



## Community Bankers of Michigan Regulatory Dispatch

December 17, 2025

*Timely news and resources community bankers can use*

### **Statement by FDIC Acting Chairman Travis Hill at the December 2025 Meeting of the Financial Stability Oversight Council**

The FDIC remains hard at work to improve its supervisory and regulatory approach across an array of issues, while still continuing to fulfill our core mission of insuring deposits, promoting the safety and soundness of banks, and resolving failed institutions.

At the last FSOC meeting in September, I detailed a number of actions we had taken earlier this year, or were planning to take in the coming months, to execute on these goals.

Since September, our progress has continued, including:

- Issuing a notice of proposed rulemaking (NPR), jointly with the OCC, that would define “unsafe or unsound practice” for purposes of Section 8 of the Federal Deposit Insurance Act and “matters requiring attention” (MRAs), and set up a new framework for issuing nonbinding supervisory observations;
- Issuing an NPR, jointly with the OCC, that would prohibit examiners from (1) criticizing or taking adverse action against banks on the basis of reputational risk or (2) requiring, instructing, or encouraging an institution to close accounts or take certain other actions on the basis of a customer’s political, social, cultural, or religious views or beliefs, among other reasons;
- Rescinding Biden-era guidance on climate-related financial risks;
- Issuing a final rule raising and indexing 37 asset-based thresholds, most of which apply to audit, internal control, and related reporting requirements, providing meaningful relief for community banks;
- Issuing an NPR, jointly with the OCC and Federal Reserve, that would amend the Community Bank Leverage Ratio (CBLR) to expand the universe of eligible institutions and encourage broader adoption;
- Issuing a final rule, jointly with the OCC and Federal Reserve, to modify the enhanced supplementary leverage ratio, to ensure it more frequently serves as a backstop to risk-based capital standards;
- Launching a number of initiatives to improve our resolution capabilities, including a pilot program for expanded nonbank participation in the failed bank bidding process;
- Implementing a revised examination cycle that reduces the frequency of compliance examinations for most small banks;
- Conducting reviews of potential debanking in response to the President’s Executive Order on politicized or unlawful debanking; and
- Withdrawing from the 2013 interagency leveraged lending guidance, replacing it with general principles for safe and sound lending, to promote more bank lending to businesses that drive economic growth.

We continue to have a busy agenda for the upcoming months, which includes additional steps to reform supervision, such as CAMELS reform and updates to our examination manuals; implementation of the GENIUS Act; a reproposal of the 2017 Basel agreement; and an interagency proposal to reform the BSA Program Rule, among many other items.

I thank my fellow Council members for their continued collaboration on these and other issues, and Secretary Bessent for his leadership.

***Comment: Since September of this year, the FDIC continues moving away from a process-heavy model and focusing more on core financial risks. Comptroller of the Currency Jonathan V. Gould issued a similar [statement](#) on behalf of the Office of the Comptroller of the Currency.***

## **CBM Insights**

**Q:** Under the Servicemembers Civil Relief Act, what protections are afforded to mortgage loans in default and how long do the protections last?

**A:** There are both rate reductions and foreclosure protections for mortgage loans entered into prior to military service. Those protections last for one year after the covered borrower ends active-duty service. Additionally, it is worth noting that the rate protections are not based on the loan being in default.

The CFPB has a webpage entitled “*You have rights under the Servicemembers Civil Relief Act*” that is very helpful for both servicemembers and banks wanting to understand the key protections under the SCRA.

Below is an excerpt from that webpage that addresses both the rate reduction and foreclosure protections (underlined passages added for emphasis).

### ***Rate reduction can last through active duty and beyond***

- For most loans, the interest rate is lowered for the entire time you serve on active duty
- For mortgages, the reduction lasts for an additional year after the end of active-duty service
- After you leave active duty, the lender can’t add the difference back to your loan

### ***Foreclosure protections on your home loan***

*You have protections against losing your home to foreclosure, if you fall behind on mortgage payments because you are on active duty. It does not matter if you did not tell your lender about a change in your servicemember status. You are protected.*

*The protection is for mortgages taken out before you entered active-duty service. It lasts throughout your active-duty service and for one year after you leave active duty.*

Source [link](#).

