \$10 billion or less in total assets and are unchanged from the proposal announced in December 2018.

Previously, the management interlock rules prohibited a management official working at a depository institution or holding company with more than \$2.5 billion in total assets from simultaneously working at an unaffiliated depository organization with more than \$1.5 billion in total assets. The previous thresholds were established by Congress in 1996. To account for changes in the market, the final rule increases both thresholds to \$10 billion in total assets, as the agencies proposed previously.

Management officials will generally remain prohibited from serving with multiple depository organizations that are above the new thresholds, limiting the potential risk of anticompetitive conduct at larger institutions.

The final rule responds to comments received during the recent review required by the Economic Growth and Regulatory Paperwork Reduction Act of 1996. It was jointly issued by the Federal Reserve Board, the Federal

Deposit Insurance Corporation, and the Office of the Comptroller of the Currency and will take effect upon publication in the Federal Register.

Attachment:

[Final Rule to Increase the Major Assets Threshold Under the Depository Institutions Management Interlocks Act](#)

Source [link](#).

***Comment: The Depository Institution Management Interlocks Act (DIMIA) prohibition prevents a management official of a depository organization with more than \$2.5 billion total assets (or any of its affiliates) from simultaneously serving as a management official of an unaffiliated depository organization with more than \$1.5 billion total assets (or any of its affiliates), regardless of where the organizations are located. These thresholds were established in 1996. As community banks face the dilemma of aging boards, this change may provide helpful relief in recruiting new directors.***

***Federal Banking Agencies Issue Final Rule to Exempt Residential Real Estate Transactions of \$400,000 or Less from Appraisal Requirements (09.27.2019)*** 

WASHINGTON— The Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency have adopted a final rule that increases the threshold for residential real estate transactions requiring an appraisal from \$250,000 to \$400,000.

The appraisal threshold was last changed in 1994. Given price appreciation in residential real estate transactions since that time, the change will provide burden relief without posing a threat to the safety and soundness of financial institutions.

For transactions exempted from the appraisal requirement, the final rule requires institutions to obtain an evaluation to provide an estimate of the market value of real estate collateral. Evaluations are generally less burdensome than appraisals and have been required since the 1990s.

The final rule incorporates the appraisal exemption for rural residential properties provided by the Economic Growth, Regulatory Relief, and Consumer Protection Act and similarly requires evaluations for these transactions. The final rule also requires institutions to review appraisals for compliance with the Uniform Standards of Professional Appraisal Practice.

The agencies have consulted with the Consumer Financial Protection Bureau (CFPB), and, as required by statute, have received its concurrence on the increased threshold. The CFPB released its letter concurring that the increased threshold provides reasonable protection for consumers who purchase 1-4 unit single-family residences.

Attachments:

[Final Rule Real Estate Appraisals for Residential Real Estate Transactions](#)

[Concurrence letter from the CFPB](#)

Source [link](#).

***Comment: This [final rule](#) is effective October 9, 2019 except for the amendments in instructions 4, 5, 9, 10, 14 and 15, which are effective January 1, 2020. It is a mystery to why they stuck with \$400,000 here and used***

***\$500,000 as the threshold for commercial transactions! And it's important to note that the new rules do not apply to loans wholly or partially insured or guaranteed by, or eligible for sale to, a government agency or government-sponsored agency.***

## CFPB actions and news

### ***CFPB Issues 2019 HMDA Final Rule (10.10.2019)***

The Bureau issued a final rule amending Regulation C to extend the current temporary threshold of 500 open-end lines of credit to January 1, 2022. The final rule also incorporates into Regulation C the interpretations and procedures from the interpretive and procedural rule issued by the Bureau in August 2018, and further implements the amendments made to the Home Mortgage Disclosure Act by the Economic Growth, Regulatory Relief, and Consumer Protection Act. You can access the [final rule](#) here.

The Bureau has also posted a summary of the final rule and an unofficial, informal redline reflecting changes to Regulation C to assist industry and other stakeholders. You can access the summary [here](#) and the redline [here](#).

Source [link](#).

***Comment: In May 2019, the CFPB proposed new HMDA rules that would increase the HMDA reporting threshold for mortgages, meaning some community banks may not have to report their lending activities at all. While the CFPB said it expected the new threshold to go into effect on January 1, 2020, it is now saying it will not issue a final rule that covers these thresholds until 2020.***

### ***CFPB Issues 2020 HMDA Filing Instructions Guide and Supplemental Guide for Quarterly Filers (09.25.2019)***

The Bureau is pleased to announce that the Filing Instructions Guide (FIG) for data collected in 2020 is now available. The FIG is a technical resource to help financial institutions file HMDA data collected in 2020 and reported in 2021.

The CFPB is also pleased to announce a new resource, the Supplemental Guide for Quarterly Filers. This guide will help financial institutions required to file HMDA data quarterly beginning in 2020.

The FIG and the Supplemental Guide for Quarterly Filers can be accessed at <https://ffiec.cfpb.gov> under Help for Filers.

Source [link](#).

### ***CFPB Issues FAQs on EGRRCPA Amendments to the SAFE Act (09.25.2019)***

The questions and answers below pertain to compliance with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) as of November 24, 2019, the effective date of the 2018 amendments to the statute.

Reviewing these questions and answers is not a substitute for reviewing the SAFE Act or the Bureau's Regulation G or Regulation H. The statute and Regulations G and H are the definitive sources of information regarding the requirements.

Source [link](#).

***Comment: Remember that EGRRCPA provided some relief for bankers who move to a non-bank lender/broker.***

### ***CFPB and FTC To Host December Workshop on Accuracy in Consumer Reporting (09.19.2019)***

The Consumer Financial Protection Bureau (CFPB) and the Federal Trade Commission (FTC) will host a public workshop on December 10, 2019 to discuss issues affecting the accuracy of both traditional credit reports and employment and tenant background screening reports.

Since the FTC released its 2012 study on accuracy in credit reporting, there have been several changes in the landscape that impact the accuracy of consumer reports. In 2012, the CFPB began conducting supervisory reviews over large credit reporting agencies (CRAs), as well as various providers of consumer financial products or services that furnish information about consumers to CRAs. In addition, in 2015, following state investigations regarding various credit reporting issues, the nationwide CRAs agreed to a multi-state settlement that requires stricter standards for matching records, removal of certain public record information, and restrictions on medical debt reporting. Also, new developments, such as the use of machine learning and alternative data in making eligibility determinations, present both opportunities and challenges for the consumer reporting industry.

Source [link](#).

## **FDIC actions and news**

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

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

Highlights:

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

- Expanded ability to accept larger files (up to 50 GB)
- Modernized user interface

Continuation of [FIL-63-2019](#)

Source [link](#).

### ***FDIC Announces Meeting of Advisory Committee on Community Banking (10.09.2019)***

The Federal Deposit Insurance Corporation (FDIC) announced that it will hold a meeting of the Advisory Committee on Community Banking on Thursday, October 10. FDIC senior staff will provide an update on various supervisory policy issues and insurance and research matters, brief Committee members on the FDIC Subcommittee on Supervision Modernization, and discuss tools and resources related to Opportunity Zones. In addition, the FDIC Ombudsman will provide a briefing to the Committee. The Committee and FDIC senior staff will also discuss local banking conditions.

Established in 2009, the Advisory Committee on Community Banking provides input to the FDIC on a range of issues that impact the nation's community banks, including examination policies and procedures, credit and lending practices, deposit insurance assessments, insurance coverage, and regulatory compliance.

The meeting is open to the public and will be held from 9 a.m. to 3:15 p.m. EDT in the FDIC's main building located at 550 17th Street, N.W., Washington, D.C. The meeting also will be webcast live.

