Independent Community Bankers of South Dakota

Capitol Comments
June 2016

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

Joint federal agency issuances

Joint Agencies issue guidance on account reconciliation practices

The Fed, the CFPB, the FDIC, the NCUA, and the OCC issued interagency guidance[1] to explain supervisory expectations regarding institutions' account deposit reconciliation practices. Among other things, the guidance highlights the requirement in the Expedited Funds Availability Act, as implemented by Reg. CC, that financial institutions make funds that have been deposited in a transaction account available for withdrawal within prescribed time limits, as well as the Federal Trade Commission Act's prohibition against unfair or deceptive acts or practices.

Comment: Highlights from the guidance:

- ***This guidance addresses a set of situations in which customers make deposits to accounts and the dollar amount that the financial institution credits to that account differs from the total of the items deposited. Such discrepancies may arise in a variety of situations, including inaccuracies on the deposit slip, encoding errors or poor image capture. The result may be a detriment to the customer and a benefit to the financial institution if not appropriately reconciled.***
- ***Various laws and regulations may be relevant to deposit-reconciliation practices. Among them, the Expedited Funds Availability Act, as implemented by Regulation CC, requires that financial institutions make funds deposited in a transaction account available for withdrawal within prescribed time limits. In addition, a financial institution's deposit-reconciliation practices are subject to Section 5 of the Federal Trade Commission Act, which prohibits a financial institution from engaging in unfair or deceptive acts or practices.***
- ***The Agencies expect financial institutions to adopt deposit-reconciliation policies and practices that are designed to avoid or reconcile discrepancies, or designed to resolve discrepancies such that customers are not disadvantaged.***

FFIEC issues statement in light of cyber-attacks

The FFIEC, on behalf of its members (Federal Reserve, FDIC, NCUA, OCC, CFPB, and FFIEC State Liaison Committee), today issued a statement,[2] in light of recent cyber-attacks, to remind financial institutions of the need to actively manage the risks associated with interbank messaging and wholesale payment networks.

Financial institutions should review their risk management practices and controls over information technology and wholesale payment systems networks, including authentication, authorization, fraud detection, and response management systems and processes. The statement emphasizes that participants in interbank messaging and wholesale payment networks should conduct ongoing assessments of their ability to mitigate risks related to information security, business continuity, and third-party provider management.

Comment: The FDIC's FIL-37-2016[3] provides these highlights:

- ***Recent cyberattacks have targeted interbank messaging and wholesale payment networks, resulting in large-dollar fraud at several foreign institutions. These attacks have demonstrated a capability to:***
    - ***Compromise the financial institution's wholesale payment origination environment and bypass information security controls;***
    - ***Obtain and use valid operator credentials to create, approve and submit messages;***
    - ***Employ a sophisticated understanding of funds transfer operations and operational controls;***
    - ***Use highly customized malware to disable security logging and reporting, as well as other operational controls, to conceal and delay the detection of fraudulent transactions; and***
    - ***Quickly transfer stolen funds across multiple jurisdictions to avoid recovery.***
- ***Financial institutions should conduct a risk assessment to determine whether effective risk-management practices and controls are in place. Institutions should consult their payment system provider's guidance for specific security control recommendations.***
- ***Additional information on cybersecurity and wholesale payment systems can be found in the following FFIEC IT Examination Booklets:***
    - ***Information Security***
    - ***Wholesale Payment Systems***

The OCC bulletin[4] recommends that, in accordance with existing regulatory expectations and FFIEC guidance, national banks and federal savings associations should take appropriate risk mitigation steps, including

- ***conducting ongoing information security risk assessments.***
- ***performing security monitoring, prevention, and risk mitigation.***
- ***protecting against unauthorized access.***
- ***implementing and testing controls around critical systems regularly.***
- ***managing business continuity risk.***
- ***enhancing information security awareness and training programs.***
- ***participating in industry information-sharing forums.***

FFIEC addresses annual privacy notice requirement

The Federal Reserve Board issued a Consumer Alert regarding the FFIEC's revised interagency examination procedures for Reg. P. The alert states that beginning December 4, 2015 (the effective date of the FAST Act), banks meeting these two conditions may cease providing annual privacy notices to customers:

1) The bank solely shares nonpublic personal information in accordance with the provisions of GLBA sections 502(b)(2) or 502(e) or regulations prescribed under GLBA section 504; and
2) The bank hasn't changed its policies and practices with respect to disclosing and protecting nonpublic personal information since its most recent privacy disclosure to its customers.

According to the alert, a bank meeting the two conditions should not be cited for failing to provide an annual privacy notice or for providing an annual privacy notice using an improper delivery method.

Comment: Ever since this bill was signed into law, qualifying banks have been wondering if they needed to wait until the CFPB writes rules before they stop sending annual privacy notices. These exam procedures are a welcome

and immediate relief from the sending of unnecessary privacy notices.

Joint agencies proposal to revise Consumer Compliance Rating System

The FFIEC is seeking public comment on its proposal to revise the existing Uniform Interagency Consumer Compliance Rating System[5] to reflect regulatory, supervisory, technological, and market changes since the system was established.

The CC Rating System is a supervisory policy for evaluating financial institutions' adherence to consumer compliance requirements. The proposal to revise the system reflects consumer compliance supervisory approaches already being used.

Comment: Highlights from the OCC Bulletin[6]: In accordance with existing regulatory expectations and FFIEC guidance, national banks and federal savings associations should take appropriate risk mitigation steps, including

- ***The revisions are designed to more fully align the CC Rating System with the FFIEC agencies' current risk-based, tailored examination approaches.***
- ***The proposed CC Rating System reflects risk-based expectations commensurate with the size, complexity, and risk profile of institutions and incentivizes institutions to prevent, self-identify, and address compliance issues.***
- ***The proposed revisions were not developed with the intention of setting new or higher supervisory expectations for financial institutions, and their adoption will represent no additional regulatory burden.***
- ***The FFIEC invites public comments on any aspect of the attached proposal. Comments must be received 60 days from publication in the Federal Register. All comments received, including any personal information provided, will be posted, generally without change, to www.regulations.gov.***

CFPB actions

CFPB proposes rule on payday, auto title, and "certain high-cost loans"

The CFPB proposed a rule requiring payday lenders to take steps to make sure consumers have the ability to repay their loans. The proposed rule would also cut off repeated debit attempts that rack up fees. These strong proposed protections would cover payday loans, auto title loans, deposit advance products, and certain high-cost installment and open-end loans. The CFPB is also launching an inquiry into other products and practices that may harm consumers facing cash shortfalls.

Press Release.[7]

Highlights of CFPB's research on payday loans, auto title loans, and high-cost installment loans[8]

Fact sheet on proposed rule.[9]

CFPB's proposal.[10]

Proposed model disclosure forms.[11]

Request for information.[12]

Comment: It is possible that a community bank making a longer term installment loan could get drawn into this rule. For example, a one-year $1,000 installment auto loan at 18% interest, $50 fee, and credit insurance goes over 36%.

