**Capitol Comments**

**January 2018**

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

Joint federal agency issuances

***Interagency Statement on Accounting and Reporting Implications of the New Tax Law (01.18.2018)***

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation issued an interagency statement for supervised financial institutions on accounting and reporting implications of the new tax law and certain related matters. Changes required as a result of the new law, which was enacted on December 22, 2017, are relevant to December 31, 2017, financial statements and regulatory reports.

This guidance does not represent new rules or regulations, but instead clarifies

* that changes in deferred tax assets and deferred tax liabilities resulting from the lower corporate income tax rate, and other applicable provisions of the new tax law, should be reflected in an institution’s income tax expense in the period of enactment.
* how to resolve the disproportionate tax effects in accumulated other comprehensive income as a result of the remeasurement of deferred tax assets and liabilities.
* the impact of the new tax law on regulatory capital.

**Source** [**link**](https://www.occ.treas.gov/news-issuances/bulletins/2018/bulletin-2018-2a.pdf)**.**

***Comment: The Financial Accounting Standards Board (FASB) proposed*** [updated accounting standards](http://iz4.me/Vt7U4zKXF7X1) ***to address complications from the Tax Cuts and Jobs Act, one of which is the need to assess impairments of deferred tax items due to the change in the corporate tax rate and imbalances in accumulated other comprehensive income (AOCI). Due to the new tax law, banks would reclassify amounts from AOCI to retained earnings. The new tax law created a huge benefit in reducing rates, but there are critical downsides that must be acknowledged where they apply! Be sure the board of directors is briefed on this.***

***FFIEC Finalizes June 2017 Proposed Revisions to Streamline the “Call Report” (01.03.2018*) **

The three federal banking agencies, as members of the Federal Financial Institutions Examination Council (FFIEC), have finalized a proposal issued in June 2017 to reduce the reporting burden associated with the preparation and filing of the “Call Report.”

For small institutions, the finalized changes will remove, raise the reporting threshold for, or reduce the reporting frequency of approximately seven percent of the data items on the Call Report. Other burden-reducing changes are included for larger institutions. These changes from the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency will be effective as of June 30, 2018.

Additionally, several Call Report schedules will be revised in response to changes in the accounting for equity securities. The effective date of the changes involving the reporting of equity investments is March 31, 2018.

After considering the comments received on the June 2017 proposal, the FFIEC and the agencies are not proceeding with a proposed revision to the instructions for determining past due status.

**Source** [**link**](https://www.ffiec.gov/press/pdf/June%202017%20Call%20Report%20proposal.final%2030-day%20FR%20Notice%2012.22.2017.final.pdf)**.**

***Comment: According to the release, the finalized changes “remove, raise the reporting threshold for, or reduce the reporting frequency of approximately seven percent of the data items on the Call Report” for small institutions, while other burden-reducing changes are included for larger institutions. Reflecting revisions in accounting rules, changes in the reports involving the reporting of equity investments are effective March 31, the release stated. The FFIEC really did provide some regulatory burden relief with this one. Be sure that systems are updated for these changes.***

***Agencies Release Annual CRA Asset-Size Threshold Adjustments for Small and Intermediate Small Institutions (12.21.2017)* **

WASHINGTON—The federal bank regulatory agencies today 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.

As a result of the 2.11 percent increase in the CPI-W for the period ending in November 2017, 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 $1.252 billion.
* “Intermediate small bank” or “intermediate small savings association” means a small institution with assets of at least $313 million as of December 31 of both of the prior two calendar years and less than $1.252 billion as of December 31 of either of the prior two calendar years.

**Source** [**link**](https://www.occ.treas.gov/news-issuances/news-releases/2017/nr-ia-2017-151.html)**.**

***Comment: 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. These asset-size threshold adjustments are effective January 1, 2018. These brackets were originally set in 1977. Merely updating for changes in CPI is inadequate, and ICBA is pressing for changes.***

CFPB actions

***CFPB Statement on Payday Rule (01.16.2018)***

Washington, D.C. – The Bureau of Consumer Financial Protection (Bureau) today issued the following statement on the Payday Rule:

“January 16, 2018 is the effective date of the Bureau of Consumer Financial Protection’s final rule entitled “Payday, Vehicle Title, and Certain High-Cost Installment Loans” (“Payday Rule”).  The Bureau intends to engage in a rulemaking process so that the Bureau may reconsider the Payday Rule.

Although most provisions of the Payday Rule do not require compliance until August 19, 2019, the effective date marks codification of the Payday Rule in the Code of Federal Regulations.  Today’s effective date also establishes April 16, 2018, as the deadline to submit an application for preliminary approval to become a registered information system (“RIS”) under the Payday Rule. However, the Bureau may waive this deadline pursuant to 12 C.F.R. 1041.11(c)(3)(iii). Recognizing that this preliminary application deadline might cause some entities to engage in work in preparing an application to become a RIS, the Bureau will entertain waiver requests from any potential applicant.”

