



Compliance Journal

Special Focus

Clearing the Air – Your Bank, the Farm Bill and Industrial Hemp

Late last year, President Donald Trump signed into law the long-awaited 2018 Farm Bill, with broad ramifications for agriculture and related industries nationwide. In its more than one thousand pages the bill covers a lot of ground, including crop insurance and farm subsidies, conservation topics and much more. There are also several provisions that affect federal regulation of the cultivation and production of industrial hemp that deserve attention from banks and some of their Ag customers.

Hemp production in the United States goes back centuries. George Washington grew hemp at Mount Vernon, and the USS Constitution used more than 120,000 pounds of hemp fiber rope in its rigging. Though the Marijuana Tax Act of 1937 raised the cost of production, hemp was used extensively through World War II in uniforms, canvas and rope. Because of efforts in efficiency and mechanization by International Harvester and the state Department of Agriculture, by the 1950s, Wisconsin was one of the leading producers of industrial hemp, just in time for the introduction of less expensive synthetic fibers that made hemp products uncompetitive. Hemp production dropped rapidly. In 1970, the Controlled Substances Act finished the industry by declaring all cannabis varieties Schedule I controlled substances, including hemp. Growers were required to obtain a rarely-granted permit from the Drug Enforcement Administration and production trailed off to essentially zero.

Despite a resurgence of interest in hemp production in the 1990s, there were no significant changes until the 2014 Farm Bill

which allowed states to create agricultural pilot programs to grow hemp. The State of Wisconsin did just this in 2017 with a licensing and registration process for an industrial hemp research pilot program through the Department of Agriculture, Trade and Consumer Protection (DATCP). Hundreds of producers registered into the program for 2018 and 2019 and banks could finally consider banking these customers again. The 2014 Farm Bill also created a legal definition of industrial hemp, requiring it to contain 0.3% or less of tetrahydrocannabinol (THC), the psychoactive compound in marijuana.

The 2018 Farm Bill addresses various issues relating to industrial hemp and lowers the hurdles to legal cultivation under federal law. However, the bill legalizes industrial hemp only subject to significant conditions.

First, the requirement to maintain 0.3% THC content or less was carried forward. “Hemp” is legally defined as any part of the Cannabis sativa plant containing THC below this threshold. Any product exceeding this threshold is “marijuana” and is still a controlled substance. This replaces previous guidance under the Agricultural Marketing Act of 1946 which specified certain parts of the plant as hemp.

Testing THC concentrations will be an important qualifier for legalized hemp production. However, discussion on how this will be done, who will oversee testing (the U.S. Department of Agriculture, state departments or both), and how these results will be verified and recorded is just beginning. Banks that move forward with industrial hemp customers should

look for a careful and deliberative process in measuring THC to ensure they are not inadvertently facilitating the production of a Schedule I drug.

Second, nothing in the Farm Bill invalidates the DATCP pilot program. Under the bill, states are allowed to become the primary regulators of hemp cultivation. As part of their due diligence, Wisconsin banks should look for participation and annual registration. This is still the right way in this state to become a producer in what will be a heavily regulated industry. The DATCP does not intend to publish a list of participants in the program, though they will confirm for particular customers by e-mail. DATCP is also coordinating THC testing of industrial hemp crops in Wisconsin. More information is available on their website under Programs and Services.

Third, while the Farm Bill provides clarity around non-food hemp products, it doesn't change the Food and Drug Administration's (FDA's) regulation of cannabidiol (CBD) oil. The FDA maintains that, except for some limited pharmaceutical grade production, the use of CBD as an ingredient in food or dietary supplements remains prohibited. Also, while hemp cultivation in a manner consistent with the Farm Bill will produce low-THC CBD, any that exceeds 0.3% THC remains a Schedule I controlled substance. This means that while customers that sell CBD oil have a standard to meet to avoid Drug Enforcement Agency (DEA) violations, they might still face challenges from the FDA. Banks should consider these issues when performing due diligence on any customer that sells CBD, though replace-



ment of zero tolerance for THC with 0.3% tolerance can provide some protection against the most serious, drug-related complications.

Finally, the patchwork of state laws around medicinal and recreational use of marijuana has not changed, and high-THC products are still Schedule I controlled substances according to the DEA. Despite the carve-out for hemp provided by the Farm Bill, marijuana remains illegal under state and federal law in Wisconsin. Banking marijuana-related businesses still means following Financial Crimes Enforcement Network (FinCEN) guidance and taking on some compliance risk.

With the passage of the Farm Bill, banks have opportunities to take on industrial hemp customers with more confidence than in the past. As an added benefit, the bill permits hemp researchers (under the DATCP pilot program in Wisconsin) to apply for federal grants and they are eligible for federal crop insurance. Banks may see customers looking to take advantage of hemp production as a new, potentially higher margin crop. However, the road to successfully serving those customers and meeting regulatory requirements is not without complications. In addition to the considerations above, banks that take on these customers should update their BSA policies and

procedures to include any enhanced due diligence performed on industrial hemp customers. With careful planning and risk-based monitoring, industrial hemp producers could prove to be some of your best customers.

WBA wished to thank Shane B. Bauer, First Vice President - Compliance, BSA and Security Officer, Banker's Bank for providing this article. ■

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Industrial Hemp in Wisconsin

WBA expects that many Wisconsin banks will soon be approached by customers engaged in the industrial hemp industry, if they have not already. Wisconsin possesses favorable weather and soil conditions for the crop, and many farmers appear to be exploring the industry. As of January 2, 2019, the Wisconsin Department of Agriculture, Trade, and Consumer Protection (DATCP) has received a total of 413 Hemp Grower, and 244 Hemp Processor applications for a license and/or 2019 annual registration to participate in Wisconsin's pilot program. Growers, processors, and retailers have already begun searching for banks offering deposit services and soon, loans. WBA has already received several calls through the WBA Legal Call Program questioning the legality of banking industrial hemp customers.

There are no rules or regulations prohibiting banks from doing

business with customers legally engaged in the hemp industry. Growing, processing, and selling hemp products is legal, but it is regulated. Banks should implement policies and procedures to work with their customers accordingly. There is no regulatory guidance on the topic, but, arguably, none is necessary. Banks should follow BSA, safety and soundness, and business considerations already in place. Policies and procedures will need to be written or updated, as appropriate for this new business, but there are no new rules governing banks.