CFPB offers auto loan resources for consumers

The CFPB unveiled an "auto loan shopping sheet,"[13] an auto loan step-by-step guide,[14] and additional online resources as part of a new Know Before You Owe initiative aimed at helping consumers shop for an auto loan. The shopping sheet is designed to help consumers see the total cost of a loan and compare loan products. The Know Before You Owe auto loan initiative also walks consumers through each step of the auto finance process to help them decide how much they can afford to borrow and what options are right for them.

This Know Before You Owe auto loan initiative was informed by CFPB research about how consumers approach the auto financing decision, and the challenges they face in navigating the process. The findings of that research can be found in a report the CFPB released.[15]

CFPB webinar on eRegulation updates

The CFPB is holding a webinar[16] with Acting Deputy Director David Silberman where they will provide an overview of the recent updates they've made to their eRegulations tool. The webinar will take place on Wednesday, June 22 from 2:00 – 3:00 p.m. EDT.

Comment: eRegulations are a useful tool on the CFPB website that allows users to easily navigate regulations. Unfortunately, the CFPB removed the preambles that appeared with each rule adoption in the Federal Register. The CFPB had posted the preambles with the corresponding section of the rule. It was very helpful. We hope it returns.

CFPB issues interim final rule on civil penalty adjustments

The CFPB published for public comment an interim final rule[17] to adjust the civil monetary penalties within the Bureau's jurisdiction for inflation, as required by law.

Comment: The Inflation Adjustment Act, as amended by the 2015 Act, requires Federal agencies to adjust the civil penalty amounts within their jurisdiction for inflation by July 1, 2016, and then by January 15 every year thereafter.

GAO: CFPB needs to improve internal controls and accounting procedures

During its audit of the CFPB fiscal years 2015 and 2014 financial statements, GAO identified deficiencies in CFPB's internal control over accounting for property, equipment, and software that collectively constituted a significant deficiency in CFPB's internal control over financial reporting. Specifically, GAO found that CFPB did not effectively design or implement controls to (1) reasonably assure accurate and timely classification and recording of software costs and (2) maintain ongoing accuracy and completeness of property and equipment inventory records. In addition, GAO identified deficiencies that it did not consider to be material weaknesses or significant deficiencies, either individually or collectively, but nonetheless warrant CFPB management's attention. These control deficiencies are related to reviewing and approving financial statements.

GAO found that CFPB had completed corrective actions on two of the four recommendations from GAO's prior management report that remained open at the beginning of GAO's fiscal year 2015 audit. As a result, CFPB currently has seven financial audit-related GAO recommendations to address: the previous two open recommendations and the five recommendations GAO is making in this report. Management Report[18]

Comment: When a federal agency with seemingly unlimited resources struggles with internal controls, imagine the struggles of a small community bank, with limited resources, attempting to comply with overwhelming state and federal laws.

CFPB publishes Spring 2016 rulemaking agenda

Under the Regulatory Flexibility Act, federal agencies must publish regulatory agendas twice a year. The CFPB has been voluntarily participating in the Unified Agenda. The agenda[19] includes rulemaking actions in pre-rule, proposed rule, final rule, long-term, and completed stages. The CFPB's current major initiatives are;

- Arbitration—A proposed rule has been published.
- Payday, auto title, and similar lending products – A report was just released.
- Prepaid accounts – A final rule will likely be issued in the summer.
- Mortgage servicing – A final rule will likely be issued this summer.
- Know Before You Owe mortgage disclosure rule – This summer a proposed rule will likely be published to make small clarifications and provide further guidance regarding TRID.
- Overdraft – The CFPB is engaged in pre-rule making activity.
- Debt collection – The CFPB is developing rules to regulate debt collection practices. The CFPB is analyzing responses to a consumer survey.
- Larger participants and non-depository lender registration – The next larger participant rulemaking will focus on markets for consumer installment loans and vehicle title loans for purposes of supervision.
- Women-owned, minority owned, and small business data collection – The CFPB is in the very early stages of starting work to implement the Dodd-Frank Act, which amends the Equal Credit Opportunity Act to require financial institutions to report information concerning credit applications made by women-owned, minority-owned, and small businesses.
- Implementation of other mortgage rules – The CFPB is working to implement its HMDA rule. It released a small entity guide in October 2015. Most new data collection takes effect in 2018. The CFPB is working to streamline and modernize HMDA reporting.

Comment: The sense we got in meetings with the CFPB is that they are more than a year away from releasing a proposed overdraft rule. Data collection on small business applications is troubling because it will surely expand fair lending.

CFPB issues study on single-payment auto title loans

The CFPB issued a report[20] on single-payment auto title loans. The CFPB found that auto title loans have issues similar to payday loans, including high rates of consumer reborrowing, which can create long-term debt traps. A borrower who cannot repay the initial loan, which typically lasts 30 days, must reborrow or risk losing their vehicle. If the loan is repaid, the title is returned to the borrower. Director Cordray also released prepared remarks.[21]

Comment: The CFPB additionally found that: 1) one-in-five borrowers had their vehicle seized when they couldn't repay the loan in full; 2) over four-in—five are borrowed on the due date because borrowers can't pay them off with a single payment; 3) more than half become long-term debts; and 4) more than two-thirds of the business is from consumers who take out seven or more consecutive loans.

CFPB blog

You drive the terms of your auto loan

eRegulations updated with Regulations X, C, and more

We've proposed a rule to protect consumers from payday debt traps

Save the date: Join us for a Consumer Advisory Board meeting in Little Rock, Ark.

Research finds one-in-five auto title loan borrowers have their vehicle seized

FDIC actions

FDIC issues state profiles for first quarter of 2016

FDIC State Profiles[22] are formatted as a quarterly data sheet summation of banking and economic conditions in each state. To retrieve a state profile, select a state from either the map or the list below the map.

Net income declines 2% at financial institutions in 1st quarter

The FDIC Quarterly Banking Profile[23] reports that commercial banks and savings institutions insured by the FDIC reported aggregate net income of $39.1 billion in the first quarter of 2016, down $765 million (1.9 percent) from a year earlier. The decline in earnings was mainly attributable to a $4.2 billion increase in provisions for loan losses set aside to recognize potential future loan losses and a $2.2 billion decline in noninterest income. The increase in loan-loss provisions is primarily attributable to rising levels of troubled loans to commercial and industrial borrowers, particularly in the energy sector. The decline in noninterest income reflects weakness in trading income at a few large banks, as well as lower income from asset servicing. Financial results for the first quarter of 2016 are included in the FDIC's latest Quarterly Banking Profile released today.