## **Bank Management**

**Joint [Revisions to the Consolidated Reports of Condition and Income \(Call Reports\)](#)** (12/12/2025) – On December 11, 2025, the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (Board), and the Office of the Comptroller of the Currency (collectively, the agencies), under the auspices of the Federal Financial Institutions Examination Council (FFIEC), published the attached final regulatory reporting changes in the Federal Register. The reporting changes proposed by the agencies on July 10, 2025 (see FIL-28-2025 (PDF), dated July 10, 2025) would apply to the FFIEC 031 version of the Call Report, and are subject to approval by the U.S. Office of Management and Budget. These revisions are consistent with changes to the agencies’ regulatory capital rule published by

	<p>the agencies in the Federal Register December 1, 2025 (final capital rule), which modifies the enhanced supplementary leverage ratio standards applicable to U.S. global systemically important bank holding companies and their subsidiary depository institutions. The FFIEC 041 and FFIEC 051 Call Reports are being extended for three years without revision.</p> <p>No comments were received on the initial 60-day Federal Register notice. The agencies are proceeding with the revisions to the FFIEC 031 Call Report form and instructions, as proposed with certain modifications to align with the final capital rule. While the changes in the final capital rule are effective April 1, 2026, institutions have the option to early adopt as of January 1, 2026. The Call Report revisions would take effect as of the June 30, 2026, report date. For institutions that early adopt the final rule prior to April 1, 2026, the agencies plan to provide supplemental instructions to facilitate reporting in the March 31, 2026, Call Report.</p> <p>Redlined copies of the draft FFIEC 031 Call Report form and instructions showing the proposed changes will be available on the FFIEC's webpage for the FFIEC 031 Call Report.</p> <p>Please share this letter with individuals responsible for preparing Call Reports at your institution. For further information about the proposed Call Report changes, institutions should contact their assigned Call Report analyst. If you do not know the analyst assigned to your institution, state member institutions should contact their Federal Reserve District Bank, while national institutions, FDIC-supervised banks, and savings associations should contact the FDIC's Data Collection and Analysis Section in Washington, D.C., by telephone at (800) 688-FDIC (3342) or email to <a href="mailto:FDICInfoReq@fdic.gov">FDICInfoReq@fdic.gov</a>.</p> <p><b><i>Comment: These changes focus on refining loan reporting (like modifications and purchased assets), adding multi-factor authentication (MFA) to the CDR system, and ongoing regulatory capital discussions, with proposed changes impacting future reports (June 2026.)</i></b></p>
	<p><b>CSBS</b> <a href="#">The Q4 CBSI Survey is Open</a> (12/09/2025) – CSBS is collecting responses for the 2025 fourth quarter CBSA through December 31. Your input helps show the expectations for the future of the overall economy.</p> <p><b><i>Comment: ‘The Community Bank Sentiment Index is an index derived from quarterly polling of community bankers across the nation. As community bankers answer questions about their outlook on the economy, their answers are analyzed and compiled into a single number. An index reading of 100 indicates a neutral sentiment, while anything above 100 indicates a positive sentiment, and anything below 100 indicates negative sentiment.’ - CSBS</i></b></p>
	<p><b>OCC</b> <a href="#">Confirms Bank Authority to Engage in Riskless Principal Crypto-Asset Transactions</a> (12/09/2025) – WASHINGTON—The Office of the Comptroller of the Currency (OCC) confirmed permissible bank activities related to riskless principal transactions in crypto-assets.</p> <p>The OCC published Interpretive Letter 1188 confirming that a national bank may engage in riskless principal crypto-asset transactions as part of the business of banking. Such transactions involve a bank acting as principal in a crypto-asset transaction with one customer while simultaneously entering into an offsetting transaction with another customer. The bank serves as an intermediary and does not hold the crypto-assets in inventory, instead acting in a capacity equivalent to that of a broker acting as agent.</p> <p>As with any activity, a national bank must conduct these activities in a safe and sound manner and in compliance with applicable law.</p>

