ICBND
INDEPENDENT COMMUNITY BANKS of NORTH DAKOTA

Capitol Comments

July 2018

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

Deep summer is when laziness finds respectability. – Sam Keen

Joint federal agency issuances, actions and news

Agencies Issue Statement Regarding the Impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act (07.06.2018)

WASHINGTON—Federal banking agencies issued a statement detailing rules and associated reporting requirements that are immediately affected by the enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).

These changes affect company-run stress testing, resolution plans, the Volcker rule, high volatility commercial real estate exposures, examination cycles, municipal obligations as high-quality liquid assets, and other provisions.

The statement from the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency describes interim positions the regulatory agencies will take before incorporating the changes into their regulations.

Related Link

- Interagency Statement Regarding the Impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act (PDF)

Source link.

Comment: The statement defines certain formal requirements being relaxed under the EGRRCPA. It also outlines how the agencies will continue to supervise the banks under their jurisdiction and will, for example, continue to review the risk management and capital planning practices of these institutions through the regular supervisory process. Additionally, on July 6th the Federal Reserve issued a separate statement describing how EGRRCPA would affect its positions regarding certain regulations and other requirements administered solely by the Federal Reserve.

Agencies Release List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies (06.25.2018)

WASHINGTON -The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency announced the availability of the 2018 list of distressed or underserved nonmetropolitan middle-income geographies, where revitalization or stabilization activities are eligible to receive Community Reinvestment Act (CRA) consideration under the community development definition.

Distressed nonmetropolitan middle-income geographies and underserved nonmetropolitan middle-income geographies are designated by the agencies in accordance with their CRA regulations. The criteria for designating these areas are available on the Federal Financial Institutions Examination Council (FFIEC) website (http://www.ffiec.gov/cra). The designations continue to reflect local economic conditions, including unemployment, poverty, and population changes.

As with past releases, the agencies apply a one-year lag period for geographies that were listed in 2017 but are no longer designated as distressed or underserved in the current release. Revitalization or stabilization activities in these geographies are eligible to receive CRA consideration under the community development definition for 12 months after publication of the current list.

The current and previous years' lists can be found on the FFIEC website, along with information about the data sources used to generate those lists.

Attachments:

- 2018 List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies
- Source Information and Methodology

Source link.

Comment: The 123-page list includes more than 3,600 tracts throughout the U.S. and its territories that are defined as "distressed middle-income nonmetropolitan tracts," "remote rural" areas, or both. The designations continue to reflect local economic conditions, the agencies said, including unemployment, poverty and population changes.

BCFP actions and news

Bureau Joins Task Force on Market Integrity and Consumer Fraud (07.12.2018)

Scammers are constantly finding new ways to steal money from their victims, and anyone can potentially be a target. The Bureau is part of a new Task Force on Market Integrity and Consumer Fraud, created by the President pursuant to an Executive Order. The Task Force will provide guidance for the investigation and prosecution of cases involving fraud on the government, the financial markets, and consumers, including cyber-fraud and other fraud targeting the elderly, service members, and veterans.

Acting Director Mick Mulvaney joined Deputy Attorney General Rod Rosenstein, Chairman Jay Clayton of the Securities and Exchange Commission, and Chairman Joe Simons of the Federal Trade Commission to announce the establishment of the Task Force. Acting Director Mulvaney emphasized that the Bureau will cooperate with other federal and state authorities to combat fraud against Americans. He highlighted the Bureau's new initiative to address elder financial exploitation by expanding its collaboration with individual attorneys

general and local financial institutions, and to provide technical assistance to existing and new community-based efforts to prevent, detect, and respond to elder financial exploitation scams.

The Bureau has online resources to help consumers prevent, recognize, and report scams and fraud. Some of the most common scams include fraudulent debt collection, debt relief and foreclosure relief scams. Get more information on the dangers facing consumers, and what you can do to protect yourself.

Learn more about the Task Force on Market Integrity and Consumer Fraud .

Source link.

Comment: The purpose of the Task Force, as outlined by Deputy Attorney General Rosenstein at the press conference, is to "focus on combating fraud against consumers—particularly the elderly, service members, and veterans—and corporate fraud that victimizes the general public and the government." It is meant to facilitate interagency cooperation in deterring and prosecuting these types of consumer fraud crimes. The plan focus will place particular emphasis on the protection of consumers, and there likely will be an uptick in the prosecution of such consumer-related crimes

New Research Report on Student Loan Repayment and Broader Household Borrowing (06.29.2018)

Student loans make up an increasing share of the debt held by borrowers around the country, particularly for younger borrowers. Our previous research has shown that borrowers vary greatly in their ability to pay off their loans, how quickly they can do so, and the potential hurdles they face. We released a new Data Point report providing a closer look at borrowers' use of credit as they approach and make their final student loan payments, and in the months that follow.

Looking at how borrowers pay off their student loans helps us understand how households manage their finances over time. The patterns we see highlight the interconnected nature of borrowers' finances, as repayment of one type of debt affects payments and borrowing on other types of debt. This research can help us better predict the impacts new policies or products may have on homeownership, credit card use, and the broader economy as a whole.

As background, the typical student loan has a term of ten years, with equal monthly scheduled payments. However, borrowers can pay the loan off early at any time by using savings, gifts, or other resources, or by refinancing with a new loan. Our analyses focus on how borrowers first pay off a student loan and what happens next.

