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

'A perfect summer day is when the sun is shining, the breeze is blowing, the birds are singing, and the lawn mower is broken.' – James Dent

Joint federal agency issuances, actions and news

FDIC and CFPB Release Enhanced Version of Money Smart for Older Adults (07.14.2021)

The Federal Deposit Insurance Corporation (FDIC) and the Consumer Financial Protection Bureau (CFPB) announced the joint release of an enhanced version of the award-winning financial education curriculum, Money Smart for Older Adults. The enhanced version includes a new section to help people avoid "romance scams" and an updated resource guide. The enhancements to Money Smart for Older Adults are based on stakeholder feedback and recent research conducted by the FDIC and CFPB for this collaborative effort.

Romance scams commonly occur when a scammer creates a fake profile on a dating site or app, strikes up a relationship with a target, and asks for money. According to the Federal Trade Commission, reported romance scam losses in 2020 reached a record $304 million, up about 50 percent from 2019. People ages 40 to 69 are the most likely to report losing money to romance scams. People age 70 and older reported the highest individual median losses at $9,475. Some romance scams also happen in person. These can involve older adults who are socially isolated or dependent on others to assist them. The scammer can be a person they meet at places such as church, community centers, or in social groups.

In addition, the FDIC and CFPB have released a newly created informational brochure on COVID-19-related scams.

Money Smart for Older Adults is a free curriculum that includes an instructor guide with presentation content, speaker tips, hands-on activities, presentation slides, and a resource guide for participants. The resource guide can also serve as a stand-alone handout for distribution to libraries, senior centers, senior housing centers, and at senior information fairs and other events. All materials are provided free of charge and can be ordered in bulk for community-wide distribution.

Click here to download the Money Smart for Older Adults training materials from the FDIC or order free handouts and other resources for older adults from the CFPB.

The FDIC's Money Smart curriculum is celebrating its 20th anniversary this year. To become a Money Smart trainer, visit the FDIC's Money Smart training webpage. While there, you can sign up to become a Money Smart Alliance member, where you can learn about, and share, promising delivery approaches. You can also sign up for a free webinar on July 22 at 2:00 p.m. ET to receive training.

Source link.

Comment: Remember that financial literacy programs provide excellent CRA credit! From the FDIC website – 'The curriculum consists of 14 modules that cover basic financial topics. Each module guides you on what to say and do. The materials are available for immediate download below, and on DVD at Money Smart – Teach – For Adults (catalog.fdic.gov).'

Agencies Request Comment on Proposed Risk Management Guidance for Third-Party Relationships (07.13.2021)

The federal bank regulatory agencies requested public comment on proposed guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology-focused entities. The proposed guidance is intended to assist banking organizations in identifying and addressing the risks associated with third-party relationships and responds to industry feedback requesting alignment among the agencies with respect to third-party risk management guidance.

Banking organizations that engage third parties to provide products or services or to perform other activities remain responsible for ensuring that such outsourced activities are conducted in a safe and sound manner and in compliance with all applicable laws and regulations, including consumer protection laws.

Comments must be received within 60 days of the proposed guidance's publication in the Federal Register.

Attachment:

Proposed Interagency Guidance on Third-Party Relationships: Risk Management

Source link.

Comment: The proposed guidance is based on the OCC's existing third-party risk management guidance from 2013 and includes changes to reflect the extension of the scope of applicability of the proposed guidance. The Agencies are also seeking public comment on the extent to which the concepts discussed in the OCC's 2020 FAQs regarding third-party relationships should be incorporated into the final version of the guidance.

Financial Regulators Update Examiner Guidance on Financial Institutions' Information Technology Architecture, Infrastructure, and Operations (06.30.2021)

The Federal Financial Institutions Examination Council (FFIEC) issued a new booklet in the FFIEC Information Technology Examination Handbook series, titled "Architecture, Infrastructure, and Operations."

The booklet provides expanded guidance to help financial institution examiners assess the risk profile and adequacy of an entity's information technology architecture, infrastructure, and operations.

The new booklet replaces the "Operations" booklet issued in July 2004 and it provides examiners with fundamental examination expectations regarding architecture and infrastructure planning, governance and risk management, and operations of regulated entities. The booklet discusses the interconnectedness among an entity's assets, processes, and third-party service providers along with the principles, processes, potential threats, and examination procedures to help examiners assess whether a financial entity's management adequately addresses risks and complies with applicable laws and regulations.

Updates to the booklet reflect the changing technological environment and increasing need for security and resilience, including architectural design, infrastructure implementation, and operation of information technology systems. The updated booklet also highlights the importance of providing current information to examiners reviewing an entity's information management practices pertaining to safety and soundness, consumer protection, and provision of secure and resilient business services to customers.

The complete FFIEC Information Technology Examination Handbook is available at http://ithandbook.ffiec.gov/.

Source link.

Agencies Release List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies (06.25.2021)

The Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation announced the availability of the 2021 list of distressed or underserved nonmetropolitan middle-income geographies. These are geographic areas 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 2020 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:

2021 List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies

Source Information and Methodology

Source link.

Comment: Update your bank's CRA program to reflect the revised geographies.

Federal and State Regulators Release Updates to the BSA/AML Examination Manual (06.21.2021)

WASHINGTON – The Federal Financial Institutions Examination Council (FFIEC) released updates to four sections of the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual (Manual). The updates affect the following Manual sections:

- International Transportation of Currency or Monetary Instruments Reporting (PDF)
- Purchase and Sale of Monetary Instruments Recordkeeping (PDF)
- Reports of Foreign Financial (PDF)
- Special Measures (PDF)

The updates should not be interpreted as new instructions or increased focus on certain areas; instead, they offer further transparency into the examination process and support risk-focused examination work

The Manual provides instructions to examiners for assessing the adequacy of a bank's or credit union's BSA/AML compliance program and its compliance with BSA regulatory requirements. The Manual itself does not establish requirements for banks; such requirements are found in statutes and regulations.

The Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the State Liaison Committee worked closely with Treasury's Financial Crimes Enforcement Network on today's updates. These updates are identified by a 2021 date label on the FFIEC BSA/AML InfoBase. Updates to other sections of the Manual will be announced as they are completed.

Source link.

Comment: The updated sections of the manual more clearly outline the requirements for specific areas of AML regulation. Although the manual is directed toward examiners, its contents are useful to financial institutions as training and reference materials. Be sure that the BSA Officer is using this most current version.

CFPB Actions And News

Celebrating Military Consumer Month – Financial Caregiving Resources for Veterans (07.12.2021)

July is Military Consumer Month. During this time, we thank servicemembers for their service and offer resources to help them protect their finances. In that spirit, we're sharing our resources for veterans, their families and their financial caregivers:

- Managing Someone Else's Money guide for VA fiduciaries: This guide is for family or friends serving as a VA fiduciary, managing veterans benefits for a loved one. It explains the responsibilities of VA fiduciaries, as well as how to spot financial exploitation and avoid scams. The guide is part of the Managing Someone Else's Money series for financial caregivers, which includes guides for other types of fiduciaries: power of attorney, guardian, and trustee.

- VA aid and attendance fraud prevention resources: Scammers are targeting the aid and attendance benefit, which is an increased monthly pension for veterans or their surviving spouses who are eligible for a VA pension and need help with activities of daily living, are bedridden, are patients in a nursing home, or have certain vision limitations. Our handout explains how to spot these scams and how to safely apply for aid and attendance benefits.

- Planning for peace of mind: Social Security Advance Designation explains a new tool from the Social Security Administration that allows you to recommend someone you trust to manage your Social Security benefits if you become unable to do so yourself.

- Considering a financial caregiver? Know your options is a new resource to help you decide whether you or your loved one need an informal caregiver, who helps manage money on an as-needed basis, or a formal caregiver, established by a legal arrangement. The brief guide also walks you through what to consider when choosing a financial caregiver.

Order free print copies of these publications for yourself, and to share with veterans and their families at consumerfinance.gov/order.

Learn more about the Office of Servicemembers Affairs and the Office for Older Americans.

Comment: Individuals can help protect the military and veteran communities by reporting fraud and deception. Use the VA's feedback tool to file a complaint and let the FTC know at ReportFraud.ftc.gov.

