Community Bankers of Michigan Regulatory Dispatch

May 11, 2022

Timely news and resources community bankers can use

to better stay on top of a rapidly changing world.

Agencies Issue Joint Proposal to Strengthen and Modernize Community Reinvestment Act Regulations

WASHINGTON—Federal bank regulatory agencies jointly issued a proposal to strengthen and modernize regulations implementing the Community Reinvestment Act (CRA) to better achieve the purposes of the law. CRA is a landmark law enacted 45 years ago to encourage banks to help meet the credit needs of their local communities, including low- and moderate-income (LMI) neighborhoods, in a safe and sound manner.

Building on feedback from stakeholders and research, the agencies invite public comment on their joint proposal, which has the following key elements:

- **Expand access to credit, investment, and basic banking services in low- and moderate-income communities.** Under the proposal, the agencies would evaluate bank performance across the varied activities they conduct and communities in which they operate so that CRA is a strong and effective tool to address inequities in access to credit. The proposal would promote community engagement and financial inclusion. It would also emphasize smaller-value loans and investments that can have high impact and be more responsive to the needs of LMI communities.

- **Adapt to changes in the banking industry, including internet and mobile banking**. The proposal would update CRA assessment areas to include activities associated with online and mobile banking, branchless banking, and hybrid models.

- **Provide greater clarity, consistency, and transparency.** The proposal would adopt a metrics-based approach to CRA evaluations of retail lending and community development financing, which includes public benchmarks, for greater clarity and consistency. It also would clarify eligible CRA activities, such as affordable housing, that are focused on LMI, underserved, and rural communities.

- **Tailor CRA evaluations and data collection to bank size and type.** The proposal recognizes differences in bank size and business models. It provides that smaller banks would continue to be evaluated under the existing CRA regulatory framework with the option to be evaluated under aspects of the new proposed framework.

- **Maintain a unified approach.** The proposal reflects a unified approach from the bank regulatory agencies and incorporates extensive feedback from stakeholders.

Comments on the attached proposal will be accepted on or before August 5, 2022.

Related Links
[Notice of Proposed Rulemaking (PDF)]
[Community Reinvestment Act Proposal Fact Sheet (PDF)]

Comment: It appears that small banks could still elect to be evaluated under the current scheme. It also seems the proposed rule would include more specific standards for online, mobile and branchless banking, and in a nod to the OCC's previous efforts, more clearly delineate activities that will qualify for CRA credit. We will be combing through this hefty proposal, seeking feedback from bankers, and crafting our response.

ASK the Regulators

On Wednesday, May 11, 2022, at 3:00 ET, the agencies will jointly host a special Ask the Regulators/Connecting Communities webinar for all CRA stakeholders that will provide an overview of the proposal and its objectives. Topics will include assessment areas, qualified activities, evaluation approach, ratings, and data collection and reporting. The session will be presented jointly by CRA policy experts from the Board, OCC, and FDIC.

Registration for the webinar is now available at: https://www.webcaster4.com/Webcast/Page/584/45470

CBM Insights

Q: They are re-mapping our flood zones and we are getting notices of the change via 'life of loan' service from our vendor. Do we need to obtain new flood determinations? Notify the borrower? Require flood insurance? Escrow for flood insurance?

A: Let's take those one at a time.

Do we need to obtain new flood determinations? – No. You are only required to obtain a SFHD when you have a 'trip-wire' event – that is 'Making. Increasing. Renewing. Extending.' In other words, if you have an existing loan and are notified of a map change, you don't need to get a new determination.

Required to notify the borrower? – Maybe. If the map change resulted in the property now being in a Special Flood Hazard Area, you will need to provide a flood notification to the borrowers.

Require flood insurance? – Maybe. While you are not required to monitor for map changes, once you have knowledge the property is now in a Special Flood Hazard Area, you are required to obtain flood insurance on the property. The borrower has 45 days from when you notify them for the need to purchase flood insurance. The exception to that would be if through your contract the vendor notifies the borrower, in that case it would be 45 days from the date the vendor notified them. You could force place coverage from day 1 but could not charge the borrower until after the 45th day.

Required to escrow for flood insurance? – Maybe. If the map change resulted in the property now being in a Special Flood Hazard Area, and you had an existing escrow for taxes and insurance, you would be required to add the escrow for flood insurance. If you did not have an existing escrow for taxes and insurance, you would not have to establish an escrow for flood insurance because remapping is not a 'trip-wire' event.