To that extent, it is important for banks to understand the hemp industry so they can understand their customers. WBA recommends considering the following matters:

- Is your customer registered with DATCP?

- Can they provide documentation that their licensing is up to date?
- Do they submit samples for regular testing?
- Who do they buy/sell to?
- If they are a grower, do they use licensed seed?
- If they're a retailer who may not be required to register with DATCP, who do they buy from (and is that seller licensed)?
- Others.

These considerations become even more important when it comes to lending, where banks must consider additional underwriting and collateralization components. Furthermore, as the hemp industry develops, the rules regulating it will change, and the business will continue



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to develop. Bank policies and procedures must be designed to evolve in tandem with this new industry.

Hemp has long been a cash industry, and deposit services such as checks, debit cards, and online banking are tools the industry has been without in the past. WBA has observed that farmers and growers appear eager to work with Wisconsin banks who are the experts in their community at handling money. Hemp businesses that follow Wisconsin's pilot program are legal. While this situation is new, it is analogous to others. For example, business customers that open a bar, liquor store, or own and operate ATM and gaming machines are regulated and must meet certain requirements. From a BSA, safety and soundness, and

general know-your-customer standpoint, banks have policies and procedures in place to consider those requirements. Industrial hemp, while new and carrying its own unique requirements, should be no different and should be addressed by policy and procedure.

WBA encourages Wisconsin banks to learn more about hemp, what it is, how it is used, and understand its legal requirements. WBA will continue to provide resources and updates as the industrial hemp industry continues to grow. For further discussion of the hemp industry in Wisconsin and the pilot program's requirements, join us at the WBA Compliance Forum with sessions running from February 19-21 where we will be joined by a speaker from DATCP.

For more information, visit our website at <https://www.wisbank.com/>. ■

Regulatory Spotlight

Agencies Finalize Rule on Community Reinvestment Act Regulations.

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) are amending their Community Reinvestment Act (CRA) regulations 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 (CPI-W). During the 12-month period ending November 2018, the CPI-W increased by 2.59 percent. As a result, the Agencies are revising 12 CFR 25.12(u)(1), 195.12(u)(1), 228.12(u)(1), and 345.12(u)(1) to make this annual adjustment. Beginning 01/01/2019, banks and savings associations that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.284 billion are small banks or small savings associations. Small banks

and small savings associations with assets of at least \$321 million as of December 31 of both of the prior two calendar years and less than \$1.284 billion as of December 31 of either of the prior two calendar years are intermediate small banks or intermediate small savings associations. The Agencies also publish current and historical asset-size thresholds on the website of the Federal Financial Institutions Examination Council at <http://www.ffiec.gov/cra/>. The final rule is effective **01/01/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-27/pdf/2018-27791.pdf>. *Federal Register*, Vol. 83, No. 247, 12/27/2018, 66601-66604.

Agencies Finalize Rules on Examination Cycle for Certain Small Insured Depository Institutions.

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) issued interim final rules that were effective immediately to implement

section 210 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (Economic Growth Act), which was enacted on **05/24/2018**. The agencies are now adopting the interim final rules as final without change. The interim final rules and final rules implement section 210 of the Economic Growth Act, which amended section 10(d) of the Federal Deposit Insurance Act (FDI Act) to permit the agencies to examine qualifying insured depository institutions (IDIs) with under \$3 billion in total assets not less than once during each 18-month period. In addition, these final rules adopt as final the parallel changes to the agencies' regulations governing the on-site examination cycle for U.S. branches and agencies of foreign banks, consistent with the International Banking Act of 1978 (IBA). The final rules are effective **01/28/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-28267.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67033-67035.



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Agencies Propose Standardized Approach for Calculating the Exposure Amount of Derivative Contracts.

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) issued a proposal that would implement a new approach for calculating the exposure amount of derivative contracts under the agencies' regulatory capital rule. The proposed approach, called the standardized approach for counterparty credit risk (SA-CCR), would replace the current exposure methodology (CEM) as an additional methodology for calculating advanced approaches total risk-weighted assets under the capital rule. An advanced approaches banking organization also would be required to use SA-CCR to calculate its standardized total risk-weighted assets; a non-advanced approaches banking organization could elect to use either CEM or SA-CCR for calculating its standardized total risk-weighted assets. In addition, the proposal would modify other aspects of the capital rule to account for the proposed implementation of SA-CCR. Specifically, the proposal would require an advanced approaches banking organization to use SA-CCR with some adjustments to determine the exposure amount of derivative contracts for calculating total leverage exposure (the denominator of the supplementary leverage ratio). The proposal also would incorporate SA-CCR into the cleared transactions framework and would make other amendments, generally with respect to cleared transactions. The proposed introduction of SA-CCR would indirectly affect FRB's single counterparty credit limit rule, along with other rules. OCC also is proposing to update cross-references to CEM and add SA-CCR as an option for determining exposure amounts for derivative contracts in its lending limit rules. Comments are due **02/15/2018**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-17/pdf/2018-24924.pdf>. *Federal Register*, Vol. 83, No. 241, 12/17/2018, 64660-64728.

Agencies Propose Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements.

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) issued a proposal that would establish risk-based categories for determining applicability of requirements under the regulatory capital rule, the liquidity coverage ratio rule, and the proposed net stable funding ratio rule for large U.S. banking organizations. The proposal would establish four categories of standards and apply tailored capital and liquidity requirements for banking organizations subject to each category. The proposal is consistent with a separate proposal issued by FRB that would apply certain prudential standards for large U.S. banking organizations based on the same categories. The proposal would not amend the capital and liquidity requirements currently applicable to an intermediate holding company of a foreign banking organization or its subsidiary depository institutions. This proposal also would not amend the requirements applicable to Federal branches or agencies of foreign banking organizations. Comments are due **01/22/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-21/pdf/2018-27177.pdf>. *Federal Register*, Vol. 83, No. 245, 12/21/2018, 66024-66059.

Agencies Issue Notice Encouraging Institutions to Work with Borrowers Affected by Government Shutdown.

