



Community Bankers of Michigan Regulatory Dispatch

June 1, 2023

Timely news and resources community bankers can use

to better stay on top of a rapidly changing world.

Latest Consumer Compliance Outlook Released

Issue 1 2023 of Consumer Compliance Outlook is now available for download. This issue launches CCO's new format, featuring more supervisory data-driven content, and includes the following articles and features:

- Introduction from Gov. Bowman on CCO's new format
- Top Consumer Violations in 2022 for State Member Banks
- Top Consumer Complaints in 2022 for State Member Banks
- Common Challenges of Community Bank Compliance Officers
- Digital Banking Compliance Considerations
- Compliance Alert: Rate Reset Notices for Adjustable-Rate Mortgages Using LIBOR as an Index
- Compliance Alert: CA Letter 23-1 Revised HMDA Reporting Threshold for Closed-End Loans
- Regulatory Calendar
- Calendar of Events

Comment: This is a must read for compliance staff. The article entitled 'Common Challenges of Community Bank Compliance Officers' is an excellent read.

CBM Insights

Q. Do completed risk assessment require BOD approval?

A. There is no requirement that a risk assessment be **approved** by the board in either federal or state rules and regulations. The word approved is intentionally emphasized, but that does not mean it should not be reviewed.

While there is no specific requirement for approval, documentation of a review by the board of directors would be advisable.

Let's use BSA/AML for example – below is from the FFIEC manual:

To assure that BSA/AML compliance programs are reasonably designed to meet BSA regulatory requirements, banks structure their compliance programs to be risk-based. While not a specific legal requirement, a well-developed BSA/AML risk assessment assists the bank in identifying ML/TF and other illicit financial activity risks and in developing appropriate internal controls (i.e., policies, procedures, and processes). Understanding its risk profile enables the bank to better apply appropriate risk management processes to the BSA/AML compliance program to mitigate and manage risk and comply with BSA regulatory requirements. The BSA/AML risk assessment process also enables the bank to better identify and mitigate any gaps in controls. The BSA/AML risk assessment should provide a comprehensive analysis of the bank's ML/TF and other illicit financial activity risks. Documenting the BSA/AML risk assessment in writing is a sound practice to effectively communicate ML/TF and other illicit financial activity risks to appropriate bank personnel. The BSA/AML risk assessment should be provided to all business lines across the bank, the board of directors, management, and appropriate staff.

Source [link](#).

That same logic could be applied to any risk assessment.

Items of Interest

Bank Management

FRB [Hike, Skip, or Pause? Governor Christopher J. Waller](#) (05/24/2023) - Starting with the economy, activity has slowed from its pace in the latter half of last year. Real gross domestic product (GDP) is estimated to have grown at a modest rate last quarter, and different data available for the current quarter could be interpreted as suggesting growth is slowing or even accelerating a bit. Real GDP grew at an annual rate of 1.1 percent in the first three months of the year. The consensus of private sector forecasts tracked by the Blue Chip survey is for annualized growth of only a tenth of a percent or two above zero this quarter. By contrast, the Atlanta Fed's GDP Now projection, based on a range of data, is for a 2.9 percent growth rate. Retail sales and industrial production rose in April, though those gains followed two months of declining or flat readings. At the same time, April was the second month non-manufacturing businesses expanded modestly, according to respondents of the Institute for Supply Management survey.

Despite this slowing in activity from last year, we have a very tight labor market and high inflation. We also are at a period of higher-than-usual uncertainty about how credit conditions are evolving in response to the recent bank failures and stress among some other mid-size banks. Let me talk about each of these three key issues and then conclude with how I see these factors playing into my June policy decision.

Comment: Waller noted that even if skipping a rate hike at the June 13-14 meeting is warranted, "prudent risk management would suggest skipping a hike at the June meeting but leaning toward hiking in July based on the incoming inflation data."

OCC [Acting Comptroller Discusses Financial Inclusion](#) (05/23/2023) - WASHINGTON—Acting Comptroller of the Currency Michael J. Hsu discussed the Office of the Comptroller of the Currency's (OCC) commitment to a fair and inclusive financial system in remarks at the Bank On National Conference.

In his remarks, the Acting Comptroller discussed progress made by the CFE Fund and Bank On partners in improving access to bank accounts and how banks can further expand financial access to unbanked and underbanked populations. He also highlighted the OCC's work with diverse stakeholders to explore tools, data, and guidance that can be helpful in identifying and developing financial health vital signs for consumers.

FRB [Issues Economic Well-Being of U.S. Households in 2022 Report](#) (05/22/2023) - The Federal Reserve Board issued its Economic Well-Being of U.S. Households in 2022 report, which examines the financial lives of U.S. adults and their families. Overall, the report shows that higher prices have negatively affected most households and overall financial well-being declined over the prior year, though workers continued to benefit from a strong labor market.