Items of Interest

Bank Management

	FRB Reflections on Monetary Policy in 2021 - Governor Christopher J. Waller (05/06/2022) *Back in September and December 2020, respectively, the Federal Open Market Committee (FOMC) laid out guidance for raising the federal funds rate off the zero lower bound and for tapering asset purchases. We said that we would "aim to achieve inflation moderately*

above 2 percent for some time" to ensure that it averages 2 percent over time and that inflation expectations stay anchored. We also said that the Fed would keep buying $120 billion per month in securities until "substantial further progress" was made toward our dual-mandate objectives. It is important to stress that views varied among FOMC participants on what was "some time" and "substantial further progress." The metrics for achieving these outcomes also varied across participants.

A few months later, in March 2021, I made my first submission for the Summary of Economic Projections as an FOMC member. My projection had inflation above 2 percent for 2021 and 2022, with unemployment close to my long-run estimate by the second half of 2022. Given this projection, which I believed was consistent with the guidance from December, I penciled in lifting off the zero lower bound in 2022, with the second half of the year in mind. To lift off from the ZLB in the second half of 2022, I believed tapering of asset purchases would have to start in the second half of 2021 and conclude by the third quarter of 2022.

This projection was based on my judgment that the economy would heal much faster than many expected. This was not 2009, and expectations of a slow, grinding recovery were inaccurate, in my view. In April 2021, I said the economy was "ready to rip," and it did.1 I chose to look at the unemployment rate and job creation as the labor market indicators I would use to assess whether we had made "substantial further progress." My projection was also based on the belief that the jump in inflation that occurred in March 2021 would be more persistent than many expected.

Comment: To better understand the Fed's actions, speeches like this are worth reading. In April of this year, Governor Waller said the U.S. central bank needs to raise rates aggressively to fight inflation, but not so abruptly as to stress markets, destroy jobs and push the economy into recession.

CSBS Community Banks Adapting to the Digital Age (05/05/2022) - Guests:

- *CSBS Chief Economist **Thomas F. Siems***
- *Federal Reserve Bank of St. Louis Supervision Policy, Research and Analysis Manager **Meredith A. Covington***
- *Temple University Professor of Finance and CSBS Adjunct Research Scholar **Jonathan A. Scott***

In this episode, 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.

CHAPTERS: (TO LISTEN TO THESE PODCASTS, YOU MUST CREATE AN ACCOUNT WITH BUZZSPROUT)

1. 1:28 - Why survey community banks?
2. 3:44 - How do benchmark interest rates impact community banks?
3. 5:52 - What competitive pressures do community banks face?
4. 8:41 - How are community banks responding?
5. 11:40 - How does a small bank leverage tech on a limited budget?
6. 14:20 - How do community banks achieve "economies of scale?"
7. 17:56 - Are community bankers approaching with tech excitement or apprehension?
8. 22:53 - What impact has Covid-19 had on community bankers' approach to tech?
9. 26:00 - The 2022 Survey: Inflation, interest rates and tech

	Comment: FinTechs are disrupting traditional banks and eroding revenue. At the same time, some community banks are proving to be successful at partnering with FinTechs and startups emphasizing customer value experiences over product features.
	OCC Hosting Virtual Innovation Office Hours (05/04/2022) - WASHINGTON — The Office of the Comptroller of the Currency (OCC) announced that it will host virtual Innovation Office Hours on June 14-15, 2022, to promote responsible innovation in the federal banking system. Office hours are one-on-one meetings with representatives from the OCC Office of Innovation to discuss financial technology (fintech), new products or services, partnering with a bank or fintech company, or other matters related to responsible innovation in financial services. Each meeting will last no longer than one hour. Interested parties should request a virtual office hours session by May 20, 2022, and are asked to provide information on the topic(s) they are interested in discussing with the Office of Innovation. The OCC will determine specific meeting times and arrangements after it receives and accepts the request. The OCC Office of Innovation plans to hold another virtual office hours session in the third quarter of 2022. Related Links OCC's Responsible Innovation webpage OCC Office of Innovation: A General Guide (PDF)
	FDIC Consumer News - May 2022 (05/02/2022) - It pays to know what you need - Your small business may need a variety of deposit services and credit products. Deposit services range from how your business accepts payments from customers to how you handle cash requirements. Credit needs include getting a loan for inventory, new hires, and expanding your business. Maintaining good credit and avoiding scams are also important for your small business. Here are some ways to keep you and your business on the road to success. ***Comment: This newsletter, which is directed to bank customers, has great information for small businesses. Consider using it as a part of your CRA financial literacy outreach to this sector.***

BSA / AML

	No news to report.

