



Community Bankers of Michigan Regulatory Dispatch

May 25, 2023

*Timely news and resources community bankers can use
to better stay on top of a rapidly changing world.*

Items of Interest

Bank Management

FRB [Considerations for Revisions to the Bank Regulatory Framework Governor Michelle W. Bowman](#) (05/19/2023) - *It is a pleasure to be here with you today. I am especially pleased to participate in this event focused on "Building Stronger Communities." As a former banker, former state bank commissioner, and a member of the Federal Reserve Board that theme really resonates with me. We all know that a safe, sound, and fair financial industry built upon the dual banking system is the foundation of strong and stable communities. All throughout this great nation, and the state of Texas, community and regional banks provide financial services and essential credit to assist families and businesses achieve their dreams.*

Federal regulators, including the Federal Reserve, in partnership with state banking departments—like Commissioner Cooper and his team here in Texas—are responsible for ensuring that banks provide these services in accordance with consumer and safety and soundness laws. State bank regulators help to provide context and an understanding of the unique economic conditions that exist within Texas and within the different regions of the state. This context helps our supervisory teams at the Fed better understand the decisions that a bank's management might make in light of particular circumstances and market dynamics.

Comment: Governor Bowman's comments at an event in Texas resonate with banks throughout the country. She cautioned policy makers not to use recent bank failures 'as a pretext to push for other, unrelated changes to banking regulation.'

OCC [Acting Comptroller of the Currency Testifies on Bank Supervision](#) (05/18/2023) - WASHINGTON— Acting Comptroller of the Currency Michael J. Hsu testified on bank supervision before the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate.

In his testimony, Mr. Hsu shared his observations on recent bank failures and discussed the resiliency of the federal banking system. He also discussed the Office of the Comptroller of the Currency's efforts in support of agency priorities to guard against complacency by banks, reduce inequality, adapt to digitalization, and manage climate-related financial risk.

	<p>Related Links</p> <p>Oral Statement (PDF)</p> <p>Written Testimony (PDF)</p>
	<p>FRB The U.S. Economic Outlook and Considerations for Monetary Policy Governor Philip N. Jefferson (05/18/2023) - <i>Recent Stress in the Banking Sector: Overall, the U.S. banking system is sound and resilient, and I am confident it will be able to continue to play its important role providing credit to households and businesses. Nevertheless, it is reasonable to expect that recent stress events will lead some banks to tighten credit standards further. The evidence is that so far there has been only a modest incremental tightening of lending conditions, which had already tightened considerably over the past year since the Federal Reserve began raising interest rates. In a survey conducted by the Federal Reserve in April, loan officers reported that 46 percent of banks had tightened credit terms in the previous three months for commercial and industrial lending to larger firms, versus 44.8 percent that had tightened in the January survey. The April survey's increase in the share of banks reporting tightening was similar, though a bit larger, for commercial and industrial lending to smaller firms. At this point, it is hard to tell how much of this tightening was in train already, after continued increases in interest rates, and it is likewise difficult to say how much the stress in midsized banks will ultimately curtail credit in the coming year. Furthermore, there is considerable uncertainty about the magnitude of the impact on household spending and business investment, and this uncertainty complicates economic outlook forecasts.</i></p> <p><i>Comment: This speech is a very good read. Gov. Jefferson covers the aggregate economy, labor market, inflation and considerations for monetary policy.</i></p>
	<p>FRB Supervision and Regulation Report (05/17/2023) - The report summarizes banking conditions and the Federal Reserve's supervisory and regulatory activities, in conjunction with semiannual testimony before Congress by the Vice Chair for Supervision.</p> <p><i>Comment: Accompanying the report, Vice Chair for Supervision Michael S. Barr delivered near identical testimony before the House Financial Services Committee.</i></p>
	<p>FRB Industrial Production and Capacity Utilization - G.17 (05/16/2023) - Industrial production rose 0.5 percent in April after moving sideways the previous two months. In April, manufacturing increased 1.0 percent, bolstered by a strong gain in the output of motor vehicles and parts; factory output excluding motor vehicles and parts moved up 0.4 percent. The index for mining rose 0.6 percent, while the index for utilities dropped 3.1 percent, as milder temperatures in April lowered demand for heating. At 103.0 percent of its 2017 average, total industrial production in April was 0.2 percent above its year-earlier level. Capacity utilization edged up to 79.7 percent in April, a rate that is equal to its long-run (1972–2022) average.</p>

BSA / AML

	No news to report this week.
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Deposit / Retail Operations

	Joint Agencies Issue Host State Loan-to-Deposit Ratios (05/19/2023) - Federal bank regulatory agencies today issued the host state loan-to-deposit ratios that are used to evaluate compliance with section 109
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of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. These ratios replace those from June 2022.

By law, a bank is generally prohibited from establishing or acquiring branches outside of its home state primarily for the purpose of acquiring additional deposits. This prohibition seeks to ensure that interstate bank branches will not take deposits from a community without the bank also reasonably helping to meet the credit needs of that community.

Attachment: [Section 109 Host State Loan-to-Deposit Ratios](#)

Comment: Determining compliance with Section 109 requires a comparison of a bank's estimated statewide loan-to-deposit ratio to the estimated host state loan-to-deposit ratio. If a bank's statewide ratio is less than one-half of the published host-state ratio, an additional review is required by the appropriate agency, which involves a determination of whether a bank is reasonably helping to meet the credit needs of the communities served by the bank's interstate branches.

FDIC [Deposit Insurance Coverage Webinar - Free Nationwide Seminars for Bank Officers and Employees](#) (05/17/2023) - The FDIC will host five live seminars on FDIC deposit insurance coverage for bank staff and bank officers between May 24, 2023 and October 16, 2023, via Microsoft (MS) Teams. Each seminar will last approximately 90 minutes followed by a Question & Answer session.

Three sessions titled Comprehensive Deposit Insurance Seminar for Bankers will offer a broad overview of FDIC deposit insurance rules. The sessions are ideal for bank employees seeking a broad understanding of FDIC deposit insurance coverage rules.

Two sessions titled New Rules for Revocable and Irrevocable Trust Accounts will provide an in-depth discussion of the newly issued rules for trust accounts, which will be in effect April 1, 2024.

Audience: Bank officers and staff

Date: Each seminar will last approximately 90 minutes, during which the FDIC will take your questions via live chat. All times are Eastern time.

Comprehensive Deposit Insurance Seminar for Bankers

- May 24 - 2:00 – 4:00 p.m.
- June 12 - 3:00 – 5:00 p.m.
- July 19 - 1:00 – 3:00 p.m.

New Rules for Revocable and Irrevocable Trust Accounts

- September 14 - 2:00 – 4:00 p.m.
- October 16 - 3:00 – 5:00 p.m.

How: Each webinar will be hosted via MS Teams.

Comment: With customers heightened concerns about FDIC insurance coverage and questions about that coverage, these will be a very valuable seminars for bank staff.

Human Resources

No news to report this week.

Lending

No news to report this week.

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

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.**