**Source** [**link**](https://www.consumerfinance.gov/about-us/newsroom/cfpb-statement-payday-rule/)**.**

***Comment: The rules were likely to “restrict” the industry’s revenue by two-thirds, largely by limiting repeat loans, the CFPB said when it finalized the rules last year. Fortunately, the “ability to repay” analysis in this rule applies to loans that are 45 days or shorter. Most of the requirements should not apply to community banks. Nonetheless, the CFPB review should be of interest.***

***Bureau issues Civil Penalty Inflation Adjustments final rule (01.12.2018) ***

On Jan. 12, 2018, the Bureau announced the annual adjustments for inflation to the Bureau’s civil penalty amounts, as required by the Federal Civil Penalties Inflation Adjustment Act, as amended. This final rule became effective on Jan. 15, 2018.

You can access the final rule at: [https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/civil-penalty-inflation-annual-adjustments/](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbWFpbGluZ2lkPTIwMTgwMTE5LjgzOTgxMDcxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDExOS44Mzk4MTA3MSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3NDg0OTQzJmVtYWlsaWQ9a2dvdWxhcnRAaWJhdC5vcmcmdXNlcmlkPWtnb3VsYXJ0QGliYXQub3JnJmZsPSZleHRyYT1NdWx0aXZhcmlhdGVJZD0mJiY=&&&100&&&https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/civil-penalty-inflation-annual-adjustments/)

***Comment: The civil penalties adjusted by the CFPB are the Tier 1-3 penalties set forth in Section 1055 of Dodd-Frank and various regulations. The new penalty amounts apply to civil penalties assessed after January 15, 2018.***

***Bureau issues annual notice of asset-size exemption thresholds for Regulations C and Z Compliance (12.27.2017) ***

On Dec. 27, 2017, the Bureau announced the asset-size exemption thresholds for depository institutions under Regulation C and for creditors under the escrow requirements and small-creditor portfolio and balloon-payment qualified mortgage requirements, and the prohibition against balloon-payment high-cost mortgages under Regulation Z. These thresholds became effective Jan. 1, 2018.

You can access the notices at:   
**Regulation C**: [http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/home-mortgage-disclosure-regulation-c-adjustment-asset-size-exemption-threshold/](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbWFpbGluZ2lkPTIwMTgwMTExLjgzNTQzMzAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDExMS44MzU0MzMwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3NDgyNjIxJmVtYWlsaWQ9a2dvdWxhcnRAaWJhdC5vcmcmdXNlcmlkPWtnb3VsYXJ0QGliYXQub3JnJmZsPSZleHRyYT1NdWx0aXZhcmlhdGVJZD0mJiY=&&&100&&&http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/home-mortgage-disclosure-regulation-c-adjustment-asset-size-exemption-threshold/)

**Regulation Z**: [http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/truth-lending-act-regulation-z-adjustment-asset-size-exemption-threshold/](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbWFpbGluZ2lkPTIwMTgwMTExLjgzNTQzMzAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDExMS44MzU0MzMwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3NDgyNjIxJmVtYWlsaWQ9a2dvdWxhcnRAaWJhdC5vcmcmdXNlcmlkPWtnb3VsYXJ0QGliYXQub3JnJmZsPSZleHRyYT1NdWx0aXZhcmlhdGVJZD0mJiY=&&&101&&&http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/truth-lending-act-regulation-z-adjustment-asset-size-exemption-threshold/)

***Comment: These annual asset size adjustments are statutorily mandated. For Regulation C, the CFPB increased the 2017 reporting threshold of $44 million to $45 million for 2018. For Regulation Z,*** ***the CFPB increased the 2017 threshold from $2.069 billion to $2.112 billion for 2018 for requirements that creditors establish an escrow account to pay property taxes and insurance premiums for certain first-lien higher-priced mortgages.***

***CFPB Launches New HMDA Tools: Check Digit and Rate Spread Calculator (12.27.2017)***

The Bureau announced the launch of the HMDA Check Digit Tool and Rate Spread Calculator. The CFPB provides the new Rate Spread Calculator for use with data collected in or after 2018. The Check Digit Tool and Rate Spread Calculator will remain available to financial institutions throughout the 2018 collection period and thereafter to support calculation of data field values required for reporting HMDA data.

Check out the tools here: [https://www.consumerfinance.gov/data-research/hmda/for-filers](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbWFpbGluZ2lkPTIwMTcxMjI3LjgyOTU0NTAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE3MTIyNy44Mjk1NDUwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3NDc4NzIyJmVtYWlsaWQ9a2dvdWxhcnRAaWJhdC5vcmcmdXNlcmlkPWtnb3VsYXJ0QGliYXQub3JnJmZsPSZleHRyYT1NdWx0aXZhcmlhdGVJZD0mJiY=&&&100&&&https://www.consumerfinance.gov/data-research/hmda/for-filers)

***Comment: According to the CFPB, the HMDA Check Digit Tool and the Rate Spread Calculator will remain available to financial institutions throughout the 2018 collection period and beyond. Meanwhile, the House has approved legislation that would exempt more community banks. Now the Senate needs to act.***

***CFPB Releases Report on the State of the Credit Card Market (12.27.2017)***

Credit related insurance and other debt protection are products sold in conjunction with credit that extinguish a consumer’s debt or suspends its periodic payments if events like death, disability, or involuntary unemployment occur. High penetration rates observed in the 1950s and 1960s raised concerns about coercion in the sale of credit insurance. This study presents evidence on credit insurance purchase and debt protection decisions from a new survey. The findings provide little evidence of widespread or systematic coercion in purchases. Instead, findings suggest that risk aversion and health or financial concerns motivate consumers to purchase credit insurance and debt protection, just as these concerns also motivate purchases of other types of insurance.