Source link.

Comment: This report provides a broader perspective on student debt and default that considers all college entrants rather than just borrowers, provides substantially longer follow-up, and enables a more detailed analysis of trends over time and heterogeneity across subgroups than previously possible.

FDIC actions and news

Consolidated Reports of Condition and Income (07.17.2018)

Burden-reducing revisions to all three versions of the Consolidated Reports of Condition and Income (Call Report) are taking effect as of the June 30, 2018, report date. These revisions result from efforts by the federal

banking agencies, as members of the Federal Financial Institutions Examination Council (FFIEC), to reduce data reporting and other burdens for institutions, particularly small institutions. The Call Report for second quarter 2018 must be submitted to the banking agencies' Central Data Repository (CDR) by Monday, July 30, 2018. Certain institutions with foreign offices have an additional five calendar days to file their reports.

Statement of Applicability to Institutions With Total Assets Under $1 Billion: This Financial Institution Letter applies to all FDIC-supervised banks and savings associations, including community institutions.

Highlights:

- As previously announced by the FFIEC in FIL-2-2018 and FIL-12-2018, the FDIC and the other banking agencies are implementing additional burden-reducing revisions to the FFIEC 051, FFIEC 041, and FFIEC 031 Call Reports this quarter. These reporting changes are the result of two proposals issued for industry comment in 2017.
- Two sections of the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), effective upon enactment, affect reporting in the June 2018 Call Report. These sections apply to reciprocal deposits and acquisition, development, or construction loans for high volatility commercial real estate exposures. Information on these two sections of EGRRCPA for June 2018 reporting purposes is included in the Supplemental Instructions accompanying FIL-39-2018.
- Eligible small institutions, generally those with domestic offices only and total assets less than $1 billion as of June 30, 2017, should file the same report form, either the FFIEC 051 or the FFIEC 041, for the second quarter of 2018 as they filed for the first quarter of 2018.
- The Call Report forms for June 2018 are available on the FFIEC's website at https://www.ffiec.gov/ffiec_report_forms.htm and the FDIC's website at www.fdic.gov/callreports. Instruction book updates for June 2018 also are available from these websites.
- Institutions should review FIL-39-2018 and the accompanying Supplemental Instructions for further information on the second quarter 2018 Call Report.
- For assistance with CDR system-related issues, including user accounts and passwords, please contact the CDR Help Desk by telephone at 888-CDR-3111, by fax at 703-774-3946, or by email at CDR.Help@ffiec.gov between 9:00 a.m. and 8:00 p.m., Eastern Time, Monday through Friday.

Related Topics:

- FIL-39-2018, July 16, 2018, Consolidated Reports of Condition and Income for Second Quarter 2018
- PR-44-2018, July 6, 2018, Agencies Issue Statement Regarding the Impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act
- FIL-12-2018, March 30, 2018, Revisions to the Consolidated Reports of Condition and Income (Call Report) for June 2018
- FIL-2-2018, January 3, 2018, Revisions to the Consolidated Reports of Condition and Income (Call Report) for March and June 2018

Source link.

Interagency Forms: Implementation of Updated Interagency Forms (07.11.2018)

The FDIC is implementing revisions to currently approved interagency forms, based on the recommendations of an interagency working group comprised of representatives from the FDIC, the Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency.

Statement of Applicability to Institutions with Total Assets Under $1 Billion: This Financial Institution Letter (FIL) is applicable to all FDIC-supervised institutions.

Highlights:

- The FDIC, Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency, through an interagency working group, have revised several interagency forms.
- The FDIC is implementing revisions to and extending for a three-year period the following currently approved collections of information:
    - Interagency Biographical and Financial Report
    - Interagency Bank Merger Act Application
    - Interagency Notice of Change in Control
    - Interagency Notice of Change in Director or Senior Executive Officer
- The changes are being made to: (a) improve the clarity of the requests; (b) reflect new laws, regulations, capital requirements and accounting rules; (c) delete information requests that have been determined to be unnecessary for the analysis of the proposal; and (d) add transparency for filers regarding the information that is required to consider a proposal.
- The revised forms are effective immediately and may be used for all applicable future applications filed with the FDIC.

Attachments:

- Interagency Biographical and Financial Report (OMB Control Number 3064-0006) 6200/06;
- Interagency Bank Merger Act Application (OMB Control Number 3064-0015) 6220/01;
- Interagency Notice of Change in Control (OMB Control Number 3064-0019) 6822/01;
- Interagency Notice of Change in Director or Senior Executive Officer (OMB Control Number 3064-0097) 6822/02.

Source link.

Home Mortgage Disclosure Act: Statement on the Implementation of the Economic Growth, Regulatory Relief, and Consumer Protection Act Amendments (07.05.2018)

The FDIC is releasing a statement on implementation of the Economic Growth, Regulatory Relief, and Consumer Protection Act (the Act) amendments to the Home Mortgage Disclosure Act (HMDA). The statement provides information on forthcoming guidance from the Bureau of Consumer Financial Protection on applicability of the Act to HMDA data collected in 2018, in addition to information on formatting and submission of HMDA data. The agencies are retaining their diagnostic examination approach regarding HMDA data collected in 2018 and reported in 2019.

