



## Community Bankers of Michigan Regulatory Dispatch

May 6, 2026

*Timely news and resources community bankers can use*

### **CFPB Issues Final Rule Implementing 1071**

The CFPB on Thursday finalized its revised Section 1071 rule, largely as proposed, which includes many changes to reduce regulatory burdens while still enabling community banks to serve their communities effectively.

The CFPB issued the revised proposal late last year, following the 2023 final rule and subsequent court challenges that delayed compliance deadlines for some lenders.

### **CBM Insights**

**Q:** Does Q & A Force-placement #13, apply to a new loan? We have an existing loan secured with collateral in a flood zone with force-placed insurance. Can we make a new loan and use the existing force-placed policy that meets the mandatory purchase requirements?

**A:** It does not. Notice the underlined passages in the question below.

*FORCE PLACEMENT 13. Is a lender permitted to increase, renew, or extend a designated loan that is currently insured by force-placed insurance? More specifically, if the borrower is undergoing a refinance or a loan modification, can the lender rely on the existing force-placed insurance to meet the mandatory purchase requirement?*

*A lender can rely on existing force-placed insurance to satisfy the mandatory flood insurance purchase requirement if the borrower does not purchase his or her own policy. The Regulation states that a lender “shall not make, increase, extend or renew any designated loan unless the building or mobile home and any personal property securing the loan is covered by flood insurance for the term of the loan.”<sup>161</sup> Assuming the force-placed policy is in effect and otherwise satisfies the regulatory coverage standards, then that policy may satisfy the mandatory purchase requirement.*

*A refinance is the “making” of a loan, and a loan modification that increases, renews, or extends a loan is a triggering event for the flood insurance requirements. See Applicability 6 and Applicability 13. Therefore, when a lender refinances, increases, renews, or extends an existing loan, the lender is required to provide the Notice of Special Flood Hazards, which details the borrower’s obligation to obtain a flood insurance policy for any building in an SFHA securing the loan.<sup>162</sup> At that time, the lender, at its discretion, could encourage the borrower to purchase his or her own policy, which may be available for a lower premium amount.*

That passage is specific to an existing loan and not a new loan. You can ‘increase, renew, or extend’ an existing loan, but not make - ‘Making’ from ‘MIRE’ is the missing word from the passage.

Additionally, here is verbiage from FEMA's Mandatory Purchase Guidelines:

*MP23: Strike the words "at the time of origination or" from section 102(a)(e)(1) of the Flood Disaster Protection Act of 1973, as amended. These words imply that forced placement of flood insurance is appropriate at the time of loan origination, a position contrary to the preferences and interpretation of FEMA and the federal entities for lending regulation.*

Source [link](#).

## Bank Management

	<p><b>FRB <a href="#">Artificial Intelligence in the Financial System Vice Chair for Supervision Michelle W. Bowman</a></b> (05/01/2026) – AI in the Banking System - For nearly a decade, our supervisors have been engaging with banks to monitor their use of AI. Over that time, our approach has evolved to increase and enhance our understanding of its application and potential. An important part of our job as supervisors is to ensure that banks are aware of and attentive to the risks and challenges inherent in its use, so it can be deployed responsibly and effectively. And we need to ensure that there is a path for innovation, which includes the use of AI.</p> <p>To mitigate and manage risk, we must understand the specifics regarding the use case for its deployment. Will it be used for material tasks? Is it broadly accessible to employees or limited? And does its use directly affect consumers and customers, as with credit determinations?</p> <p>We regularly discuss AI with bankers at all levels of the Federal Reserve System. This includes direct conversations with individual banks, and broader conversations on principles for successful adoption. We recognize that smaller banks may not have access to the same resources as their larger peers but still need to innovate and provide the latest technology for their customers. Therefore, it is necessary to ensure that our supervisory guidance does not hinder access to and implementation of innovation. This includes emphasis on the flexibility to develop, implement, and manage AI to be consistent with their unique structure, business, and culture.</p>
	<p><b>FFIEC <a href="#">Cooper Re-Elected as State Liaison Committee Chair</a></b> (05/01/2026) – The Federal Financial Institutions Examination Council’s (FFIEC) State Liaison Committee (SLC) announced the re-election of Charles G. Cooper as SLC Chair for a one-year term that runs from May 1 until April 30 of the following year. The SLC can re-elect the Chair for additional terms. Cooper has been a member of the SLC and served as its Chair since 2023.</p> <p>Cooper is the Commissioner of the Texas Department of Banking, a position he has held since 2008. As Commissioner, he is responsible for the chartering, regulation, supervision, and examination of 196 Texas state-chartered banks, which have aggregate assets of approximately \$341.3 billion. In addition, the Department supervises trust companies, foreign bank agencies and branches, prepaid funeral licensees, money service businesses, and perpetual care cemeteries.</p> <p>The SLC is composed of five members and, in addition to Cooper, includes:</p> <ul style="list-style-type: none"><li>• Katherine M.R. Bosken, Commissioner, North Carolina Office of the Commissioner of Banks, designated by the American Council of State Savings Supervisors (ACSSS);</li><li>• Greg Gonzales, Commissioner, Tennessee Department of Financial Institutions, selected by the Council;</li><li>• Polly Klyce Pennoyer, Executive Deputy Superintendent, Bank Supervision, New York State Department of Financial Services, designated by the National Association of State Credit Union Supervisors (NASCUS); and</li></ul>

