MISSOURI INDEPENDENT BANKERS ASSOCIATION

Capitol Comments

June 2018

When there is a deadline or effective date associated with an item, you will see this graphic:

Joint federal agency issuances, actions and news

Agencies Issue Host State Loan-to-Deposit Ratios (06.15.2018)

WASHINGTON--The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued the host state loan-to-deposit ratios that they will use to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. These ratios replace the prior year's ratios, which were released on June 21, 2017.

In general, section 109 prohibits a bank from establishing or acquiring a branch or branches outside of its home state primarily for the purpose of deposit production. Section 109 also prohibits branches of banks controlled by out-of-state bank holding companies from operating primarily for the purpose of deposit production.

Section 109 provides a process to test compliance with the statutory requirements. The first step in the process involves a loan-to-deposit ratio test that compares a bank's statewide loan-to-deposit ratio to the host state loan-to-deposit ratio for banks in a particular state.

A second step is conducted if a bank's statewide loan-to-deposit ratio is less than one-half of the published ratio for that state or if data are not available at the bank to conduct the first step. The second step requires the appropriate agency to determine whether the bank is reasonably helping to meet the credit needs of the communities served by the bank's interstate branches.

A bank that fails both steps is in violation of section 109 and is subject to sanctions by the appropriate agency.

The updated host state loan-to-deposit ratios are attached.

Source link.

Comment: Loan demand varies significantly across many states.

Agencies Ask for Public Comment on Proposal to Simplify and Tailor "Volcker Rule" (06.05.2018)

Five federal financial regulatory agencies announced that they are jointly asking for public comment on a proposal that would simplify and tailor compliance requirements relating to the "Volcker rule." By statute, the Volcker rule generally restricts banking entities from engaging in prohibited proprietary trading and from owning or controlling hedge funds or private equity funds.

The proposed changes are intended to streamline the rule by eliminating or modifying requirements that are not necessary to effectively implement the statute, while maintaining the core principles of the Volcker rule as well as the safety and soundness of banking entities.

The proposal was jointly developed by the Federal Reserve Board, the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission.

Comments will be accepted for 60 days after the proposal's publication in the Federal Register.

Source link.

Comment: Fortunately, S. 2155 made this issue moot for most community banks with total assets under $10B.

CFPB actions and news

Complaint snapshot: An analysis of debt collection complaints (05.31.2018)

In its latest Complaint Snapshot, the Bureau of Consumer Financial Protection examined complaint trends, with a focused look at complaints about debt collection.

Since July 2011, the Bureau has received approximately 400,500 debt collection complaints, which is 27 percent of the total complaints we've received. In-depth analysis of debt collection complaints helps us to understand the problems consumers are experiencing with debt collection.

Some common themes emerged in our analysis of these complaints. For example, some people reported that there were debts on their consumer credit reports but that they did not have prior written notice of the existence of the debt. Some people stated in their complaints that they felt uncomfortable disclosing personal information to people who called asking for it because they were not sure whether the person calling was a legitimate debt collector. People also complained about the communication tactics companies used when attempting to collect a debt.

Overall complaint trends

In addition to focusing on debt collection, the Snapshot also examines complaint trends more broadly.

"Credit or consumer reporting" was the most-complained-about financial product or service category in March 2018. Thirty-seven percent of the approximately 30,300 complaints received in March were about credit or consumer reporting. Debt collection was the second most-complained-about consumer product. It accounted for 27 percent of complaints. The third most-complained-about financial product or service was mortgages, accounting for about 10 percent of complaints.

Source link.

Comment: This complaint info is now shaping the CFPB's enforcement direction toward the debt collection and reporting area and away from traditional banking issues. **And *while the new report includes overall***

complaint volume information by product and state (that was previously part of the CFPB's monthly complaint reports) it does not include complaint volume information by company (i.e. the "top 10 most-complained about companies.")

FDIC actions and news

Newly Formed Money Smart Advance Team Will Get Early Access to, Training on, Updated Money Smart for Adults (06.07.2018)

The FDIC has formed the new Money Smart Advance Team (MSAT). Banks that engage in financial education activities, or plan to do so, and who join the MSAT will get an early look at the updated instructor-led Money Smart for Adults curriculum, scheduled for release in September, and other benefits.

Statement of Applicability to Institutions with Total Assets Less Than $1 Billion:

This Financial Institution Letter (FIL) applies to all FDIC-insured institutions.

