INDEPENDENT COMMUNITY BANKS of NORTH DAKOTA

Capitol Comments

January 2020

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

'JANUARY. The first month of the year. A perfect time to start all over again. Changing energies and deserting old moods. New beginnings. New attitudes.' — Charmaine J Forde

Joint federal agency issuances, actions and news

Community Reinvestment Act: Notice of Proposed Rulemaking (01.10.2020)

The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) have issued a joint notice of proposed rulemaking to modernize regulations implementing the Community Reinvestment Act (CRA).

Background

Since becoming law in 1977, the CRA has encouraged insured depository institutions (IDI) to invest trillions of dollars into the communities they serve, including low- and moderate-income neighborhoods. The regulations implementing the CRA have not been extensively revised since 1995. The OCC and FDIC are proposing regulations intended to better achieve the law's underlying statutory purpose of encouraging IDIs to serve their communities by making the regulatory framework more objective, transparent, consistent, and easy to understand. The OCC and FDIC believe that modernizing the CRA regulations could encourage IDIs to provide billions of dollars more each year in qualified lending, investment, and services.

Highlights:

The proposed rule would strengthen the CRA regulations by:

- Clarifying which activities qualify for CRA credit;
- Updating where activities count for CRA credit;
- Creating a more transparent and objective method for measuring CRA performance; and
- Providing for more transparent, consistent, and timely CRA-related data collection, record keeping, and reporting.

Comments on the proposed rule must be received no later than March 9, 2020.

Source link.

Comment: The notice of proposed rulemaking includes some sweeping changes, including what qualifies for CRA credit, where that activity counts for a bank, how to measure CRA activity and how banks track data. A significant update is that the proposal would require regulatory agencies to regularly publish a list of examples of qualifying activities, providing a process for stakeholders to determine whether their activities count. The list would be "illustrative" rather than exhaustive. For community banks, the changes may not be as helpful as one could wish! There will be significantly more data gathering, which increases the regulatory burden and real cost. Also, there will be a single number calculated out of all the factors. Federal Reserve Governor Brainerd has commented publicly with her concerns regarding the new proposal and questions its premises. If the Fed does not agree to the changes (and it appears that it will <u>not</u>) then there will be a bifurcated CRA system with results depending on your regulator.

Heightened Cybersecurity Risk Considerations *(01.16.2020)*

In response to the heightened cybersecurity risk facing the financial services industry and other critical business sectors, the FDIC and the OCC issued an interagency statement on heightened cybersecurity risk. The statement focuses on risk management principles that can reduce the risk of a cyber attack and minimize business disruptions.

Highlights:

The Department of Homeland Security has indicated there is heightened risk of cyber-attack against U.S. targets because of increased geopolitical tension.

The current environment provides an opportunity for banks to re-evaluate the adequacy of safeguards to protect against various types of cybersecurity risk.

The attached Heightened Cybersecurity Risk document highlights principles previously articulated by the FDIC and other banking regulators, including business resilience, authentication, system configuration, security tools, data protection and employee training.

When banks apply cybersecurity risk management principles and risk mitigation techniques, they reduce the risk of a cyber attack's success and minimize the negative impacts of a disruptive and destructive cyber attack.

Source link.

Comment: Bank customers should also be made aware of the heightened risk. Treasury management agreement security procedures may need strengthening. Educating customers of the risk not only helps to reduce potential liability relating to their bank transactions but also is a powerful public relations opportunity.

Status of Certain Investment Funds and Their Portfolio Investments for Purposes of Regulation O and Reporting Requirements under Part 363 of FDIC Regulations (12.27.2019)

The Federal Reserve Board (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (together "federal banking agencies") are issuing the attached interagency statement to explain that the federal banking agencies will exercise discretion to not take enforcement action against depository institutions or asset managers that become principal shareholders of institutions with respect to certain extensions of credit by institutions that otherwise would violate Federal Reserve Regulation O.

Highlights:

Regulation O places quantitative limits and qualitative restrictions on extensions of credit by depository institutions to executive officers, directors, principal shareholders, and related interests of such persons. The popularity of mutual funds, exchange-traded funds, and similar index-based investment products has resulted in several large asset management companies becoming principal shareholders of a number of institutions, and has triggered the Regulation O presumption of control of a related interest over an increasing number of companies in the asset managers' portfolios.

The federal banking agencies are providing this temporary relief while the FRB, in consultation with the other federal banking agencies, considers whether to amend Regulation O to address this issue. As detailed in the statement, the agencies will exercise discretion in not bringing enforcement actions against asset managers and institutions for extensions of credit that would otherwise violate Regulation O, provided the asset managers and institutions satisfy certain conditions designed to ensure that there is a lack of control by the asset manager over the institution. In addition, the agencies would not take action against institutions for failure to report, for purposes of section 363.2 of the FDIC's regulations (12 CFR 363.2), extensions of credit that would otherwise violate Regulation O but are covered by this Regulation O no-action position. The FRB and OCC are taking similar action with respect to the institutions they supervise.

Source link.

Comment: In issuing its "no action" statement, the FDIC, Federal Reserve and OCC said the statement applies to "fund complex-controlled portfolio companies" – those whose voting shares are at least 10 percent owned by an investment fund and its sponsor – whose fund complex acquires enough shares in a bank to be considered an insider under Regulation O.