**Source** [**link**](http://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2017.pdf)**.**

***Comment: Outstanding credit card debt increased by nine percent, and the total value of consumer credit lines is now $4 trillion, an increase from 2015, but still below the $4.4 trillion high of 2008. 2016 saw 110 million new credit card accounts being opened by consumers – the most cards opened in any year since 2007.***

***CFPB Issues Public Statement On Home Mortgage Disclosure Act Compliance (12.21.2017)***

**WASHINGTON, D.C.**– The Consumer Financial Protection Bureau (CFPB) today issued a public statement announcing that the Bureau does not intend to require data resubmission unless data errors are material or assess penalties with respect to errors for data collected in 2018 and reported in 2019 under the Home Mortgage Disclosure Act (HMDA). The Bureau also announced it intends to open a rulemaking to reconsider various aspects of the Bureau’s 2015 HMDA rule, such as the institutional and transactional coverage tests and the rule’s discretionary data points. Beginning on January 1, 2018, financial institutions will submit HMDA data collected in 2017 and beyond using the Bureau’s new online platform. After considering the comments received on the June 2017 proposal, the FFIEC and the agencies are not proceeding with a proposed revision to the instructions for determining past due status.

**Source** [**link**](https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-public-statement-home-mortgage-disclosure-act-compliance/)**.**

***Comment: The CFPB states that it does not intend to require data resubmission unless data errors are material or assess penalties with respect to errors in data collected in 2018 and reported in 2019, and that any examinations of 2018 HMDA data will be diagnostic to help institutions identify compliance weaknesses and will credit good-faith compliance efforts. The other prudential regulators issued similar pronouncements. For OCC Bulletin 2017-62 click*** [***here***](https://www.occ.gov/news-issuances/bulletins/2017/bulletin-2017-62.html)***; for FDIC FIL-63-2017 click*** [***here***](https://www.fdic.gov/news/news/financial/2017/fil17063.html)***.***

FDIC actions

***FDIC’s Supervisory Insights Winter Edition Focuses on Credit Management Information Systems (01.10.2018)***

The Federal Deposit Insurance Corporation (FDIC) today issued the Winter 2017 issue of *Supervisory Insights*, which includes articles on credit Management Information Systems (MIS) and recent results from the *FDIC’s Credit and Consumer Products/Services Survey.*

“A key component of a bank’s risk management program is a strong credit MIS, which uses loan data to develop timely and meaningful reporting for a bank’s board and senior management,” said Doreen R. Eberley, director of the FDIC’s Division of Risk Management Supervision. “This article illustrates how banks can strengthen credit MIS by incorporating forward-looking risk indicators and establishing a sound governance framework.”

“Underwriting Trends and Other Highlights” from the *FDIC’s Credit and Consumer Products/Services Survey* shares recent credit survey results with a focus on lending activity -- including trends in underwriting, loan growth, and funding. The results suggest that credit risk and liquidity risk are increasing, as reflected in a higher frequency of surveys that report risks associated with loan growth, out-of-territory lending, and credit and funding concentrations.

*Supervisory Insights* also includes a “Regulatory and Supervisory Roundup” section, which provides an overview of recently released regulations and supervisory guidance.

*Supervisory Insights* provides a forum for discussing how bank regulation and policy are put into practice in the field, promoting sound principles and practices for bank supervision, and communicating about the emerging issues that bank supervisors face. The journal is available on the FDIC’s website [here](https://www.fdic.gov/regulations/examinations/supervisory/insights/past.html). For future topics and requests for permission to reprint articles should be emailed to [supervisoryjournal@fdic.gov](mailto:supervisoryjournal@fdic.gov). Requests for print copies should be emailed to [publicinfo@fdic.gov](mailto:publicinfo@fdic.gov).

***Comment: The FDIC emphasized the importance of a strong MIS in maintaining an effective risk management program. Many banks, the FDIC concluded, did not have adequate coverage of ‘forward-looking indicators’ which function to signal future performance and can help to identify and mitigate risk exposure. Supervisory Insights is “must” reading for FDIC regulated banks. It provides important insights into current concerns and possible exam focus.***

***FDIC Releases History of Agency’s Response to the Financial Crisis (12.18.2017)***

The Federal Deposit Insurance Corporation (FDIC) on Monday released a history of the financial crisis focusing on the agency’s response and lessons learned from its experience.

*Crisis and Response: An FDIC History, 2008–2013* reviews the experience of the FDIC during a period in which the agency was confronted with two interconnected and overlapping crises—first, the financial crisis in 2008 and 2009, and second, a banking crisis that began in 2008 and continued until 2013. The history examines the FDIC’s response, contributes to an understanding of what occurred, and shares lessons from the agency’s experience.