Highlights:

- The Federal Deposit Insurance Corporation (FDIC) formed the Money Smart Advance Team (MSAT).
- The MSAT, a subset of the Money Smart Alliance, will operate through winter 2019.
- The benefits to joining the MSAT for banks and other eligible member organizations include: Advanced copies of the updated instructor-led Money Smart for Adults products;
- Training to orient their staff to the new materials prior to public offering; and
- Eligibility for recognition in a special edition of Money Smart News in 2019 that will highlight several noteworthy examples of curriculum implementation.
- To join the MSAT, current Money Smart Alliance members will need to add Money Smart for Adults to their member profile by August 1, 2018.
- To apply for Money Smart Alliance membership and join the MSAT, visit the website by July 1, 2018, and indicate your organization's planned use of Money Smart for Adults during the enrollment process.
- The updated Money Smart for Adults, expected to be released in September of 2018, will feature new design, content, activities, and modules; modernized learning tools; and will incorporate instructional best practices and feedback from users.

To learn more about Money Smart and other financial education resources from the FDIC, visit www.fdic.gov/education.

Source link.

Comment: The MSAT is open to all federally insured banks and savings institutions that engage, or plan to engage, in financial education activities. The MSAT will operate through winter 2019. This program is an excellent resource for banks to use in conjunction with their CRA efforts in promoting financial literacy.

FDIC-Insured Institutions Report $56 Billion in Net Income in First Quarter 2018 (05.22.2018)

Highlights from the First Quarter 2018 Quarterly Banking Profile

Industry Net Income Increases 27.5 Percent from a Year Earlier Due to Higher Net Operating Revenue and a Lower Effective Tax Rate: Quarterly earnings totaled $56 billion for the first quarter, up $12.1 billion (27.5

percent) from 12 months ago. Increases in net interest income and noninterest income both contributed to the higher net operating revenue. The average return on assets increased to 1.28 percent, up from 1.04 percent in first quarter 2017.

Community Bank Net Income Increases 17.7 Percent from First Quarter 2017: In the first quarter, 5,168 insured institutions identified as community banks reported $6.1 billion in net income, an increase of $913.1 million (17.7 percent) from a year earlier. Higher net operating revenue and a lower effective tax rate boosted first quarter net income. Net operating revenue rose by $1.8 billion (8.3 percent) from first quarter 2017, led by higher net interest income (up $1.6 billion, or 9.7 percent) and noninterest income (up $127.6 million, or 2.9 percent). Loan-loss provisions increased by $154.1 million (23.7 percent), while noninterest expenses were $963.9 million (6.9 percent) higher.

Net Interest Income Rises 8.5 Percent from a Year Ago: Net interest income was $131.3 billion in the first quarter, up $10.3 billion (8.5 percent) from a year earlier. More than four out of five banks (85.9 percent) reported an improvement in net interest income from a year earlier. The average net interest margin increased to 3.32 percent from 3.19 percent in first quarter 2017.

Noninterest Income Increases 7.9 Percent from a Year Earlier: Noninterest income was $67.4 billion in the first quarter, up $4.9 billion (7.9 percent) from first quarter 2017. The annual increase was led by higher trading revenue (up $1.1 billion, or 14.9 percent) and other noninterest income (up $2.4 billion, or 8.8 percent).

Loan Balances Rise 4.9 Percent over 12 Months: Loan and lease balances increased by $31.3 billion (0.3 percent) from fourth quarter 2017. All major loan categories registered growth except for credit card balances (down $44.6 billion, or 5.2 percent), which showed a seasonal decline in the first quarter. Commercial and industrial loans grew by $38.6 billion (1.9 percent), nonfarm nonresidential loans rose by $11.5 billion (0.8 percent), and residential mortgage loans increased by $8.8 billion (0.4 percent).

Noncurrent Loan Rate Declines Modestly, While Net Charge-Off Rate Remains Stable: The amount of loans that were noncurrent — 90 days or more past due or in nonaccrual status — declined by $3.9 billion (3.4 percent) during the first quarter. Noncurrent balances declined for residential mortgages (down $2.8 billion, or 4.9 percent), and commercial and industrial loans (down $617.2 million, or 3.4 percent). The average noncurrent loan rate declined to 1.15 percent from 1.20 percent in fourth quarter 2017. Net charge-offs increased by $540.6 million (4.7 percent) from a year ago, led by a $1.1 billion (16.3 percent) increase in net charge-offs for credit cards. The average net charge-off rate (0.50 percent) remained stable from a year ago.

"Problem Bank List" Continues to Fall: The FDIC's Problem Bank List declined from 95 to 92 during the quarter, the lowest number of problem banks since first quarter 2008. Total assets of problem banks increased from $13.9 billion in the fourth quarter to $56.4 billion. During the quarter, merger transactions absorbed 65 institutions, three new charters were added, and there were no failures.