CFPB Consumer Complaint Bulletin Highlights Consumers' Difficulties During Pandemic (07.01.2021)

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) released a new complaint bulletin covering several areas of concern related to relief provided in response to the COVID-19 pandemic, including the Centers for Disease Control and Prevention (CDC) eviction moratorium. Some consumers reported facing homelessness because of the negative impact of an eviction on their credit history reported by debt collectors. Consumers were also deprived of the full benefit of the economic impact payments as a result of overdraft practices at some financial institutions, and not all student loan borrowers were able to get the timely information and assistance they needed from their student loan servicer to get the full benefit of the variety of federal loan forgiveness, cancellation, and discharge programs offered through the CARES Act.

"The COVID-19 pandemic has inflicted unprecedented financial hardship on consumers across the nation," said CFPB Acting Director Dave Uejio. "Millions of families, including renters, homeowners, and student loan borrowers, are facing the end of pandemic-era protections and payment assistance in the coming months. For an equitable recovery, shoddy customer service cannot stand in the way of everyone receiving the relief Congress provided."

Source link.

Comment: Learn from others' mistakes! Review this complaint bulletin to learn more about CFPB areas of concern.

CFPB Report Highlights Supervisory Findings of Wide-Ranging Violations of Law in 2020 (06.29.2021)

WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) issued a report highlighting legal violations identified by the Bureau's examinations in 2020. The report also highlights prior CFPB supervisory findings that led to public enforcement actions in 2020 resulting in more than $124 million in consumer remediation and civil money penalties.

"Today's release of Supervisory Highlights reinforces the importance of the Bureau's supervisory work, including during the COVID-19 pandemic, to find and correct systemic problems that hurt consumers," said CFPB Acting Director Dave Uejio. "The actions we took in 2020 mitigated some of that harm, but consumers are still struggling, and we will stay vigilant."

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the CFPB has the authority to supervise large banks, thrifts, credit unions with assets over $10 billion, and certain nonbanks for compliance with Federal consumer financial law. Bureau-supervised nonbanks include mortgage companies, private student lenders, and payday lenders, as well as nonbanks the Bureau defines through rulemaking as "larger participants" of other consumer financial markets as defined by Bureau rules.

CFPB examiners often find problems during supervisory examinations that are resolved without an enforcement action. These non-public actions have occurred in areas such as auto loan servicing, consumer reporting, debt collection, deposits, fair lending, mortgage origination and servicing, private student loan origination, payday lending, and student loan servicing. Today's report generally covers supervisory activities during calendar year 2020, and below is a summary of four particularly concerning findings from the report.

Consumer reporting companies accepted consumer data from unreliable furnishers

Consumer reporting companies have an obligation to follow reasonable procedures to assure maximum possible accuracy of information on consumers. CFPB examiners found that consumer reporting companies are accepting information from companies that furnish consumer data, even though there were ample signs that these furnishers were unreliable. Examiners found that this violates the Fair Credit Reporting Act.

The CFPB will remain diligent and consumer reporting companies are on notice with respect to risks posed by accepting data from furnishers where there are indications of unreliability.

Examiners found redlining

The Bureau's examiners observed discouragement of people in minority neighborhoods from applying for credit by, among other things, locating offices in almost exclusively majority-white neighborhoods, only using pictures of white people in direct mail marketing campaigns, and publishing loan officer headshots of almost exclusively white people. Examiners noted these practices lowered the number of applications from minority neighborhoods relative to other comparable lenders.

As demonstrated by our complaint against Townstone Financial, Inc., the CFPB will continue to combat redlining in all its forms in the 21st century.

Examiners found foreclosure issues

Bureau examiners found several violations of the mortgage servicing rules in Regulation X, including instances of some servicers making the first notice or filing for foreclosure when it was prohibited. For example, some servicers filed for foreclosure before they had evaluated borrowers' appeals, and some servicers had failed to notify their foreclosure counsel to stop all legal filings at the time that the servicer received a completed loss mitigation application in certain instances. Examiners also found that some servicers engaged in a deceptive act or practice when they represented to borrowers that they would not initiate a foreclosure action until a specified date, but nevertheless initiated foreclosures prior to that date.

This report highlights that consumers do not always receive the care and service that we should expect before a mortgage servicer forecloses on a consumer's home. On Monday, the CFPB issued a final rule that will give borrowers a meaningful opportunity to pursue loss mitigation options, help prevent avoidable foreclosures, and help ensure a smooth and orderly transition as the emergency federal foreclosure protections expire.

Student loan servicers misled consumers about Public Service Loan Forgiveness

CFPB examiners uncovered significant problems in how student loan servicers informed consumers about the Public Service Loan Forgiveness (PSLF) program. PSLF is intended to forgive the balance of certain federal student loans after 10 years of payments on a qualifying repayment plan if the consumer works in certain public service jobs. But there are additional requirements consumers need to satisfy to access the program and, consequently, borrowers frequently request information from their servicers about their eligibility.

CFPB examiners found a number of ways that student loan servicers gave incorrect information to borrowers, resulting in missteps that could cost consumers thousands of dollars. For example, examiners found servicers misled consumers to believe they could not access PSLF if they had older loans under the Federal Family Education Loan Program (FFELP), even though they could access PSLF by consolidating FFELP loans into Direct Loans.

Today's report aims to share information that all industry participants can use to ensure their operations remain in compliance with federal consumer financial law. In all cases where CFPB examiners find problems, they alert the company to their concerns and, in many instances, outline recommended remedial measures. When appropriate, the CFPB opens investigations for potential enforcement actions.

Read the report.

Source link.

Comment: Although a significant amount of this report applies to nonbank entities, it is well worth reviewing for the critical information on overdraft protection, redlining and MLO compensation issues.

Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X (06.28.2021)

The Bureau of Consumer Financial Protection (Bureau) is issuing this final rule to amend Regulation X to assist mortgage borrowers affected by the COVID-19 emergency. The final rule establishes temporarily procedural safeguards to help ensure that borrowers have a meaningful opportunity to be reviewed for loss mitigation before the servicer can make the first notice or filing required for foreclosure on certain mortgages. In addition, the final rule would temporarily permit mortgage servicers to offer certain loan modifications made available to borrowers experiencing a COVID-19-related hardship based on the evaluation of an incomplete application. The Bureau has also finalized certain temporary amendments to the early intervention and reasonable diligence obligations that Regulation X imposes on mortgage servicers.

Final rule

Read it on the Federal Register

View PDF

Proposed rule

Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X

Source link.

Comment: From the Executive Summary – 'The 2021 Mortgage Servicing COVID-19 Rule generally has the same coverage requirements as the Mortgage Servicing Rules. The 2021 Rule only applies to a mortgage loan secured by the borrower's principal residence, and as such, generally does not apply to investment properties or second homes. The 2021 Rule does not apply to reverse mortgages, as defined by the Mortgage Servicing Rules. Similarly, small servicers, as defined in the Rules, are generally not subject to the new requirements.'

FDIC actions and news

FDIC Announces Meeting of the Advisory Committee on Community Banking (07.15.2021)

WASHINGTON – The Federal Deposit Insurance Corporation (FDIC) announced the agency's Advisory Committee on Community Banking will meet on Thursday, July 22nd to discuss local banking conditions as well as the work of the Minority Depository Institutions Subcommittee. FDIC senior staff will also provide updates on supervision matters, regulatory financial inclusion efforts, and initiatives of the FDIC's Office of Innovation–FDITECH. Read the full agenda.