“This work is a valuable account of this extraordinary period in U.S. financial history and of the critical contributions made by the FDIC,” Chairman Martin J. Gruenberg said. “It will serve as a guidepost for future policymakers who will someday be called upon to respond to the next period of financial instability.”

The history is organized into two parts. The first, chapters 1 through 3, is an account of the origins of the crisis and the FDIC’s unprecedented use of emergency authorities to respond to financial market illiquidity and the problems of systemically important financial institutions. The second, chapters 4 through 6, documents the FDIC’s responses to the challenges the agency faced in carrying out its core missions of bank supervision, deposit insurance, and failed-bank resolution.

*Crisis and Response* is available on the FDIC’s website, [https://www.fdic.gov/bank/historical/crisis/index.html](https://www.fdic.gov/bank/historical/crisis/). The FDIC conducted similar reviews after the banking and thrift crisis of the 1980s and early 1990s.

***Comment: The 278-page volume —Crisis and Response: An FDIC History, 2008–2013 – looks at the crisis in two parts: the origins of the crisis and the use by the agency of emergency authorities to respond to financial market illiquidity and the problems of systemically important financial institutions, and; the challenges the agency says it faced in carrying out core missions. Those include bank supervision, deposit insurance, and failed-bank resolution.***

OCC actions

***OCC Report Discusses Key Risks for Federal Banking System (01.18.2018)***

WASHINGTON — The Office of the Comptroller of the Currency (OCC) today reported credit, operational, and compliance risks are key concerns for the federal banking system in its *Semiannual Risk Perspective for Fall 2017.*

Highlights from the report include:

* The credit environment continues to be influenced by aggressive competition, tighter spreads, and slowing loan growth. These factors are driving incremental easing in underwriting practices and increasing concentrations in select loan portfolios—leading to heightened risk if the economy weakens or markets tighten quickly.
* Operational risk continues to challenge banks because of increasing complexity of cybersecurity threats, use of third-party service providers, and increasing concentrations in third-party service providers for some critical operations.
* Compliance risk remains elevated as banks continue to manage money laundering risks, as well as consumer compliance risks, particularly due to the increasing complexity in consumer compliance regulations.

The report covers risks facing national banks and federal savings associations based on data as of June 30, 2017. The report presents data in four main areas: the operating environment, bank performance, trends in key risks, and supervisory actions. It focuses on issues that pose threats to those financial institutions regulated by the OCC and is intended as a resource to the industry, examiners, and the public.

**Source** [**link**](https://www.occ.treas.gov/publications/publications-by-type/other-publications-reports/semiannual-risk-perspective/semiannual-risk-perspective-fall-2017.pdf)**.**

***Comment: The OCC placed cybersecurity and anti-money laundering (AML) issues among the three top concerns highlighted in the report. This is important reading for senior management!***

***OCC Reports Mortgage Performance Unchanged (12.22.2017)***

WASHINGTON — Performance of first-lien mortgages remained unchanged during the third quarter of 2017 compared with a year earlier, according to the Office of the Comptroller of the Currency’s (OCC) quarterly report on mortgages.

The *OCC Mortgage Metrics Report, Third Quarter 2017,* showed 94.8 percent of mortgages included in the report were current and performing at the end of the quarter, the same as a year earlier.

The report also showed that foreclosure activity has decreased from the previous quarter. Reporting servicers initiated 34,266 new foreclosures during the third quarter of 2017, a 4.7 percent decrease from the previous quarter and a decrease of 28.5 percent from a year earlier. Servicers implemented 25,799 mortgage modifications in the third quarter of 2017. Seventy-eight percent of the modifications reduced borrowers’ monthly payments.

The first-lien mortgages included in the OCC’s quarterly report comprise 33 percent of all residential mortgages outstanding in the United States or approximately 18.4 million loans totaling $3.32 trillion in principal balances. This report provides information on mortgage performance through September 30, 2017, and it can be downloaded from the OCC’s website, [www.occ.gov](https://www.occ.gov/).

***Comment: The OCC’s Mortgage Metrics Report found that foreclosure activity fell 28.5% from the same quarter a year earlier, to 34,266 foreclosures. Foreclosures dipped 4.7% from the second quarter.***

Federal Reserve actions federal action and news

***Community Depository Institutions Advisory Council - Record of Meeting, November 17, 2017 (12.18.2017)***

The Community Depository Institutions Advisory Council (CDIAC) was established in 2010 by the Board of Governors to provide input to the Board on the economy, lending conditions, and other issues of interest to community depository institutions. Unlike the Federal Advisory Council, CDIAC is not a statutory body, but it performs a parallel function in providing first-hand input to the Board on the economy, lending conditions, and other issues. Members are selected from representatives of banks, thrift institutions, and credit unions serving on newly created local advisory councils at the twelve Federal Reserve Banks. One member of each of the Reserve Bank councils is selected to serve on the CDIAC, which will meet twice a year with the Board in Washington.