Agencies Release Annual CRA Asset-Size Threshold Adjustments for Small and Intermediate Small Institutions (12.31.2019)

WASHINGTON—The federal bank regulatory agencies announced the annual adjustment to the asset-size thresholds used to define small bank, small savings association, intermediate small bank, and intermediate small savings association under the Community Reinvestment Act (CRA) regulations.

The annual adjustments are required by the CRA rules. Financial institutions are evaluated under different CRA examination procedures based upon their asset-size classification. Those meeting the small and intermediate small institution asset-size thresholds are not subject to the reporting requirements applicable to large banks and savings associations unless they choose to be evaluated as a large institution.

Annual adjustments to these asset-size thresholds are based on the change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

As a result of the 1.62 percent increase in the CPI-W for the period ending in November 2019, the definitions of small and intermediate small institutions for CRA examinations will change as follows:

- "Small bank" or "small savings association" means an institution that, as of December 31 of either of the prior two calendar years, had assets of less than $1.305 billion.
- "Intermediate small bank" or "intermediate small savings association" means a small institution with assets of at least $326 million as of December 31 of both of the prior two calendar years and less than $1.305 billion as of December 31 of either of the prior two calendar years.

These asset-size threshold adjustments are effective January 1, 2020. The agencies will publish the final rule in the Federal Register. In addition, the agencies will post a list of the current and historical asset-size thresholds on the website of the Federal Financial Institutions Examination Council (https://www.ffiec.gov/cra).

Source link.

Comment: As with the other inflation adjustments to regulations, bankers should update their compliance procedures to match the revised thresholds.

CFPB actions and news

Truth in Lending Act (Regulation Z) Adjustment to Asset-Size Exemption Threshold (12.23.2019)

The Bureau is amending the official commentary that interprets the requirements of the Bureau's Regulation Z (Truth in Lending) to reflect a change in the asset-size threshold for certain creditors to qualify for an exemption to the requirement to establish an escrow account for a higher-priced mortgage loan based on the annual percentage change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the 12-month period ending in November.

The adjustment to the escrows asset-size exemption threshold will also increase a similar threshold for small-creditor portfolio and balloon-payment qualified mortgages. Balloon-payment qualified mortgages that satisfy all applicable criteria, including being made by creditors that have (together with certain affiliates) total assets below the threshold, are also excepted from the prohibition on balloon payments for high-cost mortgages.

Source link.

Comment: This exemption threshold increase is effective January 1, 2020.

Home Mortgage Disclosure (Regulation C) Adjustment to Asset-Size Exemption Threshold (12.20.2019)

The Bureau of Consumer Financial Protection (Bureau) is issuing a final rule amending the official commentary that interprets the requirements of the Bureau's Regulation C (Home Mortgage Disclosure) to reflect the asset-size exemption threshold for banks, savings associations, and credit unions based on the annual percentage change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Source link.

Comment: This exemption threshold increase is effective January 1, 2020.

FDIC actions and news

FDIC Updates Money Smart for Small Business Credit and Banking Modules - Enhanced Tools Can Help Banks Support Small Businesses (01.16.2020)

As part of their ongoing commitment to strengthening bank-community partnerships, the Federal Deposit Insurance Corporation (FDIC) and U.S. Small Business Administration (SBA) released two updates to the popular Money Smart for Small Business curriculum. The updated modules focus on banking and credit and are now available for banks and small business development organizations to use to help small business owners succeed.

"Money Smart for Small Business aims to help small business owners and entrepreneurs understand how a strong banking relationship can help them achieve their vision," said Elizabeth Ortiz, Deputy Director for Consumer and Community Affairs at the FDIC. "The relationship between banks and small businesses is symbiotic: when one succeeds, so does the other."

"The updated version of Money Smart for Small Business is a valuable resource that the FDIC and the SBA have produced to help ensure entrepreneurs are fully equipped to compete in and contribute to the nation's economy," said Allen Gutierrez, Associate Administrator for the SBA's Office of Entrepreneurial Development.

The updated Banking Services module now includes a discussion of traditional banking products, non-bank financing options and sources, and how to avoid fraud and scams. Similarly, the updated Building Strong Credit module explains how a business owner's personal credit history can impact their business, how business credit reporting works, and how a potential lender evaluates the overall creditworthiness of a small business. A case study brings both modules together and asks participants to put the lessons they have learned into practice. The materials were updated based on input from industry experts and other practitioners, including more than two dozen organizations that have used previous versions of the Money Smart materials.

Launched in 2012 and developed jointly by the FDIC and SBA, Money Smart for Small Business is comprised of 13 modules on topics related to managing and starting a business. It is a free, web-based training resource. Each module includes a fully scripted Instructor Guide, Participant Guide, and content in English and Spanish.

To download the updated modules or join a webinar to learn more about the curriculum on January 23, 2020, visit www.fdic.gov/smallbusiness.

Source link.

Comment: The Money Smart programs are a great CRA opportunity to serve the small business community.