The agenda for the meeting and a link to the webcast are available at FDIC's [Advisory Committee on Community Banking](#) website.

Source [link](#).

***Comment: See new member announcement below!***

### ***FDIC Announces New Members for the Advisory Committee on Community Banking (10.08.2019)***

The Federal Deposit Insurance Corporation (FDIC) announced the selection of four new members to its Advisory Committee on Community Banking, which has been providing advice and recommendations to the FDIC on a broad range of community bank policy and regulatory matters since it was established in 2009. The Advisory Committee members represent a cross-section of community bankers from around the country.

"The members of the Advisory Committee serve as the voice of community bankers nationwide," said FDIC Chairman Jelena McWilliams. "We are fortunate to have such talented and highly respected professionals as a resource to provide key information and input to the FDIC on issues facing community banks. I look forward to working with the Advisory Committee members."

The Advisory Committee on Community Banking discusses and provides input to the FDIC on a wide variety of topics, including current examination policies and procedures, credit and lending practices, deposit insurance assessments, insurance coverage and regulatory compliance.

The new members of the Advisory Committee are:

Shaza Andersen, CEO, Trustar Bank, Great Falls, Virginia

Sarah Getzlaff, CEO, Security First Bank of North Dakota, New Salem, North Dakota

**Gilbert Narvaez, Jr., President & CEO, Falcon International Bank, Laredo, Texas**

Mark Pitkin, President & CEO, Sugar River Bank, Newport, New Hampshire

The new members will join the following individuals already serving on the committee:

Dick Beshear, Chairman, President & CEO, First Security Bank and Trust Company, Oklahoma City, Oklahoma

Fred DeBiasi, President & CEO, American Savings Bank, Middletown, Ohio

Christopher Donnelly, President & CEO, Bank of the Prairie, Olathe, Kansas

James J. Edwards, Jr., CEO, United Bank, Zebulon, Georgia

Keith Epstein, EVP & CEO, Roxboro Savings Bank, Roxboro, North Carolina

Kenneth Kelly, Chairman & CEO, First Independence Bank, Detroit, Michigan

Bruce Kimbell, President & CEO, First Community Bank of the Heartland, Clinton, Kentucky

Thomas Leavitt, President & CEO, Northfield Savings Bank, Northfield, Vermont

Lori Maley, President & CEO, Bank of Bird-in-Hand, Bird-in-Hand, Pennsylvania

Alan Shettlesworth, President & COO, Main Bank, Albuquerque, New Mexico

Cathy Stuchlik, Chairwoman & President, Clackamas County Bank, Sandy, Oregon

Louise Walker, President & CEO, First Northern Bank, Dixon, California

Len E. Williams, President & CEO, People's Utah Bancorp & CEO, People's Intermountain Bank, American Fork, Utah

For more information, please visit the Advisory Committee on Community Banking webpage at <http://www.fdic.gov/communitybanking/>.

Source [link](#).

***Comment: Congratulations to Gilbert Narvaez, Jr. of Falcon International Bank in Laredo.***

***Listening Sessions on Supervisory Appeals and Dispute Resolution Processes (09.24.2019)***

As part of the FDIC's "Trust through Transparency" initiative, the agency will host a series of listening sessions regarding its supervisory appeals and dispute resolution processes for FDIC-supervised financial institutions. The sessions will offer an opportunity for bankers and other interested parties to provide individual input and recommendations regarding these processes, as well as to provide individual suggestions regarding the role of the Office of the Ombudsman in assisting in resolving disagreements. Attendees will be requested to provide suggestions on information that the agency could publish on these topics. The sessions are being held as part of the FDIC's efforts to enhance the agency's transparency, efficiency, and accountability.

The FDIC will host listening sessions for bankers and other interested parties beginning in the fourth quarter of 2019. Each session will be facilitated by representatives from the FDIC's Office of the Ombudsman and the Office of Communications.

Attendees will be provided an opportunity to offer suggestions for advancing the FDIC's "Trust through Transparency" initiative to further build trust and confidence with bankers and other interested parties through openness and accountability.

Attendees will be encouraged to comment on the supervisory appeals and dispute resolution processes, including: (i) opportunities to resolve disagreements at the examiner, Field Office, and Regional Office levels; (ii) perceived barriers to or concerns about resolving disagreements; (iii) timeframes and procedures for pursuing reviews and appeals under the FDIC's Appeals of Material Supervisory Determinations: Guidelines & Decisions; (iv) the role of the FDIC's Office of the Ombudsman in assisting in resolving disagreements; and (v) information publicly available on appeals and examination disagreements.

Comments from each session will be summarized without specific attribution.

The attached Listening Sessions Fact Sheet provides details on dates, locations, and instructions for registering for listening sessions.

Continuation of [FIL-52-2019](#)

Attachment:

[Listening Sessions Fact Sheet](#)

Related Topics:

[Appeals of Material Supervisory Determinations: Guidelines & Decisions](#)

Source [link](#).

### ***FDIC Consumer News: Is the Money on My Prepaid Card FDIC-Insured? (09.24.2019)***

Here is an informative article in the recent *FDIC Consumer News*:

Banks insured by the FDIC offer a wide variety of financial products beyond traditional checking and savings accounts, including prepaid cards. A prepaid card allows you to use a card to make purchases at stores, withdraw cash from ATMs, or to pay bills online without accessing a bank account or line of credit. Since these cards usually are not linked to a checking or savings account, consumers often ask, "Does the FDIC also insure the funds on my prepaid card?" The answer could be, "Yes," but there are some important initial issues to understand.

Source [link](#).

***Comment: These articles are great for customer financial literacy and general outreach.***

### ***FDIC's Office of the Ombudsman Publishes 2018 Annual Report (09.23.2019)***

The Federal Deposit Insurance Corporation's (FDIC's) Office of the Ombudsman, an independent, neutral, and confidential liaison between the agency and its stakeholders, published its 2018 Annual Report outlining the office's structure, outreach activities, and goals.

"Engaging with our stakeholders helps the FDIC maintain strong working relationships and assists in identifying potentially recurring questions or issues that may warrant policy or process changes at the FDIC," said FDIC Ombudsman M. Anthony Lowe. "It is our hope that this annual report will continue to promote transparency relative to the agency's activities."

In 2018, the Ombudsman Office handled 142 industry cases, many of which were able to be resolved by providing information and assistance for bank-specific questions or issues.

The office also conducted outreach visits to nearly 500 external stakeholders, including banks, trade associations, and state banking authorities. Through this engagement, the Ombudsman was able to work with bankers on many important efforts, such as collecting ideas around reducing regulatory burden, offering clarity on requirements of the Financial Accounting Standards Board rulemaking for current expected credit losses (CECL) and the Truth in Lending Act, and helping banks understand their obligations under the Bank Secrecy Act.

The FDIC established the Ombudsman Office in 1994. To learn more about the office, or to submit an inquiry or comment, please visit [www.fdic.gov/ombudsman](http://www.fdic.gov/ombudsman).

Attachment:

[2018 Annual Report](#)

Source [link](#).

### ***Changes to the FDIC's Post-Examination Survey Process (09.19.2019)***

The Federal Deposit Insurance Corporation (FDIC) is notifying FDIC-supervised financial institutions (banks) that the Office of the Ombudsman — which is independent of the supervisory process, reports directly to the FDIC Chairman's office, and is a confidential resource for banks — is now administering the Post-Examination Survey (Survey) process. This change further ensures confidentiality of Survey responses and is designed to promote additional candid feedback and to improve response rates. The change is also part of the FDIC's efforts to enhance transparency, efficiency, and accountability.