Deposit Insurance Fund's Reserve Ratio Remains at 1.30 Percent: The Deposit Insurance Fund (DIF) balance rose by $2.3 billion during the first quarter to $95.1 billion on March 31, driven by assessment income. The DIF reserve ratio remained unchanged (1.30 percent) from the previous quarter. Estimated insured deposits increased by 2.6 percent from the previous quarter and 3.7 percent from a year ago.

Source link.

Comment: Over 70 percent of U.S. banks reported growth in year-over-year earnings, as the industry enjoyed higher net operating revenue amid a significantly lower corporate tax rate, according to the

regulator. However, this report is a mixed blessing. While it is great to observe these positive trends, it makes it harder to convince Congress that more regulatory relief is needed.

OCC actions and news

OCC Reports Mortgage Performance Unchanged (06.019.2018)

WASHINGTON—Performance of first-lien mortgages remained unchanged during the first quarter of 2018 compared with a year earlier, according to the Office of the Comptroller of the Currency's (OCC) quarterly report on mortgages.

The OCC Mortgage Metrics Report, First Quarter 2018, showed 95.6 percent of mortgages included in the report were current and performing at the end of the quarter, the same as a year earlier.

The report also showed that servicers initiated 37,300 new foreclosures during the first quarter of 2018, an 8.1 percent increase from the previous quarter and a 21.5 percent decrease from a year ago. Servicers implemented 23,427 mortgage modifications in the first quarter of 2018, and 78.5 percent of the modifications reduced borrowers' monthly payments.

The first-lien mortgages included in the OCC's quarterly report comprise 33 percent of all residential mortgages outstanding in the United States or approximately 17.8 million loans totaling $3.30 trillion in principal balances. This report provides information on mortgage performance through March 31, 2018, and it can be downloaded from the OCC's website, www.occ.gov.

Source link.

Comment: Mortgages that were considered seriously delinquent were at 2 percent in the first quarter of 2018, down from 2.4 percent in the fourth quarter of 2017. Loans that were 30 to 59 days delinquent fell to 1.9 percent from 2.5 percent in the previous quarter.

Supervisory Policy and Processes for Community Reinvestment Act Performance Evaluations (06.15.2018)

The Office of the Comptroller of the Currency (OCC) is fully committed to an effort to modernize the Community Reinvestment Act (CRA). While modernization efforts are proceeding, the OCC is issuing this bulletin to inform national banks, federal savings associations, and federal branches and agencies (collectively, banks) about clarifications to OCC supervisory policies and processes regarding how examiners evaluate and communicate bank performance under the CRA. The OCC has clarified and simplified these policies and processes to promote the consistency and effectiveness of CRA performance evaluations. These supervisory policies and processes apply to each bank CRA evaluation.

Highlights

The CRA supervisory policy addresses the following areas for all CRA evaluations. These policy clarifications, which are effective immediately, address

- implementation of full-scope and limited-scope reviews;
- consideration of activities that promote economic development;
- use of demographic, aggregate, and market share data;
- evaluation of the borrower distribution of loans outside bank assessment areas (AA);

- evaluation frequency and timing;
- the CRA performance evaluation period; and
- evaluation of home mortgage loans.

Source link.

Comment: Legislative and joint regulatory action are still important concerns. The prudential regulators have hinted at a notice of proposed rule-making and request for comments on CRA rules addressing a potential expansion in both the types of activities and service areas eligible for consideration in banks' CRA evaluations.

Comptroller of the Currency Discusses Priorities for the Federal Banking System (06.14.2018)

WASHINGTON—Comptroller of the Currency Joseph M. Otting discussed his priorities for the agency and the federal banking system during testimony before the Senate Committee on Banking, Housing, and Urban Affairs.

The Comptroller's testimony highlighted agency efforts

- to modernize the regulatory approach to the Community Reinvestment Act to promote investment where it is needed most;
- to encourage banks to meet customers' needs for short-term, small dollar credit;
- to promote more efficient compliance with the Bank Secrecy Act and anti-money laundering regulations that protect the nation's banking system from being used for illegal purposes;
- to simplify regulatory capital and the Volcker Rule, particularly for small and midsize banks; and
- to ensure the agency operates as effectively and efficiently as possible.

The testimony also provides an overview of the condition of the federal banking system and the key risks it faces.

Source link.

Comment: This testimony reflects the impact of having a Comptroller with industry experience. We applaud all of these efforts. On the CRA front, Otting cited broadening the list of activities that qualify for CRA consideration and revising the concept of assessment areas as a regulatory priority.

OCC Report Highlights Key Risks for Federal Banking System (05.24.2018)

WASHINGTON — The Office of the Comptroller of the Currency (OCC) reported credit, operational, compliance, and interest rate risks are key themes for the federal banking system in its Semiannual Risk Perspective for Spring 2018.