Of the 6,122 insured institutions reporting first quarter financial results, more than half (61.4 percent) reported year-over-year growth in quarterly earnings. The proportion of banks that were unprofitable in the first quarter fell from 5.7 percent a year earlier to 5.0 percent, the lowest level since the first quarter of 1998.

OCC actions

OCC bulletin on extension of time for certain SCRA protections

The OCC issued a bulletin[24] informing OCC-supervised institutions of the temporary extension of certain protections under the Servicemembers Civil Relief Act, enacted by the Foreclosure Relief and Extension for Servicemembers Act of 2015.

Highlights

- The SCRA amendments continue a temporary provision that extends for one year following a servicemember's period of military service the protections related to the sale, foreclosure, or seizure of the servicemember's mortgaged property, or the filing of a legal action to enforce a mortgage obligation or other similarly secured obligation.
- The temporary extension expires on December 31, 2017.

- The HUD updated its "Servicemembers Civil Relief Act Notice Disclosure" (Form 92070) to reflect the extensions.

Comment: Related Links

- ***"Foreclosure Relief and Extension for Servicemembers Act of 2015" (Pub. L. 114-142)***
- ***Servicemembers Civil Relief Act Notice Disclosure (PDF)***

Compliance with SEC Money Market Fund Rules

OCC issued a bulletin[25] to highlight actions that banks should take and factors that banks should consider based on the SEC's revised money market fund rules in effect now and going into effect. Although these rules directly apply only to MMFs, the rules indirectly affect

- banks that make MMFs available to their customers through their fiduciary and custody activities.
- bank programs that automatically sweep funds between deposit accounts and MMFs.
- banks that invest in MMFs.

Federal Reserve actions

Fed delivers *102nd Annual Report* to Congress

As required, the Federal Reserve Board submitted an annual written report[26] to the Congress that contains discussions of "the conduct of monetary policy and economic developments and prospects for the future."

Fed modifies structure of mid-day FedFoward deposit options

Effective July 1, 2016, the Federal Reserve Banks will modify the structure of mid-day FedForward deposit options to better align the FedForward deposit and FedReceipt presentment services in the new accounting environment created with the July 2015 implementation of new Payment System Risk posting rules. The Fed expects the changes to limit instances of the Federal Reserve Banks offering same day credit for items that cannot be collected that same day and, therefore, reduce the associated cost that must ultimately be recovered by the Federal Reserve Banks. Click here to read the Fed's memo.[27]

Fed develops FAQs on payment of dividends

The *Fixing America's Surface Transportation Act* (FAST Act), which was enacted on December 4, 2015, amended Section 7 of the Federal Reserve Act related to Reserve Bank surplus and the payment of dividends to member banks. The FAST Act changes the dividend rate for member banks with more than $10 billion (adjusted annually for inflation) of total consolidated assets, effective January 1, 2016, to the *lesser* of six percent or the rate equal to the high yield of the 10-year Treasury note auctioned at the last auction held prior to the payment of the dividend. Please see the Board of Governors February 18, 2016 press release for further information at Board of Governors February 18, 2016 press release (Off-site Link). Federal Reserve FAST Act FAQs.[28]

Fed releases outstanding mortgage debt chart

The Federal Reserved released a chart of mortgage debt outstanding.[29]

Fed issues latest *Consumer Compliance Outlook*

The Fed issued the [first *Consumer Compliance Outlook* of 2016].[30] The issue contains the following articles:

- Interagency Flood Insurance Regulation Update Webinar: Questions and Answers
- Credit and Debit Card Issuers' Obligations When Consumers Dispute Transactions with Merchants
- Compliance Alert
- Proposed Changes to the Uniform Interagency Consumer Compliance Rating System
- News from Washington
- On the Docket
- TILA-RESPA Integrated Disclosure (TRID) Webinars
- Regulatory Calendar
- Calendar of Events

Comment: The Task Force on Consumer Compliance of the FFIEC developed interagency examination procedures for Flood Disaster Protection Act. The procedures were updated to reflect a July 2015 interagency rulemaking addressing forced placement of flood insurance, escrow of flood insurance premiums and fees, and exemption to the mandatory purchase of flood insurance. A follow-up Q&A from the webinar begins on page 1 of this issue.

Other federal action and news

Department of Labor releases final rule regarding overtime

The Department of Labor published the final rule[31] regarding overtime exemptions under the Fair Labor Standards Act, commonly referred to as the "Overtime Rule." The final rule focuses primarily on updating the salary and compensation levels needed for executive, administrative and professional workers to be exempt.

For community banks, the key compliance issues of the Overtime Rule include:

- Sets the standard salary level at the 40th percentile of earnings of full-time salaried workers in the lowest-wage Census Region, currently the South ($913 per week; $47,476 annually for a full-year worker). This is going to impact many employees who are currently classified as exempt and earn less than $913 per week or $47,476 annually;
- Sets the total annual compensation requirement for highly compensated employees subject to a minimal duties test to the annual equivalent of the 90th percentile of full-time salaried workers nationally ($134,004). The Labor Department rule-making did not make changes to the "standard duties test."

The effective date for compliance with the rule is December 1, 2016. That means community bankers have six months to determine which employees are affected, whether to reclassify those employees and execute a communications strategy.

Comment: Senate Bill 2707 would effectively nullify this rule. S.2707 would require the Labor Department to first conduct an analysis of both the hard and soft costs on employers to ensure this rule (and any subsequent rule) does not inadvertently reduce wages and curb hiring.

U.S. Secret Service advises of PIN reset attack

The United States Secret Service received reports from multiple financial institutions that they experienced large scale PIN Reset attacks. In each case, the financial Institutions automated PIN reset systems were targeted. The fraudsters were able to obtain the cardholder name, full debit card number, and expiration date. With that information, the financial institutions reported that their customers received calls from the fraudsters reporting to be from the financial institution's fraud monitoring system. Since they have the cardholder's name and card number, they are able to fake legitimacy and obtain the last four digits of the customer's social security number and transaction history.

The fraudsters then utilized the financial institution's automated PIN reset systems with the compromised information to change the customer's PIN number. They then used counterfeit copies of the customer's debit cards at ATMs across multiple states to drain the customer bank accounts in an organized cash-out attack. In each of these cases, the majority of the fraud occurred over a weekend.

Comment: The Secret Service issued this guidance and recommendations:

- ***Financial institutions should closely monitor any automated PIN reset systems especially those that are telephone-based.***
- ***Once fraud is detected, filters should be put into effect to restrict automated PIN resets.***
- ***Those who have been victims of this fraud scheme, or have detected suspicious activity related to this scheme, should report this activity to their local U.S. Secret Service Electronic Crimes Task Force or field office.***[32]

U.S. Secret Service warns of DDOS Extortion Threats

Numerous businesses throughout the United States have recently received emails threatening Distributed Denial of Service (DDOS) attacks. A DDOS attack prevents legitimate users from accessing a company's website by flooding it with huge amounts of data from multiple computers distributed across the internet.