The Office of the Ombudsman will:

Assume responsibility for soliciting Survey responses effective October 1, 2019;

Send notice that the Survey will accompany the Report of Examination;

Provide a reminder to encourage participation in the Survey; and

Serve as the contact point for banks regarding the Survey and follow-up requests.

The FDIC Office of the Ombudsman is independent of the supervisory process, reports directly to the FDIC Chairman's office, and is a confidential resource for banks.

A copy of the current Survey questions for each exam type is attached for reference.

The Survey previously had been administered by the Division of Risk Management Supervision and the Division of Depositor and Consumer Protection.

Continuation of [FIL-50-2019](#)

Source [link](#).

***Comment: There have been efforts on behalf of the various agencies to help bring consistency with regard to the application of consumer compliance regulation. In the last year in particular, it has been a priority at the FDIC to provide more certainty and transparency in its oversight processes and treatment of the banks it regulates.***

## OCC actions and news

### ***Blake Paulson Named Agency's Next Senior Deputy Comptroller for Midsize and Community Bank Supervision (10.15.2019)***

WASHINGTON—The Office of the Comptroller of the Currency (OCC) announced Blake Paulson would become the next Senior Deputy Comptroller for Midsize and Community Bank Supervision.

In this role, Mr. Paulson will oversee the team of more than 1,500 employees responsible for supervising approximately 1,100 community and midsize national banks and federal savings associations that provide banking services to consumers, business, and communities, across the country. In addition, he will serve on the OCC's Executive Committee and sit on various governance committees that oversee critical agency functions and help align its activity to its strategic goals and objectives.

"Blake brings more than three decades of OCC experience to this opportunity," said Comptroller of the Currency Joseph Otting. "He has shown a passion for our mission and employees and displayed a mastery of bank supervision issues at banks of diverse sizes and business models. He understands community banks deeply and the necessary supervision that keeps them a vital part of our financial system today."

Mr. Paulson will take on this role in December 2019 as the incumbent Toney Bland prepares for retirement in January.

Source [link](#).

### ***OCC Releases Bank Supervision Operating Plan for Fiscal Year 2020 (10.01.2019)***

WASHINGTON — The Office of the Comptroller of the Currency (OCC) released its bank supervision operating plan for fiscal year (FY) 2020.

The plan provides the foundation for policy initiatives and for supervisory strategies as applied to individual national banks, federal savings associations, federal branches, federal agencies, and technology service providers. OCC staff members use this plan to guide their supervisory priorities, planning, and resource allocations.

Supervisory strategies for FY 2020 focus on

- cybersecurity and operational resiliency.
- Bank Secrecy Act/anti-money laundering (BSA/AML) compliance management.
- commercial and retail credit underwriting practices and oversight and control functions.
- impact of changing interest rate outlooks on bank activities and risk exposures.
- preparedness for the current expected credit losses (CECL) account standard, and preparation for the potential phase-out of the London Interbank Offering Rate (LIBOR).
- technological innovation and implementation.

The OCC will provide periodic updates about supervisory priorities through the Semiannual Risk Perspective in the fall and spring.

Related Link

[Fiscal Year 2020 Operating Plan \(PDF\)](#)

Source [link](#).

*Comment: Notice that BSA/AML compliance management remains a priority for the OCC. Community banks across the country support reform of the current BSA/AML requirements and reporting thresholds that have not been updated in decades.*

### **OCC Reports Slight Improvement in Mortgage Performance (09.30.2019)**

WASHINGTON—The Office of the Comptroller of the Currency (OCC) reported a slight improvement in the performance of first-lien mortgages in the federal banking system during the second quarter of 2019.

The OCC Mortgage Metrics Report, Second Quarter 2019 showed 96.1 percent of mortgages included in the report were current and performing at the end of the quarter, compared to 95.6 percent a year earlier.

The report also showed that servicers initiated 21,409 new foreclosures during the second quarter of 2019-, a 22.5 percent decrease from the previous quarter and a 27.7 percent decrease from a year ago. Servicers completed 15,683 mortgage modifications in the second quarter of 2019, and 71.7 percent of the modifications reduced borrowers' monthly payments.

The first-lien mortgages included in the OCC's quarterly report comprise 30 percent of all residential mortgages outstanding in the United States or approximately 16.3 million loans totaling \$3.15 trillion in principal balances. This report provides information on mortgage performance through June 30, 2019, and it can be downloaded from the OCC's website, [www.occ.gov](http://www.occ.gov).

Related Link

[OCC Mortgage Metrics Report, Second Quarter 2019](#)

Source [link](#).

Figure 5 provides the quarterly number of loans in each category of delinquency from the second quarter of 2017 through the second quarter of 2019.

**Figure 5: Number of Loans in Delinquency and Foreclosures in Process**



# Federal Reserve actions and news

## *Beige Book (10.16.2019)*

### **Overall Economic Activity**

The U.S. economy expanded at a slight to modest pace since the prior report as business activity varied across the country. Reports from Districts representing states in the southern and western U.S. generally were more upbeat than Districts representing the Midwest and Great Plains. Household spending was solid on balance: nonauto retail sales increased modestly, while light vehicle sales were generally robust. Tourism and travel-related spending was up modestly. Housing market conditions changed little. On the business spending side, nonresidential construction increased at a slightly slower yet still modest pace, while leasing activity advanced at a slow but steady rate. Manufacturing activity continued to edge lower. Contacts in some Districts suggested that persistent trade tensions and slower global growth weighed on activity. The early impact of a recent auto strike was limited. Freight shipments stabilized after falling during the previous reporting period. Bankers in many Districts reported moderately rising loan volumes, while activity in nonfinancial services increased solidly. Agricultural conditions deteriorated further due to the ongoing impacts of adverse weather, weak commodity prices, and trade disruptions. Business contacts mostly expect the economic expansion to continue; however, many lowered their outlooks for growth in the coming 6 to 12 months.

### **Employment and Wages**

On balance, employment rose slightly amid reports of persistent worker shortages. Labor market tightness across skill levels and occupations was widely cited as a factor restraining hiring. Districts often reported relatively stronger demand for workers in the professional services and information technology industries. By contrast, hiring in freight and manufacturing was weak. A number of Districts reported that manufacturers reduced their headcounts because orders were soft. However, some firms were more concerned about the longer-term availability of workers and subsequently chose to reduce hours rather than staff levels. Wages rose moderately in most Districts, with upward pressure noted for lower-skill workers in the retail and hospitality industries and for higher-skill professional and technical workers. A number of smaller firms reported difficulty matching pay offers from larger firms. Broadly, employers continued to use nonwage approaches such as bonuses and benefits to attract and retain talent.

### **Prices**

Most Districts characterized the recent pace of price increases as modest. Both retailers and manufacturers noted rising input costs, often for items subject to new tariffs, but retailers had relatively more success passing through these cost increases to their customers. Despite a recent increase in fuel costs, some reports suggested that shipping rates remained lower than they were earlier this year because of excess capacity in the industry.

### **Highlights by Federal Reserve District**

#### **Dallas**

Economic activity continued to expand moderately. Energy activity declined, but growth remained solid in manufacturing and services. Home sales increased and loan demand accelerated. Selling prices were largely flat, as firms' ability to pass through cost increases remained limited. Hiring continued at a steady pace. Outlooks were mixed and uncertainty remained elevated.

Source [link](#).

## Other federal action and news

### ***FTC Joins Charity Regulators Around the Nation, World to Raise Awareness of Charity Fraud (10.21.2019)***

The Federal Trade Commission, the National Association of State Charities Officials, and state charities regulators across the country are joining with partners around the globe for this year's International Charity Fraud Awareness Week (ICFAW), taking place Oct. 21-25, 2019.

ICFAW is a coordinated international campaign to help charities and consumers avoid charity fraud and promote wise giving. This is the second year of participation from U.S. agencies, and consumers can follow the week's events at #CharityFraudOut.