The Consumer Financial Protection Bureau (CFPB), the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the National Credit Union Administration (NCUA), and the Conference of State Bank Supervisors (CSBS) encourage financial institutions

to work with consumers affected by the federal government shutdown. While the effects of the federal government shutdown on individuals should be temporary, affected borrowers may face a temporary hardship in making payments on debts such as mortgages, student loans, car loans, business loans, or credit cards. As they have in prior shutdowns, the agencies encourage financial institutions to consider prudent efforts to modify terms on existing loans or extend new credit to help affected borrowers. Prudent workout arrangements that are consistent with safe-and-sound lending practices are generally in the long-term best interest of the financial institution, the borrower, and the economy. Such efforts should not be subject to examiner criticism. The notice may be viewed at: <https://www.fdic.gov/news/news/financial/2019/fil19001.html>

CFPB Proposes Policy Guidance on No-Action Letters and Product Sandbox.

The Consumer Financial Protection Bureau (CFPB) issued a proposed Policy on No-Action Letters and the CFPB Product Sandbox, which is intended to carry out certain of the Bureau's authorities under Federal consumer financial law; and a proposed information collection associated with applications submitted by applicants requesting admission to the BCFP Product Sandbox. Comments are due **02/11/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-13/pdf/2018-26873.pdf>. *Federal Register*, Vol. 83, No. 239, 12/13/2018, 64036-64045.

CFPB Requests Comment on Information Collections.

- CFPB announced it seeks comment on the information collection titled Consumer Response Government and Congressional Portal Boarding Forms. CFPB also gave notice that it sent the collection to OMB for review. Comments are due **02/15/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12->



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[17/pdf/2018-27260.pdf](#). *Federal Register*, Vol. 83, No. 241, 12/17/2018, 64567.

- CFPB announced it seeks comment on the information collection titled Interstate Land Sales Full Disclosure Act (Regulations J, K & L) 12 CFR 1010, 1011, 1012. CFPB also gave notice that it sent the collection to OMB for review. Comments are due **02/15/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-17/pdf/2018-27262.pdf>. *Federal Register*, Vol. 83, No. 241, 12/17/2018, 64566.
- CFPB announced it seeks comment on the information collection titled Gramm-Leach-Bliley Act (Regulation P) 12 CFR 1016. CFPB also gave notice that it sent the collection to OMB for review. Comments are due **01/22/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-21/pdf/2018-27738.pdf>. *Federal Register*, Vol. 83, No. 245, 12/21/2018, 65642-65643.
- CFPB announced it seeks comment on the information collection titled Regulation F: Fair Debt Collection Practices Act—State Application for Exemption (12 CFR 1006.2). CFPB also gave notice that it sent the collection to OMB for review. Comments are due **01/28/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-27/pdf/2018-28112.pdf>. *Federal Register*, Vol. 83, No. 247, 12/27/2018, 66682.

CFPB Announces HMDA Filing Period Open.

CFPB announced that the filing period for HMDA data collected in 2018 opened on **01/01/2019**. Financial institutions can access the HMDA Platform here: <https://ffiec.cfpb.gov/filing/2018/>

FRB Issues Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies.

The Board of Governors of the Federal Reserve System (FRB) is providing notice of the aggregate global indicator amounts for purposes of a calculation for 2018, which is required under FRB's rule regarding risk-based capital surcharges for global systemically important bank holding companies (GSIB surcharge rule). The amounts may be viewed in the table in the notice. The amounts are applicable **12/12/2018**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-12/pdf/2018-26850.pdf>. *Federal Register*, Vol. 83, No. 238, 12/12/2018, 63887-63888.

FRB Issues Correction to Single-Counterparty Credit Limits for Bank Holding Companies and Foreign Banking Organizations.

FRB is issuing a correction to a final rule that was originally published in the *Federal Register* on **08/06/2018** regarding Single-Counterparty Credit Limits for Bank Holding Companies and Foreign Banking Organizations. That document included certain incorrect paragraph designations. The notice corrects those typographical errors in subparts H and Q of Regulation YY. The correction is effective **12/13/2018**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-13/pdf/2018-27044.pdf>. *Federal Register*, Vol. 83, No. 239, 12/13/2018, 64023.

FRB Requests Comment on Information Collections.

- FRB announced it seeks comment on the information collection titled Financial Statements for Holding Companies. FRB also gave notice that it sent the collection to OMB for review. Comments are due **02/11/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-12/pdf/2018-26818.pdf>. *Federal Register*, Vol. 83, No. 238, 12/12/2018, 63870-63885.

www.govinfo.gov/content/pkg/FR-2018-12-12/pdf/2018-26818.pdf. *Federal Register*, Vol. 83, No. 238, 12/12/2018, 63870-63885.

- FRB announced it seeks comment on the information collection titled New Hire Information Collection. FRB also gave notice that it sent the collection to OMB for review. Comments are due **02/15/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-17/pdf/2018-27226.pdf>. *Federal Register*, Vol. 83, No. 241, 12/17/2018, 64573-64575.
- FRB announced it seeks comment on the information collection titled Complex Institution Monitoring Report. FRB also gave notice that it sent the collection to OMB for review. Comments are due **02/26/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-28204.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67285-67286.

FDIC Proposes Company-Run Stress Testing Requirements.

The Federal Deposit Insurance Corporation (FDIC) issues a proposed rule that would revise FDIC's requirements for stress testing by FDIC-supervised institutions, consistent with changes made by Section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Specifically, the proposed rule would amend FDIC's existing stress testing regulations to change the minimum threshold for applicability from \$10 billion to \$250 billion, revise the frequency of required stress tests by FDIC-supervised institutions, and reduce the number of required stress testing scenarios from three to two. FDIC also proposes to make certain conforming and technical changes, including changes that were previously proposed in an April 2018 notice of proposed rulemaking that was superseded, in part, by the enactment of EGRRCPA. Comments are due



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02/19/2019. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-27824.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67149-67155.

FDIC Requests Comment on Deposit Insurance Application Process.

FDIC is seeking comment from interested parties regarding FDIC's deposit insurance application process. Comments are due **02/11/2018**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-12/pdf/2018-26811.pdf>. *Federal Register*, Vol. 83, No. 238, 12/12/2018, 63868-63869.

OCC Finalizes Guidelines on Standards for Recovery Planning by Certain Large Insured National Banks, Insured Federal Savings Associations, and Insured Federal Branches.

The Office of the Comptroller of the Currency (OCC) is amending its enforceable guidelines relating to recovery planning standards for insured national banks, insured federal savings associations, and insured federal branches (Guidelines) by increasing the average total consolidated assets threshold for applying the Guidelines from \$50 billion to \$250 billion. In addition, OCC is changing the Guidelines to decrease from 18 months to 12 months the time within which a bank should comply with the Guidelines after the bank becomes subject to them. Finally, OCC is making technical amendments to remove outdated compliance dates. The final guidelines are effective **01/28/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-27/pdf/2018-27952.pdf>. *Federal Register*, Vol. 83, No. 247, 12/27/2018, 66604-66607.