	<p>Related Link  <a href="#">Interpretive Letter 1188 (PDF)</a></p> <p><b><i>Comment: A riskless-principal transaction is one in which an intermediary purchases an asset from one party for immediate resale to a second party, which is the ultimate purchaser. The two transactions offset each other (from the perspective of the intermediary), occur nearly simultaneously, and the intermediary's purchase is conditioned on an offsetting order from the ultimate purchaser.</i></b></p>
	<p><b>OCC <a href="#">Comptroller Gould Discusses De Novo Charters</a> (12/11/2025)</b> – WASHINGTON—Comptroller of the Currency Jonathan V. Gould discussed the agency’s activities to reinvigorate the chartering of new banks following the 2008 financial crisis in remarks at the Blockchain Association Policy Summit.</p> <p>In his remarks, Comptroller Gould explained the importance of a robust pipeline of de novo banks to a healthy financial system and the work the Office of the Comptroller of the Currency (OCC) has underway to embrace the OCC’s federal chartering authority and encourage new banks. He also highlighted the OCC’s long history of chartering national trust banks and their activities, which include engaging in non-fiduciary activity valued at nearly \$2 trillion in assets under custody today.</p> <p>Related Link  <a href="#">Remarks</a> (PDF)</p> <p><b><i>Comment: The 14 de novo charter applications filed with the Office of the Comptroller of the Currency in 2025 mark a “return to the norm” for the agency after years of regulatory dissuasion according to Comptroller Gould. This year’s charter applications nearly equal the number the OCC received in the previous four years combined and the increase, particularly for national trust charters, “signals healthy competition, a commitment to innovation, and should be encouraging to all of us,” Gould said.</i></b></p>

## BSA / AML

	<p><b>FinCEN <a href="#">Assesses \$3.5 Million Penalty Against Paxful for Facilitating Suspicious Activity Involving Illicit Actors</a> (12/09/2025)</b> – Compliance Considerations - Effective AML programs can prevent financial institutions from being used to facilitate money laundering and the financing of terrorism. For new and existing financial institutions, such programs should be risk-based and commensurate with the risks posed by the location and size of, and the nature and volume of the financial products and services provided by, the institution. Businesses engaged in money transmission services should ensure that they register and maintain registration with FinCEN as an MSB.</p> <p>Financial institutions dealing in virtual assets and prepaid access are reminded that the BSA obligation to identify and report suspicious activity is also applicable to transactions effected in these products that take place by, at, or through the financial institution. Financial institutions should consider the coverage of these products within their procedures to monitor for potentially suspicious activity, including the extent to which these procedures support the volume of relevant activity.</p> <p>Financial institutions with obligations to verify customer identity should ensure they maintain appropriate processes to comply with this requirement. Financial institutions are also encouraged to consider the use of Internet Protocol (IP) address and geolocation data to mitigate exposure to high-risk jurisdictions and prohibited parties. Where applicable, financial institutions should similarly consider the nature of their customers’ businesses to mitigate the risk that such accounts may be engaged in illicit activities.</p>
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	<p>Lastly, this enforcement action demonstrates the value in taking appropriate and timely mitigating procedures when deficiencies are identified. Financial institutions should take appropriate action to ensure they have a robust culture of compliance, including an appropriate “tone at the top.” Further, financial institutions are encouraged to promptly remediate reporting issues when they are identified to ensure timely and accurate reporting of SARs.</p> <p>For additional information regarding the facts and circumstances associated with this enforcement action, including the specific BSA violations and their underlying causes, please see the Consent Order between FinCEN and Paxful.</p> <p><b><i>Comment: The \$3,500,000 civil money penalty against Paxful, Inc. and Paxful USA, Inc. FinCEN said is for willful violations of the BSA. Paxful is a convertible virtual currency (CVC), peer-to-peer (P2P) trading platform.</i></b></p>
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## Deposit / Retail Operations

