



Community Bankers of Michigan Regulatory Dispatch

May 27, 2026

Timely news and resources community bankers can use

Executive Actions Reshape Landscape: More Competition from Fintechs, Increased Due Diligence for Community Banks

The two Executive Orders below introduce potential material changes to regulatory expectations, competitive dynamics, and operational risk for community banks:

1. Enhanced Customer Due Diligence (CDD) requirements tied to immigration/work authorization status
2. Expansion of nonbank access to financial infrastructure and regulatory frameworks

Collectively, these actions may increase compliance burden, elevate operational and reputational risk, and accelerate deposit competition from nonbanks, potentially impairing community bank funding and lending capacity.

RESTORING INTEGRITY TO AMERICA'S FINANCIAL SYSTEM

Regulatory Direction

- Treasury directed to strengthen oversight of financial system exploitation
- Potential expansion of CIP/CDD requirements to include verification of lawful immigration/work authorization status
- CFPB directed to evaluate borrower ability-to-repay impacts tied to deportation or loss of income

INTEGRATING FINANCIAL TECHNOLOGY INNOVATION INTO REGULATORY FRAMEWORKS

Regulatory Direction

- Removal of barriers to nonbank participation in financial services
- Evaluation of Federal Reserve payment account access for nonbanks
- Review of restrictions on fintech access to:
 - Bank charters
 - Deposit/share insurance
 - Federal licenses

CBM Insights

Q: How should we disclose lender credits on the LE and CD? If the fee we provided for a credit for goes down, can we reduce the lender credit as well?

A: There are two types of lender credits under TRID:

General: Lump sums applied to overall costs – for example, promotional credits like \$500 towards closing costs. Those fees are disclosed in Section J of the Loan Estimate and the Closing Disclosure.

Specific: Sums tied to a specific fee – for example, a \$100 credit for appraisal fees. These fees are disclosed next to the relevant fee on the CD as “Paid by Others (L)”.

General lender credits are disclosed in Section J of both the Loan Estimate and Closing Disclosure. Here’s how they are treated under TRID rules:

Loan Estimate (LE)

General lender credits must be disclosed as a lump sum in Section J (“Total Closing Costs”) under “Lender Credits”.

The amount is estimated initially and may adjust after rate locking, but any reduction must be reflected in an appropriately revised LE within 3 business days of the lock.

Closing Disclosure

General lender credits can appear in Section J as a flat total, matching or exceeding the LE amount.

Alternatively, they may be broken into specific credits (itemized under “Paid by Others” with an “L” identifier) combined with a residual in Section J, provided the aggregate meets or exceeds the LE disclosure.

If, for example, you disclose an Appraisal Fee of \$800 and provide an \$800 general credit, you are bound by the \$800 credit even if the cost of the appraisal was actually \$700.

The Official Commentary to 19(e)(3)(i) General rule.

Specifically Addressing “Lender credits. The disclosure of ‘lender credits,’ as identified in §1026.37(g)(6)(ii), is required by §1026.19(e)(1)(i). ‘Lender credits,’ as identified in §1026.37(g)(6)(ii), represents the sum of non-specific lender credits and specific lender credits...

However, if the lender discloses an \$800 general credit for “lender credits” to cover the cost of a \$700 appraisal fee but subsequently reduces the credit by \$100 because the appraisal fee decreased by \$100, then the requirements of §1026.19(e)(3)(i) have been violated because, although the amount of the appraisal fee decreased, the amount of the lender credit decreased.

Bank Management

FRB [requests public comment on a proposal to establish a "payment account," which legally eligible financial institutions could use for the specific purpose of clearing and settling their payments](#)

(05/20/2026) – Following earlier public input, the Federal Reserve Board requested public comment on a proposal to establish a "payment account," which legally eligible financial institutions could use for the specific purpose of clearing and settling their payments.

As the payments landscape rapidly evolves, financial institutions with an increasingly wide range of business models have sought direct access to the Federal Reserve's payment services to reduce costs and increase payment speed. Many of these requests for access come from institutions that are not federally insured. The proposed payment account would be tailored to support innovation by serving the clearing

and settlement needs of certain eligible institutions while also mitigating material risks to the Reserve Banks and payment system. By law, requests for access to Federal Reserve accounts and payment services are decided by Reserve Banks.

The proposed payment account is substantially similar to the prototype outlined in the Board's request for information (RFI) issued in December 2025. Payment account holders would not have access to intraday credit or the discount window, would not earn interest on balances held at a Reserve Bank, and would only have access to payment services with automated controls to prevent overdrafts. The proposal would not expand or otherwise change legal eligibility for access to accounts or payments services from the Federal Reserve, and affirms that Reserve Banks would expect payment account holders to mitigate illicit finance risks.