OCC Issues Correction to Proposed Rule on Regulatory Capital Treatment for High Volatility Commercial Real Estate Exposures.

OCC is correcting the Regulatory Flexibility Act certification for the proposed rule that was published in the *Federal Register* on **09/28/2018**, entitled "Regulatory Capital Treatment for High Volatility Commercial Real Estate (HVCRE) Exposures." The correction is effective **12/26/2018**, comments are due **01/25/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-26/pdf/2018-27786.pdf>. *Federal Register*, Vol. 83, No. 246, 12/26/2018, 66166-66167.

OCC Issues Inflation Adjustments for Civil Monetary Penalties.

OCC is providing notice of its maximum civil money penalties as adjusted for inflation. The inflation adjustments are required to implement the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. The adjusted maximum amount of civil money penalties in the notice are applicable to penalties assessed on or after **01/01/2019**, for conduct occurring on or after **11/02/2015**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-27/pdf/2018-27784.pdf>. *Federal Register*, Vol. 83, No. 247, 12/27/2018, 66599-66601.

HUD Issues Final Rule on Single-Family Mortgage Insurance.

The Department of Housing and Urban Development (HUD) has issued a final rule streamlining the home warranty requirements for FHA single-family mortgage insurance by removing the regulations that require borrowers to purchase 10-year protection plans in order to qualify for certain mortgages on newly constructed single-family homes. This action conforms with the changes made

by the Housing and Economic Recovery Act of 2008 (HERA). HUD, however, is retaining the requirement that the Warranty of Completion of Construction (form HUD-92544) be executed by the builder and the buyer of a new construction home, as a condition for FHA mortgage insurance. The final rule follows publication of a **02/06/2013**, proposed rule, and takes into consideration the public comments received on the proposed rule. The final rule is effective **03/14/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-14/pdf/2018-27116.pdf>. *Federal Register*, Vol. 83, No. 240, 12/14/2018, 64269-64272.

FEMA Issues Notice of Changes in Flood Hazard Determinations.

- The Federal Emergency Management Agency (FEMA) has issued a notice which lists communities in the state of **Minnesota**, where the addition or modification of Base Flood Elevations (BFEs), base flood depths, Special Flood Hazard Area (SFHA) boundaries or zone designations, or the regulatory floodway (hereinafter referred to as flood hazard determinations), as shown on the Flood Insurance Rate Maps (FIRMs), and where applicable, in the supporting Flood Insurance Study (FIS) reports, prepared by FEMA for each community, is appropriate because of new scientific or technical data. The flood hazard determinations will become effective on the dates listed in the table in the notice and revise the FIRM panels and FIS report in effect prior to the determination for the listed communities. From the date of the second publication of notification of these changes in a newspaper of local circulation, any person has ninety (90) days in which to request through the community that the Deputy Associate Administrator for Mitigation reconsider the changes. The flood hazard determination information may be changed during the 90-day period. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR->



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[2018-12-13/pdf/2018-26935.pdf](https://www.federalregister.gov/documents/2018/12/13/2018-26935).

Federal Register, Vol. 83, No. 239, 12/13/2018, 64139-64141.

- FEMA has issued a notice which lists communities in the states of **Illinois**, **Minnesota**, and **Wisconsin**, where the addition or modification of Base Flood Elevations (BFEs), base flood depths, Special Flood Hazard Area (SFHA) boundaries or zone designations, or the regulatory floodway (hereinafter referred to as flood hazard determinations), as shown on the Flood Insurance Rate Maps (FIRMs), and where applicable, in the supporting Flood Insurance Study (FIS) reports, prepared by FEMA for each community, is appropriate because of new scientific or technical data. The flood hazard determinations will become effective on the dates listed in the table in the notice and revise the FIRM panels and FIS report in effect prior to the determination for the listed communities. From the date of the second publication of notification of these changes in a newspaper of local circulation, any person has ninety (90) days in which to request through the community that the Deputy Associate Administrator for Mitigation reconsider the changes. The flood hazard determination information may be changed during the 90-day period. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-28149.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67332-67334.

FEMA Issues Proposed Flood Hazard Determinations.

- FEMA has requested comments on proposed flood hazard determinations, which may include additions or modifications of any Base Flood Elevation (BFE), base flood depth, Special Flood Hazard Area (SFHA) boundary or zone designation, or regulatory floodway on the Flood Insurance Rate Maps (FIRMs), and where applicable, in the supporting

Flood Insurance Study (FIS) reports for communities in the states of **Iowa**, and **Minnesota**. The FIRM and FIS report are the basis of the floodplain management measures that the community is required either to adopt or to show evidence of having in effect in order to qualify or remain qualified for participation in the National Flood Insurance Program (NFIP). Comments are due **03/14/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-14/pdf/2018-27149.pdf>. *Federal Register*, Vol. 83, No. 240, 12/14/2018, 64351-64352.

- FEMA has requested comments on proposed flood hazard determinations, which may include additions or modifications of any Base Flood Elevation (BFE), base flood depth, Special Flood Hazard Area (SFHA) boundary or zone designation, or regulatory floodway on the Flood Insurance Rate Maps (FIRMs), and where applicable, in the supporting Flood Insurance Study (FIS) reports for communities in the state of **Michigan**. The FIRM and FIS report are the basis of the floodplain management measures that the community is required either to adopt or to show evidence of having in effect in order to qualify or remain qualified for participation in the National Flood Insurance Program (NFIP). Comments are due **03/28/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-28168.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67330-67332.

FinCEN Requests Comment on Information Collection.

The Financial Crimes Enforcement Network (FinCEN) announced it seeks comment on the information collection titled Reports of foreign financial accounts and records to be made and retained by persons having financial interests in foreign financial accounts (31 CFR 1010.350,

1010.420) and FinCEN Form 114, Report of Foreign Bank and Financial Accounts. FinCEN also gave notice that it sent the collection to OMB for review. Comments are due **02/19/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-20/pdf/2018-27513.pdf>. *Federal Register*, Vol. 83, No. 244, 12/20/2018, 65394-65395.

FinCEN Requests Applications for Bank Secrecy Act Advisory Group.