In addition to the U.S. participants in ICFAW, the Charities Commission for England & Wales, Australian Charities and Not-for-profits Commission, Charity Commission for Northern Ireland, New Zealand Charities Service, and Office of the Scottish Regulator are also joining the international outreach effort. Key non-governmental participants include Chartered Accountants Worldwide, the UK's Fraud Advisory Panel, and international charities Oxfam, British Council, and Amnesty International.

"Generosity is part of the American spirit, and millions of consumers show that generosity every year through charitable giving," said FTC Chairman Joe Simons. "Unfortunately, bad actors take advantage of that generosity, which is why it's important to raise awareness about charity fraud. We empower consumers with tools that help ensure their money ends up where intended. We're proud to join with our partners in the U.S. and around the world in this effort."

The FTC has created a video called "Make Your Donations Count" that highlights the importance of researching charities to avoid donating to a scam, provides tips people can follow to verify the charity before they donate, and directs people to visit [FTC.gov/Charity](https://ftc.gov/Charity) for more information.

#### ICFAW Social Media Campaign

Charity Fraud Awareness Week features a social media campaign that promotes wise giving tips for consumers. This year the campaign also features cybersecurity and data security tips for nonprofits. Follow the FTC's official Twitter account for daily tips and tune into the weeklong discussion at #CharityFraudOut. Follow the FTC's official Facebook account for daily tips and links to resources as well.

#### Advice for Consumers

Many reputable charities are deserving of support. The FTC has tips at <https://ftc.gov/charity> to help individuals and businesses find those charities and give wisely.

Look up a charity's report & ratings. Check them out on sites like the BBB Wise Giving Alliance, Charity Navigator, CharityWatch, and GuideStar.

Watch out for names that only look like well-known charities. Just because a group has a sympathetic sounding name, or sounds like a well-known organization, doesn't mean it's legitimate. Some of the worst offenders have been known to mimic the names of reputable nonprofits.

Search the charity name online. Are people reporting that it's a scam?

Ask how much of your donation really goes to the programs you want to support.

Source [link](#).

### **FTC Extends Deadline for Comments on COPPA Rule until December 9 (10.17.2019)**

The Federal Trade Commission is extending the deadline to submit comments on the effectiveness of the amendments the agency made to the Children's Online Privacy Protection Rule (COPPA Rule) in 2013 and whether additional changes are needed. The deadline was originally October 23, 2019; it is now December 9, 2019.

The FTC [announced in July](#) that it would accept comments on a wide range of issues related to the [COPPA Rule](#), including whether rapid changes in technology, such as the expanded use of education technology, warrant modifications to the Rule at this time.

In response to requests from the public, the FTC will soon publish a notice in the Federal Register announcing the comment deadline extension. Instructions on how to submit comments will be included in the Federal Register notice.

The Commission voted 5-0 to submit the notice to the Federal Register for publication.

The Federal Trade Commission works to promote competition and protect and educate consumers. You can learn more about consumer topics and file a consumer complaint online or by calling 1-877-FTC-HELP (382-4357). Like the FTC on Facebook, follow us on Twitter, read our blogs, and subscribe to press releases for the latest FTC news and resources.

PRESS RELEASE REFERENCE:

[FTC Seeks Comments on Children's Online Privacy Protection Act Rule](#)

Source [link](#).

***Comment: COPPA requires operators of websites targeted to kids (or with actual knowledge that kids are using the site!) to obtain parental permission to collect, use or disclose personal information of anyone under 13.***

### **U.S. Department of Labor Issues Final Overtime Rule (10.17.2019)**

WASHINGTON, DC – The U.S. Department of Labor announced a final rule to make 1.3 million American workers eligible for overtime pay under the Fair Labor Standards Act (FLSA).

"For the first time in over 15 years, America's workers will have an update to overtime regulations that will put overtime pay into the pockets of more than a million working Americans," Acting U.S. Secretary of Labor Patrick Pizzella said. "This rule brings a commonsense approach that offers consistency and certainty for employers as well as clarity and prosperity for American workers."

"Today's rule is a thoughtful product informed by public comment, listening sessions, and long-standing calculations," Wage and Hour Division Administrator Cheryl Stanton remarked. "The Wage and Hour Division now turns to help employers comply and ensure that workers will be receiving their overtime pay."

The final rule updates the earnings thresholds necessary to exempt executive, administrative, or professional employees from the FLSA's minimum wage and overtime pay requirements and allows employers to count a portion of certain bonuses (and commissions) towards meeting the salary level. The new thresholds account

for growth in employee earnings since the currently enforced thresholds were set in 2004. In the final rule, the Department is:

- raising the "standard salary level" from the currently enforced level of \$455 to \$684 per week (equivalent to \$35,568 per year for a full-year worker);
- raising the total annual compensation level for "highly compensated employees (HCE)" from the currently-enforced level of \$100,000 to \$107,432 per year;
- allowing employers to use nondiscretionary bonuses and incentive payments (including commissions) that are paid at least annually to satisfy up to 10 percent of the standard salary level, in recognition of evolving pay practices; and
- revising the special salary levels for workers in U.S. territories and in the motion picture industry.

The final rule will be effective on January 1, 2020.

Source [link](#).

***Comment: This final rule raises the salary level to a more reasonable threshold than was originally proposed in the prior administration.***

### ***FTC Releases FY 2019 National Do Not Call Registry Data Book (10.17.2019)***

The Federal Trade Commission issued the National Do Not Call Registry Data Book for Fiscal Year 2019. The FTC's National Do Not Call (DNC) Registry lets consumers choose not to receive most legal telemarketing calls. The data show that the number of active registrations on the DNC Registry increased over the past year, while the total number of consumer complaints decreased for the second year in a row.

Now in its eleventh year, the Data Book contains information about the DNC Registry for FY 2019 (from October 1, 2018 to September 30, 2019). The Data Book provides the most recent information available on robocall complaints, the types of calls consumers reported to the FTC, and a complete state-by-state analysis.

Source [link](#).

### ***ICBA Releases Banking Cannabis 'Explainers' (10.10.2019)***

ICBA released a [one-page summary](#) and answers to [frequently asked questions](#) on House-passed legislation to establish a cannabis-banking safe harbor in states where cannabis is legal.

Following last month's bipartisan House vote sending the SAFE Banking Act (H.R. 1595) to the Senate, the ICBA resources detail what's in the legislation and how it would benefit community banks and local communities.

The bipartisan bill would establish a safe harbor in states where cannabis is legal. As the first national banking trade group to support the SAFE Banking Act, ICBA has long worked to advance this policy to curb regulatory uncertainty and reduce public safety risks.

Source [link](#).

***Comment: All but three states permit some use of cannabis—mostly medical. If passed, the Secure and Fair Enforcement (SAFE) Banking Act would protect banks from federal prosecution as long as the cannabis***

***businesses they work with comply with the laws in the states where they operate. Community banks across the country support the passage of the SAFE Act.***

### ***State Financial Regulators Seek Public Comment on Model Payments Law (10.10.2019)***

Washington, DC – The Conference of State Bank Supervisors (CSBS) is seeking public input on draft language for model payments legislation that could be introduced in all 50 states. The proposed legislative language covers issues related to state money transmission and payments regulation.

Creating model payments legislation and standards is one of several recommendations of the CSBS Fintech Industry Advisory Panel, part of CSBS Vision 2020, the state initiative to streamline multistate licensing and supervision for nonbanks.

CSBS encourages commenters to provide actionable language and redline edits by November 1, 2019. The draft legislation and other materials are available at [csbs.org/MSBlawcomments](https://csbs.org/MSBlawcomments).