Highlights from the report include:

Competition for quality loans is strong, as examiners note evidence of eased underwriting. The accommodating credit environment warrants a continued focus on underwriting practices to monitor and assess credit risk and lender complacency.

Operational risk is elevated as banks adapt business models, transform technology and operating processes, and respond to evolving cyber threats.

Compliance risk is elevated as banks manage money laundering risks and implement changes to policies and procedures to comply with amended Bank Secrecy Act and consumer protection requirements.

The continued increase in market interest rates may eventually lead to higher funding costs for banks, as economic growth increases loan demand and competition for funding pressures banks to raise deposit yields.

The report covers risks facing national banks and federal savings associations based on data as of March 31, 2018. The report presents data in five main areas: the operating environment, bank performance, special topics in emerging risk, trends in key risks, and supervisory actions. It focuses on issues that pose threats to those financial institutions regulated by the OCC and is intended as a resource to the industry, examiners, and the public.

Source link.

Comment: The report noted that '…recent examination findings indicate incremental improvement in banks' overall risk management practices.' Of concern was evidence of eased credit underwriting as banks face increased competition for quality loans.

Comptroller Urges Banks to Meet Consumers' Short-Term, Small-Dollar Credit Needs (05.23.2018)

WASHINGTON — Comptroller of the Currency Joseph Otting issued the following statement regarding the release of his agency's bulletin encouraging national banks and federal savings associations to offer responsible short-term, small-dollar installment loans.

Millions of U.S. consumers borrow nearly $90 billion every year in short-term, small dollar loans typically ranging from $300 to $5,000 to make ends meet. Consumers should have more choices that are safe and affordable, and banks should be part of that solution.

That is why the Office of the Comptroller of the Currency clarified its position encouraging national banks and federal savings associations to offer responsible short-term, small-dollar installment lending to help meet the credit needs of their customers.

Banks can provide affordable short-term, small-dollar installment lending options that help consumers, including consumers with weaker credit histories who have the ability to repay. Bank-offered products can help lead consumers to more mainstream financial services without trapping them in cycles of debt. When banks offer products with reasonable pricing and repayment terms, consumers also benefit from other services that banks regularly provide, such as financial education and credit reporting.

By participating in this important space, banks increase the supply and choices available to consumers, which can reduce borrowing costs and have other beneficial market effects.

Banks may not be able to serve all of this large market, but they can reach a significant portion of it and bring additional options and more competition to the marketplace while delivering safe, fair, and affordable products that promote the long-term financial goals of their customers.

Related Link

OCC Bulletin 2018-14, "Core Lending Principles for Short-Term, Small-Dollar Installment Lending"

Source link.

Comment: 'It's my viewpoint that consumers should have more choices,' Comptroller Joseph Otting told reporters at a briefing. 'What we're really trying to do is encourage banks to look at this segment and think

about how they can offer products in that market segment.' Limitations in usury laws affecting rates and fees still impose an impediment to cost effective lending in this market.

Core Lending Principles for Short-Term, Small-Dollar Installment Lending (05.23.2018)

The Office of the Comptroller of the Currency (OCC) encourages banks to offer responsible short-term, small-dollar installment loans, typically two to 12 months in duration with equal amortizing payments, to help meet the credit needs of consumers. The OCC is issuing this bulletin to remind banks1 of the core lending principles for prudently managing the risks associated with offering short-term, small-dollar installment lending programs. Banks should develop and implement these programs in a manner consistent with sound risk management practices and should align the programs with the banks' overall business plans and strategies. Such strategies could include working with consumers who have an ability to repay a loan despite a credit profile that is outside of a bank's typical underwriting standards for credit scores and repayment ratios. In all programs, banks should offer lending products in a manner that ensures fair access to financial services and fair treatment of consumers and complies with applicable laws and regulations. This bulletin is consistent with the OCC's support for responsible innovation by banks to meet the evolving needs of consumers, businesses, and communities.

Highlights

The OCC encourages banks to

- refer to the core lending principles in this bulletin when conducting short-term, small-dollar installment lending activities.
- discuss plans to offer short-term, small-dollar lending products with their OCC portfolio manager, examiner-in-charge, or supervisory office before implementation, particularly if the offerings constitute substantial deviations from their existing business plans.

Source link.

Comment: The three-page bulletin from the OCC does not alter any existing regulations.

Federal Reserve actions and news

Statistical Release – Mortgage Debt Outstanding (06.07.2018)

Source link.

Statistical Release - Charge-off and Delinquency Rates on Loans and Leases at Commercial Banks (05.22.2018)

Source link.