FinCEN is inviting the public to nominate financial institutions, trade groups, and non-federal regulators or law enforcement agencies for membership on the Bank Secrecy Act Advisory Group. New members will be selected for three-year membership terms. Nominations are due **01/28/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-28178.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67487.

Treasury Proposes Reducing Burden Under FATCA and Chapter 3.

The Department of the Treasury (Treasury) proposed regulations eliminating withholding on payments of gross proceeds, deferring withholding on foreign passthru payments, eliminating withholding on certain insurance premiums, and clarifying the definition of investment entity. The notice of proposed rulemaking also includes guidance concerning certain due diligence requirements of withholding agents and guidance on refunds and credits of amounts withheld. Comments are due **02/19/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-18/pdf/2018-27290.pdf>. *Federal Register*, Vol. 83, No. 242, 12/18/2018, 64757-64758.



Regulatory Spotlight

Treasury Proposes Limitation on Deduction for Business Interest Expense.

Treasury issued a proposed rulemaking regarding the limitation on the deduction for business interest expense after the enactment of recent tax legislation. Specifically, the regulations provide general rules and definitions. The regulations also provide rules for calculating the limitation in consolidated group, partnership, and international contexts. The regulations affect taxpayers that have deductible business interest expense, other than certain small businesses, electing real property trades or businesses, electing farming businesses, and certain utility businesses. The document also withdraws a notice of proposed rulemaking relating to the disallowance of a deduction for certain interest paid or accrued by a corporation. This document also provides notice of a public hearing on the proposed regulations. Comments are due **02/26/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-26257.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67490-67610.

Treasury Issues Exemptions to Qualified Financial Contracts Recordkeeping Requirements.

Treasury is issuing a determination regarding requests for exemption from certain requirements of the rule implementing the qualified financial contracts recordkeeping requirements of Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The exemptions are effective **12/21/2018**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-21/pdf/2018-27758.pdf>. *Federal Register*, Vol. 83, No. 245, 12/21/2018, 65509-65521.

Treasury Requests Comment on Information Collection.

Treasury announced it seeks comment on the information collection titled Prohibition on Funding of Unlawful Internet

Gambling. Treasury also gave notice that it sent the collection to OMB for review. Comments are due **01/22/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-21/pdf/2018-27751.pdf>. *Federal Register*, Vol. 83, No. 245, 12/21/2018, 65805-65806.

FHFA Finalizes Amendments to Golden Parachute and Indemnification Payments.

The Federal Housing Finance Agency (FHFA) is amending its golden parachute payments regulation to better align it with areas of FHFA's supervisory concern and reduce administrative and compliance burdens. The final rule amends a requirement that FHFA review and consent before a regulated entity or the Office of Finance (OF) enters certain agreements to make, or makes, certain payments that are contingent on the termination of an affiliated party, if the regulated entity or the OF is in a troubled condition, in conservatorship or receivership, or insolvent. FHFA's experience implementing the regulation indicated that it required review of some agreements and payments where there was little risk of excess or abuse, and thus that it was too broad. As amended, the rule will reduce the number of agreements and payments that are subject to FHFA prior review by focusing on those agreements and payments where there is greater risk of an excessive or abusive payment (in general, payments to and agreements with executive officers, broad-based plans covering large numbers of employees (such as severance plans), and payments made to non-executive officer employees who may have engaged in certain types of wrongdoing). In addition, the rule as amended clarifies the inquiry into possible employee wrongdoing that a regulated entity is required to undertake prior to entering into an agreement to make or making a golden parachute payment. Amendments also revise and clarify other rule procedures, definitions, and exemptions. The Amendments are effective **01/22/2019**. The notice may be viewed at: <https://www.govinfo.gov/>

[content/pkg/FR-2018-12-20/pdf/2018-27564.pdf](https://www.govinfo.gov/content/pkg/FR-2018-12-20/pdf/2018-27564.pdf). *Federal Register*, Vol. 83, No. 244, 12/20/2018, 65283-65292.

FHFA Proposes Rule on Validations and Approval of Credit Score Models.

FHFA is proposing a rule on the process for validation and approval of credit score models by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Comments are due **03/21/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-21/pdf/2018-27565.pdf>. *Federal Register*, Vol. 83, No. 245, 12/21/2018, 65575-65592.

SBA Issues Peg Rate.

The Small Business Administration (SBA) publishes an interest rate called the optional "peg" rate (13 CFR 120.214) on a quarterly basis. This rate is a weighted average cost of money to the government for maturities similar to the average SBA direct loan. This rate may be used as a base rate for guaranteed fluctuating interest rate SBA loans. This rate will be 3.125 percent for the January–March quarter of FY 2019. Pursuant to 13 CFR 120.921(b), the maximum legal interest rate for any third party lender's commercial loan which funds any portion of the cost of a 504 project (see 13 CFR 120.801) shall be 6% over the New York Prime rate or, if that exceeds the maximum interest rate permitted by the constitution or laws of a given State, the maximum interest rate will be the rate permitted by the constitution or laws of the given State. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-28307.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67459.



Regulatory Spotlight

SBA Extends Comment Period for Proposed HUBZone Program.

SBA published a notice of proposed rulemaking in the *Federal Register* on **10/31/2018** to solicit public comments on proposed comprehensive revisions to the regulations governing the Historically Underutilized Business Zone (HUBZone) Program. The notice announces the extension of the current comment period until **02/14/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-31/pdf/2018-28320.pdf>. *Federal Register*, Vol. 83, No. 249, 12/31/2019, 67701.

FCIC Finalizes General and Administrative Regulation Subpart X.

The Federal Crop Insurance Corporation (FCIC) finalized the General and Administrative Regulation Subpart X- Interpretations of Statutory and Regulatory Provisions (Subpart X) to incorporate interpretations of procedures previously issued and administered in accordance with Manager's Bulletin MGR-05-018, and to provide a mechanism for interpretations of policy provisions that are not codified in the Code of Federal Regulations. The effect of this action is to provide requestors with information on how to request a final agency determination or an interpretation of FCIC procedures within one administrative regulation, and bring consistency and clarity to the processes used and existing provisions. The rule is effective **01/28/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-27/pdf/2018-27858.pdf>. *Federal Register*, Vol. 83, No. 247, 12/27/2018, 66574-66583.

RHS Proposes Removal of Notice of Funding Availability Requirements.