In addition, the agency announced Anthony Capobianco, President and Chief Executive Officer of American Community Bank of Glen Cove, New York, will serve as the committee's newest member. Composed of a cross-section of community bankers from around the country, the Advisory Committee shares input on a broad range of community bank policy and regulatory matters. Mr. Capobianco will join the following Advisory Committee members:

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

Mike Bock, CEO, Dairy State Bank, Rice Lake, Wisconsin

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

Stephen Hayes, Chairman & President, Dakota Prairie Bank, Ft. Pierre, South Dakota

Harold Horvat, President, CEO & Chairman, Centreville Bank, West Warwick, Rhode Island

Betsy Johnson, President & CEO, Solutions Bank, Forreston, Illinois

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

Cindy Kitner, President & CEO, Jefferson Security Bank, Shepherdstown, West Virginia

Bruce Lowry, President & CEO, Ireland Bank, Malad City, Idaho

Neil McCurry, Jr., President & CEO, Sabal Palm Bank, Sarasota, Florida

Teri Messerschmitt, President & CEO, South Ottumwa Savings Bank, Ottumwa, Iowa

Patty Mongold, Chairperson, President & CEO, Mt. McKinley Bank, Fairbanks, Alaska

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

Margaret Oldner, CEO, Stone Bank, Mountain View, Arkansas

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

Andrew West, President & CEO, Eagle Bank, Polson, Montana

John Wharton V, President & CEO, Yampa Valley Bank, Steamboat Springs, Colorado

Information about the Advisory Committee on Community Banking, which was established in 2009, is available on the Committee's webpage. The virtual meeting is open to the public via live webcast.

Source link.

Comment: Thank you to all the community bankers that serve on this important advisory committee.

Updates to Public Information on Brokered Deposits (07.06.2021)

The Federal Deposit Insurance Corporation (FDIC) has updated the resources available on the FDIC's Banker Resource Center Brokered Deposits. The website has been updated to include a list of entities for which a Primary Purpose Exception Notice has been submitted. The webpage also includes an updated Question and Answer document addressing questions received on the brokered deposits regulation. Interested parties can sign up to receive alerts when the Brokered Deposits page is updated through the FDIC Subscription Service.

Statement of Applicability: This FIL is applicable to all FDIC-insured institutions.

Highlights:

The FDIC's Brokered Deposits webpage, available on the Banker Resource Center website, includes comprehensive information about the changes made to the brokered deposits regulation and the interest rate restrictions, which became effective on April 1, 2021.

The Brokered Deposits webpage has been updated to include a list of entities for which a Primary Purpose Exception Notice has been filed with the FDIC, and an updated Question and Answer document to address several questions received.

The FDIC has created a dedicated subscription service that allows interested parties to sign up to receive alerts when the Brokered Deposits webpage is updated. Interested parties can subscribe by visiting the FDIC Subscription Service, and selecting "Bank/Regulatory Policy" and then "Brokered Deposits" from the list of subjects.

When the question and answer document or other pages on the webpage are updated in the future, the FDIC will notify the public by sending an alert to those who have signed up for the subscription service.

Related Topics:

Banker Resource Center Brokered Deposits

§ 337.6 - Brokered deposits.

FIL-23-2021 - Webpage with Information on the Brokered Deposits Regulation including Instructions for Filing Requirements under the Primary Purpose Exception

Source link.

Comment: In an updated FAQ included on the webpage, the FDIC addressed (i) the extended compliance date, (ii) exclusive deposit placement arrangements, (iii) the deposit broker definition, (iv) the primary purpose exception and (v) reporting.

FDIC Makes Public May Enforcement Actions (06.25.2021)

WASHINGTON - The Federal Deposit Insurance Corporation (FDIC) today released a list of orders of administrative enforcement actions taken against banks and individuals in May. There are no administrative hearings scheduled for July 2021.

The FDIC issued 10 orders and one Notice in May 2021. The administrative enforcement actions in those orders consisted of two Orders to Pay Civil Money Penalties, four Section 19 Applications, three Orders Terminating Consent Orders, one Order of Prohibition from Further Participation, and Notice of Intention to Prohibit from Further Participation, one Notice of Assessment of Civil Money Penalties, Findings of Fact, Conclusions of Law, Order to Pay, and Notice of Hearing.

To view orders, adjudicated decisions and notices and the administrative hearing details online, please visit the FDIC's Web page by clicking the link below.

May 2021 Enforcement Decisions and Orders

Source link.

Comment: Enforcement decisions provide insights into examination concerns. As usual, there are penalties for violations of the Flood Disaster Protection Act.

OCC actions and news

Mortgage Performance Declines in First Quarter 2021 (06.28.2021)

WASHINGTON—The Office of the Comptroller of the Currency (OCC) reported that the performance of first-lien mortgages in the federal banking system declined during the first quarter of 2021.

The OCC Mortgage Metrics Report, First Quarter 2021 showed that 94.2 percent of mortgages included in the report were current and performing at the end of the quarter, compared to 96.5 percent a year earlier due to the COVID-19 pandemic.

The percentage of seriously delinquent mortgages—mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due—was 4.6 percent in the first quarter of 2021, compared to 5.2 percent in the prior quarter and 1.4 percent a year ago.

Servicers initiated 833 new foreclosures during the first quarter of 2021-, a 5.6 percent increase from the previous quarter and a 95.8 percent decrease from a year ago. Events associated with the COVID-19 pandemic, including foreclosure moratoriums, have significantly affected these metrics.

Servicers completed 47,773 mortgage modifications in the first quarter of 2021, an increase of 16.4 percent from the previous quarter. Of the 47,773 mortgage modifications, 55.3 percent of the modifications reduced borrowers' monthly payments, and 27,503, or 57.6 percent, were "combination modifications"—modifications that included multiple actions affecting affordability and sustainability of the loan, such as an interest rate reduction and a term extension.

The first-lien mortgages included in the OCC's quarterly report comprise 24 percent of all residential mortgage debt outstanding in the United States or approximately 13.2 million loans totaling $2.64 trillion in principal balances. This report provides information on mortgage performance through March 31, 2021, and it can be downloaded from the OCC's website, www.occ.gov.

Related Link

OCC Mortgage Metrics Report, First Quarter 2021 (PDF)

Source link.

Federal Reserve actions and news

Beige Book - July 14, 2021 (07.15.2021)

This report was prepared at the Federal Reserve Bank of Boston based on information collected on or before July 2, 2021. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

- Federal Reserve Bank of Boston
- Federal Reserve Bank of New York
- Federal Reserve Bank of Philadelphia
- Federal Reserve Bank of Cleveland
- Federal Reserve Bank of Richmond
- Federal Reserve Bank of Atlanta

- Federal Reserve Bank of Chicago
- Federal Reserve Bank of St. Louis
- Federal Reserve Bank of Minneapolis
- Federal Reserve Bank of Kansas City
- Federal Reserve Bank of Dallas
- Federal Reserve Bank of San Francisco

Overall Economic Activity

The U.S. economy strengthened further from late May to early July, displaying moderate to robust growth. Sectors reporting above-average growth included transportation, travel and tourism, manufacturing, and nonfinancial services. Energy markets improved slightly, and agriculture had mixed results. Supply-side disruptions became more widespread, including shortages of materials and labor, delivery delays, and low inventories of many consumer goods. Strained car inventories resulted in somewhat lower car sales despite steady demand, and home sales rose slightly despite limited supply. Nonauto retail sales grew at a moderate pace on balance, and tourism was buoyed by the further abatement of pandemic-related concerns. Residential construction softened in several Districts in response to rising costs, while commercial construction was mixed but up slightly on balance. Bank lending activity increased slightly or modestly in most Districts. The outlook for demand improved further, but many contacts expressed uncertainty or pessimism over the easing of supply constraints.

Employment and Wages

Three-quarters of Districts reported either slight or modest job gains and the remainder reported moderate or strong increases in employment. Healthy labor demand was broad-based but was seen as strongest for low-skilled positions. Wages increased at a moderate pace on average, and low-wage workers enjoyed above-average pay increases. Labor shortages were often cited as a reason firms could not staff at desired levels, with firms in three Districts delaying expansion or scaling back services due to understaffing. Higher than average turnover and lower retention rates were reported in three Districts. All Districts noted an increased use of non-wage cash incentives to attract and retain workers. Firms in several Districts expected the difficulty finding workers to extend into the early fall.

Prices

Prices increased at an above-average pace, as seven Districts reported strong price growth and the rest saw moderate gains. Pricing pressures were broad-based and grew more acute in the hospitality sector, as the reopening of hotels and restaurants confronted limited supplies of materials and workers. Construction costs remained high, but lumber prices reportedly eased a bit. Container prices returned to very high levels after having moderated in the spring. Pricing power was mixed, as some contacts reported that high end-user demand enabled them to increase their prices and others said that input price pressures had reduced their profit margins. While some contacts felt that pricing pressures were transitory, the majority expected further increases in input costs and selling prices in the coming months.