Other federal action and news

FinCEN Issues Advisory on Human Rights Abuses Enabled by Corrupt Senior Foreign Political Figures and their Financial Facilitators (06.12.2018)

The U.S. Department of the Treasury (Treasury) is committed to protecting both the U.S. and international financial systems, not only from those who engage in corruption and human rights abuses, but from those who facilitate such activities as well. High-level political corruption undermines democratic institutions and public trust, damages economic growth, and fosters a climate where financial crime and other forms of lawlessness can thrive. Corrupt senior foreign political figures, their subordinates and facilitators, through their corrupt actions, often contribute directly or indirectly to human rights abuses, which have a devastating impact on individual citizens and societies, undermining markets and economic development and creating instability in a region. The use of financial facilitators is one way that corrupt senior foreign political figures access the U.S. and international financial system to move or hide illicit proceeds, evade U.S. and global sanctions, or otherwise engage in illegal activity, including related human rights abuses.

Source link.

Comment: The Advisory provides examples of potential red flags to aid banks in identifying the means by which corrupt political figures and their facilitators may move and hide proceeds from their corrupt activities – activities which, directly or indirectly, contribute to human rights abuses and other illegal activity. Be sure that your BSA/AML program adequately addresses these concerns.

Department of Justice - 74 Arrested in Coordinated International Enforcement Operation Targeting Hundreds of Individuals in Business Email Compromise Schemes (06.11.2018)

Federal authorities announced today a significant coordinated effort to disrupt Business Email Compromise (BEC) schemes that are designed to intercept and hijack wire transfers from businesses and individuals, including many senior citizens. Operation Wire Wire, a coordinated law enforcement effort by the U.S. Department of Justice, U.S. Department of Homeland Security, U.S. Department of the Treasury and the U.S. Postal Inspection Service, was conducted over a six month period, culminating in over two weeks of intensified law enforcement activity resulting in 74 arrests in the United States and overseas, including 29 in Nigeria, and three in Canada, Mauritius and Poland. The operation also resulted in the seizure of nearly $2.4 million, and the disruption and recovery of approximately $14 million in fraudulent wire transfers.

BEC, also known as "cyber-enabled financial fraud," is a sophisticated scam often targeting employees with access to company finances and businesses working with foreign suppliers and/or businesses that regularly perform wire transfer payments. The same criminal organizations that perpetrate BEC also exploit individual victims, often real estate purchasers, the elderly, and others, by convincing them to make wire transfers to bank accounts controlled by the criminals. This is often accomplished by impersonating a key employee or business partner after obtaining access to that person's email account or sometimes done through romance and lottery scams. BEC scams may involve fraudulent requests for checks rather than wire transfers; they may target sensitive information such as personally identifiable information (PII) or employee tax records instead of, or in addition to, money; and they may not involve an actual "compromise" of an email account or computer network. Foreign citizens perpetrate many BEC scams. Those individuals are often members of transnational criminal organizations, which originated in Nigeria but have spread throughout the world.

Source link.

Comment: A number of the cases that resulted in arrests involved international criminal organizations that defrauded small to large-sized businesses, while others involved individual victims who transferred large amounts of money or sensitive records in the course of business, according to the Justice Department. Share this as a case study for BSA/AML and with employees who need training in elder financial abuse detection.

Publications, articles, reports, studies, testimony & speeches

Smaller Banks Less Able to Withstand Flattening Yield Curve (06.01.2018)

Abstract: For the overall U.S. banking system, the effect on profitability of yield-curve flattening—the lowering of the difference between the yields of short- and long-term debt—lasts about a year and is relatively small. After the first year, the impact on large banks' profitability becomes positive; for smaller institutions, it stays negative and becomes larger. Recent yield-curve flattening is likely to more strongly affect smaller banks, reducing their profitability.

Source link.

Governor Lael Brainard - Sustaining Full Employment and Inflation around Target (05.31.2018)

Although indicators of economic activity were on the soft side earlier in the year, the outlook for the remainder of 2018 remains quite positive, supported by sizable fiscal stimulus as well as still-accommodative financial conditions.

In the latest report, real gross domestic product (GDP) increased 2.2 percent at an annual rate in the first quarter of 2018, a slowdown from the 3 percent pace in the final three quarters of 2017. The first-quarter slowdown was especially noticeable in consumer spending, which increased at only a 1 percent pace last quarter, compared with 2-3/4 percent in 2017. By contrast, business fixed investment increased 9 percent at an annual rate last quarter, surpassing its robust 2017 pace.

Source link.