Deposit / Retail Operations

	IRS Ahead of Hurricane Season, IRS Offers Tips on Ways to Prepare for Natural Disasters (05/05/2022) - WASHINGTON —The Internal Revenue Service reminded taxpayers today that May includes National Hurricane Preparedness Week and is National Wildfire Awareness Month. This is a good time to create or review an emergency preparedness plan, including steps to protect important tax-related information.

	In 2021, the Federal Emergency Management Agency (FEMA) declared major disasters following hurricanes, tropical storms, tornados, severe storms, straight-line winds, flooding, landslides and mudslides, wildfires and winter storms. Given the impact these events can have on individuals, organizations and businesses, now is the time to make or update an emergency plan. The following tips are intended to help taxpayers prepare for a natural disaster. ***Comment: Among the materials is a link to a good explanation of restoration of records after a storm. And for those who are not in the path of hurricanes, remember that planning for disaster recovery is key after a wide variety of other events. Share this helpful material with customers.***
	CFPB Orders Bank of America to Pay $10 Million Penalty for Illegal Garnishments (05/04/2022) - The Consumer Financial Protection Bureau (CFPB) finalized an enforcement action against Bank of America for processing illegal, out-of-state garnishment orders against its customers' bank accounts. Bank of America unlawfully froze customer accounts, charged garnishment fees, garnished funds, and sent payments to creditors based on out-of-state garnishment court orders that should have been processed under the laws and protections of the states where the consumers lived. Bank of America also violated the law by inserting unfair and unenforceable language into customer contracts that purported to limit customers' rights to challenge garnishments. The CFPB's order requires Bank of America to refund or cancel imposed fees from unlawful garnishments, review, and reform its system for processing garnishments, and pay a $10 million civil penalty. ***Comment: Key takeaway: Don't let yourself be bullied by out of state collectors with garnishments from other jurisdictions! Just say NO. Worth noting, that for federal debt collection garnishments, federal law applies across all states. For child support collection, federal laws and a nationally adopted uniform child support law exist whereby each state recognizes each other state's orders for child support.***
	FRB Advancing Synthetic Identity Fraud Mitigation with Technology, Data and Information Sharing (05/03/2022) - Often miscategorized, and in turn, underreported, synthetic identity fraud is a high priority for the U.S. payments industry. To help support organizations in their battle against this type of fraud, the Federal Reserve released a Synthetic Identity Fraud Mitigation Toolkit earlier this year. ***Comment: A 'synthetic identity' is a combination of fabricated credentials where the implied identity is not associated with a real person – like an avatar. Fraudsters may create synthetic identities using potentially valid social security numbers (SSNs) with accompanying false personally identifiable information (PII.)***

Human Resources

	No news to report.

Lending

	FRB Consumer Credit - G.19 (05/06/2022) - Notes about the data beginning with the April 2022 G.19 Consumer Credit release, scheduled to be published on June 7, 2022, the release will no longer report the Commercial Bank Interest Rates for 48-month New Car Loans. Instead, the release will report the Commercial Bank Interest Rates for 72-month