Source link.

Federal Reserve Announces It Will Soon Release New Tool to Help Community Banks Implement Current Expected Credit Losses (CECL) Accounting Standard (07.01.2021)

The Federal Reserve announced on Thursday it will soon release a new tool to help community banks implement the Current Expected Credit Losses (CECL) accounting standard. Known as the Scaled CECL Allowance for Losses Estimator or "SCALE," the spreadsheet-based tool draws on publicly available regulatory and industry data to aid community banks with assets of less than $1 billion in calculating their CECL allowances.

"The SCALE tool responds directly to one of the consistent concerns I've heard from across community banks—navigating the complexity of complying with CECL. I'm confident smaller banks will find this tool greatly simplifies that work and provides a practical solution to this important compliance challenge," said Governor Michelle W. Bowman.

The Federal Reserve will launch the SCALE tool and answer questions during an "Ask the Fed" webinar on July 15, 2021. The session is intended for community banks and will feature participation from the Financial Accounting Standards Board and the Conference of State Bank Supervisors. Registration information is available at https://www.askthefed.org/. The SCALE tool will be available via SupervisionOutreach.org/cecl.

Introduced by FASB in 2016, the CECL methodology was effective for most public financial institutions beginning in 2020 and most community banks with assets under $1 billion will implement CECL in 2023.

Source link.

Comment: Under the CECL model, the allowance will equate to the estimate of losses expected over the life of a financial asset. The allowance will be created upon origination or acquisition of the financial asset and updated at subsequent reporting dates. And since the CECL model eliminates the requirement to defer the recognition of credit losses until it is probable that a loss has occurred, applying this model will result in earlier loss recognition.

Other federal action and news

Second FinCEN Exchange on Ransomware to Take Place in August (07.15.2021)

WASHINGTON—The Financial Crimes Enforcement Network (FinCEN) announced it will convene a FinCEN Exchange in August 2021 with representatives from financial institutions, other key industry stakeholders, and federal government agencies to discuss ongoing concerns regarding ransomware, as well as efforts by the public and private sectors. The FinCEN Exchange will build upon FinCEN's November 2020 event on ransomware. FinCEN anticipates that this FinCEN Exchange will assist its government and private sector partners to inform next steps to address ransomware and focus resources to mitigate the threat. This announcement is part of a whole-of-government effort to combat ransomware.

"As the past few months have demonstrated, the surge in ransomware attacks threatens our critical infrastructure, municipalities and the most vulnerable among us and is increasingly impacting the lives of the American people," said FinCEN's Acting Director Michael Mosier. "Since this extortion threatens our collective safety, it is critical that we collaboratively gather to confront this threat together and determine the best way to increase our collective resilience to these malicious attacks."

Ransomware attacks are a growing concern for the financial sector, given that financial institutions can be targeted by ransomware attacks as well as reputational and financial integrity concerns about the role financial institutions might play in the processing of ransom payments. Efforts to detect and report ransomware payments are vital to prevent and deter ransomware attacks, and to hold these attackers accountable for their crimes. In October 2020, FinCEN issued an advisory to alert financial institutions to predominant trends, typologies, and potential indicators of ransomware and associated money laundering activities. In addition, in June 2021, FinCEN highlighted ransomware as a particularly acute cybercrime concern in its issuance of the first government-wide priorities for anti-money laundering and countering the financing of terrorism policy.

*****

FinCEN Exchange is a voluntary public-private partnership that convenes relevant stakeholders, including law enforcement and financial institutions. FinCEN Exchange aims to protect our national security and our citizens from harm by combatting money laundering and its related crimes, including terrorism, through public/private dialogue that encourages, enables, and acknowledges industry focus on high-value and high-impact activities.

Source link.

Comment: Be sure your bank has robust cybersecurity procedures in place. Do not forget the importance of employee training at all levels. Many ransomware attacks use social engineering—seducing someone into clicking on a link and downloading the malicious program. Bottom line, don't wait until ransomware strikes your bank to put the tools and solutions in place that can help you fight back.

CSBS BLOG Post -Tough Times Ahead? Maybe…But Not Yet (07.13.2021)

The CSBS second quarter 2021 Community Bank Sentiment Index (CBSI) indicates that community bankers remain optimistic, but policy concerns persist. Similar to last quarter's survey, community bankers expect better business conditions, higher profitability, stronger capital spending, greater franchise values and plan to expand operations in the coming year. Yet at the same time, community bankers worry about a regulatory environment that is more heavy-handed and harmful longer-run economic outcomes from possible monetary-policy missteps.

The headline number from the second quarter 2021 CBSI was 115, the same as the first quarter 2021 reading and significantly better than the record low sentiment score of 90 chronicled one year ago at the depths of the 2020 recession. With a value of 100 considered neutral, Chart 1 shows that community bankers in 2021 are far more optimistic than they were in 2020, but not quite back to levels seen in 2019.

…snip

The regulatory burden component stands at 26, just 5 points above its historic low of 21 recorded the previous quarter. Chart 3 shows that the regulatory burden component has been trending down since it peaked at 78 in the first quarter 2020. The monetary policy component fell 7 points from 96 to 89, which was the largest point change of any of the seven indicators this quarter. This component has been below 100 since the first quarter 2020.

Source link.

Community Bankers Stay Positive on Economy; Reg Burden and Monetary Policy Concerns Continue (07.08.2021)

Washington, D.C. – Community bankers' assessment about future economic and financial conditions continues to indicate a positive economic outlook, according to the most recent Community Bank Sentiment Index (CBSI).

The Conference of State Bank Supervisors (CSBS) released the second quarter 2021 CBSI results, collecting data from community banks across the nation during the month of June. The results showed a sentiment index of 115 points, the same as the first quarter.

"Community bankers expect future business conditions to improve and profitability to be higher," said CSBS Senior Economist Tom Siems. "On the flipside, community bankers remain concerned about potential burdensome regulation and anticipating the Fed's monetary policy decisions might cause more economic harm than good."

The CBSI captures on a quarterly basis what community bankers nationwide think about the future. Participant answers are analyzed and compiled into a single number; an index reading of 100 indicates a neutral sentiment. Anything above 100 indicates a positive sentiment, and anything below 100 indicates a negative sentiment.

Key findings from the second quarter 2021 results include:

- At 115, the Q2 2021 CBSI is the same as last quarter but 25 points higher than a year ago.
- The monetary policy component changed the most from the previous quarter, falling seven points from 96 to 89, suggesting that the Federal Reserve's monetary policy decisions are more negatively impacting community banker outlooks in the coming year.
- Regulatory burden remains the greatest concern for community bankers. The current value of 26 signals community banker anxiety that bank regulation could be more heavy-handed in the future; however, this reading improved by 5 points from last quarter's historic low of 21.
- The franchise value component also increased by 5 points to 155, returning to the average quarterly level recorded in 2019 and significantly above the low of 98 computed one year ago during the depths of the 2020 recession.

For more on the CBSI, visit https://www.csbs.org/cbindex.

Source link.

Message from the FinCEN Director: 180-Day Update on AML Act Implementation (06.30.2021)

WASHINGTON—Financial Crimes Enforcement Network (FinCEN) Acting Director Michael Mosier announced FinCEN's delivery of two key requirements pursuant to the Anti-Money Laundering of 2020 (the "AML Act"), which includes the Corporate Transparency Act. This special statement from the Acting Director of FinCEN serves to recognize the bureau's achievements to date.

"I am incredibly proud of what FinCEN has accomplished over the past 180 days," said Acting Director Michael Mosier. "Since the AML Act became law on January 1, 2021, our talented and committed career professionals have worked around the clock to implement this important piece of legislation while continuing to deliver on FinCEN's core mission. Every single success was achieved by the sheer dedication to mission and professionalism of the FinCEN work force. FinCEN will continue to make AML Act implementation a top priority, but we also look forward to continued work with Congress to ensure FinCEN has the resources needed to fulfill its critical mission of safeguarding the U.S. financial system from illicit finance while fostering innovation and resilience in the financial sector."

