Regulatory Dispatch

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

May 1, 2025

CBAK Insights (Ask Anything)

Q: For Regulation B §1002.14 Rules on providing appraisals and other valuations, what is "business day?" Having trouble locating that in the regulation, and once we figure out what are Business Days for §1002.14, does the closing date count as one of the 3 days?

A: The various regulations use a mix of 'calendar' vs 'business' vs 'special business' days that can get very confusing.

'Calendar Day' – All days including Saturdays, Sundays, and state and federal holidays.

'Business Day' – A Day on which the creditor's offices are open to the public for carrying on substantially all of its business functions.

'Special Business Day' – All calendar days except Sundays and the legal public holidays specified in 5 U.S.C. 6103(a):

- New Year's Day (January 1).
- Birthday of Martin Luther King, Jr. (Third Monday in January).
- Washington's Birthday (Third Monday in February).
- Memorial Day (Last Monday in May).
- Juneteenth National Independence Day (June 19).
- Independence Day (July 4).
- Labor Day (First Monday in September).
- Columbus Day (Second Monday in October).
- Veterans Day (November 11).
- Thanksgiving Day (Fourth Thursday in November).
- Christmas Day (December 25).

Note: For holidays falling on Saturday, Federal Reserve Banks and Branches will be open the preceding Friday; however, the Board of Governors will be closed. For holidays falling on Sunday, all Federal Reserve offices will be closed the following Monday.

Below is from §1002.14(a) Rules on providing appraisals and other valuations (bold and underlined added for emphasis.)

*(1) In general. A creditor shall **<u>provide</u>** an applicant a copy of all appraisals and other written valuations developed in connection with an application for credit that is to be secured by a first lien on a dwelling. <u>A creditor shall provide a copy of each such appraisal or other written valuation promptly upon completion, or three business days prior to consummation of the transaction (for closed-end credit) or account opening (for open-end credit), whichever is earlier.</u> An applicant may waive the timing requirement in this paragraph (a)(1) and agree to receive any copy at or before consummation or account opening, except where otherwise prohibited by law. Any such waiver must be obtained at least three business days prior to consummation or account opening, unless the waiver pertains solely to the applicant's receipt of a copy of an appraisal or other written valuation that contains only clerical changes from a previous version of the appraisal or other written valuation provided to the applicant three or more business days prior to consummation or account opening. If the applicant provides a waiver and the transaction is not consummated or the account is not opened, the creditor must provide these copies no later than 30 days after the creditor determines consummation will not occur or the account will not be opened.*

Based on the citation above, the appraisal must be “provided” to the applicant no later than three business days before consummation. The CFPB gives an example in their Equal Credit Opportunity Act (ECOA) Valuations Rule SMALL ENTITY COMPLIANCE GUIDE.

[page 14]

When processing an application for a closed-end loan, you must <u>deliver</u> copies of appraisals and other written valuations “promptly upon completion,” or three business days before consummation, whichever is earlier. <u>For example, if a loan will close on Friday, April 4, you must deliver the valuation no later than Tuesday, April 1.</u>

In their example, if the appraisal is “provided” to the borrower on Tuesday, April 1st, the borrower has Tues-Wed-Thurs to review it and close on Friday the 4th. In other words, the CFPB counts the "deliver" day in the 3-business day example of “provided.”

What if the bank mails the appraisal? Since “provided” means “delivered,” the appraisal is considered “delivered” three business days after being placed in the mail. If we take the CFPB’s example, you will mail the appraisal on Friday, March 28th in order for it to be considered “delivered” on Tuesday, April 1st for a closing on Friday April 4th.

Source link.

Bank Management

	FDIC Changes its Virtual Data Room Contractor for Marketing Failing Financial Institutions (04/23/2025) – The Federal Deposit Insurance Corporation (FDIC) is changing the virtual