Statement of Applicability to Institutions with Total Assets under $1 Billion: This Financial Institution Letter applies to all FDIC-supervised institutions subject to HMDA and Regulation C. A HMDA exemption applies to institutions with assets at or below a threshold specified in Regulation C.

Highlights:

HMDA, which is implemented by Regulation C, requires certain financial institutions to collect, report, and disclose information about their mortgage lending activity.

- The Economic Growth, Regulatory Relief, and Consumer Protection Act (the Act), enacted on May 24, 2018, provides partial exemptions for some insured depository institutions from reporting certain HMDA data points. The partial exemptions are generally available to insured depository institutions and insured credit unions as follows:
    - For closed-end mortgage loans, if the institution originated fewer than 500 closed-end mortgage loans in each of the two preceding calendar years.
    - For open-end lines of credit, if the institution originated fewer than 500 open-end lines of credit in each of the two preceding calendar years.
- For institutions filing HMDA data collected in 2018, the Act will not affect the format of the Loan/Application Registers (LAR). An exemption code will be provided for data fields to which a partial exemption applies. The 2018 formatting tool is available at https://ffiec.cfpb.gov.
- On December 21, 2017, the FDIC issued a Statement on Financial Institutions' Good Faith HMDA Compliance Efforts (FIL-63-2017).

Related Topics:

- FIL-10-2018, FFIEC Revised A Guide to HMDA Reporting: Getting It Right!
- FIL-63-2017, Home Mortgage Disclosure Act: Statement on Institutions' Good Faith Compliance Efforts

Attachment:

- Statement on the Implementation of the Economic Growth, Regulatory Relief, and Consumer Protection Act Amendments to the Home Mortgage Disclosure Act

Source link.

Comment: Each of the prudential regulators issued something similar. At an unspecified date later this summer, the CFPB expects to release the revised 2018 FIG and to provide further guidance on the applicability of the Act to HMDA data collected in 2018

Community Bank Webinar: Current Expected Credit Losses Methodology Q&A Webinar for Community Bankers (06.26.2018)

The federal banking agencies, in conjunction with the Financial Accounting Standards Board (FASB), the U.S. Securities and Exchange Commission (SEC), and the Conference of State Bank Supervisors (CSBS), will host an interagency webinar on Monday, July 30, 2018, at 1:00 p.m., Eastern Time, focusing solely on questions received from community bankers about the new credit losses accounting standard, which introduces the current expected credit losses methodology (CECL).

Statement of Applicability to Institutions With Total Assets Under $1 Billion: This Financial Institution Letter applies to all FDIC-supervised institutions, but is particularly targeted to smaller, less complex institutions.

Highlights:

- On Monday, July 30, 2018, from 1:00 p.m. to 2:30 p.m., Eastern Time, the FDIC, the Federal Reserve Board, and the Office of the Comptroller of the Currency, in conjunction with the FASB, the SEC, and the CSBS, will jointly host a "Current Expected Credit Losses Methodology Q&A Webinar for Community Bankers." This Q&A webinar will provide answers to various CECL questions the agencies have received from community bankers.
- Participants may submit additional questions for consideration during the webinar. However, any institution-specific questions should be directed to an institution's primary federal regulator. FDIC-supervised institutions may submit such questions by email to CECL@fdic.gov.
- Bankers are encouraged to invite representatives from the functional areas within their institutions who are involved in the implementation of the new credit losses accounting standard to participate in the webinar.
- Participants may join the webinar at https://www.webcaster4.com/Webcast/Page/583/26144. Advance registration is not required; however, participants are encouraged to do so at this link. Participants are asked to join the webinar 15 minutes before it begins.
- Participants may dial into the audio portion of the webinar at 888-625-5230 using participant passcode 93535703#.
- Specific questions about the webinar or your registration may be directed to the webinar producer at rapid@stls.frb.org.
- Webinar materials will be archived for future viewing at the link for participants shown above.

Related Topics:

- FIL-8-2018, February 2, 2018, Community Bank Webinar: Implementation Examples for the Current Expected Credit Losses Methodology (CECL)
- FIL-41-2017, September 6, 2017, New Accounting Standard on Credit Losses: Frequently Asked Questions
- FIL-39-2016, June 17, 2016, Joint Statement on New Accounting Standard on Financial Instruments – Credit Losses

Source link.

Comment: The webinar, the agencies said, is focused on questions received from community bankers about the accounting standard. The FDIC said the participants will also be able to submit additional questions to be considered during the webinar. Institution-specific questions should be directed to an institution's primary federal regulator, FDIC-supervised institutions may submit such questions by email to CECL@fdic.gov.

OCC actions and news

Revised Comptroller's Handbook Booklet and Rescissions (07.23.2018)

The Office of the Comptroller of the Currency (OCC) issued the "Capital and Dividends" booklet of the *Comptroller's Handbook*. The revised booklet presents the regulatory capital framework and discusses the regulatory capital rules that define regulatory capital and establish minimum capital standards. The booklet also provides guidance to examiners for assessing banks' capital adequacy and compliance with capital and dividend regulations.