Risk Management Manual of Examination Policies Updated to Include Examination Documentation Modules (12.20.2019)

To provide greater transparency into the FDIC's examination processes, the FDIC Division of Risk Management Supervision has updated the Risk Management Manual of Examination Policies (Manual) by inserting Part VI, Appendix: Examination Processes and Tools, Examination Documentation Modules. The Examination Documentation Modules were developed in 1997 to provide examiners with tools to identify and assess the range of matters considered during examination activities, and they are updated periodically. The Modules direct examiners to use a risk-focused approach in conducting examination activities, thereby facilitating an efficient and effective supervisory program.

Highlights:

The Examination Documentation (ED) Modules have been an examination tool used by FDIC examiners since 1997. The Modules are periodically revised and updated to reflect changes in laws, regulations, and policies.

The modules are used in the risk-focused examination framework to tailor examination procedures to the business model, complexity and risk profile of individual financial institutions. The extent to which each module is completed will vary depending on the complexity and risk profile of each institution.

The ED Modules are organized by banking activities and processes in three categories: Primary Modules cover examination planning and the assessment of Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity (CAMELS) areas; Supplemental Modules cover additional program areas; and Reference Modules provide more detailed procedures for specific banking activities that are addressed at a higher level in the Primary and Supplemental Modules.

The ED Modules will be added to the Manual beginning with the Primary and Supplemental Modules. To receive notice of subsequent issuances, subscribe to FDIC updates by email.

This FIL will expire 12 months from issuance.

Source link.

Fall 2019 Supervisory Insights (12.23.2019)

The Fall 2019 issue of Supervisory Insights features two articles of interest to examiners, bankers, and supervisors.

"Commercial Real Estate Loan Concentration Risk Management" examines commercial real estate (CRE) loan exposure in the banking industry and discusses results of recent risk management supervisory activities for FDIC-supervised insured depository institutions with CRE lending concentrations.

"Leveraged Lending: Evolution, Growth and Heightened Risk" provides an overview of the leveraged lending market, discusses the risks associated with leveraged lending, and includes observations regarding current underwriting practices from examinations at state nonmember insured depository institutions and information from the Shared National Credit Program.

This issue also includes the Regulatory and Supervisory Roundup, an overview of recently released regulations and other items of interest.

Source link.

Comment: With the volume of commercial real estate loans held by FDIC-insured banks reaching a record of $2.4 trillion in 2019, the FDIC is focusing on CRE risk management in this issue of Supervisory Insights.

OCC actions and news

Civil Money Penalties: Notice Adjusting Maximum Civil Money Penalties for 2020 (01.08.2020)

On December 30, 2019, the Office of the Comptroller of the Currency (OCC) published in the Federal Register the attached notice to adjust the maximum amount of each civil money penalty (CMP) within its jurisdiction pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (2015 Adjustment Act). The adjusted maximum penalties are effective immediately for violations occurring on or after November 2, 2015.

Highlights

The notice updates the inflation-adjusted maximum CMPs that the OCC may impose, using the inflation adjustment required under the 2015 Adjustment Act, as provided by the Office of Management and Budget (OMB) in OMB Memorandum M-20-05 issued on December 16, 2019. This revision does not affect the OCC's discretion to assess a CMP in an amount lower than the maximum allowed.

Background

The 2015 Adjustment Act requires federal agencies with CMP authority to annually adjust each CMP authorized by law that the agency has jurisdiction to administer, in accordance with the guidance published by the OMB. Agencies must adjust their CMPs no later than January 15 of each year and publish those adjustments in the Federal Register.

Source link.

OCC Releases 2020 Schedule of Workshops for Directors and Senior Management of National Community Banks and Federal Savings Associations (01.02.2020)

WASHINGTON—The Office of the Comptroller of the Currency (OCC) announced its 2020 schedule of workshops for board directors and bank management of national community banks and federal savings associations.

The OCC examiner-led workshops provide practical training and guidance to directors of national community banks and federal savings associations to support the safe and sound operation of community-based financial institutions.

"The OCC bank director workshops are a valuable resource we provide to our regulated institutions to help bank directors better understand their responsibilities and the risks facing their institutions, so they can continue to serve the communities that rely upon them," said Comptroller of the Currency Joseph M. Otting.

The OCC offers five workshops at a cost of $99 each:

- Building Blocks: Keys to Success for Directors and Senior Management
- Risk Governance: Improving Director Effectiveness
- Compliance Risk: What Directors Need to Know
- Credit Risk: Directors Can Make a Difference
- Operational Risk: Navigating Rapid Changes

The OCC offers the workshops nationwide to directors of national community banks and federal savings associations. Senior management and other key executives of national community banks and federal savings associations supervised by the OCC are also eligible to attend the Building Blocks workshop.

Workshops are limited to 35 participants. Attendees will receive course materials, supervisory publications, and lunch.

To view the schedule of workshops and register online, visit the OCC's website. If you have additional questions about the workshops, please contact the OCC Bank Director Workshop Team at (202) 649-6490 or BankDirectorWorkshop@occ.treas.gov.

Source link.

Comment: Ongoing education and training is as important for community bank directors as it is for the bank's staff and management.