The report draws from the Board's tenth annual Survey of Household Economics and Decision making, or SHED, which was conducted in October of last year. The report discusses findings related to financial well-being, income, expenses, employment, banking and credit, housing, retirement and investments, and higher education and student loans. The report, fact sheet, downloadable data, data visualizations, and a video summarizing the survey's findings are found here.

The report indicates that self-reported financial well-being declined in 2022, in part reflecting ongoing concerns about higher prices. In the fourth quarter of 2022, 73 percent of adults reported either doing okay or living comfortably financially, down 5 percentage points from the previous year and among the lowest levels observed since 2016.

Consistent with these changes in overall financial well-being, fewer adults reported having money left over after paying their expenses. Fifty-four percent of adults said that their budgets had been affected "a lot" by price increases. Parents living with children under age 18, Black adults, Hispanic adults, and those with a disability were more likely to say that their budgets had been affected "a lot" by higher prices.

Comment: "The SHED results provide helpful insights into the economic well-being of Americans," Fed Board Gov. Michelle Bowman said. "It is important that we continue to refine our understanding of the economic challenges facing U.S. households."

BSA / AML

No news to report this week.

Deposit / Retail Operations

No news to report this week.

Human Resources

No news to report this week.

Lending

No news to report this week.

Technology / Security

[CISA and Partners Release Cybersecurity Advisory Guidance Detailing PRC State-Sponsored Actors Evading Detection by "Living off the Land"](#) (05/25/2023) - On May 24, CISA joined the National Security Agency (NSA), the Federal Bureau of Investigation (FBI), and international partners in releasing a joint cybersecurity advisory highlighting recently discovered activities conducted by a People's Republic of China (PRC) state-sponsored cyber threat actor.

This advisory highlights how PRC cyber actors use techniques called “living off the land” to evade detection by using built-in networking administration tools to compromise networks and conduct malicious activity. This enables the cyber actor to blend in with routine Windows system and network activities, limit activity and data captured in default logging configurations, and avoid endpoint detection and response (EDR) products that could alert to the introduction of third-party applications on the host or network. Private sector partners have identified that this activity affects networks across U.S. critical infrastructure sectors, and the authoring agencies believe the actor could apply the same techniques against these and other sectors worldwide.

The authoring agencies have identified potential indicators associated with these techniques. To hunt for this activity, CISA and partners encourage network defenders to use the actor’s commands and detection signatures provided in this advisory. CISA and partners further encourage network defenders to view the indicators of compromise (IOCs) and mitigations summaries to detect this activity.

CISA and Partners Update the #StopRansomware Guide, Developed through the Joint Ransomware Task Force (JRTF) (05/23/2023) - CISA, the Federal Bureau of Investigation (FBI), the National Security Agency (NSA), and the Multi-State Information Sharing and Analysis Center (MS-ISAC) published an updated version of the #StopRansomware Guide, as ransomware actors have accelerated their tactics and techniques since its initial release in 2020. The update incorporates lessons learned from the past two years and includes additional recommended actions, resources, and tools to maximize its relevancy and effectiveness and to further help reduce the prevalence and impacts of ransomware.

The #StopRansomware Guide serves as a one-stop resource to help organizations reduce the risk of ransomware incidents through best practices to detect, prevent, respond, and recover, including step-by-step approaches to address potential attacks. The authoring organizations recommend that entities review this joint guide to prepare and protect their facilities, personnel, and customers from the impacts of ransomware and data exfiltration. For more information and to access the latest resources about how to stop ransomware, please visit stopransomware.gov.

This joint guide was developed through the Joint Ransomware Task Force (JRTF), an interagency collaborative effort to reduce the prevalence and impact of ransomware attacks. JRTF was established by Congress in 2022 and is co-chaired by CISA and FBI. For additional information about the JRTF, please visit CISA's newly launched Joint Ransomware Task Force (JRTF) webpage.

Comment: Researchers that track ransomware saw organizations’ payments to the gangs to decrypt their systems fall in 2022 compared with 2021. And, Stifel said, attacks on U.S. critical infrastructure are less frequent. At the same time, “we are seeing large attacks on critical infrastructure outside the United States, and we still know that hospital systems and school systems and state and local governments, in addition to small businesses, are still getting hit,” said Stifel, chief strategy officer for the Institute for Security and Technology.

Selected federal rules – proposed

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

PROPOSED RULE WITH REQUEST FOR PUBLIC COMMENT

05.01.2023 [CFPB Residential Property Assessed Clean Energy Financing \(Regulation Z\)](#) - SUMMARY: Section 307 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) directs the Consumer Financial Protection

Bureau (CFPB or Bureau) to prescribe ability-to-repay rules for Property Assessed Clean Energy (PACE) financing and to apply the civil liability provisions of the Truth in Lending Act (TILA) for violations. PACE financing is financing to cover the costs of home improvements that results in a tax assessment on the real property of the consumer. In this notice of proposed rulemaking, the Bureau proposes to implement EGRRCPA section 307 and to amend Regulation Z to address how TILA applies to PACE transactions to account for the unique nature of PACE. **DATES: Comments must be received on or before July 26, 2023.**