	New Car Loans. For more information, please see the announcement posted on March 7, 2022. March 2022 Consumer credit increased at a seasonally adjusted annual rate of 9.7 percent during the first quarter. Revolving credit increased at an annual rate of 21.4 percent, while nonrevolving credit increased at an annual rate of 6.1 percent. In March, consumer credit increased at an annual rate of 14 percent.
	FDIC Launch of 2022 Small Business Lending Survey (05/03/2022) - WASHINGTON – Federal Deposit Insurance Corporation (FDIC) Acting Chairman Martin J. Gruenberg and U.S. Census Bureau (Census) Director Robert L. Santos formally invited approximately 2,000 U.S. banks to participate in a nationally representative online survey about their small business lending practices and volumes. Sponsored by the FDIC and administered by Census, the 2022 Small Business Lending Survey (SBLS) provides a comprehensive view of small business lending by banks and will significantly expand the FDIC's and the public's understanding of the impact banks have on the nation's small businesses. In a message to selected institutions, FDIC Acting Chairman Gruenberg and Census Director Santos said, "Banks are uniquely poised to meet the credit needs of small businesses, which are an important component of the U.S. economy. Your institution's participation in the survey will provide valuable information to the FDIC, other policy makers, and the general public about the contribution of U.S. banks to small business lending." Banks are the most common source of external financing for small businesses, which account for nearly all U.S. firms. Despite the importance of small businesses to the U.S. economy and the importance of bank lending to small businesses, there is little high-quality data on this activity. The last SBLS occurred in 2016 and the 2022 survey aims to fill gaps in the understanding of current bank lending to this vital sector. The Census selected approximately 2,000 banks of all sizes and from all geographic areas in the U.S. to participate in the survey, including institutions primarily regulated by the FDIC, the Federal Reserve System and the Office of the Comptroller of the Currency (OCC). The selected banks include all FDIC-insured institutions with assets of $3 billion or more as well as a random sample of banks with assets of less than $3 billion. All survey responses will be confidential and anonymous, and the FDIC will only report the aggregated results. To answer any questions that bankers may have about the 2022 SBLS, the FDIC will host four informational sessions for bankers on May 11th, 12th, 16th and 17th. Bankers may attend multiple sessions and are encouraged to invite other staff to attend. Register now for the FDIC 2022 Small Business Lending Survey Meetings for Bankers. ***Comment: In case you haven't noticed a theme in this week's report, please note that May is Small Business Month.***
	CFPB Supervisory Report Finds Unlawful Auto Repossessions, Breakdowns in Credit Report Disputes (05/02/2022) - The Consumer Financial Protection Bureau (CFPB) released its Supervisory Highlights report on legal violations identified during the CFPB's supervisory examinations in the second half of 2021. The report details key findings across consumer financial products and services.

	"While most entities act in good faith to follow the law, CFPB examiners are identifying law violations that lead to real harm," said CFPB Director Rohit Chopra. "We will continue to examine firms to proactively identify and mitigate harmful practices before they become widespread." Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the CFPB has the authority to supervise large banks, thrifts, and credit unions with assets over $10 billion and their affiliates, as well as certain nonbanks, including mortgage companies, private student lenders, and payday lenders. The CFPB's supervisory authority also covers large entities in certain markets, including consumer reporting, student loan servicing, debt collection, auto finance, international money transfer, and other nonbank entities that pose risks to consumers. ***Comment: One trend noted by the CFPB is improper handling of add-on products. Frequently, these are financed for a period longer than their actual "life."***

Technology / Security

	CISA Walk This Way to Enable MFA (05/05/2022) - We're big music fans here at CISA, and we're beginning a month-long mission to rock the message that multifactor authentication keeps you more secure! So, join us for MFA May! Whether you call it MFA or 2FA, Walk This Way to learn how simple it is to take an extra step that reduces your risk of getting hacked. We all know that the Times, *They Are a Changing*. As our world becomes increasingly digitized, the attack surface grows and everyone, including you, plays a role in building cybersecurity resilience. Businesses and individuals should always take a layered or defensive approach to securing data and applications. MFA is exactly that, requiring users to present a combination of two or more credentials, such as a password combined with a text message or email, to verify identity for login. The two-step authentication process verifies your identity, protecting your bank accounts, making your online shopping more secure, and protecting your organization. It's like *More Than a Feeling*, but instead it's *More Than a Password*! It's going to be MFA May, and we'll get down on FIDO Friday, at CISA because the cyber threat is real and industry research tells us implementing multi-factor authentication on your accounts can make you 99% less likely to get hacked! Soon, we'll all be singing School's Out for Summer, but bad actors don't take vacations. They're constantly evolving their tactics and targets and too often. In fact, one third of Americans were victims of cybercrime last year. Whether you're a Small Town Girl Living in a Lonely World, a Sharp Dressed Man, or a Rolling Stone, we challenge you to take the extra step to opt-in today! Start with your email account, then financial services, social media, online stores, and don't forget your gaming and streaming entertainment services. Throughout the month of May: Follow CISA on Twitter, Facebook, LinkedIn, and Instagram for rocking content all month on MFA.

Tell us on social media that your business or personal devices are now protected by MFA with the hashtag #EnableMFA! We'll do our best to Pour Some Sugar on your posts!

And since we all get by With a Little Help from Our Friends, challenge your friends, family, co-workers, and fellow rockers to #EnableMFA too.

For What it's Worth, you can always learn more about multi-factor authentication at https://www.cisa.gov/mfa

We want to rock with you on your newly implemented data, network, and device protections. Happy MFA May!