FinCEN Achievements to Date – Implementation of the AML Act

- February 4, 2021 – Announcement of the Financial Crimes Tech Symposium
- February 26, 2021 – Direct Hire Authority Operationalized

- March 9, 2021 – FinCEN Notice on Trade in Antiquities and Art
- March 23, 2021 – First FinCEN Exchange Since Codification of Program
- March 26, 2021 – Innovation and Emerging Technologies Briefing to the Senate Committee on Banking, Housing, and Urban Affairs and the House Financial Services Committee and Publication of Supporting Report on FinCEN's Innovation Hours Program
- April 1, 2021 – Beneficial Ownership Advance Notice of Proposed Rulemaking
- May 19, 2021 – Bank Secrecy Act Advisory Group Plenary Session, Announcing the Launch of New Subcommittees on Innovation and Technology and Information Security and Confidentiality
- June 28, 2021 – No-Action Letter Assessment Submitted to Congress
- June 30, 2021 – Publication of National AML/CFT Priorities and Related Guidance

For more information on these achievements, please visit the dedicated AML Act webpage on FinCEN's website.

Source link.

FinCEN Issues First National AML/CFT Priorities and Accompanying Statements (06.30.2021)

WASHINGTON—The Financial Crimes Enforcement Network (FinCEN) issued the first government-wide priorities for anti-money laundering and countering the financing of terrorism (AML/CFT) policy (the "Priorities"), following consultation with other relevant Department of the Treasury offices, as well as Federal and State regulators, law enforcement, and national security agencies. The Priorities identify and describe the most significant AML/CFT threats currently facing the United States. In no particular order, these include: corruption, cybercrime, domestic and international terrorist financing, fraud, transnational criminal organizations, drug trafficking organizations, human trafficking and human smuggling, and proliferation financing. FinCEN also issued two statements (the "AML/CFT Priorities Statements") to provide guidance to covered institutions on how to approach the Priorities.

"Today's publication of government-wide AML/CFT Priorities is a significant milestone in FinCEN's efforts to improve the efficiency and effectiveness of the nation's AML/CFT regime and to foster greater public-private partnerships," said Acting Director Michael Mosier. "The Priorities reflect the U.S. Government's view of the threat landscape—highlighting longstanding threats like corruption, fraud, and international terrorism, as well as rapidly evolving and acute threats, such as domestic terrorism, and ransomware and other cybercrime."

Today's publication of the Priorities, issued pursuant to the Anti-Money Laundering Act of 2020 (the "AML Act"), and accompanying AML/CFT Priorities Statements are intended to assist covered institutions in their AML/CFT efforts and enable those institutions to prioritize the use of their compliance resources. In particular, the Priorities highlight key threat trends as well as informational resources that can assist covered institutions in managing their risks. Coupled with the Department of the Treasury's 2020 Illicit Finance Strategy and 2018 National Risk Assessment, the Priorities aim to help covered institutions assess their risks, tailor their AML programs, and prioritize their resources.

FinCEN will update these Priorities to highlight new or evolving AML/CFT threats at least once every four years, as required by the AML Act. As further described in today's AML/CFT Priorities Statements, covered institutions are not required to make any immediate changes to their risk-based AML programs in response to these Priorities. FinCEN will propose implementing regulations in the coming months. FinCEN, the Federal functional regulators, and State regulators will not examine any covered institution for the incorporation of the Priorities into their risk-based AML programs until implementing regulations have been promulgated. Nevertheless, in preparation for any new requirements when those final rules are published, covered institutions may wish to start considering how they will incorporate the AML/CFT Priorities into their risk-based AML programs.

AML/CFT Priorities

Interagency Statement

FinCEN Statement

Source link.

IRS announces 'Dirty Dozen' tax scams for 2021 (07.16.2021)

WASHINGTON – The Internal Revenue Service began its "Dirty Dozen" list for 2021 with a warning for taxpayers, tax professionals and financial institutions to be on the lookout for these 12 nefarious schemes and scams.

This year's "Dirty Dozen" will be separated into four separate categories: pandemic-related scams like Economic Impact Payment theft; personal information cons including phishing, ransomware and phone 'vishing'; ruses focusing on unsuspecting victims like fake charities and senior/immigrant fraud; and schemes that persuade taxpayers into unscrupulous actions such as Offer In Compromise mills and syndicated conservation easements.

The agency compiled the list into these categories based on who perpetuates the schemes and who they impact. In addition to today's scams the IRS will highlight the other schemes over the next three days.

The IRS urges all taxpayers to be on guard, especially during the pandemic, not only for themselves, but also for other people in their lives.

"We continue to see scam artists use the pandemic to steal money and information from honest taxpayers in a time of crisis," said IRS Commissioner Chuck Rettig. "We provide this list to alert taxpayers about common scams that fraudsters use against their victims. At the IRS, we are dedicated to stopping these criminals, but it's up to all of us to remain vigilant to protect ourselves and our families."

Taxpayers are encouraged to review the "Dirty Dozen: list in a special section on IRS.gov and should be alert to these scams during tax filing season and throughout the year.

Source link.

HUD Proposes Restoring Discriminatory Effects Rule (06.25.2021)

WASHINGTON - U.S. Department of Housing and Urban Development (HUD) Secretary Marcia L. Fudge announced on Thursday that HUD will publish in the Federal Register a notice of proposed rulemaking (NPRM) entitled Restoring HUD's Discriminatory Effects Standard. The publication proposes to rescind the Department's 2020 disparate impact rule and restore the 2013 discriminatory effects rule. In its NPRM, HUD states that it believes the 2013 rule is more consistent with decades of caselaw and better effectuates the Act's broad remedial purpose of eradicating unnecessary discriminatory practices from the housing market.

"We must acknowledge that discrimination in housing continues today and that individuals, including people of color and those with disabilities, continue to be denied equal access to rental housing and homeownership," said Secretary Marcia L. Fudge. "It is a new day at HUD-and our Department is working to lift barriers to housing and promote diverse, inclusive communities across the country. Today's publication of the proposed discriminatory effects rule is the latest step HUD is taking to fulfill its duty to ensure more fair and equitable housing."

The Fair Housing Act prohibits discrimination in housing and housing-related services because of race, color, religion, national origin, sex, familial status, and disability. The discriminatory effects (also referred to as disparate impact) doctrine is a tool for addressing policies that cause systemic inequality in housing. It has long been used to challenge policies that unnecessarily exclude people from housing opportunities, including zoning requirements, lending and property insurance policies, and criminal records policies. Accordingly, having a workable discriminatory effects standard is vital for the accomplishment of the Biden-Harris Administration's policy goal of a housing market that is free from both intentional discrimination and policies and practices that have unjustified discriminatory effects.

HUD's 2013 discriminatory effects rule codified long-standing caselaw for adjudication of Fair Housing Act cases under the discriminatory effects doctrine, for cases filed administratively with HUD and for federal court actions brought by private plaintiffs. Under the 2013 rule, the discriminatory effects framework was straightforward: a policy that had a discriminatory effect on a protected class was unlawful if it did not serve a substantial, legitimate, nondiscriminatory interest or if a less discriminatory alternative could also serve that interest. The 2020 rule complicated that analysis by adding new pleading requirements, new proof requirements, and new defenses, all of which made it harder to establish that a policy violates the Fair Housing Act. HUD now proposes to return to the 2013 rule's straightforward analysis.

The public will have 60 days to file comments on the NPRM. HUD will review the comments, develop responses, and publish a final rule. In the meantime, HUD's Office of Fair Housing and Equal Opportunity (FHEO) continues to vigorously enforce the Fair Housing Act, including addressing policies and practices by housing providers, lenders, insurers, appraisers, and others that cause unjustified systemic inequities based on race or other protected class.

Source link.

Comment: In 2019, HUD, which had previously sought comment on the disparate impact rule, issued a proposed rule to replace the disparate impact standard in the 2013 rule. HUD adopted a final rule in September 2020. In releases of both the proposed and final rule, HUD stated it was implementing the limitations on the disparate impact rule contained in the ICP decision (Tex. Dep't of Housing & Cmty. Affairs et al. v. The Inclusive Communities Project, Inc. et al., 135 S. Ct. 2507 (2015); however, critics have alleged that the limitations in the 2020 rule go beyond what the Supreme Court intended in ICP.

