

Overview of Selected Regulations and Supervisory Guidance

This section provides an overview of recently released regulations and supervisory guidance, arranged in reverse chronological order. Press Release (PR) or Financial Institution Letter (FIL) designations are included so the reader may obtain more information.

Subject	Summary
<p>Final Rule Implementing Exceptions and Exemptions for Banks from the Definition of Broker (FIL-92-2007, October 25, 2007; <i>Federal Register</i>, Vol. 72, No. 191, p. 56514, October 3, 2007)</p>	<p>The FDIC distributed Regulation R, a joint rule of the Federal Reserve Board (FRB) and the Securities and Exchange Commission. The rule implements provisions of the Gramm-Leach-Bliley Act that provide exceptions for banks from the definition of broker under the Securities Exchange Act of 1934 when they conduct certain securities transactions. Financial institutions have until the first day of their first fiscal year that commences after September 30, 2008, to comply with the requirements in Regulation R. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07092.html.</p>
<p>Final Rules on Expanded Examination Cycle for Certain Institutions (FIL-90-2007, October 24, 2007; <i>Federal Register</i>, Vol. 72, No. 185, p. 54347, September 25, 2007)</p>	<p>The FDIC, FRB, Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS) (collectively, the federal bank and thrift regulatory agencies) issued final rules on expanding the range of small institutions eligible for an extended 18-month on-site examination cycle. The final rules allow well-capitalized and well-managed banks and savings associations with up to \$500 million in total assets and a composite CAMELS rating of 1 or 2 to qualify for an 18-month (rather than a 12-month) on-site examination cycle. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07090.html.</p>
<p>Proposed Statement of Best Practices on Garnishment Orders of Exempt Federal Benefit Funds (FIL-87-2007, October 9, 2007; <i>Federal Register</i>, Vol. 72, No. 188, p. 55273, September 28, 2007)</p>	<p>The FDIC, FRB, OCC, OTS, and National Credit Union Administration (collectively, the federal financial institution regulatory agencies) sought public comment on a proposed statement encouraging federally regulated financial institutions to minimize the hardships on federal benefit recipients and to do so while remaining in compliance with applicable law. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07087.html.</p>
<p>Comments Sought on Alternative Methods for Allocating Dividends (FIL-85-2007, September 26, 2007; <i>Federal Register</i>, Vol. 72, No. 180, p. 53181, September 18, 2007)</p>	<p>The FDIC issued an Advance Notice of Proposed Rulemaking seeking comments on alternative methods for allocating dividends as part of a final rule to implement the dividend requirements of the Federal Deposit Insurance Reform Act of 2005 and the Federal Deposit Insurance Reform Conforming Amendments Act of 2005. Comments were due by November 29, 2007. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07085.html.</p>
<p>Final Rule Implementing Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (FIL-87-29-2007, September 24, 2007)</p>	<p>The FDIC distributed the Department of Defense's final rule regulating the terms of certain credit extensions to active duty service members and their dependents. The law and rules took effect October 1, 2007. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07083.html.</p>
<p>Proposed Revisions to the Reports of Condition and Income for 2008 (FIL-82-2007, September 18, 2007)</p>	<p>The FDIC, FRB, and OCC (collectively, the banking agencies) sought comments on a number of proposed reporting changes related to one-to-four family residential mortgage loans, including reporting interest and fee income on and the quarterly average for such mortgages separately from income on and the quarterly average for other real estate loans. Comments were due November 13, 2007. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07082.html.</p>

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Statement on Loss Mitigation Strategies for Services of Residential Mortgages (FIL-76-2007, September 4, 2007; FIL-77-2007, September 4, 2007)

The federal financial institution regulatory agencies and the Conference of State Banking Supervisors issued a statement and supplement encouraging institutions and their subsidiaries that service mortgage loans to pursue strategies to mitigate losses while preserving affordable, sustainable mortgage obligations. See www.fdic.gov/news/news/financial/2007/fil07076.html and www.fdic.gov/news/news/financial/2007/fil07077.html.

Interagency Statement on Enforcement of Bank Secrecy Act/Anti-Money Laundering Requirements (FIL-71-2007, August 23, 2007)

The federal financial institution regulatory agencies issued an interagency statement setting forth their policy on the circumstances in which an agency will issue a cease and desist order to address noncompliance with certain Bank Secrecy Act/Anti-Money Laundering (BSA/AML) requirements, particularly in light of the specific BSA/AML compliance provisions of section 8(s) of the Federal Deposit Insurance Act and section 206(q) of the Federal Credit Union Act. See www.fdic.gov/news/news/financial/2007/fil07071.html.

Applicability of Market Risk Capital Rules (FIL-64-2007, July 18, 2007)

The FDIC issued a statement reminding banks that reporting a significant amount of trading assets on the balance sheet, or increasing the percentage of assets reported as trading assets, may subject a bank to the market risk capital requirements (12 CFR 325, Appendix C). See www.fdic.gov/news/news/financial/2007/fil07064.html.