Rescissions

This revised booklet rescinds and replaces the "Capital Accounts and Dividends" booklet issued in August 1991 (narrative) and March 1998 (procedures) and the following:

- Examining Bulletin 1992-4, "Risk-Based Capital Guidance" (June 29, 1992)
- OCC Bulletin 2012-16, "Capital Planning: Guidance for Evaluating Capital Planning and Adequacy" (June 7, 2012)
- *Office of Thrift Supervision Examination Handbook* 110, "Capital Stock and Ownership" (December 2003)
- *Office of Thrift Supervision Examination Handbook* 120, "Capital Adequacy" (September 2010)

Highlights

The revised booklet

- reflects changes to the regulatory capital rule.
- reflects the integration of the Office of Thrift Supervision into the OCC.
- includes expanded examination procedures for capital, dividends, and capital adequacy.
- includes an internal control questionnaire and verification procedures.
- incorporates the information in OCC Bulletin 2012-16, "Capital Planning: Guidance for Evaluating Capital Planning and Adequacy."

The Economic Growth, Regulatory Relief, and Consumer Protection Act (Pub. L. 115–174) (Act), signed into law on May 24, 2018, requires the OCC, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System (agencies) to make certain changes to the capital framework. The agencies are working jointly to amend their regulations to incorporate the Act's changes. On July 6, 2018, the agencies issued the "Interagency Statement Regarding the Impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act," setting out the positions they will take while making regulatory changes.

Source link.

Fictitious Notification Regarding the Release of Funds Supposedly Under the Control of the Office of the Comptroller of the Currency (07.12.2018)

Consumers have reported receiving fictitious e-mail messages, allegedly initiated by the Office of the Comptroller of the Currency (OCC), regarding funds purportedly under the control of the OCC.

Any communication claiming that the OCC is involved in holding any funds for the benefit of any individual or entity is fraudulent. The OCC does not participate in the transfer of funds for, or on behalf of, individuals, business enterprises, or governmental entities.

Consumers have reported receiving email messages from the following email addresses, which are not associated with the OCC: [treasurydepartment@cyberservices.com] and [ddw@occ-treas.org]. The communication may include a fictitious "Letter of Authorization" with a signature name of "Anhar Tonny Coptalen, Comptroller General Of The Currency." The perpetrators may request, among other data, bank account information, including bank statements, with the purported purpose of making a large dollar deposit into the potential victim's account.

Before responding in any manner to any proposal supposedly issued by the OCC that requests personal account information, or that requires the payment of any fee in connection with the proposal, the OCC recommends that consumers file complaints with the following agencies, as appropriate:

OCC: by e-mail at occalertresponses@occ.treas.gov; by mail to the OCC's Special Supervision Division, 400 7th St. SW, MS 8E-12, Washington, DC 20219; by fax to (571) 293-4925; or by calling the Special Supervision Division at (202) 649-6450.

U.S. Department of the Treasury, Office of Inspector General (OIG): by telephone at (800) 359‑3898 or by visiting the OIG website.

Federal Trade Commission (FTC): by telephone at (877) FTC-HELP or, for filing a complaint electronically, via the FTC's website.

National Consumers League (NCL): by telephone at (202) 835-3323 or by email. To file a fraud complaint, visit the NCL fraud website.

Better Business Bureau (BBB): The BBB system serves markets throughout Canada, Puerto Rico, and the United States and is the marketplace leader in advancing trust between businesses and consumers. The website offers contact information for local BBBs, objective reports on more than 2 million businesses, consumer scam alerts, and tips on a wide variety of topics that help consumers find trustworthy businesses and make wise purchasing decisions.

Federal Bureau of Investigation Internet Crime Complaint Center (to report scams that may have originated via the internet).

If correspondence is received via the U.S. Postal Service, contact the U.S. Postal Inspection Service by telephone at (888) 877-7644; by mail at U.S. Postal Inspection Service, Office of Inspector General, Operations Support Group, 222 S. Riverside Plaza, Suite 1250, Chicago, IL 60606-6100; or via the online complaint form.

Consumers who have provided bank account information should contact their financial institutions immediately to report the issue and discuss options to protect their account assets. Consumers who have had their personal information compromised should visit the Federal Trade Commission's website at www.ftc.gov and follow the guidance for identify theft.

Information regarding the subject of this or any other alert that you wish to bring to the attention of the OCC may be sent to occalertresponses@occ.treas.gov

Source link.

Comment: Bankers should remind their customers that bank 'regulators' and 'auditors' will never ask for bank account information and do not hold funds on behalf of any individual or business.

OCC Hosts Risk Governance and Credit Risk Workshops in St. Louis (07.10.2018)

WASHINGTON — The Office of the Comptroller of the Currency (OCC) will host two workshops at the Magnolia Hotel St. Louis in St. Louis, Mo., August 21-22, for directors of national community banks and federal savings associations supervised by the OCC.

The Risk Governance workshop on August 21 combines lectures, discussion, and exercises to provide practical information for directors to effectively measure and manage risks. The workshop also focuses on the OCC's approach to risk-based supervision and major risks in the financial industry.

The Credit Risk workshop on August 22 focuses on credit risk within the loan portfolio, such as identifying trends and recognizing problems. The workshop also covers the roles of the board and management, how to stay informed of changes in credit risk, and how to effect change.

The workshop fee is $99 and open to directors of national community banks and federal savings associations supervised by the OCC. Participants receive course materials, and assorted supervisory publications. The workshop is limited to the first 35 registrants.

The workshops are taught by experienced OCC staff and are two of the 25 offered nationwide to enhance and expand the skills of national community bank and federal savings association directors. To register for this workshop, visit www.occ.gov/occworkshops.