In one such ongoing campaign, the group threatens the victim with a DDOS attack that will commence on Tuesday, May 3, 2016, unless a five Bitcoin ransom is paid ($2,000 at current Bitcoin market rates), with the ransom demand threatened to escalate during the duration of this campaign. It is likely this group and others are inspired by news reports last week that a group called Armada Collective raised $100,000 based on email threats alone, while not performing a single DDOS.

Organizations are discouraged from paying extortion demands. Paying ransoms:

1. Does not guarantee an organization will not be targeted;
2. Emboldens the adversary to target other organizations, or retarget the same organization, with additional extortion demands; and,
3. Creates a lucrative environment for other criminals to engage in similar activity.

In all cases of extortion, to include DDOS extortion threats, organizations should immediately contact the local office of an appropriate law enforcement organization.

Comment: The U.S. Computer Emergency Readiness Team (US-CERT) has published security recommendations regarding Denial-of-Service Attacks available at: https://www.us-cert.gov/ncas/tips/ST04-015. Additionally, banks should work with their Internet Service Provider (ISP) and other partners to ensure appropriate mitigation measures are in place.

The contact information for your local Secret Service field office or Electronic Crimes Task Force is available at:

Local Field Offices- www.secretservice.gov/contact/

Electronic Crimes Task Force www.secretservice.gov/investigation/#field

The FBI has information regarding ransomware on its website:

- ***Incidents of Ransomware on the Rise*[33] *(Article on ransomware including tips on dealing with it)***
- ***Podcast on Ransomware*[34] *(Very short podcast on ransomware)***
- ***FBI, Cleveland Division, press release: Ransomware: Latest Cyber Extortion Tool*[35]**

The FDIC has videos and challenge materials*[36] *on a variety of cybercrime scenarios, including ransomware.

Computer Security Incident Handling Guide*[37] *National Institute of Standards and Technology

Crypto Ransomware (Alert TA14-295A*[38]*) United States Computer Emergency Response Team

FTC provides annual enforcement report to CFPB

The staff of the FTC provided its 2015 Annual Financial Acts Enforcement Report[39] to the CFPB on enforcement and related activities regarding Reg. Z, Reg. M (Consumer Leasing Act), and Reg. E.

The report on Regulations Z, M, and E addresses, among other things, the FTC's enforcement actions related to non-mortgage credit – including automobile purchases and financing, car title loans, payday lending, and consumer electronics financing – and mortgage-related credit such as forensic audit scams; rulemaking, research, and policy development related to truth in lending; and consumer and business education regarding truth in lending requirements. It also addresses consumer leasing enforcement actions, as well as negative option and other cases involving electronic fund transfers, and rulemaking related to electronic fund transfers.

Comment: The letter responds to CFPB's request for information on the FTC's enforcement activities related to Reg. Z, Reg. M, and Reg. E.

New FTC resources warn consumers about imposter scams

Imposters come in many varieties, but work the same way: the person pretending to be someone you trust tries to convince you to send money. The FTC received 353,770 imposter-related complaints last year. The FTC recently released new resources at ftc.gov/imposters to help consumers spot and avoid four common kinds of imposter scams: Family Emergency Imposter Scams,[40] Tech Support Imposter Scams,[41] Online Romance Imposter Scams,[42] IRS Imposter Scams.[43]

The one-minute videos show how people are targeted, how to spot the scam, and where to report it. The articles are part of the agency's ongoing Pass It On[44] campaign, which encourages older adults to help raise awareness about fraud by talking to family, friends, and neighbors about avoiding common scams.

Comment: These videos might come in handy when you have a customer who is victimized by one of the scams, but won't believe you when you tell them it's a scam. Maybe they'll believe a video from the federal government. You might share the Tech Support Imposter Scam video with your employees and your business customers.

Publications, articles, reports, studies, testimony & speeches

New residential construction statistics

HUD and the Census Bureau jointly announced the new residential construction statistics[45] for April 2016.

HUD/Census Bureau report on new residential sales for April

Sales of new single-family houses in April 2016 were at a seasonally adjusted annual rate of 619,000, according to estimates released jointly today by the HUD and the U.S. Census Bureau. This is 16.6 percent (±15.4%)* above the revised March rate of 531,000 and is 23.8 percent (±22.8%)* above the April 2015 estimate of 500,000.

The median sales price of new houses sold in April 2016 was $321,100; the average sales price was $379,800. The seasonally adjusted estimate of new houses for sale at the end of April was 243,000. This represents a supply of 4.7 months at the current sales rate. Report.[46]

FDIC report on mobile opportunities for underserved consumers

The FDIC released a report entitled *Opportunities for Mobile Financial Services to Engage in Underserved Consumers*[47] that reports on the findings from qualitative research with consumers and industry stakeholders and identifies a set of strategies for banks to consider to better position them to meet underserved consumers' needs.

Federal Reserve's survey of household economics

The Federal Reserve conducted the third annual Survey of Household Economics and Decisionmaking[48] in October and November 2015:

- Sixty-nine percent of adults report that they are either "living comfortably" or "doing okay," compared to 65 percent in 2014 and 62 percent in 2013. However, 31 percent, or approximately 76 million adults, are either "struggling to get by" or are "just getting by."
- Individuals are 9 percentage points more likely to say that their financial well-being improved during the prior year than to say that their financial wellbeing declined.
- Twenty-two percent of employed adults indicate that they are either working multiple jobs, doing informal work for pay in addition to their main job, or both.
- Twenty-three percent of respondents expect their income to be higher in the year after the survey, down from 29 percent who expected income growth in the year after the 2014 survey.

Comment: You may have seen some of the results of this survey in the media recently, such as the finding that 46% of adults could not cover a $400 expense or would cover it by selling something or borrowing money.

FHFA House Price Index reports price increase in first quarter of 2016

U.S. house prices rose 1.3 percent in the first quarter of 2016 according to the Federal Housing Finance Agency House Price Index. This is the nineteenth consecutive quarterly price increase in the purchase-only, seasonally adjusted index. House prices rose 5.7 percent from the first quarter of 2015 to the first quarter of 2016. This is the fourth consecutive year in which prices grew more than 5 percent. FHFA's seasonally adjusted monthly index for March was up 0.7 percent from February. The HPI is calculated using home sales price information from mortgages sold to, or guaranteed by, Fannie Mae and Freddie Mac. FHFA has produced a video of highlights[49] for this quarter.

