Community Bankers of Michigan Regulatory Dispatch

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Timely news and resources community bankers can use

to better stay on top of a rapidly changing world.

Integris Reveals Top IT Trends in New Report, "Understanding U.S. Banks' Annual IT Spend"

IT managed service provider (MSP), Integris, announced availability of its latest report, "Understanding U.S. Banks' Annual IT Spend."

Integris' new report identifies bank executives' top strategic priorities within IT and technology for 2023 and 2024. The survey provides a peer benchmark and allows Integris to align with its clients' long-term plans and drive innovation in areas most important to today's banks. The survey was conducted online from June 12-30, 2023, among 2,271 executives at U.S. banks.

Among the many findings, the report reveals that more than one-third of respondents at U.S. banks are not confident in their current IT budget, with the majority (86%) indicating room for improvement. Additionally, bank executives rank Fear of a Cyber Breach as a top driver for future IT spend, followed by Customer Expectations and Competitive Pressures. The report also found that more than 80% of bankers expect to increase IT spending by at least 10% next year, while not a single financial institution plans to reduce spending.

Worth noting, the report found that most banks are confident in their current cyber security program, yet 47% say their IT spending in that area is not enough. A potential reason may be the growing risk of cybercrime. According to a report from Deloitte, nearly half of C-suite and other executives expect the size and number of cyber events to increase in the next year. To stay ahead of cyber criminals, banks must ensure their cyber security programs remain effective at combatting new and rising risks. Nearly one-third of banks indicate that Cyber Security remains a top priority in 2024.

Items of Interest

Bank Management

	FRB Inflation: Progress and the Path Ahead - Chair Jerome H. Powell (08/25/2023) – ***The Outlook*** *Turning to the outlook, although further unwinding of pandemic-related distortions should continue to put some downward pressure on inflation, restrictive monetary policy will likely play an increasingly important role. Getting inflation sustainably back down to 2 percent is expected to require a period of below-trend economic growth as well as some softening in labor market conditions.*

Economic growth
Restrictive monetary policy has tightened financial conditions, supporting the expectation of below-trend growth.5 Since last year's symposium, the two-year real yield is up about 250 basis points, and longer-term real yields are higher as well—by nearly 150 basis points.6 Beyond changes in interest rates, bank lending standards have tightened, and loan growth has slowed sharply.7 Such a tightening of broad financial conditions typically contributes to a slowing in the growth of economic activity, and there is evidence of that in this cycle as well. For example, growth in industrial production has slowed, and the amount spent on residential investment has declined in each of the past five quarters (figure 4).

But we are attentive to signs that the economy may not be cooling as expected. So far this year, GDP (gross domestic product) growth has come in above expectations and above its longer-run trend, and recent readings on consumer spending have been especially robust. In addition, after decelerating sharply over the past 18 months, the housing sector is showing signs of picking back up. Additional evidence of persistently above-trend growth could put further progress on inflation at risk and could warrant further tightening of monetary policy.

The labor market
The rebalancing of the labor market has continued over the past year but remains incomplete. Labor supply has improved, driven by stronger participation among workers aged 25 to 54 and by an increase in immigration back toward pre-pandemic levels. Indeed, the labor force participation rate of women in their prime working years reached an all-time high in June. Demand for labor has moderated as well. Job openings remain high but are trending lower. Payroll job growth has slowed significantly. Total hours worked has been flat over the past six months, and the average workweek has declined to the lower end of its pre-pandemic range, reflecting a gradual normalization in labor market conditions (figure 5).

This rebalancing has eased wage pressures. Wage growth across a range of measures continues to slow, albeit gradually (figure 6). While nominal wage growth must ultimately slow to a rate that is consistent with 2 percent inflation, what matters for households is real wage growth. Even as nominal wage growth has slowed, real wage growth has been increasing as inflation has fallen.

We expect this labor market rebalancing to continue. Evidence that the tightness in the labor market is no longer easing could also call for a monetary policy response.