2021 Child Tax Credit and Advance Child Tax Credit Payments Frequently Asked Questions (06.22.2021)

There have been important changes to the Child Tax Credit that will help many families receive advance payments. The American Rescue Plan Act (ARPA) of 2021 expands the Child Tax Credit (CTC) for tax year 2021 only.

Below are frequently asked questions about the Advance Child Tax Credit Payments in 2021, separated by topic.

Do not call the IRS. Our phone assistors don't have information beyond what's available on IRS.gov.

- Topic A: General Information
- Topic B: Eligibility for Advance Child Tax Credit Payments and the 2021 Child Tax Credit
- Topic C: Calculation of the 2021 Child Tax Credit

- Topic D: Calculation of Advance Child Tax Credit Payments
- Topic E: Advance Payment Process of the Child Tax Credit
- Topic F: Updating Your Child Tax Credit Information During 2021
- Topic G: Receiving Advance Child Tax Credit Payments
- Topic H: Reconciling Your Advance Child Tax Credit Payments on Your 2021 Tax Return
- Topic I: U.S. Territory Residents and Advance Child Tax Credit Payments
- Topic J: Unenrolling from Advance Payments
- Topic K: Verifying Your Identity to Manage your Payments

Source link.

Comment: One common question is whether these payments are subject to garnishment. Short answer is "yes." See G4 for the specifics on that particular question.

Publications, articles, reports, studies, testimony & speeches

Industrial Production and Capacity Utilization - G.17 (07.15.2021)

The annual revision to industrial production and capacity utilization was published on May 28, 2021. Data referred to in the release dated May 14, 2021, were superseded by the data issued at the time of the annual revision. Information on the annual revision to industrial production and capacity utilization appears below.

Industrial production increased 0.4 percent in June after moving up 0.7 percent in May. In June, manufacturing output edged down 0.1 percent, as an ongoing shortage of semiconductors contributed to a decrease of 6.6 percent in the production of motor vehicles and parts. Excluding motor vehicles and parts, factory output increased 0.4 percent. The output of utilities advanced 2.7 percent, reflecting heightened demand for air conditioning, as much of the country experienced a heat wave in June. The index for mining increased 1.4 percent.

For the second quarter as a whole, total industrial production rose at an annual rate of 5.5 percent. Manufacturing output increased at an annual rate of 3.7 percent despite a drop of 22.5 percent for motor vehicles and parts.

At 100.1 percent of its 2017 average, total industrial production in June was 9.8 percent above its year-earlier level but 1.2 percent below its pre-pandemic (February 2020) level. Capacity utilization for the industrial sector rose 0.3 percentage point in June to 75.4 percent, a rate that is 4.2 percentage points below its long-run (1972–2020) average.

Source link.

Disclosures and Data: Building Strong Foundations for Addressing Climate-Related Financial Risks

Vice Chair for Supervision Randal K. Quarles (07.11.2021)

Thank you for inviting me today. It is an honor to be here and, after more than a year of remote conversations, it is truly wonderful to see so many people in person.

As Chair of the Financial Stability Board (FSB), I have the privilege of collaborating with the Italian G20 Presidency, the G20 Finance Ministers and Central Bank Governors, and with the FSB membership on the most pressing issues affecting financial stability.1 Among those issues, one of increasing focus is understanding and *monitoring climate-related financial risks. Given the global nature of climate change, this demands a coordinated international effort.*

The FSB published last Wednesday a Climate Roadmap that presents a comprehensive and coordinated plan to address climate-related financial risks. The FSB's roadmap dovetails with the ongoing work of the G20 Sustainable Finance Working Group (SFWG) to develop a broader sustainable finance roadmap.

Today, in my role as Chair of the FSB, I would like to focus on the two foundational components of the FSB roadmap: disclosures and data. Globally consistent, comparable, and reliable disclosures, as well as a broader set of high-quality, relevant data, together, can provide the basis to assess climate-related financial risks and the impact on financial stability.

Source link.

Consumer Credit - G.19 (07.08.2021)

May 2021

In May, consumer credit increased at a seasonally adjusted annual rate of 10 percent. Revolving credit increased at an annual rate of 11.4 percent, while nonrevolving credit increased at an annual rate of 9.5 percent.

Source link.

How Much Slack Is Left in the Labor Market? (07.06.2021)

Through June 2021, the U.S. labor market—measured by civilian employment of those age 16 or older—has contracted by 7.1 million out of 158.7 million total jobs since February 2020, before COVID-19 took hold.

This would seem to indicate that considerable slack remains in the labor market. However, slack should be measured relative to the number of jobs that would exist in a "neutral" labor market—one absent all movement due to the business cycle. We show that the labor market was tight in February 2020 and, after taking this into account, it remains around 675,000 jobs short returning to neutral.

Federal Reserve Chairman Jerome Powell announced a new operating framework for the Federal Open Market Committee (FOMC) in August 2020. Under the new framework, the Fed will base policy decisions on "shortfalls" rather than "deviations" in employment from the estimate of its maximum level. This means that the FOMC will no longer look to tighten policy once slack has been removed from the labor market unless there are signs of inflation increasing to unwelcome levels.

A standard measure of labor market slack or tightness is the unemployment gap—the difference between the unemployment rate (U) and an estimate of the natural rate of unemployment (U*) when the economy operates at its potential level of output.

Source link.

Parachute Pants and Central Bank Money - Vice Chair for Supervision Randal K. Quarles (06.28.2021)

I have been reflecting recently, and in connection with this speech, on America's centuries-long enthusiasm for novelty. In the main, it has served us and the world well, by making America the home of so many of the scientific and practical innovations that have transformed life in the 21st century from that of the 19th. But, especially *when coupled with an equally American susceptibility to boosterism and the fear of missing out, it has also sometimes led to a mass suspension of our critical thinking and to occasionally impetuous, deluded crazes or fads.*

Sometimes the consequences are in hindsight merely puzzling or embarrassing, like that year in the 1980s when millions of Americans suddenly started wearing parachute pants. But the consequences can also be more serious.

Which brings us to my topic today: central bank digital currencies, or CBDCs. In recent months, public interest in a "digital dollar" has reached fever pitch. A wide range of experts and commenters have suggested that the Federal Reserve should issue—and in fact may need to issue—a CBDC. But before we get carried away with the novelty, I think we need to subject the promises of a CBDC to a careful critical analysis. In offering my views on this and other issues related to CBDCs, I am speaking for myself as a member of the Board of Governors, and not for the Board itself or any other Fed policymakers. And, indeed, you will all have seen Chair Powell's recent announcement that we are preparing a comprehensive discussion paper on this issue that will be the first step in a thorough public process to conduct just this sort of critical analysis, which I do not want to prejudge. But I do want to give some sense of the issues I think we will need to grapple with in this process, how I will be thinking about them, and the high bar that I think any proposal to create a U.S. CBDC must clear.

So, let's begin with a basic question: what problem would a CBDC solve? To answer, we first need to define the term CBDC and assess the current state of the U.S. payment system.

Source link.

Building Economic Resilience in Communities - Governor Michelle W. Bowman (06.23.2021)

Thank you, Emily, and thank you to the Federal Reserve Bank of Cleveland for hosting this policy summit. I'd also like to thank the participants and attendees for taking part in these critical conversations. It's really a pleasure to be here with you to support the discussions of economic resiliency that will take place over the next several days. Considerations of what builds resilient communities are at the top of the list as we look back at the economic impact from the pandemic and look ahead, as we experience a recovery that we want to benefit everyone.

I would also like to highlight that three of the sessions taking place over these next few days will provide an opportunity for all of you to convey your own perspectives on the economic recovery from the pandemic. We would like to hear directly from you about how you see the recovery progressing in your own communities, whether you see unique aspects to the way businesses and families in your communities experienced the downturn and ongoing recovery, and what opportunities or challenges you think may lie ahead as we all adjust to lasting changes in the economy following the pandemic.

These discussions will be the first of several aimed at continuing the Fed Listens initiative that began in 2019 and was part of the Federal Reserve's broad review of its monetary policy framework. The initial purpose of Fed Listens was to interact in a public setting with members of the public and community groups to hear about issues relating to our dual-mandate goals of maximum employment and price stability. The insights gained from these conversations proved to be highly valuable. Even though our framework review concluded last year, we are continuing the Fed Listens initiative with a focus this year on the economic recovery from the pandemic. We expect these listening sessions will benefit the Federal Reserve's ongoing policymaking process, while also providing important insights from affected communities, and enhancing transparency and public accountability.