The request for comment solicits input on several outstanding questions outlined in the executive summary, including questions of ensuring consistent interpretations across the states.

After November 1, CSBS will focus on the most impactful measures for Vision 2020. Depending on feedback received, this may mean finalizing less controversial issues before standardizing more complex matters.

Source [link](#).

### ***State Mortgage Regulators Call for Simplified Data Transfer Process for Loan Origination Software Users (10.08.2019)***

Washington, DC -- State regulators are encouraging industry to integrate state-developed data standards with mortgage loan origination systems, said the Conference of State Bank Supervisors (CSBS) and American Association of Residential Mortgage Regulators (AARMR). The purpose is to enhance the quality of loan review and examination processes while reducing regulatory burdens for industry.

Currently, state and federal regulators use the Lending Examination Format (LEF) data standard to provide consistency and uniformity in electronic exams. Regulators use LEF data to test mortgage loans against all federal, state and municipal laws and regulations affecting consumer protection.

The regulators' call for adoption follows several meetings held with industry this year to better address data transfer in e-exams and understand challenges in delivering cleanly mapped data. Next step: Regulators are assisting vendors that choose to incorporate LEF data export abilities into their individual systems.

State regulators are focused on ways to reengineer nonbank supervision with the goal of more effective supervision while reducing the burden companies experience in traditional onsite reviews.

Quotes:

Charlie Clark, president of AARMR and director of Washington State Department of Financial Institutions: "With this initiative to move toward standardized data, state mortgage regulators will be able to take the next step to significantly improve the efficiency and effectiveness of examinations. It is an important step in modernizing examination work."

Jeremy Windham, vice chair of Multistate Mortgage Committee at CSBS and AARMR: “Regulators are encouraged by the positive response we have received from loan origination systems and document preparation vendors to enhance the functionality of data transfer, a coordinated effort that benefits lenders at the same time as it benefits all the agencies regulating the industry.”

Chuck Cross, senior vice president of nonbank supervision at CSBS: “Developing processes for clean data transfers will streamline the examination process, benefitting industry and regulators alike.”

Source [link](#).

### ***Community Banker Concerns Shift to Funding (10.01.2019)***

Funding and cybersecurity top the concerns for community banks, according to the sixth annual community bank survey conducted by the Conference of State Bank Supervisors (CSBS). It is a marked shift from previous years, when regulatory compliance costs were found to be the chief issue for community banks.

This year’s survey showed 36% of banks said funding costs were the most likely factor to influence future profitability, up from 11% in 2016. More than 70% of respondents ranked cybersecurity as their most important risk. Only four percent of surveyed banks said that regulation was most likely to influence profitability, compared to the 60% of respondents who named it as a top concern two years prior.

In its sixth annual survey, CSBS canvassed 571 community banks in 37 states. Other key findings from the 2019 survey include:

Compliance-related costs increased 4% in 2018, in contrast to the 13% drop reported the prior year; however, with a total of \$4.9 billion, those costs are much lower than the peak of \$5.4 billion set in 2016.

Nearly 30% of bankers considered depopulation an important limitation to retaining core deposits.

While last year’s survey showed community banks were embracing technology, the actual number of those offering digital and online services remains largely unchanged due to cost.

An additional section called “Five Questions for Five Bankers” accompanied the survey, providing context for the national survey results at the state level during the same three-month period. State bank commissioners asked five questions to five community bankers in 30 states.

The questions addressed the effectiveness of the Economic Growth, Regulatory Relief and Consumer Protection Act, S. 2155 and the community bank business model, funding and liquidity concerns, technology and cybersecurity.

To access the survey report, click [here](#).

Source [link](#).

***Comment: Related to funding concerns, competition from credit unions and ‘expanding fields of membership’ remain a major challenge for community banks.***

### ***CSBS - John Ryan Statement on FDIC's final rule on CBLR (09.23.2019)***

“The final Community Bank Leverage Ratio rule adopted last week by the FDIC included significant changes from the original proposal that grant community banks meaningful relief from capital requirements and ease

call report burdens. This is a significant step toward tailoring regulation that frees up community banks to spend more time on serving their communities and less time managing complex capital requirements.”

Source [link](#).

**Comment: Amen!**

Source [link](#).

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

### ***Speech by Vice Chair Clarida on the U.S. economic outlook and monetary policy (10.18.2019)***

*Thank you for the opportunity to participate in this CFA Institute conference on fixed-income management. Before we begin our conversation, I would like to share a few thoughts about the outlook for the U.S. economy and monetary policy.<sup>1</sup>*

*The U.S. economy is in a good place, and the baseline outlook is favorable. The median expectation from Federal Open Market Committee (FOMC) participants' most recent Summary of Economic Projections is for GDP growth to be around 2 percent in 2019, for growth to continue near this pace next year, and for personal consumption expenditures (PCE) inflation to rise gradually to our symmetric 2 percent objective.<sup>2</sup> The unemployment rate, at 3.5 percent, is at a half-century low, and wages are rising broadly in line with productivity growth and underlying inflation. There is no evidence to date that a strong labor market is putting excessive cost-push pressure on price inflation.*

*But despite this favorable baseline outlook, the U.S. economy confronts some evident risks in this the 11th year of economic expansion. Business fixed investment has slowed notably since last year, exports are contracting on a year-over-year basis, and indicators of manufacturing activity are weakening. Global growth estimates continue to be marked down, and global disinflationary pressures cloud the outlook for U.S. inflation.*

Source [link](#).

### ***Industrial Production and Capacity Utilization - G.17 (10.17.2019)***

Industrial production fell back 0.4 percent in September after advancing 0.8 percent in August. For the third quarter, industrial production rose at an annual rate of 1.2 percent following declines of about 2 percent in both the first and the second quarters.

Manufacturing production decreased 0.5 percent in September, with output reduced by a strike at a major manufacturer of motor vehicles. Excluding motor vehicles and parts, the overall index and the manufacturing index each moved down 0.2 percent. Mining production fell 1.3 percent, while utilities output rose 1.4 percent.

At 109.5 percent of its 2012 average, total industrial production was 0.1 percent lower in September than it was a year earlier. Capacity utilization for the industrial sector decreased 0.4 percentage point in September to 77.5 percent, a rate that is 2.3 percentage points below its long-run (1972–2018) average.

Source [link](#).

### **Federal Reserve Board Releases Results of Survey of Senior Financial Officers at Banks About Their Strategies and Practices for Managing Reserve Balances (10.17.2019)**

The Federal Reserve Board on Thursday released results of a survey of senior financial officers at banks about their strategies and practices for managing reserve balances. The Senior Financial Officer Survey is used by the Board to obtain information about deposit pricing and behavior, bank liability management, the provision of financial services, and reserve management strategies and practices. The most recent survey was conducted in collaboration with the Federal Reserve Bank of New York between August 6, 2019, and August 20, 2019, and includes responses from banks that held three quarters of total reserve balances at the time of the survey.

[Senior Financial Officer Survey \(PDF\)](#)

Source [link](#).