- Aaron Luetzow, Senior Deputy Director, Michigan Department of Insurance and Financial Services, designated by the CSBS.

The FFIEC was created by the federal Financial Institutions Regulatory and Interest Rate Control Act of 1978 to “prescribe uniform principles and standards for the federal examination of financial institutions” and “make recommendations to promote uniformity” in the supervision of financial institutions. It also conducts schools for examiners employed by the five federal member agencies represented on the FFIEC and makes those schools available to employees of state agencies that supervise financial institutions.

The FFIEC consists of the following six voting members: a member of the Board of Governors of the Federal Reserve System; the Chairman of the Federal Deposit Insurance Corporation; the Director of the Consumer Financial Protection Bureau; the Comptroller of the Currency; the Chairman of the National Credit Union Administration; and the Chair of the SLC.

The SLC consists of five representatives of state banking and credit union agencies that supervise financial institutions. Members are designated by the CSBS, ACSBS, NASCUS, and the FFIEC. An SLC member may have his or her two-year term extended by the appointing organization for an additional two-year term.

***Comment: Pleased to see Charles Cooper re-elected, and want to again thank Aaron Luetzow, Sr. Deputy Director, DIFS, for his continued dedication and support of our industry!!***

**CSBS [2026 Annual Survey of Community Banks](#) (04/29/2026)** – If your bank has less than \$10 billion in total assets, your bank is invited to share its perspective on community banking.

***Comment: We urge all CBM member banks to take the survey. The more banks that do, the more meaningful the results are.***

**OCC [Issues Two Interim Final Actions Clarifying Bank Powers under Federal Law and the Preemption of a Related State Law](#) (04/24/2026)** – WASHINGTON—The Office of the Comptroller of the Currency (OCC) announced an interim final rule and interim final order related to activities of national banks and Federal savings associations. The interim final rule clarifies the longstanding powers under Federal law for national banks to charge certain fees, regardless of whether those fees are set by the bank or a third party.

These preexisting powers under Federal law have recently come into question relative to the Illinois Interchange Fee Prohibition Act (IFPA). The IFPA becomes effective on July 1, 2026, and would create a complex, potentially unworkable, and destabilizing standard for national banks, Federal savings associations, and the nation’s payment card systems. Further, such effects could be exacerbated to the extent other states impose similarly unworkable or conflicting standards.

The OCC’s interim final order confirms that Federal law preempts the IFPA, expressly providing that national banks and Federal savings associations are neither subject to nor required to comply with this State law. These two OCC actions will help prevent the imminent negative effects of the State law’s application to OCC-regulated banks. They do not affect and are not in conflict with the applicability of any other Federal laws that do or may in the future apply to banks regarding payment card activities. Indeed, by appropriately applying preemption to the IFPA, it affirms the ability of the Federal government, including Congress, to set consistent standards governing payment card activities of national banks and Federal savings associations, including as to interchange fees.

Comments on the interim final rule and interim final order are due 30 days after publication in the *Federal Register*.