Comment: These are the significant findings:

- ***Home prices rose in every state between the first quarter of 2015 and the first quarter of 2016. The top five states in annual appreciation were: 1) Oregon 11.8 percent; 2) Florida 11.2 percent; 3) Washington 10.9 percent; 4) Nevada 9.4 percent; and 5) Colorado 9.0 percent.***
- ***Among the 100 most populated metropolitan areas in the U.S., annual price increases were greatest in the West Palm Beach-Boca Raton-Delray Beach, FL, where prices increased by 16.7 percent. Prices were weakest in El Paso, TX, where they fell 2.8 percent.***
- ***Of the nine census divisions, the Pacific division experienced the strongest increase in the first quarter, posting a 1.9 percent quarterly increase and an 8.1 percent increase since the first quarter of last year. House price appreciation was weakest in the Middle Atlantic division, where prices rose 0.6 percent from the last quarter.***

Fed releases latest Beige Book

This edition of the Beige Book[50] was prepared at the Federal Reserve Bank of Minneapolis and based on information collected before May 23, 2016. This document summarizes comments received from business and other contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials

Comment: Information received from the 12 Federal Reserve Districts mostly described modest economic growth since the last Beige Book report. Economic activity in April through mid-May increased at a moderate pace in the San Francisco District, while modest growth was reported by Philadelphia, Cleveland, Atlanta, Chicago, St. Louis, and Minneapolis. Chicago noted that the pace of growth slowed, as did Kansas City. Dallas reported that economic activity grew marginally, while New York characterized activity as generally flat since the last report. Several Districts noted that contacts had generally optimistic outlooks, with firms expecting growth either to continue at its current pace or to increase.

Consumer spending was up modestly on balance in many Districts, though contacts in the Boston, Cleveland, Minneapolis, and Dallas Districts reported mixed or flat activity, and New York reported weakened sales. Many Districts reported modest growth in nonfinancial services. Manufacturing activity was mixed across Districts. Construction and real estate activity generally expanded since the last report, and the overall outlook among contacts in these industries remained positive. Overall loan demand was up moderately in all but one of the Districts that reported it, and many Districts reported steady to good credit availability. Crop conditions were promising in many Districts, but low commodity prices continued to put pressure on agricultural incomes. The energy sector remained weak. Employment grew modestly since the last report, but tight labor markets were widely noted; wages grew modestly, and price pressure grew slightly in most Districts.

Click here[51] to read the Dallas Fed's report on its district.

Profitability of credit card operations of depository institutions

Section 8 of the Fair Credit and Charge Card Disclosure Act of 1988 directs the Federal Reserve Board to transmit annually to the Congress a report about the profitability of credit card operations of depository institutions[52]. This is the 26th report. The analysis here is based to a great extent on information from the Call Report and the Quarterly Report of Credit Card Interest Rates.

Comment: In 2015, credit card banks with assets in excess of $200 million reported net earnings before taxes and extraordinary items of 4.36 percent of average quarterly assets. The level of earnings in 2015 is down somewhat from that reported in 2014. The decline in profitability in 2015 reflects a fall in net non-interest income and a slight increase in provisions for loans losses as a fraction of average assets, which more than offset increases in net interest income. Although provisions among the set of credit card banks rose slightly, delinquency rates and charge-off rates for credit card loans across all banks were little changed in 2015, and continued to remain below their historic averages.

FedFocus

FedFocus[53] is the source for the latest Federal Reserve Financial Services news. Each edition keeps you informed about hot topics in the industry, as well as provides insight into the value of Federal Reserve Financial Services. In this month's edition:

- Trustmark hits one out of the park with the Accelerated Imaged Returns Delivery Service
- FedCash Services stands at the ready come rain or shine
- Fed Facts: Celebrating the "Fathers" of the Fed
- Collaborate, network and meet Fed experts at upcoming industry events

FedFlash

FedFlash[54] is the source for the latest Federal Reserve Financial Services operational news. Each bulletin keeps you informed of issues critical to your day-to-day operations, providing you with National and District updates regarding the Fed's products and services, processes, technical protocols and contact information.

Selected federal rules proposed

Proposed rules are included only when community banks may want to comment.

COMMENTS CLOSE	SUMMARY OF PROPOSED RULE
09.14.2016	Payday, Vehicle Title, and Certain High-Cost Installment Loans.[55] The CFPB proposed to establish 12 CFR part 1041, which would contain regulations creating consumer protections for certain consumer credit products. The proposal generally would cover two categories of loans. First, the proposal generally would cover loans with a term of 45 days or less. Second, the proposal generally would cover loans with a term greater than 45 days, provided that they (1) have an all-in annual percentage rate greater than 36 percent; and (2) either are repaid directly from the consumer's account or income or are secured by the consumer's vehicle. For both categories of covered loans, the proposal would identify it as an abusive and unfair practice for a lender to make a covered loan without reasonably determining that the consumer has the ability to repay the loan. The proposal generally would require that, before making a covered loan, a lender must reasonably determine that the consumer has the ability to repay the loan. The proposal also would impose certain restrictions on making covered loans when a consumer has or recently had certain outstanding loans. The proposal would provide lenders with options to make covered loans without satisfying the ability-to-repay requirements, if those loans meet certain conditions. The proposal also would identify it as an unfair and abusive practice to attempt to withdraw payment from a consumer's account for a covered loan after two consecutive payment attempts have failed, unless the lender obtains the consumer's new and specific authorization to make further withdrawals from the account. The proposal would require lenders to provide certain notices to the consumer before attempting to withdraw payment for a covered loan from the consumer's account. The proposal would also prescribe processes and criteria for registration of information systems, and requirements for furnishing loan information to and obtaining consumer reports from those registered information systems. The CFPB is proposing to adopt official interpretations to the proposed regulation.
07.11.2016	Customer Due Diligence Requirements for Financial Institutions.[56] FinCEN issued final rules under the Bank Secrecy Act clarifying and strengthening customer due diligence requirements for: Banks; brokers or dealers in securities; mutual funds; and futures commission merchants and introducing brokers in commodities. The rules contain explicit customer due diligence requirements and include a new requirement to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions.
08.22.2016	Arbitration Agreements.[57] The CFPB proposed to establish 12 CFR part 1040, which would contain regulations governing two aspects of consumer finance dispute resolution. First, the proposed rule would prohibit covered providers of certain consumer financial products and services from using an agreement with a consumer that provides for arbitration of any future dispute between the parties to bar the consumer from filing or participating in a class action with respect to the covered consumer financial product or service. Second, the proposal would require a covered provider that is involved in an arbitration pursuant to a pre-dispute arbitration agreement to submit specified arbitral records to the Bureau. The Bureau proposes that the rulemaking would apply to certain consumer financial products and services. The Bureau is also proposing to adopt official interpretations to the proposed regulation.