Fed Beige Book (05.30.3018)

This report was prepared at the Federal Reserve Bank of Cleveland based on information collected on or before May 21, 2018. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

Overall Economic Activity

Economic activity expanded moderately in late April and early May with few shifts in the pattern of growth. The Dallas District was an exception, where overall economic activity sped up to a solid pace. Manufacturing shifted into higher gear with more than half of the Districts reporting a pickup in industrial activity and a third of the Districts classifying activity as "strong." Fabricated metals, heavy industrial machinery, and electronics equipment were noted as areas of strength. Rising goods production led to higher freight volumes for transportation firms. By contrast, consumer spending was soft. Nonauto retail sales growth moderated somewhat and auto sales were flat, although there was considerable variation by District and vehicle type. In banking, demand for loans ticked higher and banks reported that increased competition had led to higher deposit rates. Delinquency rates were mostly stable at low levels. Homebuilding and home sales increased modestly, on net, and nonresidential construction continued at a moderate pace. Contacts noted some concern about the uncertainty of international trade policy. Still, outlooks for near term growth were generally upbeat.

Employment and Wages

Employment rose at a modest to moderate rate across most Districts. Again, the Dallas District was the exception, where solid and widespread employment growth was reported. Labor market conditions remained tight across the country, and contacts continued to report difficulty filling positions across skill levels. Shortages of qualified workers were reported in various specialized trades and occupations, including truck drivers, sales personnel, carpenters, electricians, painters, and information technology professionals. Many firms responded to talent shortages by increasing wages as well as the generosity of their compensation packages. In the aggregate, however, wage increases remained modest in most Districts. Contacts in some Districts expected similar employment and wage gains in the coming months.

Prices

Prices rose moderately in most Districts, while the remainder reported slight or modest increases. There were several reports of rising materials costs, notably for steel, aluminum, oil, oil derivatives, lumber, and cement. A few Districts noted that these reports of rising materials costs were becoming more common across contacts. Input cost increases, along with labor shortages in some sectors and strengthening demand, put upward pressure on prices in the transportation, construction, and manufacturing sectors. Some Districts also noted that their retail contacts were more able to pass along price increases to their customers than in the recent past.

Source link.

Comment: In every region of the country, Fed officials characterized the economy as performing well. Manufacturers raised production, banks reported stronger demand for loans and home builders were very busy, among other things.

Federal Reserve Banks' Small Business Report Finds More Firms Are Profitable and Confident; Yet Certain Segments Struggle with Credit Access, Expenses, More (05.22.2018)

The 12 Federal Reserve Banks today issued the 2017 Small Business Credit Survey: Report on Employer Firms, which examines the results of an annual survey of small business owners nationwide. The Report focuses on small employer firms, businesses that have between 1-499 full- or part-time employees (hereafter "firms"). It builds on the Reserve Banks' new website FedSmallBusiness.org, which serves as a hub for small business research, analysis and thought leadership.

The Report found that firms' profitability, revenue growth and employment growth improved, and optimism about future performance reached its highest level in several years. More firms received all of the financing they requested, and a significant portion did not apply for credit because they already had sufficient financing. Despite this success, smaller firms, startups, and those in the leisure and hospitality industry continued to struggle acutely with financing challenges.

Source link.

Comment: Among the nearly 8,000 companies that responded to the survey, the smallest firms, startups, and minority-owned businesses struggled the most. About 74 percent of firms with less than $100,000 in revenue had trouble paying their bills, but a majority were either averse to borrowing or worried they would be turned down and so did not apply for a loan or other credit.

Federal Reserve Board Issues Report on the Economic Well-Being of U.S. Households (05.22.2018)

The Federal Reserve Board's latest Report on the Economic Well-Being of U.S. Households finds that economic well-being has generally improved over the past five years. The report notes that 74 percent of adults reported they were doing at least OK financially in 2017--up 10 percentage points from the first survey in 2013. Even so, notable differences remain across race, ethnicity, education groups, and locations and many individuals still struggle to repay college loans, handle small emergency expenses, and manage retirement savings.

The report draws from the Board's fifth annual Survey of Household Economics and Decision making (SHED) and examines the economic well-being and financial lives of Americans and their families. In November and December 2017, more than 12,000 people participated in the survey. They described their experiences on a wide range of topics, including income, employment, unexpected expenses, banking and credit, housing, education, and retirement planning.

Among the new topics covered in this year's report is the relationship between the opioid epidemic and local economic conditions. One in five adults personally knows someone who has been addicted to opioids, and those who do have somewhat less favorable assessments of economic conditions. Still, over half of adults exposed to opioid addiction say that their local economy is good or excellent, suggesting a role for factors beyond economic conditions in understanding the crisis.

Source link.

Comment: The economy is currently in its tenth year of expansion following the financial crisis-induced recession in 2008. This report shows that things are getting better on balance year over year. By comparison, the Fed did this survey in 2013, 13% of respondents said they were struggling to get by; and in 2017 that number fell to 7%.