The proposal does include some limited changes from the RFI, taking into account comments received. For example, closing balance limits would be based on an institution's expected payment activity and the maximum closing balance was increased.

To promote greater clarity and consistency, the Board is also encouraging Reserve Banks to temporarily pause decisions on access requests from institutions that fall within Tier 3 of the Board's Account Access Guidelines until the Board has completed its policy development process on the payment account proposal. The temporary pause will allow the Federal Reserve to solicit and consider public input on payment accounts and to promote consistent implementation.

The comment period will close 60 days after publication in the Federal Register.

[Board Memo \(PDF\)](#)

[Proposed Payment Account Standard Terms \(PDF\)](#)

[Federal Register notice: Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests \(PDF\)*](#)

[Federal Register notice: Regulation D: Reserve Requirements of Depository Institutions \(PDF\)](#)

[Federal Register notice: Regulation A: Extensions of Credit by Federal Reserve Banks \(PDF\)](#)

[Statement by Governor Michael S. Barr](#)

[Statement by Governor Lisa D. Cook](#)

**Note: On May 20, 2026, the link was updated to correct the language describing the requested pause on access decisions.*

Comment: If adopted, the new account type would be implemented through coordinated changes to the Federal Reserve's Payment System Risk (PSR) Policy (including a new Part IV on accounts and services), the Account Access Guidelines, Regulation A, and Regulation D. Payment account holders would be ineligible for discount window credit under Regulation A and could not incur daylight overdrafts. Only services with automated controls to reject overdrafts (currently Fedwire Funds, FedNow, the National Settlement Service, and the Fedwire Securities Service for transfers free of payment) could settle through a payment account. FedACH and certain other services would not be available. Regulation D would be amended so that payment account balances do not earn interest. This is intended to keep the account from functioning as a store of value and to limit effects on the Fed's balance sheet and monetary policy implementation.

Goodwin [OCC Report Signals AI Governance Guidance Is on the Horizon as Banks Navigate Dual-Edged Risks](#) (05/19/2026) – In May 2026, the Office of the Comptroller of the Currency (OCC) released its Semiannual Risk Perspective report, warning that artificial intelligence (AI) is “significantly transforming” the cybersecurity threat landscape for banks. Specifically, the OCC found that AI can be used to facilitate

fraud, while also lowering the barrier to entry for threat actors and increasing the “speed, scale, and sophistication” of cyberattacks against financial institutions.

In its report, the OCC recognized that banks can harness AI to protect against these fraud and cyber threats, pointing to “increasingly advanced AI tools coming into the market to assist with cybersecurity functions,” and noting that “[a] sound understanding of the potential benefits and possible risks associated with these advanced tools can be important for cyber risk management.” Beyond cybersecurity, the OCC expressed support for banks’ “measured approach” to integrating generative and agentic AI into core operational and customer service functions—while maintaining guardrails and ensuring that human oversight remains embedded in workflows—with use cases concentrated primarily in productivity and customer experience enhancement. The OCC further indicated that banks “may consider expanding their use of [generative AI] and agentic AI for material financial decisions.”

The report cautions, however, that more advanced forms of AI present significant governance challenges, including “lack of explainability, data privacy and data poisoning issues, cybersecurity threats, and validation challenges where industry approaches are evolving,” and stresses that “appropriate governance and risk management are essential for risk mitigation.” Critically, in the “near future,” the OCC, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System announced plans to issue a request for information on model risk management as it relates to banks’ use of AI, signaling that formal regulatory guidance in this area is forthcoming. Federal Reserve Vice Chair for Supervision Michelle Bowman has also separately called for an assessment of whether existing AI-related supervisory guidance is “fit for the future,” noting that the Federal Reserve’s recently amended model risk management guidance applies only narrowly to traditional models and basic AI applications, and does not yet extend to generative or agentic AI.

Banks and financial institutions should pay close attention to these developments. The OCC has stated that it “supports banks’ efforts to integrate AI into core functions, while managing the risk in a safe and sound manner and in compliance with applicable laws and regulations,” and is “actively reviewing” its own supervisory expectations, guidance, and regulations to ensure innovative AI opportunities are accessible to all OCC-supervised institutions. However, the forthcoming request for information, combined with evolving Federal Reserve guidance, signals that financial institutions that proactively strengthen their AI governance and risk management frameworks now will be far better positioned to navigate supervisory expectations on the horizon.

