Community Bankers of Michigan Regulatory Dispatch

March 8, 2022

Timely news and resources community bankers can use

to better stay on top of a rapidly changing world.

Insured Institutions Reported Net Income of $63.9 Billion in Fourth Quarter 2021

Reports from 4,839 commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reflect aggregate net income of $63.9 billion in fourth quarter 2021, an increase of $4.4 billion (7.4 percent) from a year ago. This increase was driven by further economic growth and improved credit conditions, which led to expanded net interest income and a fourth consecutive quarter of aggregate negative provision expense. These and other financial results for fourth quarter and full-year 2021 are included in the FDIC's latest Quarterly Banking Profile released today.

- Negative Provision Expense Drove Increased Full-Year 2021 Net Income
- Quarterly Net Income Continued to Increase Year Over Year
- Net Interest Margin Remained Stable Quarter Over Quarter
- Quarterly Loan Growth Was Broad-Based
- Asset Quality Continued to Improve

Community Banks Reported an Increase in Quarterly Net Income and Full-Year Net Income.

"With strong capital and liquidity levels to support lending and protect against potential losses, the banking industry continued to meet the country's credit needs while navigating the economic effects of the pandemic. Still, challenges remain, as rising interest rates and geopolitical uncertainty could negatively affect bank profitability, credit quality, and loan growth going forward."

— FDIC Acting Chairman Martin J. Gruenberg

Source link.

Comment: The banking industry reported full-year 2021 net income of $279.1 billion, up $132.0 billion (89.7 percent) from 2020.

CBM Insights

Q: Would a RV Park with long-term rentals be HMDA Reportable?

A: Some confusion seems to lie in the fact that a 'manufactured home community' qualifies as a 'dwelling' and may be HMDA reportable. But an RV is not a 'dwelling,' meaning an RV Park – no matter how long the renters stay - is not the same as a 'manufactured home community.'

Under revised HMDA rules effective 1/1/2018, RVs (including park model recreational vehicles) are specifically excluded.

The particular part of the commentary regarding 'manufactured home communities' and exclusions from the definition of a 'dwelling' is at 12 CFR § 1003.2(f)-2. Notice the underlined passages below.

2. Multifamily residential structures and communities. A dwelling also includes a multifamily residential structure or community such as an apartment, condominium, cooperative building or housing complex, or a manufactured home community. A loan related to a manufactured home community is secured by a dwelling for purposes of § 1003.2(f) even if it is not secured by any individual manufactured homes, but only by the land that constitutes the manufactured home community including sites for manufactured homes. However, a loan related to a multifamily residential structure or community that is not a manufactured home community is not secured by a dwelling for purposes of § 1003.2(f) if it is not secured by any individual dwelling units and is, for example, instead secured only by property that only includes common areas or is secured only by an assignment of rents or dues.

3. Exclusions. Recreational vehicles, including boats, campers, travel trailers, and park model recreational vehicles, are not considered dwellings for purposes of § 1003.2(f), regardless of whether they are used as residences. Houseboats, floating homes, and mobile homes constructed before June 15, 1976, are also excluded, regardless of whether they are used as residences. Also excluded are transitory residences such as hotels, hospitals, college dormitories, and recreational vehicle parks, and structures originally designed as dwellings but used exclusively for commercial purposes, such as homes converted to daycare facilities or professional offices.

Source link.

Following that logic, a manufactured home can be a 'dwelling' but an RV can never be a 'dwelling' and a park for RV's would not be HMDA reportable. HUD goes so far as to state in its FAQs that a home built as a park model RV (or even a tiny home) cannot later be changed to a 'manufactured home' with a HUD label. The same logic would apply to an RV, meaning once an RV always an RV, even if used as a residence.

Now if there is also a 'dwelling' on the property that the owners live in, for example, it could be evaluated under 'mixed use.' Same if it is mixed with manufactured homes and RVs.