With that in mind, let me briefly describe what I see as the current state of national economic conditions. As we continue to see progress toward the recovery, including the lifting of economic and social-distancing restrictions, the economy is growing at the fastest pace in decades. Economic output has likely surpassed its pre-pandemic peak, but even with this progress, there are over 10 million people still without jobs who are either actively looking for employment or have since left the labor force. Employment has been recovering rapidly in the sectors of the economy related to goods production and sales, but the services economy has been much slower to recover. Employment in the leisure and hospitality sectors is down by more than 3 million jobs since February of 2020.

As the recovery in the labor market and spending on goods and services continues to gain momentum, we are seeing upward pressures on consumer prices. In recent months, inflation has risen to well over the Federal Reserve's longer-run goal of 2 percent. This rise has reflected, in part, the fact that inflation numbers at the onset of the pandemic were very low. As those low values drop out of the 12-month average of price changes, this measure of inflation has increased and will likely increase further. But there is more to the recent rise in inflation than just these measurement issues. The impressive upswing in economic activity has played an important role as it has led to a number of supply chain bottlenecks and put upward pressure on prices for many goods. These upward price pressures may ease as the bottlenecks are worked out, but it could take some time, and I will continue to monitor the situation closely and will adjust my outlook as needed.

Source link.

Selected federal rules – proposed

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

PROPOSED DATE	SUMMARY OF PROPOSED RULE
07.13.2021	Proposed Interagency Guidance on Third-Party Relationships: Risk Management - The Board, FDIC, and OCC (together, the agencies) invite comment on proposed guidance on managing risks associated with third-party relationships. The proposed guidance would offer a framework based on sound risk management principles for banking organizations to consider in developing risk management practices for all stages in the life cycle of third-party relationships that takes into account the level of risk, complexity, and size of the banking organization and the nature of the third-party relationship. The proposed guidance sets forth considerations with respect to the management of risks arising from third-party relationships. The proposed guidance would replace each agency's existing guidance on this topic and would be directed to all banking organizations supervised by the agencies. DATES: Comments must be received no later than [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].
06.15.2021	Real Estate Lending Standards - The FDIC is inviting comment on a proposed rule to amend Interagency Guidelines for Real Estate Lending Policies (Real Estate Lending Standards). The purpose of the proposed rule is to align the Real Estate Lending Standards with the community bank leverage ratio (CBLR) rule, which does not require electing institutions to calculate tier 2 capital or total capital. The proposed rule would allow a consistent approach for calculating the ratio of loans in excess of the supervisory loan-to-value limits (LTV Limits) at all FDIC-supervised institutions, using a methodology that approximates the historical methodology the FDIC has followed for calculating this measurement without requiring institutions to calculate tier 2 capital. The proposed rule would also avoid any regulatory burden that could arise if an FDIC supervised institution subsequently decides to switch between different capital frameworks. DATES: Comments must be received by July 26, 2021.
06.01.2021	Federal Reserve Board Invites Public Comment on Proposed Rule to Govern Funds Transfers Over the Federal Reserve Banks' Fednow Service - The Federal Reserve Board on Tuesday invited comment on a proposed rule to govern funds transfers over the Federal Reserve Banks' FedNow℠ Service. The FedNow Service is a new 24x7x365 service that will support instant payments in the United States and is expected to be available in 2023. The proposed rule would establish a new and comprehensive set of rules governing funds transfers over the FedNow Service and set out the legal rights and obligations of the Reserve Banks and FedNow Service participants. Many of the concepts in the proposed rule are similar to existing provisions that govern the Fedwire

Funds Service, which is the payments service currently operated by the Federal Reserve System. Comments must be received by August 10, 2021.

Selected federal rules – upcoming effective dates

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

EFFECTIVE DATE:	SUMMARY OF FINAL RULE:
01.01.2021	Truth in Lending (Regulation Z) Annual Threshold Adjustments (Credit Cards, HOEPA, and Qualified Mortgages) - The Bureau of Consumer Financial Protection (Bureau) is issuing this final rule amending the regulation text and official interpretations for Regulation Z, which implements the Truth in Lending Act (TILA). The Bureau is required to calculate annually the dollar amounts for several provisions in Regulation Z; this final rule revises, as applicable, the dollar amounts for provisions implementing TILA and amendments to TILA, including under the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act), the Home Ownership and Equity Protection Act of 1994 (HOEPA), and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Bureau is adjusting these amounts, where appropriate, based on the annual percentage change reflected in the Consumer Price Index (CPI) in effect on June 1, 2020. DATES: This final rule is effective January 1, 2021.
02.17.2021	Higher-Priced Mortgage Loan Escrow Exemption (Regulation Z) -The Bureau of Consumer Financial Protection (Bureau) is issuing this final rule to amend Regulation Z, which implements the Truth in Lending Act, as mandated by section 108 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The amendments exempt certain insured depository institutions and insured credit unions from the requirement to establish escrow accounts for certain higher-priced mortgage loans. DATES: This final rule is effective February 17, 2021.
03.01.2021	Qualified Mortgage Definition under the Truth in Lending Act (Regulation Z): Seasoned QM Loan Definition - With certain exceptions, Regulation Z requires creditors to make a reasonable, good faith determination of a consumer's ability to repay any residential mortgage loan, and loans that meet Regulation Z's requirements for "qualified mortgages" (QMs) obtain certain protections from liability. Regulation Z contains several categories of QMs, including the General QM category and a temporary category (Temporary GSE QMs) of loans that are eligible for purchase or guarantee by government-sponsored enterprises (GSEs) while they are operating under the conservatorship or receivership of the Federal Housing Finance Agency (FHFA). The Bureau of Consumer Financial Protection (Bureau) is issuing this final rule to create a new category of QMs (Seasoned QMs) for first-lien, fixed-rate covered transactions that have met certain performance requirements, are held in portfolio by the originating creditor or first purchaser for a 36-month period, comply with general restrictions on product features and points and fees, and meet certain underwriting requirements. The Bureau's primary objective with this final rule is to ensure access to responsible, affordable mortgage credit by adding a Seasoned QM definition to the existing QM definitions. DATES: This final rule is effective March 1, 2021.
03.15.2021	OCC Final Rule on Supervisory Guidance - The OCC is adopting a final rule that codifies the Interagency Statement Clarifying the Role of Supervisory Guidance, issued by the OCC, Board of Governors of the Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and Bureau of Consumer Financial Protection (Bureau) (collectively, the agencies) on September 11, 2018 (2018 Statement). By codifying the 2018 Statement, with amendments, the final rule confirms that the OCC will continue to follow and respect the limits of administrative law in carrying out its supervisory responsibilities. The 2018 Statement reiterated well-established law by stating that, unlike a law or regulation, supervisory guidance does not have the force and effect of law. As such, supervisory guidance does not create binding legal obligations for the public. Because it is incorporated into the final rule, the 2018 Statement, as amended, is binding on the OCC. The final rule adopts the rule as proposed without substantive change. DATES: This final rule is effective March 15, 2021.
03.15.2021	CFPB Final Rule On The Role Of Supervisory Guidance - The Bureau of Consumer Financial Protection (Bureau) is adopting a final rule that codifies the Interagency Statement Clarifying the Role of Supervisory Guidance, issued by the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Bureau (collectively, the agencies) on September 11, 2018 (2018 Statement). By codifying the 2018 Statement, with amendments, the final rule confirms that the Bureau will continue to follow and respect the limits of administrative law in carrying out its supervisory responsibilities. The 2018 Statement reiterated well-established law by stating that, unlike a law or regulation, supervisory guidance does not have the force and effect of law. As such, supervisory guidance does not create binding legal obligations for the public. Because it is incorporated into the final rule,

the 2018 Statement, as amended, is binding on the Bureau. The final rule adopts the rule as proposed without substantive change. DATES: This final rule is effective March 15, 2021.