Members for 2018

* Gilda M. Nogueira, Cambridge, Massachusetts, *President*
* Christopher D. Maher, Toms River, New Jersey, *Vice President*
* Lora Benrud, Menomonie, Wisconsin
* Alvin J. Cowans, Orlando, Florida
* Robert A. DeAlmeida, Baltimore, Maryland
* Thomas J. Fraser, Lakewood, Ohio
* Kyle Heckman, Boulder, Colorado
* Elizabeth G. McCoy, Hopkinsville, Kentucky
* Christopher J. Murphy III, South Bend, Indiana
* Tyrone E. Muse, Endicott, New York
* Joe Quiroga, Mercedes, Texas
* Richard M. Sanborn, San Diego, California

**Source** [**link**](https://www.federalreserve.gov/aboutthefed/cdiac.htm)**.**

***Comments: For the Record of the Meeting held November 17, 2017 click*** [***here***](https://www.federalreserve.gov/aboutthefed/files/CDIAC-meeting-20171117.pdf)***.***

Other federal action and news

***FTC Releases Annual Privacy and Data Security Update (12.27.2017)***

The Federal Trade Commission today released its [annual report](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwMTE4LjgzOTE3MDIxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDExOC44MzkxNzAyMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE2OTc4ODc5JmVtYWlsaWQ9a2dvdWxhcnRAaWJhdC5vcmcmdXNlcmlkPWtnb3VsYXJ0QGliYXQub3JnJnRhcmdldGlkPSZmbD0mZXh0cmE9TXVsdGl2YXJpYXRlSWQ9JiYm&&&102&&&https://www.ftc.gov/reports/privacy-data-security-update-2017-overview-commissions-enforcement-policy-initiatives?utm_source=govdelivery) summarizing its privacy and data security work in 2017. The Commission is the nation’s primary privacy and data security enforcer and one of the most active privacy and data security enforcers in the world.

The FTC uses a variety of tools to protect consumers’ privacy and personal information including bringing enforcement actions to stop law violations and require companies to take affirmative steps to remediate the unlawful behavior. Among the FTC’s privacy and security actions announced in 2017 include settlements with computer manufacturer Lenovo and Vizio, one of the world’s largest makers of smart TVs. In addition, the FTC in 2017 brought its first actions enforcing the EU-U.S. Privacy Shield framework.

The FTC also issues reports, conducts research and holds events bringing together stakeholders to discuss emerging issues in consumer privacy and security. The FTC’s 2017 events included workshops examining the security and privacy issues related to connected cars, student privacy and education technology, the changing nature of identity theft, and informational injury.

**Source** [**link**](http://links.govdelivery.com/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwMTE4LjgzOTE3MDIxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDExOC44MzkxNzAyMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE2OTc4ODc5JmVtYWlsaWQ9a2dvdWxhcnRAaWJhdC5vcmcmdXNlcmlkPWtnb3VsYXJ0QGliYXQub3JnJnRhcmdldGlkPSZmbD0mZXh0cmE9TXVsdGl2YXJpYXRlSWQ9JiYm&&&101&&&https://www.ftc.gov/news-events/press-releases/2018/01/ftc-releases-annual-privacy-data-security-update?utm_source=govdelivery)**.**

***Comment:***  ***The FTC outlines 10 privacy cases and 4 data security cases that it brought in 2017 and are worth reviewing. This report should be reviewed by IT and cyber security staff.***

***FinCEN Solicitating of Nominations for Membership in Bank Secrecy Act Advisory Group (12.27.2017)* **

FinCEN is inviting the public to nominate financial institutions, trade groups, and non-federal regulators or law enforcement agencies for membership on the Bank Secrecy Act Advisory Group. New members will be selected for three-year membership

BSAAG membership is open to financial institutions, trade groups, and non-federal regulators and law enforcement agencies. Membership is granted to organizations, not to individuals. Organizational members will be selected to serve a three-year term and must designate one individual to represent that member at plenary meetings. The designated representative should be knowledgeable about Bank Secrecy Act requirements and must be able and willing to make the necessary time commitment to participate on committees throughout the year by phone and attend biannual plenary meetings held in Washington, DC in May and October.

Nominations must be received by January 26, 2018.

**Source** [**link**](https://www.fincen.gov/sites/default/files/federal_register_notices/2018-01-02/2017-27846.pdf)**.**

***Comment: It is very important for community bankers to have a place on the*** ***Bank Secrecy Act Advisory Group.***

Publications, articles, reports, studies, testimony & speeches

***From Income to Consumption Inequality? Looking through the Lens of Motor Vehicle Purchases (01.12.2018)***

Rising income inequality in the United States over the past several decades has been well documented in the economics literature.[2](https://www.federalreserve.gov/econres/notes/feds-notes/looking-through-the-lens-of-motor-vehicle-purchases-20180112.htm#fn2) Recent studies have also looked at the dispersion in consumption, since it more accurately captures disparities in economic well-being. Here, however, the findings are mixed--while some authors find the dispersion in consumption has risen more slowly than that for income, others conclude that consumption inequality has closely followed the upward trends in income inequality.[3](https://www.federalreserve.gov/econres/notes/feds-notes/looking-through-the-lens-of-motor-vehicle-purchases-20180112.htm#fn3) In this note, we assess the pattern of consumption inequality using an alternative data source--namely, new motor vehicle purchases. In short, when viewed from the lens of these direct spending data, we find little evidence that consumption inequality has risen as dramatically as income inequality over the past 15 years.