Items of Interest

Bank Management

FRB Beige Book (03.01.2022) - This report was prepared at the Federal Reserve Bank of St. Louis based on information collected on or before February 18, 2022. 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

Economic activity has expanded at a modest to moderate pace since mid-January. Many Districts reported that the surge in COVID-19 cases temporarily disrupted business activity as firms faced heighted absenteeism. Some Districts attributed a temporary weakening in demand in the hospitality sector to the rise in cases. Severe winter weather was also cited as disrupting activity. As a result, consumer spending was generally weaker than in the prior report. Reports on auto sales were mixed. Manufacturing activity continued to grow at a modest pace. All Districts noted that supply chain issues and low inventories continued to restrain growth, particularly in the construction sector. Reports from banking contacts indicated some weakening of financial conditions, although loan demand was generally unchanged. Demand for residential real estate was generally strong, although many Districts reported no change in home sales due to seasonal trends and low inventories. Agriculture reports were somewhat mixed, as some Districts experienced difficult growing conditions while others benefited from higher crop prices. Reports on the energy sector indicated modest growth. Among reporting Districts, the overall economic outlook over the next six months remained stable and generally optimistic, although reports highlighted an elevated degree of uncertainty.

Labor Markets

Employment increased at a modest to moderate pace. Widespread strong demand for workers remained hampered by equally widespread reports of worker scarcity, though some Districts reported scattered signs of improving labor supply. Many firms had difficulty maintaining their staffing levels due to high turnover; this challenge was exacerbated by COVID-19 disruptions in January, though workers and firms recovered more quickly than during previous waves. Firms continued to increase compensation and introduce workplace flexibility to attract workers—especially in historically low-wage positions—with mixed success. Contacts reported they expect the tight labor market and consequent strong wage growth to continue, though a few Districts reported signs of wage growth moderating.

Prices

Prices charged to customers increased at a robust pace across the nation. A few Districts reported an acceleration in prices. Rising input costs were cited as a primary contributing factor across a broad swath of industries, with elevated transport costs particularly significant. Labor cost increases and ongoing materials shortages also contributed to higher input prices. Firms reported an increased ability to pass on prices to consumers; in most cases, demand has remained strong despite price increases. Firms reported they expect additional price increases over the next several months as they continue to pass on input cost increases.

Comment: All Districts indicated supply chain issues and low inventories continued to restrain growth, especially in the construction sector.

CSBS Blog 5 of 7: How are Core Service Providers Viewed? (03.01.2022) - ADAPTING TO THE DIGITAL AGE SERIES (Blog)

Blog 1: Macroeconomic Forces
Blog 2: Competitive Forces
Blog 3: Tech Usage
Blog 4: Is Tech an Opportunity or a Threat?
Blog 5: How are Core Services Providers Viewed?

Each blog in this series will contain an updated table of contents. Bookmark this page and come back here to read more as the series continues.

In this seven-part blog series, we explore how community banks are adapting to a changing digital landscape by analyzing banking and technology questions from the 2021 CSBS National Survey of Community Banks. Survey results are presented each fall at the annual Community Banking in the 21st Century Research and Policy Conference, sponsored by CSBS, the Federal Reserve and the Federal Deposit Insurance Corp.

In the fifth installment in this series, we examine how community bankers view their core service providers.

In today's technology-driven banking environment, a community bank's relationship with its core service provider should be a strategic partnership that supports its business objectives. In our previous blog post, we found that community banks view future technological innovation more as an opportunity than a threat, particularly for high tech-usage banks and larger banks. So, how satisfied are community banks with their core service provider?

Tech Spending

The 2021 CSBS National Survey of Community Banks (Survey) provides a unique look at how community banks view their relationship with their CSPs. Of the 213 banks that