Federal Reserve actions and news

Beige Books (01.15.2020)

This report was prepared at the Federal Reserve Bank of New York based on information collected on or before January 6, 2020. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

Overall Economic Activity

Economic activity generally continued to expand modestly in the final six weeks of 2019. The Dallas and Richmond Districts noted above-average growth, while Philadelphia, St. Louis, and Kansas City reported sub-par growth. Consumer spending grew at a modest to moderate pace, with a number of Districts noting some pickup from the prior reporting period. On balance, holiday sales were said to be solid, with several Districts noting the growing importance of online shopping. Vehicle sales generally expanded moderately, though a handful of Districts reported flat sales. Tourism was mixed, with growth reported in the eastern seaboard Districts but activity little changed in the Midwest and West. Manufacturing activity was essentially flat in most Districts, as in the previous report. Business in nonfinancial services was mixed but, on balance, growing modestly. Transportation activity was also mixed across Districts, with a majority reporting flat to weaker activity. Banks mostly characterized loan volume as steady to expanding moderately. Home sales trends varied widely across Districts but were flat overall, while residential rental markets strengthened. Some Districts pointed to low inventories as restraining home sales. New residential construction expanded modestly. Commercial real estate activity varied substantially across Districts. Agricultural conditions were little changed, as was activity in the energy sector. In many Districts, tariffs and trade uncertainty continued to weigh on some businesses. Expectations for the near-term outlook remained modestly favorable across the nation.

…snip

Eleventh District Overall Economic Activity

The Eleventh District economy expanded solidly over the reporting period, with growth increasing in most sectors. The energy sector remained weak, although drilling activity ticked up. Home sales continued to rise, even beating some expectations. The agriculture picture remained mixed. Employment growth was moderate, and upward wage pressures continued as labor availability remained a key concern. Selling prices were largely flat, while input prices continued to rise. Outlooks generally improved, with reduced trade uncertainty boosting optimism.

- Federal Reserve Bank of Boston
- Federal Reserve Bank of New York
- Federal Reserve Bank of Philadelphia
- Federal Reserve Bank of Cleveland
- Federal Reserve Bank of Richmond
- Federal Reserve Bank of Atlanta
- Federal Reserve Bank of Chicago
- Federal Reserve Bank of St. Louis
- Federal Reserve Bank of Minneapolis
- Federal Reserve Bank of Kansas City
- Federal Reserve Bank of Dallas
- Federal Reserve Bank of San Francisco

Source link.

Federal Reserve Board Announces Members of its Community Depository Institutions Advisory Council for 2020 (01.14.2020)

The Federal Reserve Board on Tuesday announced the members of its Community Depository Institutions Advisory Council (CDIAC) and the president of the council for 2020.

The CDIAC advises the Board on the economy, lending conditions, and other issues of interest to community depository institutions. Members are selected from representatives of commercial banks, thrift institutions, and credit unions serving on local advisory councils at the 12 Federal Reserve Banks. One member of each of the Reserve Bank councils serves on the CDIAC, which meets twice a year with the Federal Reserve Board in Washington. Further information on the CDIAC, including records from past meetings, can be found here.

Dorothy A. Savarese, chair and chief executive officer of Cape Cod 5, Orleans, Mass., will serve as CDIAC president in 2020.

The other members of CDIAC in 2020 are:

Erik Beguin

Chief Executive Officer and Founder

Austin Capital Bank

Austin, Texas

Dabney T.P. Gilliam, Jr.

President and Chief Executive Officer

The Bank of Charlotte County

Phenix, Va.

Douglas S. Gordon

President and Chief Executive Officer

WaterStone Bank, SSB

Wauwatosa, Wis.

Brad Koehn

Regional President

Midwest Bank

Lincoln, Neb.

Shari Laven

Chief Executive Officer

Viking Bank

Alexandria, Minn.

Faheem A. Masood

President and Chief Executive Officer

ESL Federal Credit Union

Rochester, N.Y.

David R. Melville III

Chief Executive Officer and President

b1BANK

Baton Rouge, La.

Margaret Oldner

Chief Executive Officer

Stone Bank

Little Rock, Ark.

T. Michael Price

President and Chief Financial Officer

First Commonwealth Financial Corp.

Indiana, Pa.

Andrew J. Ryback

President and Chief Executive Officer

Plumas Bank

Quincy, Calif.

Jeane M. Vidoni

President and Chief Executive Officer

Penn Community Bank

Perkasie, Pa.

Source link.

Comment: Congratulations and 'Thank You!' to those serving on this board to provide a valued community bank perspective.

Federal Reserve Approves Modifications to National Settlement Service and Fedwire® Funds Service to Support Enhancements to the Same-Day Automated Clearinghouse Service (12.23.2019)

The Federal Reserve Board on Monday approved modifications to the Federal Reserve Banks' National Settlement Service (NSS) and Fedwire® Funds Service to support enhancements to the same-day automated clearinghouse (ACH) service. The Board also approved changes intended to reduce the risk that the modified service closings and cutoffs would increase the frequency of delays to the reopening of the Fedwire Funds Service. Finally, the Board approved corresponding changes to the Federal Reserve Policy on Payment System Risk (PSR policy) related to a new posting time for transactions and an increased daylight overdraft fee.