**Source** [**link**](http://www.federalreserve.gov/econres/notes/feds-notes/looking-through-the-lens-of-motor-vehicle-purchases-20180112.htm)**.**

***Comment: This is a very interesting report on income inequality. The report uses an unorthodox and innovative approach in analyzing new car sales data to explore income inequality across the country.***

***Chicago Fed - What Explains the Decline in Life Insurance Ownership? (01.8.2018)***

Life insurance ownership has declined markedly over the past 30 years, continuing a trend that began as early as 1960. In 1989, 77 percent of households owned life insurance (see figure 1). By 2013, that share had fallen to 60 percent. This article analyzes factors that might have contributed to the decline in life insurance ownership from 1989 to 2013. The focus of our analysis is on two broad sources of potential change in the demand for life insurance: changes in the socioeconomic and demographic characteristics of the population and changes in how those same characteristics are associated with the decision to purchase life insurance. In addition, we highlight the considerable diversity in life insurance ownership across education, income, and race and ethnicity and describe how trends in life insurance ownership vary across these groups.

Life insurance protects families from adverse financial consequences when a policyholder dies. In addition, some life insurance policies facilitate tax-advantaged savings. According to a 2015 LIMRA survey (see table 1), the top three reasons for purchasing life insurance are to cover funeral expenses (51 percent), to replace lost income (34 percent), and to cover mortgage debt (26 percent). Transferring wealth to the next generation is a close fourth, with 24 percent of respondents reporting that this was a major reason for purchasing life insurance.

**Source** [**link**](http://www.chicagofed.org/publications/economic-perspectives/2017/8)**.**

***FRB New Evidence on an Old Unanswered Question: Why Some Borrowers Purchase Credit Insurance and Other Debt Protection and Some Do Not (12.18.2017)***

Credit related insurance and other debt protection are products sold in conjunction with credit that extinguish a consumer’s debt or suspends its periodic payments if events like death, disability, or involuntary unemployment occur. High penetration rates observed in the 1950s and 1960s raised concerns about coercion in the sale of credit insurance. This study presents evidence on credit insurance purchase and debt protection decisions from a new survey. The findings provide little evidence of widespread or systematic coercion in purchases. Instead, findings suggest that risk aversion and health or financial concerns motivate consumers to purchase credit insurance and debt protection, just as these concerns also motivate purchases of other types of insurance.

**Source** [**link**](http://www.federalreserve.gov/econres/feds/files/2017122pap.pdf)**.**

***Comment: Bottom line—consumers purchase these products because they fill a perceived need for them!***

***Chicago Fed National Activity Index Market Points to Moderate Growth (12.21.2017)***

Led by slower growth in production-related indicators, the Chicago Fed National Activity Index (CFNAI) declined to +0.15 in November from +0.76 in October. Two of the four broad categories of indicators that make up the index decreased from October, but three of the four categories made positive contributions to the index in November. The index’s three-month moving average, CFNAI-MA3, increased to +0.41 in November from +0.31 in October.

**Source** [**link**](http://www.chicagofed.org/~/media/publications/cfnai/2017/cfnai-december2017-pdf.pdf)**.**

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.

Posted

Date SUMMARY OF PROPOSED RULE

08.22.2017 In preparation for a forthcoming proposal that would simplify regulatory capital requirements, federal banking regulators on Tuesday [August 22nd] proposed a rule that would extend the existing transitional capital treatment for certain regulatory capital deductions and risk weights. The extension would apply to banking organizations that are not subject to the agencies’ advanced approaches capital rules. As part of the recent review of regulations under the Economic Growth and Regulatory Paperwork Reduction Act, the agencies announced that they are developing a proposal that would simplify the capital rules to reduce regulatory burden, particularly for community banks. That proposal would simplify the capital rules’ treatment of mortgage servicing assets and other items. However, under the current capital rules, the transitional treatment for those items is scheduled to be replaced with a different treatment on January 1, 2018. Comments on this proposal will be accepted for 30 days after publication in the Federal Register. The Notice of Proposed Rulemaking was published in the [Federal Register](https://www.gpo.gov/fdsys/pkg/FR-2017-10-27/pdf/2017-22093.pdf) on October 27, 2017, and comments must be received by December 26, 2017.

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 [Appraisals for Higher-Priced Mortgage Loans Exemption Threshold Adjustments](https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/appraisals-higher-priced-mortgage-loans-exemption-threshold-adjustments/). The Agencies’ rules exempted, among other loan types, transactions of $25,000 or less, and required that this loan amount be adjusted annually based on any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

01.01.2018 [Consumer Leasing (Regulation M) Annual Threshold Adjustments](https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/consumer-leasing-regulation-m-adjustments/). The Board and the Bureau are finalizing amendments to the commentary for the agencies’ regulations that implement the Consumer Leasing Act which affect the calculation method for determining the annual adjustment of the dollar threshold for exempt consumer leases and set the 2017 exemption threshold amount.

