Regulatory Dispatch

Timely news and resources community bankers can use

to better stay on top of a rapidly changing world.

New- Ask the Fed®: Energy Update: Oil & Gas

As energy demand plummeted during the pandemic, energy prices reached historic low points in 2020, and oil and gas production responded dramatically. Now, as global economies are reopening, resulting in an escalating demand for energy while post pandemic inventories of oil and gas remain subdued. In addition, the conflict in Eastern Europe has resulted in oil sanctions against Russia, intensifying pressure on the world's second largest exporter of crude oil.

High oil and gas prices have both direct and indirect effects on prices across the world's basket of commodities, impacting consumers and businesses alike. Not surprisingly, many have asked what can be done in the U.S. and other countries to rebalance global supply with demand for oil and gas. So what does this all mean for banks?

Please join speakers Senior Business Economist Garrett Golding, Senior Business Economist Jesse Thompson, Senior Bank Examiner Thom Quint and Senior Bank Examiner Marshal Boumeester for a discussion about the oil and gas market and observations on bank lending.

Registration is now open at www.askthefed.org. As always, we are interested in your questions. You can email your questions in advance of each session at questions@askthefed.org.We'll take questions during each session as well, but questions received, but questions received in advance will receive priority. We strongly encourage participants to use the webinar audio on their computer for the best experience. Webinar materials will be archived for future viewing.

Tuesday, August 16, 2022, at 2:00 p.m. ET - 3:00 p.m. ET: Energy Update: Oil & Gas Update

Comment: For data specific to Texas, the Dallas Fed is a premier source for information on energy economics.

Community Bank Q & A

Q: About ten years ago, the bank made the decision to start offering long-term balloon primary residence and land loans. Well, it is the time that some of these are starting to hit the ten-year maturity. The balloon payments are looming, and our customers are going to want to refinance with us. Since these loans are already on the books, we are trying to figure out what the requirements are to "refinance" these existing loans. Some of the questions that come up are "Do we need a new application?", "Do we need updated financials?", "Do we need to pull a new credit report?"

A: We have 'talked' about modifications several times, but your expanded questions are worth addressing.

Regulation Z / TRID – Unless your modification crosses the line established by §1026.20, no subsequent disclosures are required. That 'bright line' is the satisfaction and replacing of the note or adding a variable rate feature not previously disclosed.

Flood – A modification that extends the maturity date is a 'tripwire.' Your flood determinations can be relied upon provided the prior flood zone determination is not more than seven years old – if the determination on file is over seven years old, pull a new determination. Remember to provide the borrowers the required notices like you would for a new loan.

Regulation B / ECOA – Regulation B only requires applications when a loan is primarily for the purchase or refinancing [of the purchase] of a principal dwelling, or where the extension of credit will be secured by the dwelling. Technically, no application is required by regulation for modifications or renewals. However, if it is a refinancing, an application is required. If they do submit an 'application' for the modification, don't forget to follow the timelines under ECOA and adverse action provisions as well.

Regulation C / HMDA – Not reportable. The rule is unchanged after the 2018 HMDA reforms. Modification, Extension and Consolidation Agreements (MECAs) are not reportable as a refinancing under Regulation C.

Items of Interest

Bank Management

OCC Seeks Nominations for Minority Depository Institutions Advisory Committee (07/19/2022) - WASHINGTON—The Office of the Comptroller of the Currency (OCC) is seeking nominations for members of its Minority Depository Institutions Advisory Committee (MDIAC).

The MDIAC assists the OCC in assessing the needs and challenges facing minority depository institutions. The OCC is seeking nominations of individuals who are officers and/or directors of OCC-regulated minority depository institutions, or officers and/or directors of other OCC-regulated depository institutions with a commitment to supporting minority depository institutions, to be considered for selection as MDIAC members.

Nominations must be received on or before September 6, 2022.

Nominations of MDIAC members should be sent to mdiac.nominations@occ.treas.gov or mailed to: Beverly F. Cole, Acting Senior Deputy Comptroller for Midsize and Community Bank Supervision, 400 Seventh Street SW., Washington, DC, 20219.