Proposed Interagency Questions and Answers Regarding the Community Reinvestment Act (FIL-63-2007, July 11, 2007; *Federal Register*, Vol. 72, No. 132, p. 37922, July 11, 2007)

The federal bank and thrift regulatory agencies published proposed revisions to the Interagency Questions and Answers Regarding Community Reinvestment (Interagency Q&As). The proposed Q&As contain revisions intended to encourage institutions to work with homeowners who are unable to make mortgage payments and clarify that institutions of all sizes should receive favorable consideration for providing credit in a manner that is responsible to the needs of their communities. There are also nine new Interagency Q&As, as well as substantive and technical revisions to existing ones. Comments were due September 10, 2007. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07063.html.

Interagency Statement on Subprime Mortgage Lending (FIL-62-2007, July 10, 2007; *Federal Register*, Vol. 72, No. 131, p. 37569, July 10, 2007) and Proposed Illustrations of Consumer Information for Subprime Mortgage Lending (FIL-67-2007, August 14, 2007, *Federal Register*, Vol. 72, No. 156, p. 45495, August 14, 2007)

The federal financial institution regulatory agencies issued a final Statement on Subprime Mortgage Lending to address issues relating to certain adjustable rate mortgage products that can cause payment shock. The statement describes the prudent safety and soundness and consumer protection standards institutions should follow to ensure that borrowers obtain loans they can afford to repay. See www.fdic.gov/news/news/financial/2007/fil7062.html.

The agencies subsequently published for comment proposed Illustrations of Consumer Information for Subprime Mortgage Lending, intended to assist institutions as they implement the Consumer Protection Principles portion of the Interagency Statement on Subprime Mortgage Lending. Comments were due October 15, 2007. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07067.html

Guidance on Bank Secrecy Act Suspicious Activity Report Supporting Documentation (FIL-55-2007, June 26, 2007)

The FDIC distributed guidance from the Financial Crimes Enforcement Network (FinCEN) reminding financial institutions to provide all documentation supporting the filing of a Suspicious Activity Report upon request by FinCEN, appropriate law enforcement, or a supervisory agency. See www.fdic.gov/news/inactive-financial-institution-letters/2007/fil07054.html.

Guidelines on Affordable Small-Dollar Loan Products (FIL-50-2007, June 19, 2007)

The FDIC issued “Affordable Small-Dollar Loan Guidelines” that encourage financial institutions to offer small-dollar credit products and to promote these products to their customers. The products should be affordable, yet safe and sound, and consistent with all applicable federal and state laws. See www.fdic.gov/news/inactive-financial-institution-letters/2007fil07050.html.

Illustrations of Consumer Information for Nontraditional Mortgage Products (FIL-51-2007, June 20, 2007; *Federal Register*, Vol. 72, No. 110, p. 31825, June 8, 2007)

The federal financial institution regulatory agencies published final illustrations of consumer information intended to assist institutions as they implement the consumer protection portion of the Interagency Guidance on Nontraditional Mortgage Product Risks. The consumer protection section of the guidance sets forth recommended practices to ensure that consumers have clear and balanced information about nontraditional mortgages before choosing a mortgage product or selecting a payment option for an existing mortgage. Use of the illustrations is optional. See www.fdic.gov/news/news/financial/2007/fil07051.html.

Final Rule on Deposit Insurance Late Assessment Penalties (FIL-43-2007, June 4, 2007)

The FDIC issued the final rule to implement provisions of the Federal Deposit Insurance Reform Act of 2005 that provide penalties for failure to timely pay assessments (12 CFR § 308.132(c)(3)(v)). The FDIC applied these provisions beginning with the assessment collection made on the June 29, 2007, payment date. See www.fdic.gov/news/news/financial/2007/fil07043.html.

List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies (PR-45-2007, June 1, 2007)

The federal bank and thrift regulatory agencies announced the availability of the 2007 list of distressed or underserved nonmetropolitan middle-income geographies in which bank revitalization or stabilization activities will receive Community Reinvestment Act consideration as community development. See www.fdic.gov/news/news/press/2007/pr07045.html.

Deposit Insurance Assessment Rate Adjustment Guidelines for Large Institutions and Insured Foreign Branches in Risk Category I (FIL-40-2007, May 16, 2007; *Federal Register*, Vol. 72, No. 92, p. 27122, May 14, 2007)

The FDIC issued guidelines for determining how adjustments of up to 0.50 basis points will be made to the quarterly assessment rates of insured institutions defined as large (generally, over \$10 billion in assets), Risk Category I institutions, and insured foreign branches in Risk Category I. These guidelines provide further clarification of the analytical processes, and the controls that will be applied to these processes, in determining assessment rate adjustments. See www.fdic.gov/news/news/financial/2007/fil07040.html.