01.01.2018 [Community Reinvestment Act Final Rule.](https://www.occ.treas.gov/news-issuances/bulletins/2017/bulletin-2017-58.html) The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (the agencies) published on November 24, 2017, a final rule in the Federal Register that revises their regulations implementing the Community Reinvestment Act (CRA) (12 USC 2901 et seq.). The final rule amends the CRA regulations’ definitions of “home mortgage loan” and “consumer loan” to conform to recent changes made by the Consumer Financial Protection Bureau to Regulation C, which implements the Home Mortgage Disclosure Act (HMDA). The final rule also amends the CRA public file content requirements for consistency with Regulation C, makes technical amendments to remove cross references related to the proposed amended definitions, and removes an obsolete reference to the Neighborhood Stabilization Program.

01.01.2018 [Community Reinvestment Act Asset Size Adjustment](https://www.occ.treas.gov/news-issuances/news-releases/2017/nr-ia-2017-151.html). 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.

01.01.2018 [Fair Credit Reporting Act](https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/fair-credit-reporting-act-disclosures/). The Bureau of Consumer Financial Protection (Bureau) announces that the ceiling on allowable charges under section 612(f) of the Fair Credit Reporting Act (FCRA) will remain unchanged at $12.00, effective for 2018.

01.01.2018 [Home Mortgage Disclosure (Regulation C).](https://www.consumerfinance.gov/eregulations/1003-1/2015-26607_20180101) The CFPB amended Regulation C to implement amendments to HMDA made by section 1094 of the Dodd-Frank Act. Consistent with section 1094 of the Dodd-Frank Act, the CFPB is adding several new reporting requirements and clarifying several existing requirements. The CFPB is also modifying the institutional and transactional coverage of Regulation C. The final rule also provides extensive guidance regarding compliance with both the existing and new requirements.

01.01.2018 [Home Mortgage Disclosure (Regulation C](http://links.govdelivery.com/track?type=click&enid=ZWFzPTEmbWFpbGluZ2lkPTIwMTgwMTExLjgzNTQzMzAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDExMS44MzU0MzMwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3NDgyNjIxJmVtYWlsaWQ9a2dvdWxhcnRAaWJhdC5vcmcmdXNlcmlkPWtnb3VsYXJ0QGliYXQub3JnJmZsPSZleHRyYT1NdWx0aXZhcmlhdGVJZD0mJiY=&&&101&&&http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/truth-lending-act-regulation-z-adjustment-asset-size-exemption-threshold/)). The CFPB announced the asset-size reporting exemption thresholds for depository institutions under Regulation C.

01.01.2018 [Truth in Lending (Regulation Z) Threshold Adjustments](https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/truth-lending-regulation-z-threshold-adjustments/). The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amended TILA by requiring that the dollar threshold for exempt consumer credit transactions be adjusted annually by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

01.01.2018 [Truth in Lending (Regulation Z) Threshold Adjustments](http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/truth-lending-act-regulation-z-adjustment-asset-size-exemption-threshold/). Adjusts the assets size thresholds for creditors under the escrow requirements and small-creditor portfolio and balloon-payment qualified mortgage requirements, and the prohibition against balloon-payment high-cost mortgages under Regulation Z. These thresholds became effective Jan. 1, 2018.

04.01.2018 [Prepaid Accounts under the Electronic Fund Transfer Act (Regulation E) and the Truth In Lending Act (Regulation Z)](http://s3.amazonaws.com/files.consumerfinance.gov/f/documents/20161005_cfpb_Final_Rule_Prepaid_Accounts.pdf). 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 may 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. DATES: This rule was originally effective on December 1, 2017 but a Final Rule published April 25, 2017 amended the effective date until April 1, 2018. The requirement in § 1005.19(b) to submit prepaid account agreements to the Bureau is delayed until December 1, 2018. See the CFPB’s [prepaid rule implementation page](http://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/prepaid-rule/).

05.11.2018 FinCEN is issued [final rules](https://www.gpo.gov/fdsys/pkg/FR-2016-05-11/pdf/2016-10567.pdf) under the Bank Secrecy Act to clarify and strengthen customer due diligence requirements for: Banks; brokers or dealers in securities; mutual funds; and futures commission merchants and introducing brokers in commodities. The rules contain explicit customer due diligence requirements and include a new requirement to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions.

07.01.2018 [Availability of Funds and Collection of Checks](https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20170531a1.pdf) 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 [Prepaid Accounts under the Electronic Fund Transfer Act (Regulation E) and the Truth In Lending Act (Regulation Z)](http://s3.amazonaws.com/files.consumerfinance.gov/f/documents/20161005_cfpb_Final_Rule_Prepaid_Accounts.pdf). Although the CFPB’s rule regarding prepaid accounts is effective 10.01.2017, the requirement to submit account agreements to the CFPB is effective 10.03.2018. See the CFPB’s [prepaid rule implementation page](http://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/prepaid-rule/).