	data room (VDR) contractor used to market failing financial institutions (DFIN Solutions Venue). Beginning in May 2025, the FDIC will begin using the ShareVault VDR for all new projects. Statement of Applicability: The contents of, and material referenced in, this FIL apply to all FDIC-insured financial institutions and certain non-bank entities. Highlights: As the result of a competitive bidding process, the FDIC has hired a new contractor to handle the VDR used to market failing financial institutions. ShareVault's VDR will replace DFIN Solutions Venue for all new projects. The FDIC has used VDRs to market failing institutions since 2000. A VDR is a secure web site that the FDIC populates with information about failing insured institutions. The FDIC gives qualifying financial institutions access to the VDR, which helps them determine their interest in purchasing a failing financial institution and evaluate the offering. Users must first sign a confidentiality agreement before they gain entry to the VDR. Bidders familiar with the FDIC's VDR process will find that the ShareVault folders and documents are similar to what has been used in the past. New bidders can email the FDIC for technical assistance. Institutions should set email spam filters so they will receive messages from ShareVault.net and FDIC.ShareVault.net and ensure these Uniform Resource Locators (URLs) are accessible to their institutions. FIL-11-2025 Attachment(s) ShareVault ShareVault FDIC ShareVault ***Comment: As noted, the change in contractors was the result of a competitive bidding process.***
	FRB Beige Book (04/23/2025) – National Summary Overall Economic Activity Economic activity was little changed since the previous report, but uncertainty around international trade policy was pervasive across reports. Just five Districts saw slight growth, three Districts noted activity was relatively unchanged, and the remaining four Districts reported slight to modest declines. Non-auto consumer spending was lower overall; however, most Districts saw moderate to robust sales of vehicles and of some nondurables, generally attributed to a rush to purchase ahead of tariff-related price increases. Both leisure and business travel were down, on balance, and several Districts noted a decline in international visitors. Home sales rose somewhat, and many Districts continued to note low inventory levels. Commercial real estate (CRE) activity expanded slightly as multifamily propped up the industrial and office sectors. Loan demand was flat to modestly higher, on net. Several Districts saw a deterioration in demand for non-financial services. Transportation activity expanded modestly, on balance. Manufacturing was mixed, but two-thirds of Districts said activity was little changed or had declined. The energy sector experienced modest growth. Agricultural conditions were fairly stable across multiple Districts. Cuts to federal grants and subsidies along with declines in philanthropic

	donations caused gaps in services provided by many community organizations. The outlook in several Districts worsened considerably as economic uncertainty, particularly surrounding tariffs, rose. Labor Markets Employment was little changed to up slightly in most Districts, with one District reporting a modest increase, four reporting a slight increase, four reporting no change, and three reporting a slight decline. This is a slight deterioration from the previous report with a few more Districts reporting declines. Hiring was generally slower for consumer-facing firms than for business-to-business firms. The most notable declines in headcount were in government roles or roles at organizations receiving government funding. Several Districts reported that firms were taking a wait-and-see approach to employment, pausing or slowing hiring until there is more clarity on economic conditions. In addition, there were scattered reports of firms preparing for layoffs. Most Districts and markets reported an improvement in overall labor availability, although there were some reports of constraints on labor supply resulting from shifting immigration policies in certain sectors and regions. Wages generally grew at a modest pace, as wage growth slowed from the previous report in multiple Districts. Prices Prices increased across Districts, with six characterizing price growth as modest and six characterizing it as moderate, similar to the previous report. Most Districts noted that firms expected elevated input cost growth resulting from tariffs. Many firms have already received notices from suppliers that costs would be increasing. Firms reported adding tariff surcharges or shortening pricing horizons to account for uncertain trade policy. Most businesses expected to pass through additional costs to customers. However, there were reports about margin compression amid increased costs, as demand remained tepid in some sectors, especially for consumer-facing firms.
	FRB Economic Mobility and the Dual Mandate Vice Chair Philip N. Jefferson (04/22/2025) – Taking Stock of Economic Mobility - Economic mobility, the ability to move up the economic ladder, is at the heart of the American dream. We tell our children that in the U.S., if you work hard and play by the rules, you can have a secure and successful financial future no matter where you start. We continue to believe strongly in this part of the American dream and remain optimistic that hard work is a primary determinant of later-life success. In a survey from 2019, when respondents were asked which factors are essential or very important to getting ahead in life, nearly 90 percent identified hard work, and only 30 percent indicated coming from a wealthy family.2 Policymakers have long been aware of the importance of economic mobility. To illustrate that, let me share a quote from former Federal Reserve Chair Ben Bernanke: "Equality of economic opportunity appeals to our sense of fairness, certainly, but it also strengthens our economy. If each person is free to develop and apply his or her talents to the greatest extent possible, then both the individual and the economy benefit."3 With these sentiments of what Americans and policymakers think and feel about mobility in mind, let me turn to some evidence on economic mobility in the U.S. One common way to measure economic mobility is to relate an individual's income in adulthood to their family income during childhood. The measure I am showing here—from Harvard economist Raj Chetty and coauthors—is likely familiar to many of you.4 It shows a relative intergenerational mobility measure, also known as the "rank–rank" relationship. This measure relates a child's ranking in the income distribution as an adult, shown on the

vertical axis, to the child's family income rank during childhood, shown on the horizontal axis.