Comment: Markets of late have been pricing in little chance of another hike at the September meeting of the Federal Open Market Committee, but are pointing to about a 50-50 chance of a final increase at the November session. Projections released in June showed that almost all FOMC officials saw another hike likely this year. Powell provided no clear indication of which way he sees the decision going. "Given how far we have come, at upcoming meetings we are in a position to proceed carefully as we assess the incoming data and the evolving outlook and risks," he said.

FDIC Board of Directors Meeting (08/22/2023) - The FDIC Board of Directors met in open session on August 29, 2023.

Place: This Board meeting was open to public observation only by webcast. Visit https://www.fdic.gov/news/board-matters/video.html for a link to the webcast. FDIC Board Members and staff will participate from FDIC Headquarters, 550 17th Street, NW, Washington, DC.

Read the Notice & Agenda

	Comment: The FDIC Board of Directors is comprised of a chairman, vice chairman and FDIC director, as well as the Comptroller of the Currency and the head of the Consumer Financial Protection Bureau.

BSA / AML

	No news to report this week.

Deposit / Retail Operations

CFPB Webinar Series: Elder Justice (08/24/2023) - The Consumer Financial Protection Bureau (CFPB) is hosting an elder justice webinar series in fall 2023. We invite elder justice professionals, elder fraud prevention and response networks, intermediaries, financial institutions and law enforcement to join us.

Register now!

Attend one or all sessions. Please share this invitation with colleagues. If you cannot participate live, the webinars will be recorded and available on the CFPB Elder Justice Playlist.

The fall 2023 Elder Justice Webinar Series includes:

Get to Know Your Federal Financial Regulators | September 7, 12:30 – 2:00 PM ET. Agency representatives will discuss their agencies' roles as Financial Institution Regulatory and Enforcement Agencies (FIREAs) and as partners in elder financial exploitation prevention and response. They will also share free resources for older consumers, account holders, and financial caregivers and how state and local elder justice organizations, networks, financial institutions, and law enforcement can work with them. Learn about these agencies:

- Consumer Financial Protection Bureau (CFPB)
- Federal Deposit Insurance Corporation (FDIC)
- Office of the Comptroller of the Currency (OCC)

Comment: According to the CFPB, the purpose of the program is to learn what happens after elder financial exploitation has been reported. Elder justice professionals will discuss their organizations' roles in reporting and investigating elder financial exploitation, as well as share resources for the field.

Human Resources

	No news to report this week.

Lending

Joint Agencies to Host Roundtable on Special Purpose Credit Programs (08/24/2023) - WASHINGTON, D.C.—Four federal agencies will host a roundtable discussion September 12, 2023, at 3:00 p.m. EDT regarding the availability of special purpose credit programs (SPCP) to help meet the credit needs of eligible individuals. The event will be open to the public via livestream.

	U.S. Department of Housing and Urban Development Secretary Marcia L. Fudge, Acting Comptroller of the Currency Michael J. Hsu, Federal Housing Finance Agency Director Sandra L. Thompson, and Consumer Financial Protection Bureau Director Rohit Chopra are scheduled to offer remarks at the event. The event will also include a roundtable discussion with representatives from community groups and industry trade organizations that is focused on the opportunities and benefits of SPCPs. SPCPs are a long-established tool permitted under the Equal Credit Opportunity Act (ECOA) and Regulation B. SPCPs can help creditors expand responsible credit access to economically or socially disadvantaged consumers and commercial enterprises. With proper planning, development, and implementation, lenders can use SPCPs as permitted under ECOA and Regulation B to help address the critical credit needs of underserved communities. Information about how to participate via livestream is available here. ***Comment: In June of 2022, the FRB issued the 4th Quarter Consumer Compliance Outlook entitled 'Overview of Special Purpose Credit Programs Under the Equal Credit Opportunity Act' that is certainly worth reviewing prior to the roundtable discussion.***

Technology / Security

	No news to report this week.

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.