04.01.2021 Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restriction - The FDIC is finalizing revisions to its regulations relating to the brokered deposits and interest rate restrictions that apply to less than well capitalized insured depository institutions. For brokered deposits, the final rule establishes a new framework for analyzing certain provisions of the "deposit broker" definition, including "facilitating" and "primary purpose." For the interest rate restrictions, the FDIC is amending its methodology for calculating the national rate, the national rate cap, and the local market rate cap. Further, the FDIC is explaining when nonmaturity deposits are accepted and when nonmaturity deposits are solicited for purposes of applying the brokered deposits and interest rate restrictions. DATES: Effective Date: April 1, 2021; with an extended compliance date of January 1, 2022, as provided in section I(C)(4).

04.01.2021 FDIC Rule on the Role of Supervisory Guidance - The FDIC is adopting a final rule that codifies the Interagency Statement Clarifying the Role of Supervisory Guidance, issued by the FDIC, Board of Governors of the Federal Reserve System (Board), Office of the Comptroller of the Currency, Treasury (OCC), National Credit Union Administration (NCUA), and Bureau of Consumer Financial Protection (Bureau)(collectively, the agencies) on September 11, 2018 (2018 Statement). By codifying the 2018 Statement, with amendments, the final rule confirms that the FDIC will continue to follow and respect the limits of administrative law in carrying out its supervisory responsibilities. The 2018 Statement reiterated well-established law by stating that, unlike a law or regulation, supervisory guidance does not have the force and effect of law. As such, supervisory guidance does not create binding legal obligations for the public. Because it is incorporated into the final rule, the 2018 Statement, as amended, is binding on the FDIC. The final rule adopts the rule as proposed without substantive changes. DATES: This final rule is effective April 1, 2021.

04.01.2021 Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restriction - The FDIC is finalizing revisions to its regulations relating to the brokered deposits and interest rate restrictions that apply to less than well capitalized insured depository institutions. For brokered deposits, the final rule establishes a new framework for analyzing certain provisions of the "deposit broker" definition, including "facilitating" and "primary purpose." For the interest rate restrictions, the FDIC is amending its methodology for calculating the national rate, the national rate cap, and the local market rate cap. Further, the FDIC is explaining when nonmaturity deposits are accepted and when nonmaturity deposits are solicited for purposes of applying the brokered deposits and interest rate restrictions. DATES: Effective Date: April 1, 2021; with an extended compliance date of January 1, 2022, as provided in section I(C)(4).

07.29.2021 Regulation D: Reserve Requirements of Depository Institutions - The Board of Governors of the Federal Reserve System ("Board") is adopting amendments to Regulation D (Reserve Requirements of Depository Institutions) to eliminate references to an "interest on required reserves" rate and to an "interest on excess reserves" rate and replace them with a reference to a single "interest on reserve balances" rate; and to simplify the formula used to calculate the amount of interest paid on balances maintained by or on behalf of eligible institutions in master accounts at Federal Reserve Banks, and to make other conforming amendments. The Board requested comment on the amendments and received one comment that addressed issues not raised by the proposed amendments. Accordingly, the Board is adopting the final rule as proposed without change. DATES: Effective July 29, 2021.

08.31.2021 Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X - The Bureau of Consumer Financial Protection (Bureau) is issuing this final rule to amend Regulation X to assist mortgage borrowers affected by the COVID-19 emergency. The final rule establishes temporary procedural safeguards to help ensure that borrowers have a meaningful opportunity to be reviewed for loss mitigation before the servicer can make the first notice or filing required for foreclosure on certain mortgages. In addition, the final rule would temporarily permit mortgage servicers to offer certain loan modifications made available to borrowers experiencing a COVID-19-related hardship based on the evaluation of an incomplete application. The Bureau is also finalizing certain temporary amendments to the early intervention and reasonable diligence obligations that Regulation X imposes on mortgage servicers. DATES: This final rule is effective on August 31, 2021.

10.01.2022 Qualified Mortgage Definition under the Truth in Lending Act (Regulation Z): General QM Loan Definition - With certain exceptions, Regulation Z requires creditors to make a reasonable, good faith determination of a consumer's ability to repay any residential mortgage loan, and loans that meet Regulation Z's requirements for "qualified mortgages" (QMs) obtain certain protections from liability. One category of QMs is the General QM category. For General QMs, the ratio of the consumer's total monthly debt to total monthly income (DTI or DTI ratio) must not exceed 43 percent. This final rule amends the General QM loan definition in Regulation Z. Among other things, the final rule removes the General QM loan definition's 43 percent DTI limit and replaces it with price-based thresholds. Another category of QMs consists of loans that are eligible for purchase or guarantee by either the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) (government-sponsored enterprises or GSEs), while operating under the conservatorship or receivership of the Federal Housing Finance Agency (FHFA). The GSEs are currently under Federal conservatorship. In 2013, the Bureau established this category of QMs (Temporary GSE QMs) as a temporary measure that would expire no later than January 10, 2021 or when the GSEs cease to operate under conservatorship. In a final rule released on October 20, 2020, the Bureau extended the

Temporary GSE QM loan definition to expire on the mandatory compliance date of final amendments to the General QM loan definition in Regulation Z (or when the GSEs cease to operate under the conservatorship of the FHFA, if that happens earlier). In this final rule, the Bureau adopts the amendments to the General QM loan definition that are referenced in that separate final rule. DATES: The Consumer Financial Protection Bureau (CFPB) formally delayed the mandatory compliance date of the General Qualified Mortgage (QM) final rule from July 1, 2021 to October 1, 2022.

Common words, phrases and acronyms

APOR	"Average Prime Offer Rates" are derived from average interest rates, points, and other pricing terms offered by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics.
CFPB	Consumer Financial Protection Bureau
CARD Act	Credit Card Accountability Responsibility and Disclosure Act of 2009
CFR	Code of Federal Regulations. Codification of rules and regulations of federal agencies.
CRA	Community Reinvestment Act. This Act is designed to encourage loans in all segments of communities.
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
CTR	Currency Transaction Report. Filed for each deposit, withdrawal, exchange of currency that involves a transaction in currency of more than $10,000.
Dodd-Frank Act	The Dodd–Frank Wall Street Reform and Consumer Protection Act
DOJ	Department of Justice
FDIC	Federal Deposit Insurance Corporation
EFTA	Electronic Fund Transfer Act
Federal bank regulatory agencies	FDIC, FRB, and OCC
Federal financial institution regulatory agencies	BFCP, FDIC, FRB, NCUA, and OCC
FEMA	Federal Emergency Management Agency
FFIEC	Federal Financial Institutions Examination Council

FHFA	Federal Housing Finance Agency
FHA	Federal Housing Administration
FinCEN	Financial Crime Enforcement Network
FR	Federal Register. U.S. government daily publication that contains proposed and final administrative regulations of federal agencies.
FRB, Fed or Federal Reserve	Federal Reserve Board
FSOC	Financial Stability Oversight Council
FTC	Federal Trade Commission
GAO	Government Accountability Office
HARP	Home Affordable Refinance Program
HAMP	Home Affordable Modification Program
HMDA	Home Mortgage Disclosure Act
HOEPA	Home Ownership and Equity Protections Act of 1994
HPML	Higher Priced Mortgage Loan
HUD	U.S. Department of Housing and Urban Development
IRS	Internal Revenue Service
MLO	Mortgage Loan Originator
MOU	Memorandum of Understanding
NFIP	National Flood Insurance Program. U.S. government program to allow the purchase of flood insurance from the government.
NMLS	National Mortgage Licensing System
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Asset Control
OREO	Other Real Estate Owned
QRM	Qualified Residential Mortgage
Reg. B	Equal Credit Opportunity
Reg. C	Home Mortgage Disclosure

Reg. DD	Truth in Savings
Reg. E	Electronic Fund Transfers
Reg. G	S.A.F.E. Mortgage Licensing Act
Reg. P	Privacy of Consumer Financial Information
Reg. X	Real Estate Settlement Procedures Act
Reg. Z	Truth in Lending
RESPA	Real Estate Settlement Procedures Act

SAR	Suspicious Activity Report – Report financial institutions file with the U.S. government (FinCEN) regarding activity that may be criminal in nature.
SDN	Specially Designated National
TILA	Truth in Lending Act
TIN	Tax Identification Number
Treasury	U.S. Department of Treasury