On September 13, 2018, Nacha, the rules and standards body for the ACH network, announced that its voting members had approved amendments to the Nacha Operating Rules & Guidelines to establish a third and later same-day ACH processing and settlement window with a settlement deadline of 4:45 p.m. ET and settlement at 6:00 p.m. ET. A third same-day ACH window aligns with the Federal Reserve's ongoing objective to support improved speed and efficiency of the payment system in the United States as well as public interest in greater availability of payment services. In particular, the later same-day ACH window would allow more institutions to use same-day ACH services during a greater portion of their business day and may promote greater adoption of same-day ACH and availability of the service to originators and end-users.

The amended Nacha rules changes require modifications to the Federal Reserve Banks' payment service closings and cutoffs so that the private-sector ACH operator, The Clearing House Payments Company L.L.C., can settle same-day ACH transactions later in the day via the National Settlement Service. On May 16, 2019, the Board published a Federal Register notice seeking public comment on these modifications to the Federal Reserve Bank's payment services. After analyzing the comments received, the Board has approved the following modifications and enhancements to be implemented in March 2021, which would accommodate Nacha's current effective date of March 19, 2021 for implementing the later same-day ACH window:

The National Settlement Service will close at 6:30 p.m. ET, one hour later than its current closing at 5:30 p.m. ET. The opening time for the National Settlement Service will remain at 7:30 a.m. ET.

The Fedwire Funds Service will close at 7:00 p.m. ET, 30 minutes later than its current cutoff at 6:30 p.m. ET. The Fedwire Funds third-party cutoff will occur at 6:45 p.m. ET, 45 minutes later than its current cutoff at 6:00 p.m. ET. The opening time for the Fedwire Funds Service will remain at 9 p.m. ET on the previous calendar day.

The Reserve Banks will modify their current practice of maintaining a two-hour window between the closing and the reopening of the Fedwire Funds Service to maintain only a 90-minute window.

The Reserve Banks will raise the threshold for granting extensions to the Fedwire Funds Service closing time from $1 billion to $3 billion. The Reserve Banks, in consultation with the Board, will determine whether further increases to the threshold are warranted to maintain the regular and consistent open of the Fedwire Funds Service at 9:00 p.m. ET.

The Board is amending part II of the PSR policy to add a new 6:00 p.m. ET posting time for same-day ACH transactions, remove the current 5:30 p.m. ET posting time for ACH return transactions, and make conforming changes to the daylight overdraft fee calculation.

Source link.

Other federal action and news

CSBS Podcast #16 - FDIC Chairman Jelena McWilliams - Community Banks, Supervision, And the Future (01.21.2020)

Supervising banks anywhere is hard work. But there's an extra challenge when supervising institutions in the United States: more than any other nation in the world, we have the most diverse number and type of banks themselves.

These banks can be globally, nationally, or locally-focused. Some of those most locally-focused banks are commonly referred to as "Community Banks." Community banks have played an important role in serving rural areas, towns, and cities for more than a century.

But supervising and truly understanding so many institutions with such diverse purposes and goals requires regulators and leaders truly "in the know" about America's diverse localities.

Today, I sit down with two of the most "in the know" people there are when it comes to community banks. How do we go about understanding them? How has what we've learned impacted our view of the nation's financial system as a whole? What does a fintech-filled future hold for America's uniquely-diverse banking system?

Listen to learn more.

Source link.

Comment: A podcast worth listening to!

FTC Blog - Credit Repair: Fixing Mistakes on Your Credit Report (01.16.2020)

If you've been reading our new year, new credit series, then you have your credit report and learned how to read it. But what if you see mistakes? Maybe it's an account that you didn't open, an error in your name or address, or a bankruptcy that doesn't really belong to you. Here are tips on fixing your credit, while avoiding scams.

If you see mistakes in your report, contact the credit bureau and the company that provided the information. Ask both to correct their records. Include as much detail as possible, plus copies of supporting documents, like payment records or court documents.

Source link.

Comment: The FTC blog quoted above is helpful financial literacy material. Banks should consider using these FTC blogs as part of their website outreach. Again, this is a good CRA opportunity!

CSBS - Community Bank Sentiment Index Shows Community Banks are Positive About the Economy as Profit Concerns Emerge (01.07.2020)

Community bankers continued to be positive about the economy at the end of 2019 despite emerging concerns about future profits, according to the CSBS Community Bank Sentiment Index (CBSI).

The CBSI captures on a quarterly basis what community bankers nationwide think about the future on seven key areas: business conditions, monetary policy, regulatory burden, capital expenditures, operations expansion, profitability and franchise value. It is a direct result of the work CSBS has done with the Federal Reserve and FDIC on the Community Banking Research and Policy Conference held each year in October.

"This local perspective is an important indicator of economic activity for policymakers, bankers and the market," said CSBS Senior Executive Vice President Michael L. Stevens.

Participant answers are analyzed and compiled into a single number; an index reading of 100 indicates a neutral sentiment. Anything above 100 indicates a positive sentiment, and anything below 100 indicates a negative sentiment.

The fourth quarter 2019 results show a slight uptick to 123, reflecting an overall positive outlook for the economy and community banks. The survey provided a broad geographic mix, with 208 participating bankers in 43 states.

Key findings from the fourth quarter results include:

- 85 percent of bankers believe business conditions will be the same or better, up from 71% in the previous survey
- 77 percent of banks expect the same or better profits, down from 80%
- 61 percent of banks believe they will see an increase in franchise value, up from 52%
- 32 percent of bankers project a heavier regulatory burden, down from 34%

The index has fluctuated between 121 and 123 since it was first calculated in the second quarter of 2019.