The Rural Housing Service (RHS) proposes amending its regulation to eliminate the requirement for the annual publica-

tion of Notice of Funding Availability (NOFA). Additionally, RHS will remove all references to the term NOFA in other various sections. The intended effect of this action is to allow RHS to accept and start processing applications in a more fluid manner. Comments are due **02/15/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-17/pdf/2018-27138.pdf>. *Federal Register*, Vol. 83, No. 241, 12/17/2018, 64488-64490.

RHS Requests Comment on Information Collection.

RHS announced it seeks comment on the information collection titled 7 CFR part 1951, subpart F, Analyzing Credit Needs and Graduation of Borrowers. RHS also gave notice that it sent the collection to OMB for review. Comments are due **02/26/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-28/pdf/2018-28226.pdf>. *Federal Register*, Vol. 83, No. 248, 12/28/2018, 67212-67213.

CCC Announces Funds Availability for Market Facilitation Program.

The Commodity Credit Corporation (CCC) announced the new placement rates for selected commodities for the Market Facilitation Program (MFP), which provides payments to producers with commodities that have been significantly impacted by actions of foreign governments resulting in the loss of traditional exports. MFP participants will receive an MFP payment, calculated based on the eligible production multiplied by the participant's share multiplied by the MFP payment rate. Applications are accepted from **12/21/2018** to **01/15/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-21/pdf/2018-27614.pdf>. *Federal Register*, Vol. 83, No. 245, 12/21/2018, 65623-65624.

FTC Requests Comment on Identity Theft Rules.

The Federal Trade Commission (FTC) requests public comment on its Identity Theft Rules. FTC is soliciting comment as part of its systematic review of all current FTC regulations and guides. Comments are due **02/11/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-11/pdf/2018-26609.pdf>. *Federal Register*, Vol. 83, No. 237, 12/11/2018, 63604-63606.

NCUA Requests Comment on Information Collection.

The National Credit Union Administration (NCUA) announced it seeks comment on the information collection titled Credit Union Service Organizations (CUSOs), 12 CFR 712. NCUA also gave notice that it sent the collection to OMB for review. Comments are due **01/16/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-17/pdf/2018-27209.pdf>. *Federal Register*, Vol. 83, No. 241, 12/17/2018, 64605-64606.

NCUA Announces Regulatory Reform Agenda.

NCUA established a Regulatory Reform Task Force (Task Force) to oversee the implementation of the agency's regulatory reform agenda. This is consistent with the spirit of the president's regulatory reform agenda and Executive Order 13777. Although NCUA, as an independent agency, is not required to comply with Executive Order 13777, the agency chose to comply with its spirit and reviewed all of NCUA's regulations to that end. The Task Force published and sought comment on its first report in August 2017. Having reviewed all of the comments received, the Task Force is publishing its second and final report. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-21/pdf/2018-27473.pdf>. *Federal Register*, Vol. 83, No. 245, 12/21/2018, 65926-65954.



Regulatory Spotlight

SSA Requests Comment on Representative Payee Selection and Replacement Policies.

The Social Security Administration (SSA) is requesting information on the appropriateness of its order of preference lists for selecting representative payees (payees) and the effectiveness of its policy and operational procedures in determining when to change a payee. SSA is seeking this information to determine whether and how it should make any changes to its representative payee program to help ensure that it selects suitable payees for beneficiaries. Comments are due **01/28/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-14/pdf/2018-27051.pdf>. *Federal Register*, Vol. 83, No. 240, 12/14/2018, 64422-64423.

VA Proposes Revisions to VA-Guaranteed or Insured Cash-Out Home Refinance Loans.

The Department of Veterans Affairs (VA) is amending its rules on VA-guaranteed or insured cash-out refinance loans. The

Economic Growth, Regulatory Relief, and Consumer Protection Act requires VA to promulgate regulations governing cashout refinance loans. The interim final rule defines the parameters of when VA will permit cash-out refinance loans, to include defining net tangible benefit, recoupment, and seasoning requirements. The interim final rule is effective **02/15/2019**, comments are due **02/15/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-17/pdf/2018-27263.pdf>. *Federal Register*, Vol. 83, No. 241, 12/17/2018, 64459-64470.

EEOC Finalizes Removal of ADA Wellness Rule.

The Equal Employment Opportunity Commission (EEOC) issued a final rule removing from the Code of Federal Regulations a section of the final rule published on **05/17/2016**, entitled “Regulations Under the Americans With Disabilities Act.” This action responds to a decision of the U.S. District Court for the District of Columbia that vacated the incentive section of the ADA rule. The final rule is effective **01/01/2019**. The notice may be

viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-20/pdf/2018-27539.pdf>. *Federal Register*, Vol. 83, No. 244, 12/20/2018, 65296.

EEOC Finalizes Removal of GINA Wellness Rule.

EEOC issued a final rule removing from the Code of Federal Regulations a section of the final rule published on **05/17/2016**, entitled, “Genetic Information Nondiscrimination Act.” This action responds to a decision of the U.S. District Court for the District of Columbia that vacated the incentive section of the GINA rule. The final rule is effective **01/01/2019**. The notice may be viewed at: <https://www.govinfo.gov/content/pkg/FR-2018-12-20/pdf/2018-27538.pdf>. *Federal Register*, Vol. 83, No. 244, 12/20/2018, 65296-65297. ■

Compliance Notes

▲ Governor Tony Evers has appointed Kathy Blumenfeld as the new Secretary of the Department of Financial Institutions (DFI). In turn, Secretary Blumenfeld has appointed Cheryl Olson-Collins to Deputy Secretary, and Catherine Haberland to Assistant Deputy Secretary. DFI’s organizational structure may be viewed at: https://www.wdfi.org/this_is_dfi/organizational_chart.htm

▲ The current government shutdown is the longest in our nation’s history, impacting businesses and consumers alike. Wisconsin’s banks have stepped up to the plate to help their customers weather this storm, just like during so many other community hardships. WBA is compiling a list of banks and the special products/services they are offering customers impacted by the shutdown. The list and further infor-

mation may be viewed at: <https://www.banconomics.com/articles/govt-shutdown-resources-wi-banks>

▲ In the most recent Fed360, FRB announced it has implemented a quality improvement initiative for Check Adjustments Services. The Federal Reserve Banks will charge a quality fee to depositing institutions for quality issues within work deposited with the Federal Reserve Banks. Additionally, the Federal Reserve Banks will charge a quality fee for cases submitted with incorrect or incomplete information that resulted in the prevention of automatic resolution of the request. These quality fees are designed to encourage greater efficiency through proper case submission and improved deposit practices. The announcement may be viewed at: <https://www.frbervices.org/news/fed360/>

<https://www.frbervices.org/news/fed360/issues/011519/011519-check-adj-quality-initiative.html>

▲ According to a report from *The Hill*, the Supreme Court refused to hear a case challenging the constitutionality of CFPB. The State National Bank of Big Spring, the Competitive Enterprise Institute and the 60 Plus Association had asked the justices to review the U.S. Court of Appeals for the District of Columbia Circuit’s decision to reject their challenge to the constitutionality of the CFPB’s structure as an “independent” agency. The District of Columbia Circuit’s decision to dismiss the case came after the court’s full panel of judges upheld the constitutionality of the agency’s structure in a separate case.