### **Digital Currencies, Stablecoins, and the Evolving Payments Landscape - Governor Lael Brainard (10.16.2019)**

*Technology is driving rapid change in the way we make payments and in the concept of "money."<sup>1</sup> There is a long history of technological advances challenging the prevailing notions of money, from the trading of coins to the use of paper currency, to the electronic debiting and crediting of funds on the accounts of banks. Today, efforts by global stablecoin networks such as Facebook's Libra to establish the next chapter in the story of money are raising threshold questions about legal and regulatory safeguards, financial stability, and monetary policy. Because of its potential global reach, Facebook's Libra imparts urgency to the debate over what form money can take, who or what can issue it, and how payments can be recorded and settled.<sup>2</sup>*

#### *Reassessing Money*

*Money has traditionally served three functions.<sup>3</sup> Money facilitates payments as a medium of exchange, serves as a store of value that can be relied on for future use, and simplifies transactions by providing a common unit of account to compare the value of goods and services.*

*A decade ago, Bitcoin was heralded as a new kind of digital money that would address frictions in payments as well as serve as a unit of account and store of value without the need for centralized governance. Bitcoin's emergence created an entirely new payment instrument and asset class exchanged over a set of payment rails supported by distributed ledger technology. Distributed ledger technology may allow for a shared, tamper-resistant ledger that can be updated by anyone with sufficient computing power, in contrast to traditional recordkeeping systems built on a single ledger managed by a trusted central entity.<sup>4</sup> But Bitcoin and some other early iterations of cryptocurrencies have exhibited extreme volatility, limited throughput capacity, unpredictable transaction costs, limited or no governance, and limited transparency, which have limited their utility as a means of payment and unit of account.*

Source [link](#).

### **Consumer Credit - G.19 (10.07.2019)**

In August, consumer credit increased at a seasonally adjusted annual rate of 5-1/4 percent. Revolving credit decreased at an annual rate of 2-1/4 percent, and nonrevolving credit increased at an annual rate of 7-3/4 percent.

Source [link](#).

### **Chair Jerome H. Powell - "Perspectives on Maximum Employment and Price Stability" (10.04.2019)**

*Good afternoon. Welcome to the room where members of the Board of Governors and the presidents of the 12 Reserve Banks meet eight times a year—most recently, two weeks ago—to decide the stance of monetary policy. It's a magnificent, formal—perhaps even imposing—room, with 26-foot ceilings, a monumental marble fireplace, and a 1,000-pound brass and glass chandelier. It's seen a lot of history since Franklin Roosevelt dedicated this building in 1937. British and American military leaders conferred here during World War II. And, through the decades, our Federal Reserve predecessors grappled with financial turmoil and the economy's ups and downs. So when my colleagues and I take our assigned places around this polished mahogany and granite table, the setting and its history lends a certain formality—dare I say, stuffiness—to the proceedings.*

*As we kick off this 12th of 14 Fed Listens events, Governor Brainard, Governor Bowman, and I hope that today's meeting is anything but stuffy. Candid and serious, yes. But not stuffy. The Reserve Banks and the Board have been holding Fed Listens events around the country as part of a comprehensive and public review of our monetary policy strategy, tools, and communications practices. Almost all of the Fed Listens meetings, like this one, have been open to the press and live-streamed on the internet. Both the breadth and transparency of the review are unprecedented for us.*

*One reason we are conducting this review is that it is always a good practice for any organization to occasionally take a step back and ask if it could be doing its job more effectively. But we must pose that question not just to ourselves. Because Congress has granted the Federal Reserve significant protections from short-term political pressures, we have an obligation to clearly explain what we are doing and why. And we have an obligation to actively engage the people we serve so that they and their elected representatives can hold us accountable.*

Source [link](#).

### **Advancing Our Understanding of Community Banking - Governor Michelle W. Bowman (10.01.2019)**

*It is a special honor for me to be part of this conference and its tradition of advancing our understanding of how banking shapes our economy and our communities.<sup>1</sup> As a community banker, I sought out actionable research that I could leverage to better serve my customers and my community. As a state bank regulator, I conducted my own research to answer questions about issues affecting the banks my agency regulated. I also appreciated learning what researchers thought would provide better insight into the industry. Today I am honored to be here as the first person to serve on the Federal Reserve Board in the role that the Congress designated for someone with community banking or state supervisory experience. My work at the Board has given me an even greater appreciation for how creative, insightful research informs and shapes policy decisions that support our economy. But it also tells me there is still much to be learned and many additional areas that deserve more exploration.*

*More than 10 years on, as the entire banking industry continues to evolve post-crisis, I would like to share with you some of my thoughts and observations on the forces influencing the future of banking, and community banking in particular. I will also suggest some areas where policymakers could use the help of researchers, bankers, and state supervisors to better understand how community banking is changing and how we can better provide a path for the continued viability of this sector and its business model.*

*I hardly need to tell this audience that community banks play a vital role in the financial services industry and in the economy. From my perspective, the Federal Reserve supports community banks as a central component of a strong, resilient, and stable financial system. Our system is made more resilient through a broad and varied range of institutions serving different types of customers, with community banks providing access to credit and other financial services in towns and cities across America. With the support of community bankers, these investments are the building blocks of a strong community and help support a vibrant economy across the country—from here in the Midwest to the coasts on either side.*

*Research on community banking and the accessibility of financial services is incredibly important. Community bankers and policymakers want to better understand how technology, competition, regulation, and other factors are driving decision making, consolidation, and the other challenges and opportunities that are shaping community banking. Existing research provides us with some answers to these questions, but there are many gaps. The lack of a full understanding of these institutions, their functionality, and their needs may limit our ability to identify important areas of focus for research.*

Source [link](#).

### ***Midwest Economy Index (09.30.2019)***

The Midwest Economy Index (MEI) moved up to  $-0.26$  in August from  $-0.37$  in July. Contributions to the August MEI from three of the four broad sectors of nonfarm business activity and one of the five Seventh Federal Reserve District states increased from July. The relative MEI decreased to  $-0.27$  in August from  $-0.06$  in July. Contributions to the August relative MEI from all four sectors and all five states decreased from July.

Source [link](#).

### ***Housing Affordability in the U.S.: Trends by Geography, Tenure, and Household Income (09.27.2019)***

In recent years, researchers and policymakers have expressed concerns about housing affordability challenges nationwide. Much of the focus has been on the increasing housing affordability challenges facing renter households, which the analyses below confirms is the group facing the greatest challenges in securing housing that they can afford. This FEDS Note explores where, and for whom, housing affordability is getting worse, better, or staying the same in order to shed new light on the differential experiences of various groups.

#### **National Trends in Housing Affordability by Household Tenure**

Between 2009--the peak of the housing crisis--and 2017, the most recent data available, the total number of households classified as housing cost burdened has declined by 1.7 million.<sup>2</sup> This decline in the number of cost burdened households occurred over a period where the total number of households increased by 6.2 million. Of the 6.2 million new households formed over this period, 5.7 million were new renter households.

The percent of all households experiencing housing cost burdens, also called the rate of housing cost burden, has gone down by 3.3 percentage points over that period (see Table 1). As shown in Table 1, this overall decrease reflects two opposing trends: a significant increase in the rate of housing cost burden among renter households, offset by an even more significant decrease in the rate of housing cost burden among homeowner households.

Source [link](#).