Source link.

Revised and Updated Booklets and Rescissions (06.28.2018)

The Office of the Comptroller of the Currency (OCC) issued the revised "Bank Supervision Process," "Community Bank Supervision," "Compliance Management Systems," and "Large Bank Supervision" booklets of the *Comptroller's Handbook*. In addition, the OCC updated[2] the "Federal Branches and Agencies Supervision" booklet.

Highlights

The revisions or updates

- clarify the applicability of each booklet to community, midsize, and large banks.
- incorporate the revised Uniform Interagency Consumer Compliance Rating System.
- add asset management core assessment guidance to the "Large Bank Supervision" booklet. Factors for assigning the trust component rating in the regulatory ratings core assessment are unchanged, and examiners continue to use the Uniform Interagency Trust Rating System.
- provide examiner guidance for assessing asset management and BSA/AML/OFAC[3] risks. Guidance for assessing the quantity of BSA/AML/OFAC risk is consistent with appendixes J and M of the *Federal Financial Institutions Examination Council BSA/AML Examination Manual*.
- incorporate relevant aspects of the Dodd–Frank Wall Street Reform and Consumer Protection Act.
- reflect the integration of the former OTS into the OCC.
- explain the OCC's bank supervision process using consistent terminology.
- clarify legal language and terminology regarding supervisory guidance.
- clarify the roles of the bank's board of directors and management.
- include revised concepts and references regarding third-party risk management; new, modified, or expanded bank products or services; and corporate and risk governance.
- incorporate references to other relevant OCC issuances published since the last publication date of each of these booklets.

Source link.

Federal Reserve actions and news

Federal Reserve Board issues statement describing how, consistent with recently enacted EGRRCPA, the Board will no longer subject primarily smaller, less complex banking organizations to certain Board regulations (07.06.2018)

Consistent with the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), the Federal Reserve Board issued a statement describing how the Board will no longer subject primarily smaller, less complex banking organizations to certain Board regulations, including those relating to stress testing and liquidity.

Upon enactment, EGRRCPA raised the threshold for Dodd-Frank enhanced prudential standards from $50 billion to $100 billion dollars in total consolidated assets for bank holding companies. This change did not require Board action to have an immediate effect, but did affect the application of several Board regulations. As a result, certain Board regulations are inconsistent with the new law. As described in the Board's statement, the Board will not take action to enforce certain regulations and reporting requirements for firms with less than $100 billion in total consolidated assets, such as rules implementing enhanced prudential standards and the liquidity coverage ratio requirements. The Board will continue to supervise the firms to ensure their safe and sound operation.

The Board's statement also provides guidance on the Board's implementation of other EGRRCPA changes, including those relating to assessments and high volatility commercial real estate exposures. The Board will take the positions described in the statement in the interim until the Board incorporates EGRRCPA's changes into its regulations.

Source link.

Comment: Additionally, the statement provides guidance on implementation of certain other changes in the Act, including reporting high-volatility commercial real estate exposures.

Federal Reserve Board Invites Public Comment on Proposal to Adopt ISO 20022 Message Format for Fedwire Funds Service (07.05.2018)

The Federal Reserve Board on Thursday invited public comment on a proposal to adopt the ISO® 20022 message format for the Fedwire® Funds Service. If approved, the proposed action would replace the Fedwire Funds Service's current, proprietary message format. Potential benefits to the adoption of the ISO 20022 message format include enhanced efficiency of both domestic and cross-border payments between the Fedwire Funds Service and other payment or messaging systems as well as a richer set of payment data that could help banks and other entities meet evolving requirements to screen payments for sanctions and anti-money laundering purposes. The proposed migration to the ISO 20022 message format would take place in three phases beginning in 2020 and ending in 2023.

The Fedwire Funds Service is a real-time gross settlement system owned and operated by the Federal Reserve Banks. It enables participants to make final payments using their balances held at Reserve Banks or intraday

credit provided by the Reserve Banks. The Fedwire Funds Service currently uses a proprietary message format that supports multiple types of payments- related communications.

The International Organization for Standardization (ISO) is an independent, non-governmental organization comprised of 161 national standards bodies that publishes standards for a broad range of industries. Many foreign wire transfer systems, including those used by key U.S. trading partners, have already adopted ISO 20022. The Federal Reserve, in its 2015 Strategies for Improving the Payment System paper recommended that the U.S. payments industry develop a strategy for adopting the ISO 20022 message format for U.S. payment transactions. Subsequent public and industry engagement and outreach indicate that the migration could be beneficial for Fedwire Funds Service participants.

The Board's notice is attached. Comments are due 60 days after publication in the Federal Register, which is expected shortly.

Source link.

Comment: The deadline for comment is September 4, 2018.

Other federal action and news

FTC Warns Credit Card Processing "Deals" May be Scams (06.21.2018)

If you're in a small business, you probably need a way for people to pay you – and ways to lower your costs. Scammers have been working both of those angles, promising businesses that they can save on leases of credit card processing equipment. They've also been promising that businesses can cancel any time. But is that what happens?