Chicago Fed National Activity Index (05.21.2018)

The Chicago Fed National Activity Index (CFNAI) ticked up to +0.34 in April from +0.32 in March. Two of the four broad categories of indicators that make up the index increased from March, and three of the four categories made positive contributions to the index in April. The index's three-month moving average, CFNAI-MA3, increased to +0.46 in April from +0.23 in March.

The CFNAI Diffusion Index, which is also a three-month moving average, moved up to +0.23 in April from +0.11 in March. Fifty of the 85 individual indicators made positive contributions to the CFNAI in April, while 35 made negative contributions. Thirty-five indicators improved from March to April, while 50 indicators deteriorated. Of the indicators that improved, eight made negative contributions.

Source link.

Selected federal rules – proposed

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

Posted Date	SUMMARY OF PROPOSED RULE
05.14.2018	The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are inviting public comment on a joint proposal to address changes to U.S. generally accepted accounting principles (U.S. GAAP) described in Accounting Standards Update No. 2016–13, Topic 326, Financial Instruments—Credit Losses (ASU 2016–13), including banking organizations' implementation of the current expected credit losses methodology. Specifically, the proposal would revise the agencies' regulatory capital rules to identify which credit loss allowances under the new accounting standard are eligible for inclusion in regulatory capital and to provide banking organizations the option to phase in the day-one adverse effects on regulatory capital that June result from the adoption of the new accounting standard. The proposal also would amend certain regulatory disclosure requirements to reflect applicable changes to U.S. GAAP covered under ASU 2016–13. In addition, the agencies are proposing to make amendments to their stress testing regulations so that covered banking organizations that have adopted ASU 2016–13 would not include the effect of ASU 2016–13 on their provisioning for purposes of stress testing until the 2020 stress test cycle. Finally, the agencies are proposing to make conforming amendments to their other regulations that reference credit loss allowances. The Notice of Proposed Rulemaking was published in the Federal Register on June 14, 2018, and comments must be received by July 13, 2018.

Selected federal rules – upcoming effective dates

Not all final rules are included. Only rules affecting community banks are reported, but we make no guarantees that these are all the final rules your bank needs to know about.

EFFECTIVE DATE:	SUMMARY OF FINAL RULE:
01.01.2018	Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to Advanced Approaches Capital Rules. The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are adopting a final rule to extend the regulatory capital treatment applicable during 2017 under the regulatory capital rules (capital rules) for certain items. These items include regulatory capital deductions, risk weights, and certain minority interest limitations. The relief provided under the final rule applies to banking organizations that are not subject to the capital rules' advanced approaches (non-advanced approaches banking organizations). Specifically, for these banking organizations, the final rule extends the current regulatory capital treatment of mortgage servicing assets, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, significant investments in the capital of unconsolidated financial institutions in the form of common stock, non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock, and common equity tier 1 minority interest, tier 1 minority interest, and total capital minority interest exceeding the capital rules' minority interest limitations. Under the final rule, advanced approaches banking organizations continue to be subject to the transition provisions established by the capital rules for the above capital items. Therefore, for advanced approaches banking organizations, their transition schedule is unchanged, and advanced approaches banking organizations are required to apply the capital rules' fully phased-in treatment for these capital items beginning January 1, 2018.
05.16.2018	*Beneficial Ownership Requirements for Legal Entity Customers of Certain Financial Products and Services with Automatic Rollovers or Renewals*. The Financial Crimes Enforcement Network (FinCEN) is issuing this ruling to provide a 90-day limited exceptive relief to covered financial institutions from the obligations of the Beneficial Ownership Requirements for Legal Entity Customers (31 CFR § 1010.230) (Beneficial Ownership Rule) with respect to certain financial products and services that automatically rollover or renew (i.e., certificate of deposit (CD) or loan accounts) and were established before the Beneficial Ownership Rule's Applicability Date, June 11, 2018. This exception begins, retroactively, on June 11, 2018, and will expire on August 9, 2018. During this time, FinCEN will determine whether and to what extent additional exceptive relief June be appropriate for such financial products and services that were established before June 11, 2018, but are expected to rollover or renew after such date.
06.01.2018	*Federal Mortgage Disclosure Requirements Under the Truth in Lending Act (Regulation Z)*. The Bureau of Consumer Financial Protection (Bureau) is amending Federal mortgage disclosure requirements under the Real Estate Settlement Procedures Act