# Selected federal rules – proposed

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

PROPOSED DATE	SUMMARY OF PROPOSED RULE
07.25.2019	<a href="#">Request for Public Comment on the Federal Trade Commission's Implementation of the Children's Online Privacy Protection Rule</a> - The Federal Trade Commission ("FTC" or "Commission") requests public comment on its implementation of the Children's Online Privacy Protection Act ("COPPA" or "the Act"), through the Children's Online Privacy Protection Rule ("COPPA Rule" or "the Rule"). <b>DATES: Written comments must be received on or before October 23, 2019. The Commission will hold a public workshop to review the COPPA Rule on October 7, 2019. FTC Extends Deadline for Comments on COPPA Rule until December 9, 2019.</b>
08.20.2019	<a href="#">Interest Rate Restrictions on Institutions That Are Less Than Well Capitalized</a> - The FDIC is seeking comment on proposed revisions to its regulations relating to interest rate restrictions that apply to less than well capitalized insured depository institutions. Under the proposed rule, the FDIC would amend the methodology for calculating the national rate and national rate cap for specific deposit products. The national rate would be the weighted average of rates paid by all insured depository institutions on a given deposit product, for which data are available, where the weights are each institution's market share of domestic deposits. The national rate cap for particular products would be set at the higher of (1) the 95th percentile of rates paid by insured depository institutions weighted by each institution's share of total domestic deposits, or (2) the proposed national rate plus 75 basis points. The proposed rule would also greatly simplify the current local rate cap calculation and process by allowing less than well capitalized institutions to offer up to 90 percent of the highest rate paid on a particular deposit product in the institution's local market area. <b>DATES: Comments must be received by November 4, 2019.</b>
10.17.2019	<a href="#">Interagency Policy Statement on Allowances for Credit Losses</a> - The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (collectively, the banking agencies), and the National Credit Union Administration (collectively, the agencies) are inviting public comment on a proposed interagency policy statement on allowances for credit losses (ACLs). The agencies are issuing this proposed interagency policy statement in response to changes to U.S. generally accepted accounting principles (GAAP) as promulgated by the Financial Accounting Standards Board (FASB) in Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and subsequent amendments issued since June 2016. These updates are codified in Accounting Standards Codification (ASC) Topic 326, Financial Instruments—Credit Losses (FASB ASC Topic 326). This proposed interagency policy statement describes the measurement of expected credit losses under the current expected credit losses (CECL) methodology and the accounting for impairment on available-for-sale (AFS) debt securities in accordance with FASB ASC Topic 326; supervisory expectations for designing, documenting, and validating expected credit loss estimation processes, including the internal controls over these processes; maintaining appropriate ACLs; the responsibilities of boards of directors and management; and examiner reviews of ACLs. <b>DATES: Comments must be received by December 16, 2019.</b>
10.17.2019	<a href="#">Interagency Guidance on Credit Risk Review System</a> - The OCC, the Board, the FDIC, and the NCUA (collectively, the agencies) are inviting comment on proposed guidance for credit risk review systems. This proposed guidance is relevant to all institutions supervised by the agencies. The proposed guidance discusses sound management of credit risk, a system of independent, ongoing credit review, and appropriate communication regarding the performance of the institution's loan portfolio to its management and board of directors. <b>DATES: Comments must be received by December 16, 2019.</b>
10.18.2019	<a href="#">Reporting of Data on Loans to Small Businesses and Small Farms</a> - The OCC, the Board, and the FDIC (collectively, the agencies) are requesting comment on ways to modify the current requirements for reporting data on loans to small businesses and small farms in the Consolidated Reports of Condition and Income (Call Report) so that the reported data better reflect lending to these sectors of the U.S. economy. <b>DATES: Comments must be received by the agencies no later than December 16, 2019.</b>
10.18.2019	<a href="#">Request for Information on Application of the Uniform Financial Institutions Rating System</a> - The FRB and the FDIC (collectively, the agencies) are seeking information and comments from interested parties regarding the consistency of ratings assigned by the agencies under the Uniform Financial Institutions Rating System (UFIRS). The assigned ratings are commonly known as CAMELS ratings. The agencies also are interested in receiving feedback concerning the current use of CAMELS ratings by the agencies in their bank application and enforcement action processes. <b>DATES: Comments must be received by [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].</b>

# Selected federal rules – upcoming effective dates

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

EFFECTIVE  
DATE:

SUMMARY OF FINAL RULE:

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- 09.03.2019 [Availability of Funds and Collection of Checks \(Regulation CC\)](#) -The Board and the Bureau (Agencies) are amending Regulation CC, which implements the Expedited Funds Availability Act (EFA Act), to implement a statutory requirement in the EFA Act to adjust the dollar amounts under the EFA Act for inflation. The Agencies are also amending Regulation CC to incorporate the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amendments to the EFA Act, which include extending coverage to American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam, and making certain other technical amendments. This rule is effective September 3, 2019, except for the amendments to 12 CFR 229.1, 229.10, 229.11, 229.12(d), 229.21, and appendix E to part 229, which are effective July 1, 2020.
- 10.01.2019 [Regulatory Capital Rule: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996](#) - The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are adopting a final rule (final rule) to simplify certain aspects of the capital rule. The final rule is responsive to the agencies' March 2017 report to Congress pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996, in which the agencies committed to meaningfully reduce regulatory burden, especially on community banking organizations. The key elements of the final rule apply solely to banking organizations that are not subject to the advanced approaches capital rule (non-advanced approaches banking organizations). Under the final rule, non-advanced approaches banking organizations will be subject to simpler regulatory capital requirements for mortgage servicing assets, certain deferred tax assets arising from temporary differences, and investments in the capital of unconsolidated financial institutions than those currently applied. The final rule also simplifies, for non-advanced approaches banking organizations, the calculation for the amount of capital issued by a consolidated subsidiary of a banking organization and held by third parties (sometimes referred to as a minority interest) that is includable in regulatory capital. In addition, the final rule makes technical amendments to, and clarifies certain aspects of, the agencies' capital rule for both non-advanced approaches banking organizations and advanced approaches banking organizations (technical amendments). Revisions to the definition of high-volatility commercial real estate exposure in the agencies' capital rule are being addressed in a separate rulemaking. This rule is effective October 1, 2019, except for the amendments to 12 CFR 3.21, 3.22, 3.300, 217.21, 217.22, 217.300(b) and (d), 324.21, 324.22, and 324.300, which are effective April 1, 2020. For more information, see SUPPLEMENTARY INFORMATION.
- 10.01.2019 [Recordkeeping for Timely Deposit Insurance Determination](#) - The FDIC is amending its rule entitled "Recordkeeping for Timely Deposit Insurance Determination" to clarify the rule's requirements, better align the burdens of the rule with the benefits, and make technical corrections. This rule is effective on October 01, 2019.
- 10.09.2019 [Real Estate Appraisals](#) - SUMMARY: The OCC, Board, and FDIC (collectively, the agencies) are adopting a final rule to amend the agencies' regulations requiring appraisals of real estate for certain transactions. The final rule increases the threshold level at or below which appraisals are not required for residential real estate transactions from \$250,000 to \$400,000. The final rule defines a residential real estate transaction as a real estate-related financial transaction that is secured by a single 1-to-4 family residential property. For residential real estate transactions exempted from the appraisal requirement as a result of the revised threshold, regulated institutions must obtain an evaluation of the real property collateral that is consistent with safe and sound banking practices. The final rule makes a conforming change to add to the list of exempt transactions those transactions secured by residential property in rural areas that have been exempted from the agencies' appraisal requirement pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule requires evaluations for these exempt transactions. The final rule also amends the agencies' appraisal regulations to require regulated institutions to subject appraisals for federally related transactions to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice. DATES: This final rule is effective on October 9, 2019, except for the amendments in instructions 4, 5, 9, 10, 14, and 15, which are effective on January 1, 2020.
- 10.10.2019 [Thresholds Increase for the Major Assets Prohibition of the Depository Institution Management Interlocks Act Rules](#) - SUMMARY: The OCC, the Board, and the FDIC (collectively, the agencies) are issuing a final rule that increases the thresholds in the major assets prohibition for management interlocks for purposes of the Depository Institution Management Interlocks Act (DIMIA). The DIMIA major assets prohibition prohibits a management official of a depository organization with total assets exceeding \$2.5 billion (or any affiliate of such an organization) from serving at the same time as a management official of an unaffiliated depository organization with total assets exceeding \$1.5 billion (or any affiliate of such an organization). DIMIA provides that the agencies may adjust, by regulation, the major assets prohibition thresholds in order to allow for inflation or market changes. The final rule increases both major assets prohibition thresholds to \$10 billion to account for changes in the United States banking market since the current thresholds were established in 1996. DATES: The final rule is effective on October 10, 2019.