	<p>ICBA <a href="#">How Community Banks are Navigating the End of Penny Production</a> (12/12/2025) – A <b>new ICBA article</b> spotlights how community bankers are responding to the federal government officially discontinuing production of new pennies.</p> <p><b>Details:</b> Based in part on conversations on ICBA Community, the <b>new article</b> notes that community bankers are applying rounding rules for cash transactions, limiting penny withdrawals, working with core providers, engaging community members, and more.</p> <p><b>Background:</b> President Donald Trump in February called for an end to minting pennies given the cost, though there has not been any formal announcement from the Treasury Department. The U.S. Mint last month struck the final circulating one-cent coin, marking the official end of the penny’s 232-year production run.</p> <p><b>Federal Reserve Resources:</b></p> <ul style="list-style-type: none"> <li>• A <b>recent blog post</b> from the Federal Reserve Bank of Atlanta examines possible rounding methods the United States could use when penny production is phased out.</li> <li>• The Federal Reserve Board previously released <b>frequently asked questions</b> on anticipated changes to penny ordering and deposits following the Treasury Department decision to end penny production.</li> </ul> <p><b><i>Comment: For most accountholders, life will continue as usual. Accountholders can still spend pennies, save them, or deposit them. However, there is one inevitable thing to keep in mind: Fewer pennies over time – since no new ones are being made, pennies will gradually become less common in circulation. Have a plan and educate your accountholders.</i></b></p>
	<p>FRB <a href="#">How to Defend Against Business Email Compromise</a> (12/09/2025) – From Insight to Action: Classifying ACH and Wire Fraud for Better Defenses Against Business Email Compromise</p> <p>Business email compromise (BEC): when criminals send an email message that appears to come from a known sender making what seems to be a legitimate payment request — is growing dramatically due in part to artificial intelligence. In fact, BEC is now a leading cause of fraudulent ACH and wire transfers from business deposit accounts.</p> <p>What can financial institutions and their business customers do about it? Using a classification structure, such as the FraudClassifier<sup>SM</sup> model, can help users consistently identify how the fraud occurred and</p>

vulnerabilities that may have facilitated the BEC. Tactics to reduce those vulnerabilities include multi-factor authentication.

***Comment: BEC generally falls into six categories – CEO/Executive fraud; Account compromise; False invoice scams; Attorney impersonations; Data theft; and Product theft. Educate your accountholders and have a plan of action.***

## Human Resources

No news to report this week.

## Lending

**FFIEC [Census Online Updates](#)** (12/11/2025) – The [FFIEC Census Online](#) has been adapted to produce reports for Metropolitan Statistical Areas (MSAs) that contain multiple Metropolitan Divisions (MDs). These MDs will now be grouped with the MSA to which they belong in the MSA/MD selection field. The user may either select reports for the entire MSA or for an individual MD. Reports will be detailed on screen, but users may also download an Excel version of the report. The Excel version contains more fields than what is on screen. These extra fields may facilitate data analysis (such as joins to HMDA data).

If an MSA or MD spans multiple states, users should select “All States” from the state list before selecting an MSA/MD. For example, in 2025, the WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-MD-WV MSA (MSA 47900) consists of three MDs (11694-ARLINGTON-ALEXANDRIA-RESTON, VA-WV, 23224-FREDERICK-GAITHERSBURG-BETHESDA, MD, and 47764-WASHINGTON, DC-MD). If the user selects the MSA, data for all three MDs will be displayed; if the user selects one of the MDs instead, only data for that MD will be displayed.

**OCC [Comptroller Issues Statement on 10th Circuit Decision](#)** (12/09/2025) – WASHINGTON—Comptroller of the Currency Jonathan V. Gould issued the following statement following the decision by the United States Court of Appeals for the Tenth Circuit in National Association of Industrial Bankers v. Weiser:

In its recently issued National Association of Industrial Bankers v. Weiser decision, the 10th Circuit has allowed Colorado to dictate the interest rate that a state bank located outside of Colorado may charge on certain loans. This decision risks undermining state banks’ ability to effectively administer multi-state lending programs and, perhaps more importantly, disadvantages state banks that wish to lend in Colorado compared to national banks and Federal savings associations. Such an outcome is fundamentally inconsistent with Congress’s efforts to create competitive equality between state and federally chartered banks. Courts or, if necessary, Congress should remedy this outcome.

***Comment: Because many bank-fintech lending partnerships involve state-chartered banks, the decision will complicate the operations of those platforms that seek to lend to Colorado residents. Loans made to Coloradans would be required to comply with Colorado interest-rate limits, even if the bank otherwise offers a higher rate or range of rates uniformly across many or all other states. If other states follow Colorado’s lead, state-bank partnerships could confront a patchwork of interest rate limits that undermine their ability to offer products nationally at scale.***



Technology / Security

**CISA [2025 CWE Top 25 Most Dangerous Software Weaknesses](#)** (12/11/2025) – The Cybersecurity and Infrastructure Security Agency (CISA), in collaboration with the Homeland Security Systems Engineering and Development Institute (HSSEDI), operated by the MITRE Corporation, has released the [2025 Common Weakness Enumeration \(CWE\) Top 25 Most Dangerous Software Weaknesses](#). This annual list identifies the most critical weaknesses adversaries exploit to compromise systems, steal data, or disrupt services.