OCC [Advances Priority of Reducing Regulatory Burden for Community Banks](#) (05/18/2026) – WASHINGTON—The Office of the Comptroller of the Currency (OCC) continues to prioritize supervisory and regulatory reforms to reduce burden for community banks and support their role as drivers of economic growth.

Most community banks are well capitalized and well managed, conduct business in a safe and sound manner, and engage in low-risk activities. The OCC has taken actions to reaffirm its commitment to risk-based supervision and tailor its supervisory activities for community banks.

“Community banks are anchors of local economies, providing essential banking services and small business lending that helps power job creation,” said Comptroller of the Currency Jonathan V. Gould. “The OCC has taken a range of actions to better tailor its supervision and provide meaningful reforms to community banks so they can continue to drive economic development in their local communities and the broader national economy.”

For community banks, the OCC issued guidance in October that removed requirements for examination activities set by OCC policy—*e.g.*, examination activities concerning Community Reinvestment Act (CRA) performance, fair lending, end-user derivatives, and trading. Instead, the guidance provided that the OCC

will tailor its examination of a community bank’s specific activities in light of the bank’s size, complexity, and risk profile with heightened focus on material financial risks. This approach reduces supervisory burden, maintains the value of the federal charter, and preserves banks’ safety and soundness while ensuring regulatory oversight does not distract banks from serving their communities. This guidance was effective January 1, 2026.

To implement the guidance, the OCC updated its policies and processes for CRA examination scheduling to provide discretion with respect to the examination frequency. Going forward, the OCC will schedule a community bank’s CRA examination by considering the bank’s size, risk profile, and complexity. For all other examination activities previously required by mere policy, the OCC is updating its examiner guidance to fully reflect its risk-based supervision principles and provide examiners with direction to guide the scope of examination activities.

To provide community banks with greater flexibility to use a simpler measure of capital adequacy and reduce regulatory burden, the OCC finalized a rule modifying the community bank leverage ratio (CBLR) framework. The framework simplifies capital calculations, shortens reporting schedules, and provides material regulatory relief while maintaining safety and soundness in the banking system. The vast majority of OCC supervised banks with assets under \$10 billion qualify to elect the CBLR framework, making regulatory relief available to a meaningful number of banks.

As the OCC stated it planned to do in its [October news release](#) on community bank initiatives, the agency took the next step in refining model risk management guidance for all of the OCC’s regulated institutions by updating the model risk management guidance for OCC-supervised institutions to clarify that model risk management practices should be risk-based, tailored, and commensurate with a banking organization’s size, complexity, and extent of model use. The guidance does not set forth enforceable standards or prescriptive requirements. Models used by community banks are generally excluded from this guidance, as they are typically subject to internal risk management and governance practices appropriate for their size and risk profile, which makes excluding them consistent with a tailored supervisory approach.

To further reduce burden for community banks, the OCC requires its bank examiners to use a newly updated resource to narrow the scope and simplify bank information technology (BIT) and cybersecurity examinations in community banks. The OCC’s approach to assess and improve cybersecurity preparedness reinforces a risk-based approach to supervision and improves the effectiveness and efficiency of BIT and cybersecurity examinations.

The OCC will continue to prioritize reforms to reduce regulatory burden on community banks and eliminate supervisory overreach, so community banks may better serve their customers and communities.

Related Links

- [Bulletin 2025-24, “Examinations: Frequency and Scope for Community Banks”](#)
- [Bulletin 2026-15, “Community Bank Leverage Ratio: Final Rule”](#)
- [Bulletin 2026-13, “Model Risk Management: Revised Guidance”](#)

FFIEC [Proposed Revisions to the Uniform Financial Institutions Rating System](#) (05/19/2026) – Summary: The Federal Financial Institutions Examination Council (FFIEC) is requesting public comment on proposed revisions to the Uniform Financial Institutions Rating System (UFIRS), commonly referred to as the CAMELS rating system. The FDIC is a voting member of the FFIEC and participated in developing this proposal. The proposal would retain the basic framework of CAMELS, with certain modifications to the composite and component rating definitions and evaluation factors.

Statement of Applicability: The contents of, and material referenced in, this FIL apply to all FDIC-supervised financial institutions.