- 11.24.2019 [Sec. 106 of Economic Growth, Regulatory Relief, and Consumer Protection Act titled ‘Eliminating barriers to jobs for loan originators.’](#) - Section 106 allows certain state-licensed mortgage loan originators (MLOs) who are licensed in one state to temporarily work in another state while waiting for licensing approval in the new state. It also grants MLOs who move from a depository institution (where loan officers do not need to be state licensed) to a non-depository institution (where they do need to be state licensed) a grace period to complete the necessary licensing. This rule is effective on November 24, 2019.
- 01.01.2020 [U.S. Department of Labor Final Overtime Rule](#) - SUMMARY: The Department of Labor is updating and revising the regulations issued under the Fair Labor Standards Act implementing the exemptions from minimum wage and overtime pay requirements for executive, administrative, professional, outside sales, and computer employees. DATES: This final rule is effective on January 1, 2020.
- 01.01.2020 [Home Mortgage Disclosure \(Regulation C\) 2019](#) - SUMMARY: The Bureau of Consumer Financial Protection (Bureau) is amending Regulation C to adjust the threshold for reporting data about open-end lines of credit by extending to January 1, 2022, the current temporary threshold of 500 open-end lines of credit. The Bureau is also incorporating into Regulation C the interpretations and procedures from the interpretive and procedural rule that the Bureau issued on August 31, 2018, and implementing further section 104(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act. DATES: This final rule is effective on January 1, 2020, except that the amendments to § 1003.2 in amendatory instruction 6, the amendments to § 1003.3 in amendatory instruction 7, and the amendments to supplement I to part 1003 in amendatory instruction 8 are effective on January 1, 2022.
- 01.01.2020 [Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds](#) - SUMMARY: The OCC, Board, FDIC, SEC, and CFTC are adopting amendments to the regulations implementing section 13 of the Bank Holding Company Act. Section 13 contains certain restrictions on the ability of a banking entity and nonbank financial company supervised by the Board to engage in proprietary trading and have certain interests in, or relationships with, a hedge fund or private equity fund. These final amendments are intended to provide banking entities with clarity about what activities are prohibited and to improve supervision and implementation of section entities with clarity about what activities are prohibited and to improve supervision and implementation of section 13. Effective Date: The effective date for this release is January 1, 2020. Compliance Date: Banking entities must comply with the final amendments by January 1, 2021. The 2013 rule will remain in effect until the compliance date, and a banking entity must continue to comply with the 2013 rule. Alternatively, a banking entity may voluntarily comply, in whole or in part, with the amendments adopted in this release prior to the compliance date, subject to the agencies’ completion of necessary technological changes.
- 01.01.2020 [Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations](#) - SUMMARY: The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are adopting a final rule that provides for a simple measure of capital adequacy for certain community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (final rule). Under the final rule, depository institutions and depository institution holding companies that have less than \$10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to tier 1 capital divided by average total consolidated assets) of greater than 9 percent, will be eligible to opt into the community bank leverage ratio framework (qualifying community banking organizations). Qualifying community banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than 9 percent will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies’ capital rules (generally applicable rule) and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. The final rule includes a two-quarter grace period during which a qualifying community banking organization that temporarily fails to meet any of the qualifying criteria, including the greater than 9 percent leverage ratio requirement, generally would still be deemed well-capitalized so long as the banking organization maintains a leverage ratio greater than 8 percent. At the end of the grace period, the banking organization must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must comply with and report under the generally applicable rule. Similarly, a banking organization that fails to maintain a leverage ratio greater than 8 percent would not be permitted to use the grace period and must comply with the capital rule’s generally applicable requirements and file the appropriate regulatory reports. This rule is effective on January 01, 2020.

## Common words, phrases and acronyms

APOR	“Average Prime Offer Rates” are derived from average interest rates, points, and other pricing terms offered by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics.
CFPB	<a href="#">Consumer Financial Protection Bureau</a>

CARD Act	<a href="#">Credit Card Accountability Responsibility and Disclosure Act of 2009</a>
CFR	<a href="#">Code of Federal Regulations.</a> Codification of rules and regulations of federal agencies.

CRA	<a href="#">Community Reinvestment Act</a> . This Act is designed to encourage loans in all segments of communities.
CRE	Commercial Real Estate
CSBS	<a href="#">Conference of State Bank Supervisors</a>
CTR	<a href="#">Currency Transaction Report</a> . Filed for each deposit, withdrawal, exchange of currency that involves a transaction in currency of more than \$10,000.
Dodd-Frank Act	<a href="#">The Dodd–Frank Wall Street Reform and Consumer Protection Act</a>
DOJ	<a href="#">Department of Justice</a>
FDIC	<a href="#">Federal Deposit Insurance Corporation</a>
EFTA	<a href="#">Electronic Fund Transfer Act</a>
Federal bank regulatory agencies	FDIC, FRB, and OCC
Federal financial institution regulatory agencies	BFCP, FDIC, FRB, NCUA, and OCC
FEMA	<a href="#">Federal Emergency Management Agency</a>
FFIEC	<a href="#">Federal Financial Institutions Examination Council</a>
FHFA	<a href="#">Federal Housing Finance Agency</a>
FHA	<a href="#">Federal Housing Administration</a>
FinCEN	<a href="#">Financial Crime Enforcement Network</a>
FR	<a href="#">Federal Register</a> . U.S. government daily publication that contains proposed and final administrative regulations of federal agencies.
FRB, Fed or Federal Reserve	<a href="#">Federal Reserve Board</a>
FSOC	<a href="#">Financial Stability Oversight Council</a>
FTC	<a href="#">Federal Trade Commission</a>
GAO	<a href="#">Government Accountability Office</a>
HARP	<a href="#">Home Affordable Refinance Program</a>

HAMP	<a href="#">Home Affordable Modification Program</a>
HMDA	<a href="#">Home Mortgage Disclosure Act</a>
HOEPA	<a href="#">Home Ownership and Equity Protections Act of 1994</a>
HPML	<a href="#">Higher Priced Mortgage Loan</a>
HUD	<a href="#">U.S. Department of Housing and Urban Development</a>
IRS	<a href="#">Internal Revenue Service</a>
MLO	Mortgage Loan Originator
MOU	Memorandum of Understanding
NFIP	<a href="#">National Flood Insurance Program</a> . U.S. government program to allow the purchase of flood insurance from the government.
NMLS	<a href="#">National Mortgage Licensing System</a>
OCC	<a href="#">Office of the Comptroller of the Currency</a>
OFAC	<a href="#">Office of Foreign Asset Control</a>
OREO	<a href="#">Other Real Estate Owned</a>
QRM	Qualified Residential Mortgage
Reg. B	<a href="#">Equal Credit Opportunity</a>
Reg. C	<a href="#">Home Mortgage Disclosure</a>
Reg. DD	<a href="#">Truth in Savings</a>
Reg. E	<a href="#">Electronic Fund Transfers</a>
Reg. G	<a href="#">S.A.F.E. Mortgage Licensing Act</a>
Reg. P	<a href="#">Privacy of Consumer Financial Information</a>
Reg. X	<a href="#">Real Estate Settlement Procedures Act</a>
Reg. Z	<a href="#">Truth in Lending</a>
RESPA	<a href="#">Real Estate Settlement Procedures Act</a>
SAR	<a href="#">Suspicious Activity Report</a> – Report financial institutions file with the U.S. government (FinCEN) regarding activity that may be criminal in nature.
SDN	Specially Designated National
TILA	<a href="#">Truth in Lending Act</a>
TIN	Tax Identification Number
Treasury	<a href="#">U.S. Department of Treasury</a>

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