	(RESPA) and the Truth in Lending Act (TILA) that are implemented in Regulation Z. The amendments relate to when a creditor June compare charges paid by or imposed on the consumer to amounts disclosed on a Closing Disclosure, instead of a Loan Estimate, to determine if an estimated closing cost was disclosed in good faith.
07.01.2018	*Availability of Funds and Collection of Checks* The Board is amending subparts A, C, and D of Regulation CC, Availability of Funds and Collection of Checks (12 CFR part 229), which implements the Expedited Funds Availability Act of 1987 (EFA Act), the Check Clearing for the 21st Century Act of 2003 (Check 21 Act), and the official staff commentary to the regulation.1 In the final rule, the Board has modified the current check collection and return requirements to reflect the virtually all-electronic check collection and return environment and to encourage all depositary banks to receive, and paying banks to send, returned checks electronically. The Board has retained, without change, the current same-day settlement rule for paper checks. The Board is also applying Regulation CC's existing check warranties under subpart C to checks that are collected electronically, and in addition, has adopted new warranties and indemnities related to checks collected and returned electronically and to electronically-created items.
04.01.2019	Prepaid Accounts under the Electronic Fund Transfer Act (Regulation E) and the Truth In Lending Act (Regulation Z). The CFPB is issuing this final rule to create comprehensive consumer protections for prepaid accounts under Regulation E, which implements the Electronic Fund Transfer Act; Regulation Z, which implements the Truth in Lending Act; and the official interpretations to those regulations. The final rule modifies general Regulation E requirements to create tailored provisions governing disclosures, limited liability and error resolution, and periodic statements, and adds new requirements regarding the posting of account agreements. Additionally, the final rule regulates overdraft credit features that June be offered in conjunction with prepaid accounts. Subject to certain exceptions, such credit features will be covered under Regulation Z where the credit feature is offered by the prepaid account issuer, its affiliate, or its business partner and credit can be accessed in the course of a transaction conducted with a prepaid card. For additional information, see the CFPB's prepaid rule implementation page.

Common words, phrases, and acronyms

APOR	"Average Prime Offer Rates" are derived from average interest rates, points, and other pricing terms offered by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics.
CARD Act	Credit Card Accountability Responsibility and Disclosure Act of 2009
CFPB	Consumer Financial Protection Bureau
CFR	Code of Federal Regulations. Codification of rules and regulations of federal agencies.
CRA	Community Reinvestment Act. This Act is designed to encourage loans in all segments of communities.
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
CTR	Currency Transaction Report. Filed for each deposit, withdrawal, exchange of currency that involves a transaction in currency of more than $10,000.
Dodd-Frank Act	The Dodd–Frank Wall Street Reform and Consumer Protection Act
DOJ	Department of Justice
FDIC	Federal Deposit Insurance Corporation
EFTA	Electronic Fund Transfer Act

Federal bank regulatory agencies	FDIC, FRB, and OCC
Federal financial institution regulatory agencies	CFPB, FDIC, FRB, NCUA, and OCC
FEMA	Federal Emergency Management Agency
FFIEC	Federal Financial Institutions Examination Council
FHFA	Federal Housing Finance Agency
FHA	Federal Housing Administration
FinCEN	Financial Crime Enforcement Network
FR	Federal Register. U.S. government daily publication that contains proposed and final administrative regulations of federal agencies.
FRB, Fed or Federal Reserve	Federal Reserve Board
FSOC	Financial Stability Oversight Council
FTC	Federal Trade Commission
GAO	Government Accountability Office
HARP	Home Affordable Refinance Program

HAMP	Home Affordable Modification Program
HMDA	Home Mortgage Disclosure Act
HOEPA	Home Ownership and Equity Protections Act of 1994
HPML	Higher Priced Mortgage Loan
HUD	U.S. Department of Housing and Urban Development
IRS	Internal Revenue Service
MLO	Mortgage Loan Originator
MOU	Memorandum of Understanding
NFIP	National Flood Insurance Program. U.S. government program to allow the purchase of flood insurance from the government.
NMLS	National Mortgage Licensing System
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Asset Control
OREO	Other Real Estate Owned

QRM	Qualified Residential Mortgage
Reg. B	Equal Credit Opportunity
Reg. C	Home Mortgage Disclosure
Reg. DD	Truth in Savings
Reg. E	Electronic Fund Transfers
Reg. G	S.A.F.E. Mortgage Licensing Act
Reg. P	Privacy of Consumer Financial Information
Reg. X	Real Estate Settlement Procedures Act
Reg. Z	Truth in Lending
RESPA	Real Estate Settlement Procedures Act
SAR	Suspicious Activity Report – Report financial institutions file with the U.S. government (FinCEN) regarding activity that June be criminal in nature.
SDN	Specially Designated National
TILA	Truth in Lending Act
TIN	Tax Identification Number
Treasury	U.S. Department of Treasury