Highlights:

- The proposed revisions to UFIRS would emphasize factors that materially affect an institution’s financial condition and risk profile.
- The proposal would emphasize consideration of material financial risks over concerns related to policies, procedures, and documentation, thus helping to ensure that ratings reflect the issues most likely to materially affect an institution’s financial condition and risk profile.
- To improve the framework’s effectiveness and transparency as a supervisory tool, the following broad revisions to UFIRS are being proposed:
 - Removing “Special Consideration” Given to the Management Component Rating when Assigning the Composite Rating;
 - Updating the Definition and Evaluation Factors for the Management Component Rating;
 - Changing the Treatment of Specialty Review Findings;
 - Revisions to Composite Rating Definitions;
 - Clarifying Language on Risk Management;
 - Clarifying Evaluation Factors;
 - Improving Consistency, Structure, and Approach to Ratings Definitions; and
 - Modernizing and Conforming CAMELS Framework Language.
- Comments on the proposed changes to the UFIRS system are due 90 days after publication in the *Federal Register* through the [Federal eRulemaking Portal](#)

FIL-23-2026

Attachment(s)

[FDIC Manual of Examination Policies Section 1.1, “Basic Examination Concepts and Guidelines,” October 2025 \(PDF\)](#)

[Adoption of Revised “CAMELS” Rating System, FIL-105-96, December 26, 1996](#)

[FFIEC Press Release](#)

[Chairman’s Statement](#)

[Notice and Request for Comment: Uniform Financial Institutions Rating System](#)

Comment: The Proposal would retain the basic framework of the existing CAMELS rating system, with modifications aimed at focusing the component and composite ratings on factors that “materially affect an institution’s financial condition and risk profile” and at “improv[ing] [the] transparency” of the ratings “by more clearly articulating expectations for financial institutions.” In particular, the proposed revisions would decrease the prominence of the Management component in CAMELS ratings, both by reducing the emphasis on the Management component in the composite rating and as a consideration that is currently woven into the other non-Management components. Here are the OCC’s [Comptroller Statement on Proposed Revisions to the Uniform Financial Institutions Ratings System](#).

BSA / AML

[FDIC Board Approves Proposal to Address Bank Secrecy Act and Sanctions Compliance Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers](#) (05/22/2026) – WASHINGTON—The Federal Deposit Insurance Corporation (FDIC) Board of Directors approved a notice of proposed rulemaking that would implement Bank Secrecy Act (BSA) and sanctions compliance standards applicable to FDIC-supervised permitted payment stablecoin issuers (PPSIs) as required by the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act).

Specifically, the proposed rule would require FDIC-supervised PPSIs to comply with applicable regulations regarding anti-money laundering/countering the financing of terrorism (AML/CFT) and economic

sanctions programs, and reporting requirements, including requirements established by the Department of Treasury's Financial Crimes Enforcement Network (FinCEN) and the Office of Foreign Assets Control. The proposed rule would also establish and align supervision and enforcement provisions for PPSI AML/CFT programs with FinCEN requirements.

Comments on the proposed rule will be accepted for 60 days after publication in the Federal Register.

As authorized by the GENIUS Act, the FDIC is the primary Federal regulator of PPSIs that are subsidiaries of insured state nonmember banks and state savings associations approved by the FDIC to issue payment stablecoins.

Link:

[Notice of Proposed Rulemaking to Establish Bank Secrecy Act and Sanctions Compliance Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers](#)

Comment: This proposal follows a series of interpretive letters and interagency statements over the last year that provided a disjointed view of regulatory expectations. By moving to a formal rulemaking process, the FDIC is seeking to provide greater legal certainty while simultaneously raising the bar for banks entering the digital asset space.

Deposit / Retail Operations

FTC [How are scammers trying to reach you?](#) (05/21/2026) – Scams often start with a text, call, or an ad or message on social media. So, if you have a phone or you're on social media, chances are you've heard from a scammer recently.

Scammers love sending texts — so much so that last year's fraud reports to the FTC show more people reporting that a scammer contacted them by text than any other way. Scammers often send texts [pretending to be businesses or the government](#) (think fake notices about package deliveries, loan applications, or unpaid tolls).

Phone calls are another common way scammers reach people. Scammers call to say things like "you've won a prize" or "you need to move your money to protect it." Unfortunately, people reported losing a lot of money to these scammers last year.

But the highest reported losses overall last year came from scammers on social media, pushing things like scammy [job offers](#) and [investment opportunities](#) — which sometimes started with a [romantic connection](#).

If you get an unexpected text, call, or message on social media, know that it could be a scam designed to steal your money or personal info.