The upward slope of the line implies that children born into lower-income families tend to be lower on the income distribution as adults. For example, a child born to the richest parents is, on average, 30 percentage points higher in the income distribution as an adult compared with a child born to the poorest parents. This difference in the relative standing in the income distribution as an adult translates into meaningful differences in earnings levels. To put this in perspective, consider two children who grow up to be 30 percentile points apart on the earnings distribution as adults, with one at the 80th percentile and the other at the 50th percentile. The child who grows up to be at the 80th percentile of the distribution as an adult will earn roughly twice as much compared with the child at the 50th percentile.5

In addition to having lower earnings as adults, children born into lower-income families are more likely to experience outcomes that can negatively affect their success in the labor market later in life. Girls born into the bottom decile of the family income distribution are about 10 times more likely to become teenage mothers compared with those born to top-decile families.6 Boys born into bottom-decile families are roughly 20 times more likely to be incarcerated in their thirties compared with boys from families in the top decile.7 Teen pregnancy and incarceration are extreme examples of barriers to labor market success that differentially affect children from lower-income families. More generally, there are numerous reasons that any individual

Joint Agencies Withdraw Joint Statements on Crypto-Assets (04/24/2025) – The Federal Deposit Insurance Corporation, together with the Board of Governors of the Federal Reserve System (collectively, the agencies), has withdrawn two joint statements regarding banking organizations' crypto-asset-related activities. This action is intended to provide clarity that banking organizations may engage in permissible crypto-asset activities and provide products and services to persons and firms engaged in crypto-asset related activities, consistent with safety and soundness and applicable laws and regulations.

The withdrawn joint statements, which were issued on January 3, 2023 and February 23, 2023, addressed crypto-asset risks and liquidity risks to banking organizations resulting from crypto-asset market vulnerabilities.

The agencies, along with the Office of the Comptroller of the Currency, are exploring issuing additional clarity with respect to banking organizations' crypto-asset and related activities in the coming weeks and months.

Comment: Back to square one.

Deposit / Retail Operations

FTC Think That Text Message is From USPS? It Could be a Scam (04/23/2025) – Have you ever gotten a text message about a package coming via the United States Postal Service? Maybe it confirmed your order, said a package is out for delivery, or said there's a problem like unpaid postage, a missed delivery, or you need to update your shipping preferences. That text message will say to click a link to learn more or fix the problem. But there's a good chance that text message that says it's from USPS (or FedEx…or DHL…) is really from a scammer.

Comment: Find ways to share alerts with your accountholders.

Technology / Security

	CISA Fast Flux: A National Security Threat (04/23/2025) – Executive summary Many networks have a gap in their defenses for detecting and blocking a malicious technique known as "fast flux." This technique poses a significant threat to national security, enabling malicious cyber actors to consistently evade detection. Malicious cyber actors, including cybercriminals and nation-state actors, use fast flux to obfuscate the locations of malicious servers by rapidly changing Domain Name System (DNS) records. Additionally, they can create resilient, highly available command and control (C2) infrastructure, concealing their subsequent malicious operations. This resilient and fast changing infrastructure makes tracking and blocking malicious activities that use fast flux more difficult. The National Security Agency (NSA), Cybersecurity and Infrastructure Security Agency (CISA), Federal Bureau of Investigation (FBI), Australian Signals Directorate's Australian Cyber Security Centre (ASD's ACSC), Canadian Centre for Cyber Security (CCCS), and New Zealand National Cyber Security Centre (NCSC-NZ) are releasing this joint cybersecurity advisory (CSA) to warn organizations, Internet service providers (ISPs), and cybersecurity service providers of the ongoing threat of fast flux enabled malicious activities as a defensive gap in many networks. This advisory is meant to encourage service providers, especially Protective DNS (PDNS) providers, to help mitigate this threat by taking proactive steps to develop accurate, reliable, and timely fast flux detection analytics and blocking capabilities for their customers. This CSA also provides guidance on detecting and mitigating elements of malicious fast flux by adopting a multi-layered approach that combines DNS analysis, network monitoring, and threat intelligence. The authoring agencies recommend all stakeholders—government and providers—collaborate to develop and implement scalable solutions to close this ongoing gap in network defenses against malicious fast flux activity. Download the PDF version of this report: Fast Flux: A National Security Threat (PDF, 841 KB). ***Comment: For a good read on 'fast flux' check out 'Fast Flux 101: How Cybercriminals Improve the Resilience of Their Infrastructure to Evade Detection and Law Enforcement Takedowns.'***