	responded to a question about their provider of digital banking support, over half reported relying exclusively on their traditional core service provider (e.g., Jack Henry, FISERVE, or FIS). Over 30% reported they relied on their current core service provider and other providers, which likely includes vendors that provide specialized applications for mobile banking that "bolt on" to the core service provider platform (e.g., Q2). About 16% of those responding to the question reported they rely on their current core service provider but are seeking a fintech relationship, perhaps for a banking-as-a-service partnership. Only four respondents (two percent of those answering the question) reported that a fintech firm was their source of digital banking support and two responded that they use no external provider (presumably in-house only). ***Comment: According to a 2020 study, the three biggest core providers do business with 90% of U.S. banks with less than $1 billion in assets. The lack of competition in the market for corporate bank technology providers is creating an even greater strain on the relationship between banks and the core providers.***
	OCC Revised Licensing Booklets: Revised Comptroller's Licensing Manual Booklets (02.28.2022) - The Office of the Comptroller of the Currency (OCC) issued the "Articles of Association, Charter, and Bylaw Amendments," "Fiduciary Powers," "Subordinated Debt," and "Subsidiaries and Equity Investments" booklets of the Comptroller's Licensing Manual. The revised booklets replace booklets of the same title issued between June 2017 and January 2019. The revised booklets reflect recent changes to 12 CFR 5, make corrections when necessary, and contain updated guidance. Note for Community Banks These booklets apply to all national banks, federal savings associations, and federal branches and agencies of foreign banking organizations. Highlights The revised licensing booklets • reflect recent updates to 12 CFR 5 and other regulations, as applicable. • remove references to outdated guidance and provide current references. • make other minor modifications and corrections throughout.

BSA / AML

	FinCEN Deputy Director Delivers Remarks at AML Intelligence's Women in FinCrime Event (03.03.2022) - AnnaLou Tirol, Deputy Director of the Financial Crimes Enforcement Network (FinCEN), delivered remarks at an event featuring Women in FinCrime where she discussed how FinCEN's leaders are working to combat corruption and implement landmark U.S. Anti-Money Laundering legislation.

Deposit / Retail Operations

	FTC Giving to Help in Ukraine? Get Your Money Where You Mean it To Go (03.03.2022) - As ever, when scammers spot a crisis in the world, they are there to take advantage. It's true after natural disasters, when scammers set up fake charities that look and sound like real ones to try to get your money. And it's true now that millions of people want to support the Ukrainian people. If you're one of them, take a moment to make sure your generosity really benefits the people and groups you intend. Here are some places to start. • Check out the organization. Search online for the name of the group, plus words like "review," "scam," or "complaint." See if others have had good or bad experiences with the charity. And see what charity watchdog groups say about that organization. • Slow down. You don't have to give immediately. It's a good idea to do some research first to make sure your donation goes where you want it go. • Find out how your money will be spent. Ask, for example, how much of your donation will go to the program you want to help? If someone calls to ask to donate, they should be able to answer those critical questions. • Know who's asking. Don't assume a request to donate is legitimate because a friend posted it on social media. Your friend might not personally know the charity or how it spends money. • Look at fees and timing, especially if you're donating through social media. Be sure to make sure what organization your donation goes to, check whether there are fees, and how quickly your money gets to them. And if you can't find the answers quickly, consider donating in other ways. ***Comment: Consider posting this helpful info on your bank's website as a consumer advisory. The FTC also offers other tips and helpful information on spotting scams and how to avoid becoming a victim.***

Human Resources

	FDIC 2021 Financial Institution Diversity Self-Assessments: Voluntary Self-Assessments Accepted Now through June 30, 2022 (02.28.2022) - The FDIC's Office of Minority and Women Inclusion (OMWI) encourages all FDIC-supervised financial institutions, particularly those with 100 or more employees, to submit voluntary self-assessments of their diversity policies and practices. The FDIC gathers and analyzes this information in accordance with Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The window for submissions for the 2021 reporting period is open until June 30, 2022. Statement of Applicability: The information conveyed in this Financial Institution Letter (FIL) is applicable to all FDIC-supervised financial institutions.