Selected federal rules recently adopted

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:
12.01.2016	Overtime Rule.[58] In this Final Rule the Department updates the standard salary level and total annual compensation requirements to more effectively distinguish between overtime-eligible white collar employees and those who may be exempt, thereby making the exemption easier for employers and employees to understand and ensuring that the FLSA's intended overtime protections are fully implemented. The Department sets the standard salary level for exempt executive, administrative, professional, outside sales, and computer employees at the 40th percentile of weekly earnings of full-time salaried workers in the lowest-wage Census Region. The Department also permits employers to satisfy up to 10 percent of the standard salary requirement with nondiscretionary bonuses, incentive payments, and commissions, provided these forms of compensation are paid at least quarterly. The Department sets the total annual compensation requirement for an exempt Highly Compensated Employee (HCE) equal to the annualized weekly earnings of the 90th percentile of full-time salaried workers nationally. The Department also adds a provision to the regulations that automatically updates the standard salary level and HCE compensation requirements every three years by maintaining the earnings percentiles set in this Final Rule to prevent these thresholds from becoming outdated. Finally, the Department has not made any changes in this Final Rule to the duties tests for the EAP exemption.

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:
06.30.2016	Joint Agencies: Loans in Areas Having Special Flood Hazards[59] A lender who doesn't qualify for the small lender exemption shall mail or deliver to the borrower no later than June 30 a notice in writing, or if the borrower agrees, electronically, informing the borrower of the option to escrow all premiums and fees for any required flood insurance and the method(s) by which the borrower may request escrow, using language similar to the model clause in appendix B. A lender with ≥ $1 billion in assets does not qualify for the exemption. This applies to any loan secured by residential improved real estate or a mobile home that is outstanding on January 1, 2016. **Also, see January 1, 2016 above. For lenders that lose the exemption, see September 30, 2017 below.**
07.01.2016	The Secretary of Education amended the cash management regulations and other sections of the Student Assistance General Provisions regulations issued under the Higher Education Act of 1965, as amended. These final regulations are intended to ensure that students have convenient access to their title IV, HEA program funds, do not incur unreasonable and uncommon financial account fees on their title IV funds, and are not led to believe they must open a particular financial account to receive their Federal student aid. In addition, the final regulations update other provisions in the cash management regulations and otherwise amend the Student Assistance General Provisions. The final regulations also clarify how previously passed coursework is treated for title IV eligibility purposes and streamline the requirements for converting clock hours to credit hours. ***Comment: This rule amendment is meant to stop educational institutions from prioritizing the deposits of financial aid into institutional-sponsored accounts. Marketing material must be presented in a neutral way that enables the student to choose either his or her existing account or a campus account.***
07.01.2016	Registration of Securities Transfer Agents.[60] The FDIC issued a final rule requiring insured State savings associations and subsidiaries of such State savings associations that act as transfer agents for qualifying securities to register with the FDIC, similar to the registration requirements applicable to insured State nonmember banks and subsidiaries of such banks. Second, the final rule revises the definition of qualifying securities to reflect statutory changes to the '34 Act made by the Jumpstart Our Business Startups Act.
07.01.2016	Assessments.[61] Pursuant to the requirements of the Dodd-Frank Act and the FDIC's authority under section 7 of the Federal Deposit Insurance Act (FDI Act), the FDIC is imposing a surcharge on the quarterly assessments of insured depository institutions with total consolidated assets of $10 billion or more. The surcharge will equal an annual rate of 4.5 basis points applied to the institution's assessment base (with certain adjustments). **If the Deposit Insurance Fund (DIF or fund) reserve ratio reaches 1.15 percent before July 1, 2016, surcharges will begin July 1, 2016.** If the reserve ratio has not reached 1.15 percent by that date, surcharges will begin the first day of the calendar quarter after the reserve ratio reaches 1.15 percent. (Lower regular quarterly deposit insurance assessment (regular assessment) rates will take effect the quarter after the reserve ratio reaches 1.15 percent.) Surcharges will continue through the quarter that the reserve ratio first reaches or exceeds 1.35 percent, but not later than December 31, 2018. The FDIC expects that surcharges will 18 commence in the second half of 2016 and that they should be sufficient to raise the DIF reserve ratio to

1.35 percent in approximately eight quarters, i.e., before the end of 2018. If the reserve ratio does not reach 1.35 percent by December 31, 2018 (provided it is at least 1.15 percent), the FDIC will impose a shortfall assessment on March 31, 2019, on insured depository institutions with total consolidated assets of $10 billion or more. **The FDIC will provide assessment credits (credits) to insured depository institutions with total consolidated assets of less than $10 billion for the portion of their regular assessments that contribute to growth in the reserve ratio between 1.15 percent and 1.35 percent. The FDIC will apply the credits each quarter that the reserve ratio is at least 1.38 percent to offset the regular deposit insurance assessments of institutions with credits.**

07.11.2016 FinCEN issued final rules[62] under the Bank Secrecy Act clarifying and strengthening customer due diligence requirements for: Banks; brokers or dealers in securities; mutual funds; and futures commission merchants and introducing brokers in commodities. The rules contain explicit customer due diligence requirements and include a new requirement to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions.

10.03.2016 Limitations on Terms of Consumer Credit Extended to Service Members and Dependents.[63] The Department of Defense issued a final rule amending the implementing regulations of the Military Lending Act of 2006. The final rule expands specific protections provided to service members and their families under the MLA and addresses a wider range of credit products than the DOD's previous regulation. **FDIC-supervised institutions and other creditors must comply with the rule for new covered transactions beginning October 3, 2016**. For credit extended in a new credit card account under an open-end consumer credit plan, compliance is required beginning October 3, 2017. FIL-37-2015[64]

12.24.2016 Credit Risk Retention. The OCC, Board, FDIC, Commission, FHFA, and HUD (the agencies) are adopting a joint final rule (the rule, or the final rule) to implement the credit risk retention requirements of section 15G of the Securities Exchange Act of 1934, as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act or Dodd-Frank Act). Section 15G generally requires the securitizer of asset-backed securities to retain not less than 5 percent of the credit risk of the assets collateralizing the asset-backed securities. Section 15G includes a variety of exemptions from these requirements, including an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as "qualified residential mortgages," as such term is defined by the agencies by rule. The final rule was effective February 23, 2015. Compliance with the rule with respect to asset-backed securities collateralized by residential mortgages is required beginning December 24, 2015. **Compliance with the rule with regard to all other classes of asset-backed securities is required beginning December 24, 2016**.