In a word, no. Businesses can end up paying thousands to lease equipment that would have cost only a few hundred dollars to buy. When the business can't cancel the lease (despite the promises), it can have trouble if it stops paying. Those lease agreements can hold the business owner (or the person who signed the lease) responsible for the debts. And the agreements can require that legal disputes are heard in another state. Some scammers have even pretended to be the business's current card processor – people have been tricked into signing new contracts when they thought they were just updating paperwork.

Source link.

Comment: Keeping your customers – consumer and commercial – informed on the latest scams and frauds is an ongoing effort.

FTC and Partners Kick off Military Consumer Month 2018 (06.28.2018)

The Federal Trade Commission and its federal, state and local partners announced that its month-long recognition of military consumers, Military Consumer Month, kicks off on July 1. This year, the agency and its partners will focus on the fight against imposter scams.

"Empowering servicemembers, veterans, and their families is a top priority," FTC Chairman Joe Simons said. "During Military Consumer Month, we will highlight the agency's resources to help the military community avoid imposter scams – but our work on behalf of those who serve continues throughout the year."

This year the FTC is focusing on fighting imposter scams. An imposter scam, when a con artist pretends to be someone you trust to convince you to send money or personal information, can take many forms. For instance, imposters may say they are calling from the government or from a business with technical support expertise.

Although these scams can happen to anyone, the FTC's most recent data found that military consumers reported losing more than $25 million to imposter scams in 2017, with a median loss of $699 – higher than the $500 median loss reported by the general U.S. population.

During Military Consumer Month, the FTC will post weekly tips for servicemembers, veterans and their families about some of the most common imposter scams, and participate in Twitter chats and Facebook Live events with its partners.

For more information, visit www.militaryconsumer.gov.

Source link.

Comment: For specific examples of imposter scams targeting service members, click here.

Publications, articles, reports, studies, testimony & speeches

Southwest Economy – Second Quarter 2018 (07.2018)

Below are the *President's Perspective* from Robert S. Kaplan that serve as the opening remarks for the report -

'Technological change is affecting every facet of the economy. Workers are increasingly being replaced by automation. Business models are being supplanted by new models, often technology enabled, to more efficiently sell or distribute goods and services. Consumers are increasingly able to use technology to shop for goods and services at lower prices with greater convenience. As a result, business pricing power is being challenged. These trends appear to be accelerating.

Increasingly, workers with lower levels of educational attainment are seeing their jobs restructured or eliminated. Unless they have sufficient math and literacy skills, or are retrained, these workers may see their productivity and income decline as a result of disruption. This may help explain the muted wage gains and sluggish labor productivity growth we see in the U.S. as well as in other advanced economies.

The impact of technology-enabled disruption on the workforce is likely not susceptible to monetary policy—it requires structural reforms. The reforms could include improving early childhood literacy and overall college readiness in order to increase the percentage of students who graduate college in six years or less—now estimated at 59 percent in the U.S. They could also include stepped-up efforts to increase middle-skills training in order to improve employment, close the skills gap and raise worker productivity.

To address these issues, the Federal Reserve Banks of Dallas and Atlanta jointly organized a conference in Dallas in May that drew business leaders, academics and educators from around the country to discuss the impact of technology-enabled disruption on business, overall economic conditions and the labor force and its implications for structural reforms and monetary policy. Atlanta Fed President Raphael Bostic and I welcomed fellow Federal Reserve Bank presidents from Chicago, Philadelphia and Richmond, as well as a variety of leaders from the Federal Reserve System as participants in two days of discussions.

At the Dallas Fed, we intend to continue to do research and explore the implications of technology enabled disruption. This is likely to have critical implications for how we think about wages, prices and labor force dynamics. It will also impact our understanding of productivity growth in the U.S.'

Source link.

Agricultural Survey – Second Quarter 2018 (07.2018)

Bankers responding to the second-quarter survey noted continuing drought conditions across many regions of the Eleventh District. Lack of moisture continues to put pressure on pasture grazing for cattle in many regions, and hay inventories were reported as being low. Many respondents noted wheat and corn crops were suffering due to extreme heat.

Source link.

Federal Reserve Releases Findings from Study of Small Business Owners' Perspectives on Online Lenders and Products (06.28.2018)

The Federal Reserve Board and the Federal Reserve Bank of Cleveland on Thursday published Browsing to Borrow: "Mom & Pop" Small Business Perspectives on Online Lenders. The report examines small business owners' perceptions of online lenders and their understanding and interpretation of the information that online lenders use to describe their credit products.

Among the key findings from the study, most participants were aware of the products offered by online lenders. Although some had positive views, participants also had negative impressions of the industry. While browsing the websites of online lenders, participants generally reacted favorably to those with detailed product information and were often skeptical of those that withheld product details. When presented with sample online products, participants generally found the descriptions difficult to understand or lacking detail about costs and features.

Many of the small business owners participating in the study indicated a need for clear disclosure of product costs and terms. The findings suggest that improved disclosures could benefit both borrowers and lenders. Clear disclosures could enable borrowers to better evaluate products suitable for their businesses and could help lenders engender trust and grow their customer base.

The study explores small business owners' perceptions of nonbank online lenders as they are becoming more mainstream alternative providers of financing to small firms. For this study, Federal Reserve researchers conducted online focus groups with 42 small business owners from across the United States who had at least one but no more than 20 employees; had less than $2 million in annual revenues; and had sought credit for their businesses in the prior 12 months.