Comment: Rock on!

CISA Celebrating Small Business Week: Cybersecurity Help for Small Businesses (05/03/2022) - There are more than 32 million small businesses in the United States, each one of them a representation of the great ingenuity, hard work, and passion that exemplifies our nation.

During my 25 years working at the Small Business Administration, and now leading our field force at CISA, it's been my passion to help small businesses thrive. I've come to truly appreciate that small businesses are the backbone of the economy.

Sadly, small businesses are increasingly under threat by cyber bad actors. They face the challenge of integrating cybersecurity best-practices into their very specialized operations. So, in recognition of Small Business Week, I want to share tips that small businesses can use to strengthen their cyber posture.

Tip #1: Practice Good Cyber Hygiene

- Establish and enforce strong password requirements for all users and require multi-factor authentication (MFA) for all remote users and those with administrative access.
- Enable auto-update for software where possible. Where auto-update is unavailable or infeasible, prioritize updating applications that are accessible via the Internet.
- Consider using a Managed Security Provider (MSP) for many security services. Consider using a Cloud Service Provider (CSP) to host your organization's data, applications, and services. Particularly consider using a Software-as-a-Service provider for email and workplace productivity solutions, such a Google Workspace or Microsoft Office365.

Tip #2: Train Your Staff

- Avoid phishing schemes by educating your employees about thinking before they click. More than 90% of successful cyber-attacks start with a phishing email.
- Ensure that resources are in place to identify and quickly assess any unexpected or unusual network behavior, whether via MSP or the organization's own personnel device.

Tip #3: Prepare to Respond If an Incident Does Occur

- Assure availability of key personnel; identify means to provide surge support for responding to an incident.
- Develop a cyber incident response plan and conduct exercises to ensure employees understand their roles during an incident.
- Ensure that critical data is backed up. Test backup procedures to ensure that critical data can be rapidly restored and ensure that your backups are isolated from network connections.

Tip #4: Read and Use CISA's Free Cybersecurity Resources

CISA makes available several resources, at no cost, for organizations and businesses looking to improve their cybersecurity practices. Here are a few:

- CISA offers guidance on important risk management considerations.
- When adopting a cloud service, review CISA's guidance on cloud security.
- CISA's Cyber Essentials guide helps small businesses owners and leaders just starting their journey to implement cybersecurity practices into their organizations.
- Review and use our list of free cybersecurity tools and services - a living repository that houses cybersecurity services provided by CISA, widely used open-source tools, and free tools and services offered by private and public sector organizations across the cybersecurity community.
- We also recommend following our 4 Things You Can Do To Keep Yourself Cyber Safe tips, reading the Bad Practices to avoid, and checking out our Cyber Hygiene Services.
- Lastly, small business owners should sign up for the National Cyber Awareness System to ensure that your business has access to timely information about security topics and threats.

While ransomware and cyber-attacks are on the rise among small and medium sized businesses, the good news is that these businesses can take steps NOW to avoid becoming a victim in the first place and lessen the impact if an incident does occur.

For more information, visit CISA's small business webpage – cisa.gov/small-business - which includes specialized information and resources. If your business does fall victim to a cyber incident, you can contact CISA 24/7 at report@cisa.gov or (888) 282-0870.

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

05.05.2022 Joint Agency Community Reinvestment Act - The Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) propose to amend their regulations implementing the Community Reinvestment Act of 1977 (CRA) to update how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated. **DATE: Comments must be received on or before August 5, 2022.**

03.25.2022 FDIC Request for Information on Bank Merger Act - The Federal Deposit Insurance Corporation sent for publication in the Federal Register a Request for Information (RFI) seeking information and comments regarding the application of the laws, practices, rules, regulations, guidance, and statements of policy (together, regulatory framework) that apply to merger transactions involving one or more insured depository institution, including the merger between an insured depository institution and a noninsured institution. **Dates: Comments are due May 31, 2022.**

03.22.2021 Rules to Enhance and Standardize Climate-Related Disclosures for Investors - The Securities and Exchange Commission proposed rule changes that would require registrants to include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements. The required information about climate-related risks also would include disclosure of a registrant's greenhouse gas emissions, which have become a commonly used metric to assess a registrant's exposure to such risks. The proposing release will be published on SEC.gov and in the Federal Register. **DATES: Comments should be received on or before May 20, 2022.**