Prioritizing the weaknesses outlined in the Top 25 is integral to CISA’s [Secure by Design](#) and [Secure by Demand](#) initiatives, which promote building and procuring secure technology solutions. CISA and MITRE encourage organizations to review this list and use it to inform their respective software security strategies.

The 2025 CWE Top 25:

- **Supports Vulnerability Reduction:** By focusing on the Top 25, organizations can prioritize lifecycle changes, adopt safer architectural decisions, and reduce high-impact vulnerabilities related to injection, access control, and memory safety defects.
- **Drives Cost Efficiencies:** Eliminating weaknesses early reduces downstream remediation; addressing them before deployment is more efficient and cost effective than patching, reconfiguring, or responding to emergency incidents.
- **Strengthens Customer and Stakeholder Trust:** Transparent efforts to identify, mitigate, and monitor weaknesses demonstrate commitment to Secure by Design principles. Organizations that prioritize eliminating recurring weaknesses contribute to a safer software ecosystem.
- **Promotes Consumer Awareness:** The Top 25 empowers consumers to understand underlying causes of common vulnerabilities, supports more informed purchasing decisions, and encourages adoption of products that follow robust security engineering practices.

Recommendations for Stakeholders:

- **For Developers and Product Teams:** Review the 2025 CWE Top 25 to identify high-priority weaknesses and adopt Secure by Design practices in development.
- **For Security Teams:** Incorporate the Top 25 into vulnerability management and application security testing to assess and mitigate critical weaknesses.
- **For Procurement and Risk Managers:** Use the Top 25 as a benchmark when evaluating vendors and apply Secure by Demand guidelines to ensure investment in secure products.

By shining a light on the most dangerous software weaknesses, CISA and MITRE reinforce collective efforts to reduce vulnerabilities at the source, strengthen national cybersecurity, and improve long-term resilience. For details, refer to the [2025 CWE Top 25](#).

***Comment: "An ounce of prevention is worth a pound of cure" is a proverb meaning that taking small, early actions to prevent a problem is far easier and more effective than dealing with a larger, established one later, highlighting that a little foresight saves a lot of trouble, cost, and effort. Share this list with your IT department and ensure your bank is proactive in addressing the most common weaknesses.***

Open for Comment

Included only when specific to or relevant for community banks to comment on. Date posted may not be the same as the Federal Register Date.

12.04.2025

**FRB [Requests Public Input on the Impact of Potential Strategic Changes to Check Services Provided by the Fed, as Well as Check Usage and Preferences](#)** SUMMARY: The Board of Governors of the Federal

Reserve System (Board) seeks public input on questions related to the future of the Federal Reserve Banks' (Reserve Banks') check services. The Board will use responses to this request for information (RFI) to assess possible strategies for the future of the Reserve Banks' check services, including potentially substantial changes that may have longer run effects on the payments system. In addition, the Board will use responses to this RFI to analyze other actions that the Federal Reserve System could consider with respect to checks, in partnership with the industry, to support the overall safety and efficiency of the payments system. **DATES: Comments must be received by March 9, 2026.**

11.30.2025 [Joint Regulatory Capital Rule: Revisions to the Community Bank Leverage Ratio Framework](#) SUMMARY: The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation are inviting public comment on a notice of proposed rulemaking (proposal) that would lower the community bank leverage ratio (CBLR) requirement for certain depository institutions and depository institution holding companies from 9 percent to 8 percent, consistent with the lower bound provided in section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The proposal would also extend the length of time that certain depository institutions or depository 2 of 58 institution holding companies can remain in the CBLR framework while not meeting all of the qualifying criteria for the CBLR framework from two quarters to four quarters, subject to a limit of eight quarters in any five-year period. **DATES: Comments must be received by January 30, 2026.**

11.28.2025 **OCC** [Request for Information Regarding Community Banks' Engagement with Core Service Providers and Other Essential Third-Party Service Providers](#) SUMMARY: The OCC is issuing a request for information (RFI) on community bank engagement with their core service providers and other essential third-party service providers. The RFI seeks to better understand how challenges community banks face with such service providers affect these banks' abilities to remain competitive in a rapidly evolving marketplace, as well as what actions the OCC can take to address any of these challenges. **DATES: Comments must be received by January 27, 2026.**