"Absent a significant economic shock, we expect modest changes to the overall index from quarter to quarter," said Stevens said. "The real story lies in the change of the components and variances around the country."

For more detail on the CBSI results, visit our CBSI web page and analysis.

Source link.

USDA Approves First State and Tribal Hemp Production Plans (12.27.2019)

The U.S. Department of Agriculture (USDA) has approved the first set of plans submitted by states and Indian tribes for the domestic production of hemp under the U.S. Domestic Hemp Production Program. The plans were submitted by the states of Louisiana, New Jersey, and Ohio, and the Flandreau Santee Sioux, Santa Rosa Cahuilla, and La Jolla Band of Luiseno Indian Tribes.

The Agriculture Improvement Act of 2018 (2018 Farm Bill) directed USDA to develop a regulatory oversight program for hemp and include provisions for USDA to approve hemp production plans submitted by states and Indian tribes. Accordingly, on October 31, 2019, USDA issued an interim final rule establishing the U.S. Domestic Hemp Production Program and the provisions for USDA to approve submitted plans. State and tribal plans provide details on practices and procedures that enable hemp producers in their jurisdictions to operate according to their individual plans and in compliance with federal laws.

Source link.

Comment: It's worth noting the rules and regulations surrounding CBD aka 'consumable hemp products' are the domain of the Food and Drug Administration at the federal level and various agencies at the state level.

Publications, articles, reports, studies, testimony & speeches

Industrial Production and Capacity Utilization - G.17 (01.17.2020)

Industrial production declined 0.3 percent in December, as a decrease of 5.6 percent for utilities outweighed increases of 0.2 percent for manufacturing and 1.3 percent for mining. The drop for utilities resulted from a large decrease in demand for heating, as unseasonably warm weather in December followed unseasonably cold weather in November. For the fourth quarter as a whole, total industrial production moved down at an annual rate of 0.5 percent. At 109.4 percent of its 2012 average, total industrial production was 1.0 percent lower in December than it was a year earlier. Capacity utilization for the industrial sector fell 0.4 percentage point in December to 77.0 percent, a rate that is 2.8 percentage points below its long-run (1972–2018) average

Source link.

Comment: The major market groups posted mixed results in December. Indexes that include utility output (consumer energy products, business supplies, and energy materials) all recorded declines.

The Outlook for Housing - Governor Michelle W. Bowman (01.16.2020)

Few sectors are as central to the success of our economy and the lives of American families as housing. If we include the amount families spend on shelter each month as well as the construction of new houses and apartments, housing generates about 15 cents out of every dollar of economic activity. As homebuilders, you set the foundation that supports the work of architects, bankers, electricians, carpenters, plumbers, furniture makers, and many others. In our time together today, I'd like to discuss the outlook for housing at the national level and also look at the labor force and credit challenges facing your industry.1

Let me start with just a few words about the overall economic picture. I'm pleased to say that the U.S. economy is currently in a good place, and the baseline outlook of participants on the Federal Open Market Committee (FOMC) is for continued moderate growth in gross domestic product (GDP) over the next few years. Unemployment is the lowest it has been in 50 years, and FOMC participants expect it to remain low. Inflation has been muted and is expected to rise gradually to the FOMC's 2 percent objective.

One of the most remarkable features of the current economic expansion has been the vitality and resilience of the U.S. job market. More than 22 million jobs have been created since the low point for employment at the end of the last downturn, and the pace of job gains has been amazingly consistent. Until this expansion, even in good times, scarcely a year went by without at least one month when payrolls shrank. Yet during the past 10 years, we haven't had a single month with a decline in the overall number of jobs. I should note that I would not necessarily consider a single month of job losses as saying much about the direction of the economy. But the unbroken string of job gains that we have experienced during this recovery highlights how our economy has kept humming along during this past decade, weathering the occasional lull. Let me also add here that, as good as the national numbers for the job market look, things seem even better here in the Kansas City area, where job growth has been steady and the unemployment rate has consistently run around 1 percentage point below the national average—at last count, it was 2.8 percent.

Source link.

Economic Outlook Symposium: Summary of 2019 Results and 2020 Forecasts (01.15.2020)

According to participants in the Chicago Fed's annual Economic Outlook Symposium (EOS), the U.S. economy is forecasted to expand at a pace in 2020 near the long-term average, with inflation ticking up and the unemployment rate remaining low.

The Federal Reserve Bank of Chicago held its 33rd annual Economic Outlook Symposium on December 13, 2019. More than 140 economists and analysts from business, academia, and government attended the conference. This Chicago Fed Letter reviews participants' forecasts for 2019 from the previous EOS, and then analyzes their forecasts for 2020 (see figure 1) and summarizes the presentations from the most recent EOS.

In the third quarter of 2019, the U.S. economy entered the 11th year of its expansion, making this the longest expansion in U.S. history. While the nation's real gross domestic product (GDP) is at its highest level ever, the rate of economic growth since the end of the Great Recession in mid-2009 has been quite restrained. During the 41 quarters following the second quarter of 2009, the annualized rate of real GDP growth was 2.3%—somewhat above what is considered the long-term rate of growth for the U.S. economy.