To help you avoid scams:

- **Report and delete [unwanted texts](#).** Use your phone's "report junk" option or forward unwanted texts to [7726 \(SPAM\)](#). Then delete the message.
- **Report [unwanted calls](#).** If you didn't lose any money but want to report a call, visit [DoNotCall.gov](#). If you've lost money to a phone scam or have information about the scammer who called you, tell the FTC at [ReportFraud.ftc.gov](#).
- **Spot scammers on social media.** If you get a [job offer](#) on social media, or get promised "guaranteed" returns on [investments](#), stop. Check it out. And learn to spot people using [fake profiles](#) to make a connection.

Comment: Find ways to share this information with your customers.

Human Resources, Lending & Technology/Security

No news to report this week.

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.

- 05.20.2026 **FRB** [Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests](#) SUMMARY: The Board of Governors of the Federal Reserve System (Board) is issuing a notice and request for comment on proposed revisions to the Federal Reserve Policy on Payment System Risk (PSR Policy), including the proposed addition of a new Part IV, to accommodate the provision by Reserve Banks of special-purpose accounts that would clear and settle certain payment activity (Payment Accounts). The Board is also proposing updates to its guidelines for Federal Reserve Banks (Reserve Banks) to utilize in evaluating requests for access to Reserve Bank account and services (Account Access Guidelines or Guidelines) to accommodate requests for access to Payment Accounts. Finally, the Board is encouraging Reserve Banks to pause decisions on requests for Reserve Bank accounts and services from institutions that are Tier 3 under the Account Access Guidelines until the Board has completed its policy development process on the Payment Account proposal. **DATE: Comments must be received on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].**
- 04.08.2026 **Treasury** [Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Compliance Program Requirements](#) SUMMARY: The Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Assets Control (OFAC) are jointly issuing this proposed rule to implement provisions of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act). Specifically, it implements the GENIUS Act's directive to treat permitted payment stablecoin issuers (PPSIs) as financial institutions for purposes of the Bank Secrecy Act, proposes anti-money laundering obligations for PPSIs, and proposes certain specific obligations required by the GENIUS Act for PPSIs. It also implements the GENIUS Act's directive to require PPSIs to maintain effective sanctions compliance programs. **DATES: Comments must be received by June 9, 2026.**
- 04.07.2026 **Joint** [Anti-Money Laundering and Countering the Financing of Terrorism Programs](#) SUMMARY: The Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) (collectively, "the Agencies" or "Agency" when referencing the singular) are inviting comment on a proposed rule that would require banks to establish and maintain effective anti-money laundering and countering the financing of terrorism (AML/CFT) programs reasonably designed to identify, assess, and mitigate risks of illicit finance.. The amendments are intended to align with changes that are being concurrently proposed by the Financial Crimes Enforcement Network (FinCEN) to implement provisions of the Anti-Money Laundering Act of 2020 (AML Act). Among other changes, this proposed rule would ensure that institutions establish and maintain effective AML/CFT programs that are intended to better achieve the purposes of the Bank Secrecy Act (BSA), culminating in the

development of highly useful information related to illicit financial transactions for law enforcement and national security agencies. Through this rulemaking, the Agencies also intend to modernize and reform Federal supervision of AML/CFT programs by enhancing FinCEN's role in AML/CFT supervision and enforcement. **DATES: Written comments must be received by June 9, 2026.**

04.07.2026

FDIC [GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions](#)

SUMMARY: The Federal Deposit Insurance Corporation (FDIC) is soliciting comment on a proposal that would implement certain requirements pursuant to the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) applicable to FDIC-supervised permitted payment stablecoin issuers and insured depository institutions, clarify deposit insurance coverage for deposits held as reserve assets for payment stablecoins, and clarify the treatment of tokenized deposits. **DATES: Comments must be received by the FDIC no later than June 9, 2026.**

03.19.2026

Joint [Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-weighted Assets](#)

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 proposing to modify certain aspects of the regulatory capital rule (the proposal). The proposal would revise the risk-based capital treatment of certain exposure categories under the standardized approach, focusing on improving the calibration and risk sensitivity of risk weights that are particularly material to covered banking organizations' lending activities. The proposal would also modify the definition of regulatory capital by removing the threshold-based deduction for mortgage servicing assets for all banking organizations subject to the regulatory capital rule, including Page 2 of 436 banking organizations subject to the community bank leverage ratio framework. In addition, the proposal would require Category III and IV banking organizations to recognize most elements of accumulated other comprehensive income in their regulatory capital. The agencies are concurrently publishing a separate proposal, which would require Category I and II banking organizations to use a new framework to calculate risk-weighted assets, called the expanded risk-based approach and would allow other banking organizations to elect to use the expanded risk-based approach. **DATES: Comments must be received by June 18, 2026.**