Compliance Notes

▲ FEMA announced it will allow operations of the National Flood Insurance Program (NFIP) to resume, even while the government remains partially shut down. The move was retroactive to Dec. 21, ultimately leaving no lapse in NFIP availability. Additionally, FRB, FCA, FDIC, and OCC issued a joint statement reminding banks that they can continue to make loans during periods when the NFIP administered by FEMA is unavailable. The statement, as well as a guidance issued in 2010 which is generally applicable whenever the NFIP is unavailable, may be viewed at: <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20181228a.htm>

▲ FRB announced the designation of the Chairs and Deputy Chairs of the 12 Federal Reserve Banks for 2019. Each Reserve Bank has a nine-member board of directors. The Board of Governors in Washington appoints three of these directors and each year designates one of its appointees as Chair and a second as Deputy Chair. The designations may be viewed at: <https://www.federalreserve.gov/newsevents/pressreleases/other20190109a.htm>

▲ CFPB issued reports assessing the effectiveness of the Ability to Repay and Qualified Mortgage Rule and a separate report assessing the effectiveness of CFPB's mortgage servicing rule issued under the Real Estate Settlement Procedures Act (RESPA). The assessment of the Ability to Repay and Qualified Mortgage Rule uses a range of data sources, including a unique data set CFPB assembled for purposes of this assessment, to comprehensively examine the extent to which the rule has affected consumers' access to credit and the cost of credit. The assessment of the Servicing Rule likewise uses a range of data, again including a unique data set CFPB assembled, to thoroughly examine how the rule has affected the experiences and outcomes for consumers, with a particular focus on those who fall behind on their mortgage payments. The reports may be viewed at: <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-publishes-assessments-ability-repay-and-mortgage-servicing-rules/>

▲ FRB announced preliminary results indicating that the Reserve Banks provided for payments of approximately \$65.4 billion of their estimated 2018 net income to the Treasury. The payments include two lump-sum payments totaling approximately \$3.2 billion, necessary to reduce aggregate Reserve Bank capital surplus to \$6.825 billion as required by the Bipartisan Budget Act of 2018 and the Economic Growth, Regulatory Relief, and Consumer Protection Act. The 2018 audited Reserve Bank financial statements are expected to be published in March and may include adjustments to these preliminary unaudited results. The preliminary results may be viewed at: <https://www.federalreserve.gov/newsevents/pressreleases/other20190110a.htm>

▲ OCC issued a reminder of the revisions to its Community Reinvestment Act (CRA) regulations that became effective January 1, 2019. The revisions adjust the asset-size threshold amounts used to define "small bank," "small savings association," "intermediate small bank," and "intermediate small savings association." The rulemaking adjusts the threshold amounts based on the annual percentage change in a measure of the consumer price index. The reminder may be viewed at: <https://www.occ.gov/news-issuances/bulletins/2019/bulletin-2019-1.html>

▲ The December issue of the FDIC Consumer News has been published. This edition addresses the new year and consumers taking a look at their financial habits. The issue may be viewed at: <https://www.fdic.gov/consumers/consumer/news/december2018.pdf>

▲ OCC announced its 2019 schedule of workshops for board directors and bank management of national community banks and federal savings associations. The OCC examiner-led workshops provide practical training and guidance to directors of national community banks and federal savings associations to support the safe and sound operation of community-based financial institutions. The schedule may be viewed at: <https://occ.gov/about/who-we-are/occ-for-you/bank->

[ers/bankers-education/directors-workshop-schedule.html](https://www.occ.gov/about/who-we-are/occ-for-you/bank-ers/bankers-education/directors-workshop-schedule.html)

▲ CFPB announced final policy guidance describing the Home Mortgage Disclosure Act (HMDA) data the Bureau intends to make available to the public beginning in 2019, including modifications to protect consumers' privacy. The guidance may be viewed at: <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/regulation-c-home-mortgage-disclosure-act/>

▲ OCC issued updates to the "Bank Premises and Equipment," "Consigned Items and Other Customer Services," and "Litigation and Other Legal Matters" booklets of the *Comptroller's Handbook*. A summary of the updates and the updated booklets may be viewed at: <https://www.occ.gov/news-issuances/bulletins/2018/bulletin-2018-49.html>

▲ On December 21, 2018, Congress passed a standalone bill to reauthorize the National Flood Insurance Program (NFIP) through May 31, 2019. The bill may be viewed at: <https://www.congress.gov/bill/115th-congress/senate-bill/3628>

▲ OCC updated the "Student Lending" booklet of the *Comptroller's Handbook* to include information about Section 602 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, which amends the Fair Credit Reporting Act to give borrowers the opportunity to rehabilitate private education loans under certain conditions. The "Student Lending" booklet also contains other updates to clarify supervisory guidance, sound risk management, and regulatory requirements, as well as to update references due to new and rescinded OCC issuances. The booklet may be viewed at: <https://www.occ.gov/publications/publications-by-type/comptrollers-handbook/student-lending/pub-ch-student-lending.pdf>

▲ Growth in card payments has accelerated, according to new electronic payments data collected by FRB. Card payments increased 10.1 percent by num-



Compliance Notes

ber and 8.4 percent by value from 2016 to 2017, each larger than the increases of 7.8 percent by number and 6.3 percent by value from 2015 to 2016. Remote payments claimed a greater share of total general-purpose card transactions over the 2016 to 2017 period, and the number of in-person chip-authenticated card payments also posted substantial gains. Check payments and automated teller machine (ATM) withdrawals declined by number yet increased in value. The full report may be viewed at: <https://www.federalreserve.gov/newsevents/pressreleases/files/2018-payment-systems-study-annual-supplement-20181220.pdf>