	Highlights: OMWI's Financial Institution Diversity program assesses the diversity policies and practices among FDIC-supervised financial institutions in the following areas: • Organizational commitment to diversity and inclusion, • Workforce profile and employment practices, • Procurement and business practices/supplier diversity, • Practices to promote transparency of organizational diversity and inclusion, and • Entities' self-assessment. The FDIC provides a user guide, a submission demonstration video, and other resources to help institutions assess, and identify ways to strengthen, their diversity policies and practices. Submission of Financial Institution Diversity Self-Assessment (FID-SA) information is voluntary but encouraged for all FDIC-supervised financial institutions with 100 or more employees. The assessment is not an examination requirement; results have no impact on an institution's safety and soundness, consumer compliance, or CRA examination ratings. The FDIC treats all information gathered through the self-assessments as confidential commercial information. Requests for data or information will be processed in accordance with the Freedom of Information Act. The diversity self-assessment form is fully automated and accessible online through the secure FDICconnect portal. Multiple authorized users can complete the self-assessment electronically, view previous submissions, and easily import content from a previous submission for the current reporting period. If you need to obtain access to the FDICconnect portal, contact your institution's FDICconnect Coordinator. If you do not know who your institution's coordinator is, send an email to FDICconnect@fdic.gov. FDIC Financial Institution Diversity Program FID-SA Diversity Self-Assessment Portal Page Analyses of Diversity Self-Assessments ***Comment: This report is still voluntary. However, if you have 100 or more employees, be sure to file it.***

Lending

	FDIC Issues List of Banks Examined for CRA Compliance (03.04.2022) -The Federal Deposit Insurance Corporation (FDIC) issued its list of state nonmember banks recently evaluated

	for compliance with the Community Reinvestment Act (CRA). The list covers evaluation ratings that the FDIC assigned to institutions in December 2021.
	CFPB Moves to Thwart Illegal Auto Repossessions (02.28.2022) - The Consumer Financial Protection Bureau (CFPB) is moving to thwart illegal repossessions in the heated auto market. A compliance bulletin issued today reveals conduct observed during CFPB examinations and enforcement actions, including the illegal seizure of cars, sloppy record keeping, unreliable balance statements, and ransom for personal property. "With today's high car prices, auto lenders and investors might be tempted to seize vehicles for resale in the hot used car market," said CFPB Director Rohit Chopra. "No American ever wants to wake up to see their car stolen. Auto loan servicers need to ensure that every repossession is lawful." To head off the risk of wrongful repossessions, the Bureau is taking action against illegal repossessions and sloppy servicing of auto loans. The bulletin describes instances, in examinations and enforcement actions, where servicers violated the Dodd-Frank Wall Street Reform and Consumer Protection Act's prohibition against unfair, abusive, or deceptive acts and practices such as: • Illegally seizing cars: Servicers are repossessing vehicles from borrowers who made payments sufficient to stop the repossession or who entered a payment plan. Given the high level of harm caused by wrongful repossessions, servicers must ensure that every single repossession is valid. • Sloppy record keeping: Incorrectly coded records or agents failing to talk to their colleagues about canceling repossession orders hurts consumers and is a violation of federal law. Servicers need to ensure proper communication between them and any third-party processing a repossession. • Unreliable balance inquiries: Inaccurate balances can lead to a borrower paying less than a sufficient amount to avoid delinquency, resulting in a repossession. People are also having their vehicles repossessed because their loan payments are processed in a different order than what they had been told. • Ransom for personal property: Servicers are still holding personal property found in repossessed vehicles hostage until the property owner pays a fee, a practice the CFPB has been cracking down on for years.

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.

PROPOSED RULE WITH REQUEST FOR PUBLIC COMMENT

01.26.2022 Request for Information Regarding Fees Imposed by Providers of Consumer Financial Products or Services - The Consumer Financial Protection Bureau (Bureau or CFPB) is seeking comments from the public related to fees that are not subject to competitive processes that ensure fair pricing. The submissions to this request for information will serve to assist the CFPB and policymakers in exercising its enforcement, supervision, regulatory, and other authorities to create fairer, more transparent, and competitive consumer financial markets. **DATES: Comments must be received on or before March 31, 2022.**

01.25.2022 Pilot Program on Sharing of Suspicious Activity Reports and Related Information With Foreign Branches, Subsidiaries, and Affiliates - FinCEN is issuing this notice of proposed rulemaking to seek public comment on the proposed establishment of a limited-duration pilot program, subject to conditions set by FinCEN, to permit a financial institution with a suspicious activity report (SAR) reporting obligation to share SARs and information related to SARs with the institution's foreign branches, subsidiaries, and affiliates for the purpose of combating illicit finance risk, in accordance with Section 6212(a) of the Anti-Money Laundering Act of 2020 (AML Act). **DATES: Written comments on this proposed rule must be received on or before March 28, 2022.**