Common words, phrases, and acronyms

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| 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](http://www.law.cornell.edu/topn/credit_card_accountability_responsibility_and_disclosure_act_of_2009) |
| CFPB | [Consumer Financial Protection Bureau](http://www.consumerfinance.gov/) |
| CFR | [Code of Federal Regulations](http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR). Codification of rules and regulations of federal agencies. |
| CRA | [Community Reinvestment Act](http://www.ffiec.gov/cra/). This Act is designed to encourage loans in all segments of communities. |
| CRE | Commercial Real Estate |
| CSBS | [Conference of State Bank Supervisors](http://www.csbs.org/Pages/default.aspx) |
| CTR | [Currency Transaction Report](https://www.ffiec.gov/bsa_aml_infobase/pages_manual/olm_017.htm). 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](http://www.law.cornell.edu/topn/dodd-frank_wall_street_reform_and_consumer_protection_act) |
| DOJ | [Department of Justice](http://www.justice.gov/) |
| FDIC | [Federal Deposit Insurance Corporation](https://www.fdic.gov/) |
| EFTA | [Electronic Fund Transfer Act](https://www.consumerfinance.gov/eregulations/1005) |
| Federal bank regulatory agencies | FDIC, FRB, and OCC |
| Federal financial institution regulatory agencies | CFPB, FDIC, FRB, NCUA, and OCC |
| FEMA | [Federal Emergency Management Agency](http://www.fema.gov) |
| FFIEC | [Federal Financial Institutions Examination Council](http://www.ffiec.gov/) |
| FHFA | [Federal Housing Finance Agency](http://www.fhfa.gov/) |
| FHA | [Federal Housing Administration](http://portal.hud.gov/hudportal/HUD?src=/federal_housing_administration) |
| FinCEN | [Financial Crime Enforcement Network](http://www.fincen.gov) |
| FR | [Federal Register](https://www.federalregister.gov/). U.S. government daily publication that contains proposed and final administrative regulations of federal agencies. |
| FRB, Fed or Federal Reserve | [Federal Reserve Board](http://www.federalreserve.gov/) |
| FSOC | [Financial Stability Oversight Council](http://www.treasury.gov/initiatives/fsoc/Pages/home.aspx) |
| FTC | [Federal Trade Commission](http://www.ftc.gov) |
| GAO | [Government Accountability Office](http://www.gao.gov) |
| HARP | [Home Affordable Refinance Program](http://harpprogram.org/) |
| HAMP | [Home Affordable Modification Program](https://www.hmpadmin.com/portal/programs/hamp.jsp) |
| HMDA | [Home Mortgage Disclosure Act](https://www.ffiec.gov/hmda/) |
| HOEPA | [Home Ownership and Equity Protections Act of 1994](http://files.consumerfinance.gov/f/201305_compliance-guide_home-ownership-and-equity-protection-act-rule.pdf) |
| HPML | [Higher Priced Mortgage Loan](https://www.consumerfinance.gov/ask-cfpb/what-is-a-higher-priced-mortgage-loan-en-1797/) |
| HUD | [U.S. Department of Housing and Urban Development](http://www.hud.gov) |
| IRS | [Internal Revenue Service](https://www.irs.gov/) |
| MLO | Mortgage Loan Originator |
| MOU | Memorandum of Understanding |
| NFIP | [National Flood Insurance Program](http://www.fema.gov/national-flood-insurance-program). U.S. government program to allow the purchase of flood insurance from the government. |
| NMLS | [National Mortgage Licensing System](http://mortgage.nationwidelicensingsystem.org/Pages/default.aspx) |
| OCC | [Office of the Comptroller of the Currency](http://www.occ.gov/) |
| OFAC | [Office of Foreign Asset Control](http://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx) |
| OREO | [Other Real Estate Owned](http://www.occ.gov/topics/credit/commercial-credit/other-real-estate-owned.html) |
| QRM | Qualified Residential Mortgage |
| Reg. B | [Equal Credit Opportunity](https://www.consumerfinance.gov/eregulations/1002) |
| Reg. C | [Home Mortgage Disclosure](https://www.consumerfinance.gov/eregulations/1003) |
| Reg. DD | [Truth in Savings](https://www.consumerfinance.gov/eregulations/1030) |
| Reg. E | [Electronic Fund Transfers](https://www.consumerfinance.gov/eregulations/1005) |
| Reg. G | [S.A.F.E. Mortgage Licensing Act](http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title12/12cfr1007_main_02.tpl) |
| Reg. P | [Privacy of Consumer Financial Information](https://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title12/12cfr1016_main_02.tpl) |
| Reg. X | [Real Estate Settlement Procedures Act](https://www.consumerfinance.gov/eregulations/1024) |
| Reg. Z | [Truth in Lending](https://www.consumerfinance.gov/eregulations/1026) |
| RESPA | [Real Estate Settlement Procedures Act](https://www.consumerfinance.gov/eregulations/1024) |
| SAR | [Suspicious Activity Report](https://www.ffiec.gov/bsa_aml_infobase/pages_manual/OLM_015.htm) – 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](https://www.consumerfinance.gov/eregulations/1026) |
| TIN | Tax Identification Number |
| Treasury | [U.S. Department of Treasury](http://www.treasury.gov) |

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