09.30.2017 Joint Agencies: Loans in Areas Having Special Flood Hazards[65] A lender that loses the small lender exemption shall mail or deliver to the borrower no later than September 30 of the first calendar year in which the lender loses its small lenders exemption a notice in writing, or if the borrower agrees, electronically, informing the borrower of the option to escrow all premiums and fees for any required flood insurance and the method(s) by which the borrower may request escrow, using language similar to the model clause in appendix B. A lender loses the exemption when its assets are ≥ $1 billion. This applies to any loan secured by residential improved real estate or a mobile home that is outstanding on July 1 of the first calendar year in which the lender no longer qualifies for the small lender exemption (exception is for lenders with <$1 billion in assets). **Also, see January 1, 2016 above and September 30, 2017 below**

10.03.2017 Limitations on Terms of Consumer Credit Extended to Service Members and Dependents.[66] The Department of Defense issued a final rule amending the implementing regulations of the Military Lending Act of 2006. The final rule expands specific protections provided to service members and their families under the MLA and addresses a wider range of credit products than the DOD's previous regulation. FDIC-supervised institutions and other creditors must comply with the rule for new covered transactions beginning October 3, 2016. **For credit extended in a new credit card account under an open-end consumer credit plan, compliance is required beginning October 3, 2017**. FIL-37-2015[67]

01.01.2018 Home Mortgage Disclosure (Regulation C). [68] The CFPB amended Regulation C to implement amendments to HMDA made by section 1094 of the Dodd-Frank Act. Consistent with section 1094 of the Dodd-Frank Act, the CFPB is adding several new reporting requirements and clarifying several existing requirements. The CFPB is also modifying the institutional and transactional coverage of Regulation C. The final rule also provides extensive guidance regarding compliance with both the existing and new requirements.

Selected federal rules – recent effective dates

Our list of effective dates of past final federal rules is limited to approximately 12 months.

EFFECTIVE DATE:	SUMMARY OF FINAL RULE:

03.31.2016 Operations in Rural Areas Under the Truth in Lending Act Interim Final Rule.[69] This interim final rule amends certain provisions of Regulation Z in light of title LXXXIX of the Fixing America's Surface Transportation Act, entitled the Helping Expand Lending Practices in Rural Communities Act, Public Law 114–94. The amendments to Regulation Z concern two matters: The eligibility of certain small creditors that operate in rural or underserved areas for special provisions that permit the origination of balloon-payment qualified mortgages and balloon-payment high cost mortgages and for an exemption from the requirement to establish an escrow account for higher-priced mortgage loans and the determination of whether an area is rural for the purposes of Regulation Z. DATES: This final rule is effective on March 31, 2016. Comments may be submitted on or before April 25, 2016.

01.01.2016 Joint Agencies: Loans in Areas Having Special Flood Hazards[70] Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) relating to the escrowing of flood insurance payments and the exemption of certain detached structures from the mandatory flood insurance purchase requirement. The final rule also implements provisions in the Biggert-Waters Flood Insurance Reform Act of 2012 (the Biggert-Waters Act) relating to the force placement of flood insurance. In accordance with HFIAA, the final rule requires regulated lending institutions to escrow flood insurance premiums and fees for loans secured by residential improved real estate or mobile homes that are made, increased, extended or renewed on or after January 1, 2016, unless the loan qualifies for a statutory exception. In addition, certain regulated lending institutions are exempt from this escrow requirement if they have total assets of less than $1 billion. Further, the final rule requires institutions to provide borrowers of residential loans outstanding as of January 1, 2016, the option to escrow flood insurance premiums and fees. The final rule includes new and revised sample notice forms and clauses concerning the escrow requirement and the option to escrow. The final rule includes a statutory exemption from the requirement to purchase flood insurance for a structure that is a part of a residential property if that structure is detached from the primary residence and does not also serve as a residence. However, under HFIAA, lenders may nevertheless require flood insurance on the detached structures to protect the collateral securing the mortgage. (**Lenders with assets < $1 billion, see June 30, 2016 and September 30, 2017.)**

01.01.2016 CFPB: Reg. Z Annual Threshold Adjustments (CARD ACT, HOEPA and ATR/QM):[71] The CFPB issued this final rule amending the regulatory text and official interpretations for Regulation Z. The CFPB is required to calculate annually the dollar amounts for several provisions in Reg. Z; this final rule reviews the dollar amounts for provisions implementing amendments to TILA under the CARD Act, HOEPA, and the Dodd-Frank Act. These amounts are adjusted, where appropriate, based on the annual percentage change reflected in the Consumer Price Index in effect on June 1, 2015. The minimum interest charge disclosure thresholds will remain unchanged in 2016

01.01.2016 Amendments Relating to Small Creditors and Rural or Underserved Areas Under the Truth in Lending Act (Regulation Z).[72] The CFPB amended certain mortgage rules issued by the CFPB in 2013. The final rule[73] revises the CFPB's regulatory definitions of small creditor, and rural and underserved areas, for purposes of certain special provisions and exemptions from various requirements provided to certain small creditors under the CFPB's mortgage rules.

01.01.2016 The OCC, the Board, and the FDIC amended their CRA regulations[74] to adjust the asset-size thresholds used to define "small bank" or "small savings association" and "intermediate small bank" or "intermediate small savings association." As required by the CRA regulations, the adjustment to the threshold amount is based on the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers. The agencies also propose to make technical edits to remove obsolete references to the OTS and update cross-references to regulations implementing certain Federal consumer financial laws in their CRA regulations.

01.01.2016 Federal Reserve Bank Services.[75] The Board of Governors of the Federal Reserve System (Board) has approved the private sector adjustment factor (PSAF) for 2016 of $13.1 million and the 2016 fee schedules for Federal Reserve priced services and electronic access. These actions were taken in accordance with the Monetary Control Act of 1980, which requires that, over the long run, fees for Federal Reserve priced services be established on the basis of all direct and indirect costs, including the PSAF.

01.01.2018 Home Mortgage Disclosure (Regulation C). [76] The CFPB amended Regulation C to implement amendments to HMDA made by section 1094 of the Dodd-Frank Act. Consistent with section 1094 of the Dodd-Frank Act, the CFPB is adding several new reporting requirements and clarifying several existing requirements. The CFPB is also modifying the institutional and transactional coverage of Regulation C. The final rule also provides extensive guidance regarding compliance with both the existing and new requirements.

12.31.2015 Cyber-related sanctions regulations.[77] OFAC issued regulations to implement Executive Order 13694[78] of April 1, 2015 ("Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities"). OFAC intends to supplement this part 578 with a more comprehensive set of regulations, which may include additional interpretive and definitional guidance and additional general licenses and statements of licensing policy.

12.24.2015 Credit Risk Retention. The OCC, Board, FDIC, Commission, FHFA, and HUD (the agencies) are adopting a joint final rule (the rule, or the final rule) to implement the credit risk retention requirements of section 15G of the Securities Exchange Act of 1934, as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act or Dodd-Frank Act). Section 15G generally requires the securitizer of asset-backed securities to retain not less than 5 percent of the credit risk of the assets collateralizing the asset-backed securities. Section 15G includes a variety of exemptions from these requirements, including an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as "qualified residential mortgages," as such term is defined by the agencies by rule. The final rule was effective February 23, 2015. **Compliance with the rule with respect to asset-backed securities collateralized by residential mortgages is required beginning December 24, 2015**. Compliance with the rule with regard to all other classes of asset-backed securities is required beginning December 24, 2016.