Source link.

Comment: Real gross domestic product for 2020 is forecast at 1.70, down 50 bp from the 2019 forecast of 2.2. A barrel of West Texas Intermediate crude oil is forecast at $56.52 for 2020, a slight increase over the 2019 forecast of $55.90.

St. Louis Fed's Bullard Discusses "A Soft Landing in 2020?" (01.09.2020)

Bullard discussed how U.S. economic growth slowed on a year-over-year basis in 2019. "The Federal Open Market Committee (FOMC) took action to help ensure a soft landing by dramatically altering the path of monetary policy during 2019," he said. "The current baseline economic outlook for 2020 suggests a reasonable chance that the soft landing will be achieved."

Bullard noted the slowdown in 2019 was widely expected because the economy tends to return to its potential growth rate, which is sometimes referred to as a soft landing. He added that the key risk in 2019 was that this slowing would be sharper than anticipated, i.e., a hard landing.

Source link.

U.S. Economic Outlook and Monetary Policy - Vice Chair Richard H. Clarida (01.09.2020)

Thank you for the opportunity to join you bright and early on this January 2020 Thursday morning. As some of you may know, I am a longtime member of the Council on Foreign Relations and have attended and participated in many such events over the past 20 years, although I will point out that in my previous visits to the dais, I was in the somewhat less demanding position of asking the questions rather than answering them. I am really looking forward to this conversation, but I would like first to share with you some thoughts about the outlook for the U.S. economy and monetary policy.1

The U.S. economy begins the year 2020 in a good place. The unemployment rate is at a 50-year low, inflation is close to our 2 percent objective, gross domestic product growth is solid, and the Federal Open Market Committee's (FOMC) baseline outlook is for a continuation of this performance in 2020.2 At present, personal consumption expenditures (PCE) price inflation is running somewhat below our 2 percent objective, but we project that, under appropriate monetary policy, inflation will rise gradually to our symmetric 2 percent objective. Although the unemployment rate is at a 50-year low, wages are rising broadly in line with productivity growth and underlying inflation. We are not seeing any evidence to date that a strong labor market is putting excessive cost-push pressure on price inflation.

Source link.

Consumer Credit - G.19 (01.08.2020)

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

Source link.

Strengthening the Community Reinvestment Act by Staying True to Its Core Purpose - Governor Lael Brainard (01.08.2020)

Good morning. I am pleased to be here at the Urban Institute to discuss how to strengthen the Community Reinvestment Act (CRA), which is a key priority for the Federal Reserve. The CRA plays a vital role in bringing banks together with community members, small businesses, local officials, and community groups to make investments in their community's future.1 That is why we are committed to getting CRA reform done right.

The Origins and Purpose of the CRA

Any successful reform must be grounded in the origins of the CRA and its ongoing importance to low- and moderate-income (LMI) neighborhoods. The CRA was one of several landmark pieces of legislation enacted in the wake of the civil rights movement intended to address inequities in the credit markets. By passing the CRA, Congress aimed to reverse the disinvestment associated with years of government policies and market actions that deprived lower-income areas of credit by redlining—using red-inked lines to separate neighborhoods deemed too risky.2 By conferring an affirmative and continuing obligation on banks to help meet the credit needs in all of the neighborhoods they serve, the CRA has not only prompted banks to be more active lenders in LMI areas, but also important participants in multisector efforts to revitalize communities across the country.

Pursuant to guidance from the Board of Governors, each of our Federal Reserve Banks houses a group of dedicated community development professionals and CRA examiners to help banks meet their CRA obligations. We are proud of our work in familiarizing banks with the CRA's provisions, introducing banks to potential partners in their communities, and convening conferences to disseminate research and best practices.3

The CRA plays a vital role in the ecosystem supporting economic opportunity in LMI communities in both rural and urban areas. Rather than direct funds to specific projects, the CRA encourages banks to engage on the priorities identified by local leaders and more broadly serve credit needs of small businesses and residents of these communities. By being inclusive in their lending and investing, banks help their local communities to thrive, which in turn benefits their core business. The recognition of this mutually beneficial relationship between banks and their local communities is one of the core strengths of the CRA and the reason our effort to revise the CRA regulations must focus on local needs and stakeholder input.