The study follows the release of a 2015 report, *Alternative Lending through the Eyes of "Mom & Pop" Small-Business Owners: Findings from Online Focus Groups*. For more information, see the online version of *Browsing to Borrow: "Mom & Pop" Small Business Perspectives on Online Lenders (PDF)*.

Source link.

Oil and Gas Expansion Hits Its Stride, Says Dallas Fed Energy Survey (06.27.2018)

DALLAS—Energy sector activity expanded strongly in second quarter 2018, according to executives responding to the Federal Reserve Bank of Dallas Energy Survey.

The business activity index—the survey's broadest measure of conditions among Eleventh Federal Reserve District energy firms—rose from 40.7 in the first quarter to 44.5 in the second—the highest level since the survey began in 2016. The increase was driven by both exploration and production (E&P) and oilfield services firms.

Positive readings generally indicate expansion, while readings below zero generally indicate contraction. Almost all indexes in the latest survey reflected expansion on a quarterly basis.

"Growth in the oil and gas sector remained robust in the second quarter, with our activity index coming in at its highest level since the Dallas Fed Energy Survey launched," said Dallas Fed Senior Economist Michael D. Plante. "Survey responses also point to a healthy labor market, with labor-related indexes indicating more rapid growth in employment and longer work hours in the sector."

Source link.

Comment: Responses from those participating in the survey point to more rapid growth in the labor market. The employment index for both the E&P firms – 11.6 – and service firms – 44.1 – were the highest in the history of the index. Patel said that while the service firms traditionally had led the employment index, E&P hiring showed some strength in the second quarter.

Monetary Policy at a Time of Uncertainty and Tight Labor Markets (06.20.2018)

Chairman Jerome H. Powell at "Price and Wage-Setting in Advanced Economies," an ECB Forum on Central Banking, Sintra, Portugal.

Nine years into an expansion that has sometimes proceeded slowly, the U.S. economy is performing very well. Growth is meaningfully above most estimates of its long-term trend--though admittedly, that trend is not as strong as we would like it to be. The labor market is particularly robust, with unemployment at its lowest level since April 2000. Inflation has moved up close to our 2 percent objective, although we have yet to see it remain near that objective on a sustained basis.

Today, most Americans who want jobs can find them. High demand for workers should support wage growth and labor force participation--the latter a measure on which the United States now lags most other advanced economies.1 A tight labor market may also lead businesses to invest more in technology and training, which should support productivity growth. And groups such as some racial and ethnic minorities that still have higher unemployment and lower participation rates could see increasing benefits from a tight labor market.2 In short, there is a lot to like about low unemployment.

Source link.

Selected federal rules – proposed

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

Posted Date	SUMMARY OF PROPOSED RULE
07.05.2018	Fedwire Funds Message Format. The Board of Governors of the Federal Reserve System (Board) is requesting comment on a proposal to adopt the ISO® 20022 message format for the Fedwire® Funds Service. ISO 20022 is an international standard that would replace the Fedwire Funds Service's current, proprietary message format. The migration to ISO 20022 would take place in three phases beginning in 2020 and ending in 2023. Comments are due September 4, 2018.

Selected federal rules – upcoming effective dates

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

EFFECTIVE DATE:	SUMMARY OF FINAL RULE:
01.01.2018	Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to Advanced Approaches Capital Rules. The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are adopting a final rule to extend the regulatory capital treatment applicable during 2017 under the regulatory capital rules (capital rules) for certain items. These items include regulatory capital deductions, risk weights, and certain minority interest limitations. The relief provided under the final rule applies to banking organizations that are not subject to the capital rules' advanced approaches (non-advanced approaches banking organizations). Specifically, for these banking organizations, the final rule extends the current regulatory capital treatment of mortgage servicing assets, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, significant investments in the capital of unconsolidated financial institutions in the form of common stock, non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock, and common equity tier 1 minority interest, tier 1 minority interest, and total capital minority interest exceeding the capital rules' minority interest limitations. Under the final rule, advanced approaches banking organizations continue to be subject to the transition provisions established by the capital rules for the above capital items. Therefore, for advanced approaches banking organizations, their transition schedule is unchanged, and advanced approaches banking organizations are required to apply the capital rules' fully phased-in treatment for these capital items beginning January 1, 2018.
05.16.2018	*Beneficial Ownership Requirements for Legal Entity Customers of Certain Financial Products and Services with Automatic Rollovers or Renewals*. The Financial Crimes Enforcement Network (FinCEN) is issuing this ruling to provide a 90-day limited exceptive relief to covered financial institutions from the obligations of the Beneficial Ownership Requirements for Legal Entity Customers (31 CFR § 1010.230) (Beneficial Ownership Rule) with respect to certain financial products and services that automatically rollover or renew (i.e., certificate of deposit (CD) or loan accounts) and were established before the Beneficial Ownership Rule's Applicability Date, July 11, 2018. This exception begins, retroactively, on July 11, 2018, and will expire on August 9, 2018. During this time, FinCEN will determine whether and to what extent additional exceptive relief July be appropriate for such financial products and services that were established before July 11, 2018, but are expected to rollover or renew after such date.
06.01.2018	*Federal Mortgage Disclosure Requirements Under the Truth in Lending Act (Regulation Z).* The Bureau of Consumer Financial Protection (Bureau) is amending Federal mortgage disclosure requirements under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA) that are implemented in Regulation Z. The amendments relate to when a creditor July compare charges paid by or imposed on the consumer to amounts disclosed on a Closing Disclosure, instead of a Loan Estimate, to determine if an estimated closing cost was disclosed in good faith.
07.01.2018	*Availability of Funds and Collection of Checks* The Board is amending subparts A, C, and D of Regulation CC, Availability of Funds and Collection of Checks (12 CFR part 229), which implements the Expedited Funds Availability Act of 1987 (EFA Act), the Check Clearing for the 21st Century Act of 2003 (Check 21 Act), and the official staff commentary to the regulation.1 In the final rule, the Board has modified the current check collection and return requirements to reflect the virtually all-electronic check collection and return environment and to encourage all depositary banks to receive, and paying banks to send, returned checks electronically. The Board has retained, without change, the current same-day settlement rule for paper checks. The Board is