12.24.2015 CFPB corrections to TRID rules.[79] The CFPB made technical corrections to Reg. Z and the Official Interpretations of Reg. Z. These corrections republish certain provisions of Reg. Z and the Official Interpretations that were inadvertently removed from or not incorporated into the CFRs by the TRID TILA-RESPA Final Rule. Specifically, this final rule makes the following corrections to reinsert existing regulatory text that was inadvertently deleted from Reg. Z and its commentary:

- Amends § 1026.22(a)(5) to restore subparagraphs (i) and (ii).
- Amends the commentary to § 1026.17 at paragraph 17(c)(1)-2 to restore subparagraphs i, ii, and iii.
- Amends commentary paragraph 17(c)(1)-4 to restore subparagraphs i.A, and i.B.
- Amends commentary paragraph 17(c)(1)-10 to restore introductory text and subparagraphs iii, iv, and vi.
- Amends commentary paragraph 17(c)(1)-11 to restore subparagraphs i, ii, iii, and iv.
- Amends commentary paragraph 17(c)(1)-12 to restore subparagraphs i, ii, and iii.
- Amends commentary paragraph 17(c)(4)-1 to restore subparagraphs i and ii.

- Amends commentary paragraph 17(g)-1 to restore subparagraphs i and ii.
- Amends the commentary to § 1026.18 at paragraph 18(g)-4 to restore text to subparagraph i.

This rule also amends the commentary to appendix D to Reg. Z to add paragraph 7 that had been included in the TILA-RESPA Final Rule published in the Federal Register but that was inadvertently omitted from the commentary to appendix D in the CFR.

12.22.2015 The Federal Reserve Amended Reg. D[80] (Reserve Requirements of Depository Institutions) to revise the rate of interest paid on balances maintained to satisfy reserve balance requirements ("IORR") and the rate of interest paid on excess balances ("IOER") maintained at Federal Reserve Banks by or on behalf of eligible institutions. The final amendments specify that IORR is 0.50 percent and IOER is 0.50 percent, a 0.25 percentage point increase from their prior levels. The amendments are intended to enhance the role of such rates of interest in moving the Federal funds rate into the target range established by the Federal Open Market Committee.

10.03.2015 CFPB: Final integrated Mortgage Disclosures under the RESPA (Reg. X) and the Truth In Lending Act (Reg. Z)[81] Notice of final rule and official interpretations. The CFPB amended Reg. X and Reg. Z to establish new disclosure requirements and forms in Regulation Z for most closed-end consumer credit transactions secured by real property. In addition to combining the existing disclosure requirements and implementing new requirements imposed by the Dodd-Frank Act, the final rule provides extensive guidance regarding compliance with those requirements. CFPB blog on the disclosure.

10.03.2015 CFPB: Amendments to the 2013 Integrated Mortgage Disclosures Rule under Reg. X and Reg. Z and the Loan Originator Rule under Reg. Z[82] (80 FR 8767[83]) Notice of final rule and official interpretations. This rule amending the integrated mortgage rule extends the timing requirement for revised disclosures when consumers lock a rate or extend a rate lock after the Loan Estimate is provided and permits certain language related to construction loans for transactions involving new construction on the Loan Estimate. This rule also amends the 2013 Loan Originator Final Rule to provide for placement of the NMLSR ID on the integrated disclosures. Additionally, the CFPB made non-substantive corrections, including citation and cross-reference updates and wording changes for clarification purposes, to various provisions of Regulations X and Z as amended or adopted by the 2013 TILA-RESPA Final Rule. CFPB blog on the disclosure.

10.01.2015 Department of Defense: Limitations on Terms of Consumer Credit Extended to Service Members and Dependents.[84] The Department of Defense amended its regulation that implements the Military Lending Act, herein referred to as the "MLA." Among other protections for Service members and their families, the MLA limits the amount of interest that a creditor may charge on "consumer credit" to a maximum annual percentage rate of 36 percent. The Department amends its regulation primarily for the purpose of extending the protections of the MLA to a broader range of closed-end and open-end credit products. Among other amendments, the Department modifies the provisions relating to the optional mechanism a creditor could use when assessing whether a consumer is a "covered borrower," modifies the disclosures that a creditor must provide to a covered borrower, and implements the enforcement provisions of the MLA.

10.01.2015 Joint Agencies: Loans in Areas Having Special Flood Hazards[85] The statutory force-placed insurance provision took effect upon the enactment of the Biggert-Waters Act on July 6, 2012. The statutory detached structure exemption took effect upon enactment of the HFIAA on March 21, 2014. The regulatory changes made by this final rule to incorporate these provisions are effective on October 1, 2015. See the final flood rule on 01.01.2016, below, for the statutory and escrow-related provisions.

08.01.2015 Joint Agencies: Loans in Areas Having Special Flood Hazards.[86] The OCC, the Fed, the FDIC, the FCA, and the NCUA amended their regulations regarding loans in areas having special flood hazards to implement certain provisions of the Homeowner Flood Insurance Affordability Act of 2014, which amends some of the changes to the Flood Disaster Protection Act of 1973 mandated by the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters). The Agencies plan to address the private flood insurance provisions in Biggert-Waters in a separate rulemaking.

Specifically, the final rule:

- Requires the escrow of flood insurance payments on residential improved real estate securing a loan, consistent with the changes set forth in HFIAA. The final rule also incorporates an exemption in HFIAA for certain detached structures from the mandatory flood insurance purchase requirement.
- Implements the provisions of Biggert-Waters related to the force placement of flood insurance.
- Integrates the OCC's flood insurance regulations for national banks and Federal savings associations.

02.23.2015 Joint Agencies: Credit risk retention.[87] The OCC, Board, FDIC, Commission, FHFA, and HUD adopted a joint final rule to implement the credit risk retention requirements of Section 15 of the Securities and Exchange Act of 1934, as added by section 941 of the Dodd-Frank Act. Section 15G generally requires the securitizer of asset-backed securities to retain not less than 5 percent of the credit risk of the assets collateralizing the asset-backed securities. Section 15G includes a variety of exemptions from these requirements, including an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as "qualified residential mortgages," as such term is defined by the agencies by rule.

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.
ATM	Automated Teller Machine
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
EGRPRA	Economic Growth and Regulatory Paperwork Reduction Act of 1996
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 (or Fed)	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.	Abbreviation for "Regulation" – A federal regulation. These are found in the CFR.
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 may be criminal in nature.
SDN	Specially Designated National
TILA	Truth in Lending Act
TIN	Tax Identification Number
TRID	TILA/RESPA Integrated Disclosure
Treasury	U.S. Department of Treasury

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