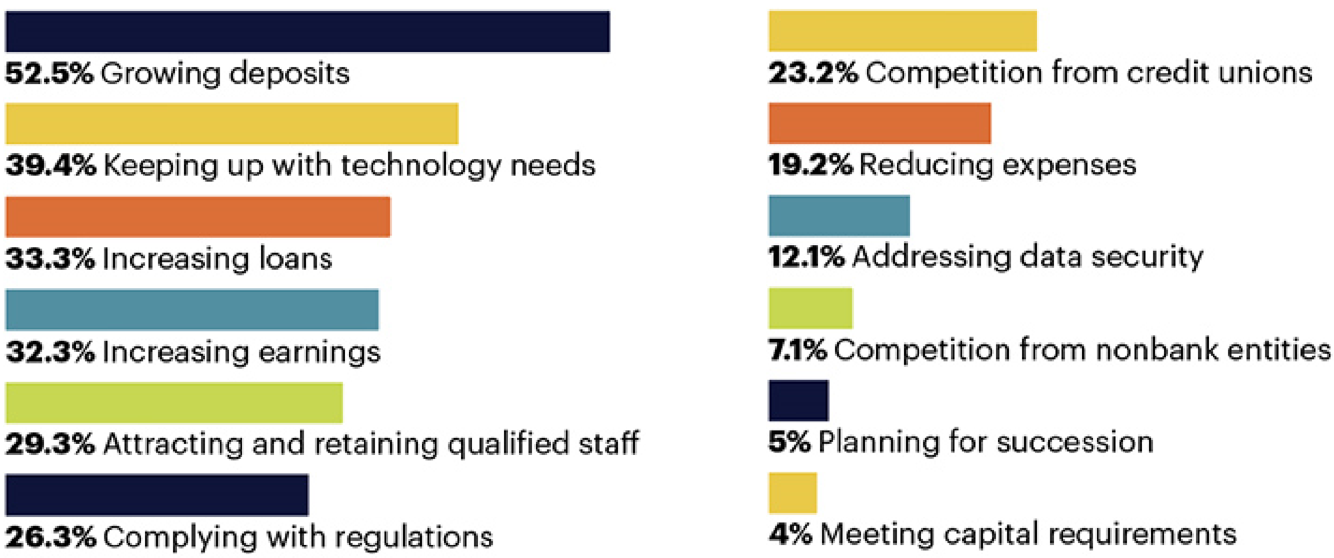
Source link.

Community Bank CEO Outlook 2020: How Your Peers Plan to Grow (01.01.2020)

Ask any self-help guru, and they'll tell you that the path to growth combines awareness of the outside world with the ability to understand and improve one's internal workings. Ask a community bank CEO about the path to growth, and they'll tell you the same. After all, growth—particularly in deposits, loans and profits—is the major business challenge community banks face in 2020.

Those are the findings of this year's Community Bank CEO Outlook, which asks community bank chief executives about their expectations for the year ahead and how they plan to deal with them.

What will be your community bank's greatest business challenges in 2020? (Respondents could select up to three)



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
12.13.2019	Request for Comments on Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions - The FDIC is inviting comment on proposed revisions to its regulations relating to the brokered deposits restrictions that apply to less than well capitalized insured depository institutions. The proposed rule would create a new framework for analyzing certain provisions of the "deposit broker" definition, including "facilitating" and "primary purpose." The proposed rule would also establish an application and reporting process with respect to the primary purpose exception. The application process would be available to insured depository institutions and third parties that wish to utilize the exception. **Comments must be received 60 days after publication in the Federal Register.**

01.09.2020	Community Reinvestment Act Regulations - Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) propose regulations that could encourage banks to provide billions more each year in Community Reinvestment Act-qualified lending, investment, and services by modernizing the Community Reinvestment Act (CRA) regulations to better achieve the law's underlying statutory purpose of encouraging banks to serve their communities by making the regulatory framework more objective, transparent, consistent, and easy to understand. To accomplish these goals, this proposed rule would strengthen the CRA regulations by clarifying which activities qualify for CRA credit, updating where activities count for CRA credit, creating a more transparent and objective method for measuring CRA performance, and providing for more transparent, consistent, and timely CRA-related data collection, recordkeeping, and reporting. **Comments must be received on or before March 9, 2020.**

Selected federal rules – upcoming effective dates

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

EFFECTIVE DATE:	**SUMMARY OF FINAL RULE:**
09.03.2019	Availability of Funds and Collection of Checks (Regulation CC) - The Board and the Bureau (Agencies) are amending Regulation CC, which implements the Expedited Funds Availability Act (EFA Act), to implement a statutory requirement in the EFA Act to adjust the dollar amounts under the EFA Act for inflation. The Agencies are also amending Regulation CC to incorporate the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amendments to the EFA Act, which include extending coverage to American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam, and making certain other technical amendments. <u>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.</u>
10.09.2019	Real Estate Appraisals - 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. <u>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.</u>
01.01.2020	Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations - The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are adopting a final rule that provides for a simple measure of capital adequacy for certain community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (final rule). Under the final rule, depository institutions and depository institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to tier1 capital divided by average total consolidated assets) of greater than 9 percent, will be eligible to opt into the community bank leverage ratio framework (qualifying community banking organizations). Qualifying community banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than 9 percent will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. The final rule includes a two-quarter grace period during which a qualifying community banking organization that temporarily fails to meet any of the qualifying criteria, including the greater than 9 percent leverage ratio requirement, generally would still be deemed well capitalized so long as the banking organization maintains a leverage ratio greater than 8 percent. At the end of the grace period, the banking organization must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must comply with and report under the generally applicable rule. Similarly, a banking organization that fails to maintain a leverage ratio greater than 8 percent would not be permitted to use the grace period and must comply with the capital rule's generally applicable requirements and file the appropriate regulatory reports. <u>DATES: The final rule is effective on January 1, 2020.</u>

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

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

Common words, phrases and acronyms

APOR	"Average Prime Offer Rates" are derived from average interest rates, points, and other pricing terms offered by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics.

CFPB	Consumer Financial Protection Bureau
CARD Act	Credit Card Accountability Responsibility and Disclosure Act of 2009

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

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