also applying Regulation CC's existing check warranties under subpart C to checks that are collected electronically, and in addition, has adopted new warranties and indemnities related to checks collected and returned electronically and to electronically-created items.

10.01.2018 TRID 2.0 The Consumer Financial Protection Bureau (CFPB) finalized updates to its "Know Before You Owe" mortgage disclosure rule with amendments that are intended to formalize guidance in the rule, and provide greater clarity and certainty. The changes will facilitate implementation of the Know Before You Owe rule by the mortgage industry. The CFPB is also releasing a limited follow-up proposal to address an additional implementation issue. While the amendments became effective 60 days after publication in the Federal Register, mandatory compliance with the amendments is not required until October 1, 2018.

04.01.2019 Prepaid Accounts under the Electronic Fund Transfer Act (Regulation E) and the Truth In Lending Act (Regulation Z). The CFPB is issuing this final rule to create comprehensive consumer protections for prepaid accounts under Regulation E, which implements the Electronic Fund Transfer Act; Regulation Z, which implements the Truth in Lending Act; and the official interpretations to those regulations. The final rule modifies general Regulation E requirements to create tailored provisions governing disclosures, limited liability and error resolution, and periodic statements, and adds new requirements regarding the posting of account agreements. Additionally, the final rule regulates overdraft credit features that July be offered in conjunction with prepaid accounts. Subject to certain exceptions, such credit features will be covered under Regulation Z where the credit feature is offered by the prepaid account issuer, its affiliate, or its business partner and credit can be accessed in the course of a transaction conducted with a prepaid card. For additional information, see the CFPB's prepaid rule implementation page.

Common words, phrases, and acronyms

APOR	"Average Prime Offer Rates" are derived from average interest rates, points, and other pricing terms offered by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics.
CARD Act	Credit Card Accountability Responsibility and Disclosure Act of 2009
CFPB	Consumer Financial Protection Bureau
CFR	Code of Federal Regulations. Codification of rules and regulations of federal agencies.
CRA	Community Reinvestment Act. This Act is designed to encourage loans in all segments of communities.
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
CTR	Currency Transaction Report. Filed for each deposit, withdrawal, exchange of currency that involves a transaction in currency of more than $10,000.
Dodd-Frank Act	The Dodd–Frank Wall Street Reform and Consumer Protection Act
DOJ	Department of Justice
FDIC	Federal Deposit Insurance Corporation
EFTA	Electronic Fund Transfer Act
Federal bank regulatory agencies	FDIC, FRB, and OCC
Federal financial institution regulatory agencies	CFPB, FDIC, FRB, NCUA, and OCC
FEMA	Federal Emergency Management Agency
FFIEC	Federal Financial Institutions Examination Council
FHFA	Federal Housing Finance Agency
FHA	Federal Housing Administration
FinCEN	Financial Crime Enforcement Network
FR	Federal Register. U.S. government daily publication that contains proposed and final administrative regulations of federal agencies.
FRB, Fed or Federal Reserve	Federal Reserve Board
FSOC	Financial Stability Oversight Council
FTC	Federal Trade Commission
GAO	Government Accountability Office
HARP	Home Affordable Refinance Program
HAMP	Home Affordable Modification Program
HMDA	Home Mortgage Disclosure Act
HOEPA	Home Ownership and Equity Protections Act of 1994

HPML	Higher Priced Mortgage Loan
HUD	U.S. Department of Housing and Urban Development
IRS	Internal Revenue Service
MLO	Mortgage Loan Originator
MOU	Memorandum of Understanding
NFIP	National Flood Insurance Program. U.S. government program to allow the purchase of flood insurance from the government.
NMLS	National Mortgage Licensing System
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Asset Control
OREO	Other Real Estate Owned
QRM	Qualified Residential Mortgage
Reg. B	Equal Credit Opportunity
Reg. C	Home Mortgage Disclosure

Reg. DD	Truth in Savings
Reg. E	Electronic Fund Transfers
Reg. G	S.A.F.E. Mortgage Licensing Act
Reg. P	Privacy of Consumer Financial Information
Reg. X	Real Estate Settlement Procedures Act
Reg. Z	Truth in Lending
RESPA	Real Estate Settlement Procedures Act
SAR	Suspicious Activity Report – Report financial institutions file with the U.S. government (FinCEN) regarding activity that July be criminal in nature.
SDN	Specially Designated National
TILA	Truth in Lending Act
TIN	Tax Identification Number
Treasury	U.S. Department of Treasury