Related Links
Federal Register Notice (PDF)
Minority Depository Institutions Committee

	CSBS How Low Will Confidence Go? (07/19/2022) - The CSBS second quarter 2022 Community Bank Sentiment Index (CBSI) fell to its lowest level since the creation of the index in 2019. The overall index was driven down by record low readings in three of the index's seven components: regulatory burden, the impact of monetary policy, and expectations for future business conditions. In an open-ended question, community bankers voiced concerns over rising inflation, particularly energy and commodity prices, the impact of rapid interest rate increases, and the potential for slower economic growth. As shown in Chart 1, the headline number from the second quarter 2022 CBSI was 84, thirteen points below the level recorded last quarter and 31 points below a year ago. With a value of 100 considered neutral, community bankers turned pessimistic in the first quarter of this year, with the overall index subsequently plummeting to a record low.

BSA / AML

Deposit / Retail Operations

Human Resources

Lending

	FRB Invites Comment on Proposal That Provides Default Rules for Certain Contracts That Use the LIBOR Reference Rate, Which Will be Discontinued Next Year (07/19/2022) - The Federal Reserve Board on Tuesday invited comment on a proposal that provides default rules for certain contracts that use the LIBOR reference rate, which will be discontinued next year. The proposal implements the Adjustable Interest Rate (LIBOR) Act, which Congress enacted earlier this year. LIBOR, formerly known as the London Interbank Offered Rate, was the dominant reference rate used in financial contracts in recent decades, but the rate in its current form will be discontinued after June 30, 2023. In response to the planned end of LIBOR, Congress enacted the LIBOR Act to provide a uniform, nationwide solution for replacing references to LIBOR in existing contracts without adequate fallback provisions, which are provisions in the contract related to the identification of an alternative reference rate. Consistent with the law, the proposal would replace references to LIBOR in certain contracts with the applicable Board-selected replacement rate after June 30, 2023. The

	contracts include those governed by domestic law that do not mature before LIBOR ends and that lack adequate fallback provisions. The proposal identifies separate Board-selected replacement rates for derivatives transactions, contracts where a government-sponsored enterprise is a party, and all other affected contracts. As required by the law, each proposed replacement rate is based on the Secured Overnight Financing Rate. Comments on the attached proposal will be accepted for 30 days after publication in the Federal Register. Attachment
	FRB Strengthening the CRA: A Conversation with Representatives of Native Communities Vice Chair Lael Brainard (07/19/2022) - *Good afternoon. I am happy to join you today for the National Native Coalition listening session to discuss the Community Reinvestment Act (CRA). I want to thank the National Congress of American Indians and its many tribal partners, as well as Casey Lozar and his team at the Center for Indian Country Development at the Federal Reserve Bank of Minneapolis. I am pleased to be joined by Acting Comptroller of the Currency Michael Hsu of the Office of the Comptroller of the Currency (OCC) and Acting Chairman Martin Gruenberg of the Federal Deposit Insurance Corporation (FDIC).* *In May, the Federal Reserve, the OCC, and the FDIC issued a unified proposal to modernize the CRA regulations. This is a once-in-a-generation opportunity to strengthen the CRA to bring greater credit, investment, and banking services to the communities that have faced the greatest challenges. For the first time, the CRA will provide powerful incentives for banks to make investments in communities that do not have access to branches, such as in Native lands.* To read more, click here.

Technology / Security

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 RULE WITH REQUEST FOR PUBLIC COMMENT

05.05.2022 Joint Agency Community Reinvestment Act - The Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) propose to amend their regulations implementing the Community Reinvestment Act of 1977 (CRA) to update how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated. **DATE: Comments must be received on or before August 5, 2022.**

06.06.2022 FinCEN No Action Letter Process - FinCEN is issuing this advance notice of proposed rulemaking (ANPRM) to solicit public comment on questions relating to the implementation of a no-action letter process at FinCEN. Given that the addition of a no-action letter process at FinCEN may affect or overlap with other forms of regulatory guidance and relief that FinCEN already offers, including administrative rulings and exceptive or exemptive relief, this ANPRM, among other things, seeks public input on whether a no-action letter process should be implemented and, if so, how the no-action letter process should interact with those other forms of relief. **DATES: Written comments on this ANPRM must be received on or before August 5, 2022.**