▲ FHFA released its third quarter 2018 Foreclosure Prevention Report, which shows that Fannie Mae and Freddie Mac (the Enterprises) completed 63,193 foreclosure prevention actions in the third quarter of 2018, bringing the total number of foreclosure prevention actions to 4,242,774 since September 2008. The report also shows that nearly 25 percent of loan modifications in the third quarter reduced borrowers' monthly payments by more than 20 percent. Additionally, the Enterprises' serious delinquency rate dropped to 0.79 percent at the end of the third quarter. The report may be viewed at: https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/FPR_3Q2018.pdf

▲ FRB, FDIC, and OCC issued a joint press release announcing they will allow a three-year regulatory capital

phase-in for new Current Expected Credit Losses (CECL) accounting standard. The release may be viewed at: <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20181221a.htm>

▲ SEC announced its 2019 examination priorities. This year, particular emphasis will be on digital assets, cybersecurity, and matters of importance to retail investors, including fees, expenses, and conflicts of interest. The full announcement may be viewed at: <https://www.sec.gov/news/press-release/2018-299>

▲ FSOC published its 2018 annual report. FSOC's annual reports describe significant financial market and regulatory developments, potential emerging threats to U.S. financial stability, recommendations to promote U.S. financial stability, and the activities of FSOC, among other things. The report may be viewed at: <https://home.treasury.gov/system/files/261/FSOC2018AnnualReport.pdf>

▲ HUD announced the new FHA loan limits for 2019. In high-cost areas of the country, FHA's loan limit ceiling will increase to \$726,525 from \$679,650. FHA will also increase its floor to \$314,827 from \$294,515. Additionally, the National Mortgage Limit for FHA-insured Home Equity Conversion Mortgages (HECMs), or reverse mortgages, will increase to \$726,525 from \$679,650. FHA's current regulations implementing the National Housing Act's HECM limits do not allow

loan limits for reverse mortgages to vary by MSA or county; instead, the single limit applies to all mortgages regardless of where the property is located. The announcement may be viewed at: https://www.hud.gov/press/press_releases_media_advisories/HUD_No_18_145

▲ FATF issued the December 2018 FATF Business Bulletin. The bulletin includes information of AML/CFT measures in the United Kingdom and Israel. The full bulletin may be viewed at: <http://www.fatf-gafi.org/media/fatf/content/FATF-Business-Bulletin-December-2018.pdf>

▲ CFPB issued a report on the Financial Well-being of Older Americans. The report describes the distribution of financial well-being scores for adults ages 62 and older in the United States, and the relationship between financial well-being and age. The report shows that financial well-being generally increases with age, but declines again at later ages. The full report may be viewed at: <https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-older-americans/>

▲ The latest issue of the Consumer Compliance Outlook has been published and may be viewed at: <https://consumer-complianceoutlook.org/> ■

Are you a WBA member with a compliance question?

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This WBA member-exclusive program provides information in response to compliance questions.

call: 608-441-1200



Compliance Calendar

February – May 2019

Conferences

Bank Executives Conference
Feb. 4-6 | Milwaukee

Agricultural Bankers Conference
April 10-11 | Wisconsin Dells

Women in Banking Conference
April 23 | Wisconsin Dells

Trust Conference
May 3 | Wisconsin Dells

Human Resources Conference
May 9 | Wisconsin Dells

Seminars/Workshops

Ag Problem Loans Workshop Feb.
27 | Wisconsin Dells

Call Report Workshop
March 5 | Wisconsin Dells

Advanced IRA Workshops
March 13 | Rothschild/Wausau
March 14 | Madison

Security Officer Workshops March
19 | Green Bay
March 20 | Eau Claire
March 21 | Wisconsin Dells

Cash Management Workshop
March 25 | Wisconsin Dells

Summits

WBA/ABA Washington Summit
April 1-3 | Washington, D.C.

WBA/ICBA Capital Summit
Apr. 28-May 1 | Washington, D.C.

Schools/Bootcamps

Commercial Lending School
Feb. 18-22 | Wisconsin Dells

Residential Mrtg. Lndg. School
Feb. 18-22 | Wisconsin Dells

Loan Compliance School
March 11-15 | Wisconsin Dells

Real Estate Compliance School
March 13-15 | Wisconsin Dells

Branch Manager
Boot Camps in Madison Attend
only one or more days.
Day 1: Mar. 11 | Day 3: April 10
Day 2: Mar. 12 | Day 4: April 11

Credit Analysis Boot Camp
March 14-15 | Madison
March 28-29 | Green Bay

Group Meeting

WBA CEO Only | CFO Only
Networks Group Meeting
March 8 | Wisconsin Dells

Power of Community

WBA Power of Community
Week | Wisconsin (statewide)
April 22-26 | 2019

(Visit www.wisbank.com/BanksPowerWI online or
Twitter – #BanksPowerWI.)

Webinars (online training)

Regulation CC - Check Holds
Feb. 7 | 1:30-3:30 p.m.

What to Do When a Customer
Dies
Feb. 12 | 10 a.m.-Noon

Top 25 Safe Deposit Compliance
Issues
Feb. 20 | 10 a.m.-Noon

ACH Rule Changes: What's New
in 2019
Feb. 22 | 10 a.m.-Noon

Opening Minor Accounts
Feb. 26 | 10 a.m.-Noon

Federal Benefit Payments
Garnishment Requirements
Feb. 28 | 10 a.m.-Noon

Quarterly Compliance Briefing:
4-Part Series
Part 1: March 6 | Part 2: June 13
Part 3: Sept. 24 | Part 4: Dec. 10

Compliance Rules for
Commercial Loans Secured by
Real Estate
March. 13 | 1:30-3:30 p.m.

E-Sign for Lending and Critical
E-Sign Implementation Issues
March 13 | 1:30-3:30 p.m.

Right of Setoff
March 19 | 10 a.m.-Noon

Legal Liabilities when Check
Fraud Occurs
March 21 | 10 a.m.-Noon

Handling Power of Attorney
& Living Trust Documents on
Deposit Accounts & Loans
March 27 | 2-3:30 p.m.

Foreign Remittances
March 28 | 1:30-3:30 p.m.

(Register online for webinars at
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