#### Related Links

- [Interim Final Rule: National Bank Non-Interest Charges and Fees](#) (PDF)
- [Interim Final Order: Order Preempting the Illinois Interchange Fee Prohibition Act](#) (PDF)

***Comment: CSBS [Statement](#) on the OCC's Proposed Rule to Preempt the Illinois Interchange Fee Prohibition Act - Washington, D.C. – 'The Illinois Interchange Fee Prohibition Act (IFPA) raises difficult policy questions and creates operational complexities and compliance risks for banks. Whether the law rises to the standard of "preventing or significantly interfering" with a national bank's powers to process payments and extend credit will have a critical precedential impact on future efforts to preempt state laws. Laws similar to the IFPA have been passed, or are under consideration, in several other states. Unlike the OCC's recently proposed interest-on-escrow determination – which is clearly inconsistent with the National Bank Act and numerous federal circuit court decisions – the application of the IFPA to national bank activities warrants a careful assessment.'***

## BSA / AML

No news to report this week.

## Deposit / Retail Operations

**FRB [releases Account Takeover Fraud Mitigation Toolkit and enhancements to existing toolkits](#)** (04/30/2026) – Payments fraud is not only becoming more frequent, it's also resulting in greater financial losses and more sophisticated attacks. To help the payments industry keep pace with the evolving fraud landscape and better identify and fight fraud and scams, the Federal Reserve has released an **[Account Takeover Fraud Mitigation Toolkit](#)** and has made substantial additions to two existing toolkits: the **[Scams Mitigation Toolkit](#)** and **[Check Fraud Mitigation Toolkit](#)**. These toolkits complement its **[Synthetic Identity Fraud Mitigation Toolkit](#)**.

The Account Takeover Fraud Mitigation Toolkit describes account takeover fraud and how it happens. A second release that explores prevention, detection and real-life scenarios will be launched later this year. This spring's enhancements to the Scams Mitigation and Check Fraud Mitigation toolkits include a robust selection of new downloadable resources and three new interactive "Test Your Knowledge" sections.

***Comment: Train, train, train.***

**FTC [How to spot the top scams that started on social media](#)** (04/27/2026) – If you're on social media, you know posts from friends and family might not be the only ones on your newsfeed — scammers are there too. FTC data shows that losses to scams on social media have been increasing dramatically since 2020 — people reported losing \$2.1 billion to these scams in 2025 alone. The FTC's **[new data spotlight](#)** brings to light some of the insights about what scams people experience on social media. Keep reading to learn how to scroll past the scams.

Here's what we know about the top scams that started on apps like Facebook, WhatsApp, or Instagram:

- **Shopping scams were the most reported scam on social media.** Scammers post ads offering high-priced items for cheap. If you click, you might end up on a site that's impersonating a well-known brand. Most people said their items never arrived, while others said what came in the mail was either a knock off or simply not what they ordered.

- **More than half of the reported losses came from [investment scams](#).** Scammers use ads and testimonials offering to teach you a fool-proof way to beat the stock market. But investing always comes with risk.
- **Nearly 60% of people who reported losing money to a [romance scam](#) in 2025 said it started on social media.** Scammers use what’s in your profile to build a connection only to later invent a problem that requires you to send them money. And some scammers mix love with money by casually offering investment advice to draw you onto a fake investment platform.

To avoid scams on social media:

- **Limit who can see your posts and contacts on social media.** Visit your [privacy settings](#) to set some restrictions so scammers have less to work with.
- **Never let someone you met on social media direct your investment decisions.** Instead, learn more about spotting [investment scams](#).
- **Before you buy, [check out the company](#).** Search online for its name plus “scam” or “complaint.”

Learn more ways to spot and avoid scams at [ftc.gov/scams](https://ftc.gov/scams). If you spot a scam, report it to the FTC at [ReportFraud.ftc.gov](https://ReportFraud.ftc.gov).

***Comment: New [data](#) from the Federal Trade Commission show that, in 2025, nearly 30% of people who reported losing money to a scam said that it started on social media, with reported losses reaching a staggering \$2.1 billion. Find ways to share this information with customers.***

## Human Resources

No news to report this week.

## Lending

**Joint [Agencies Issue Host State Loan-to-Deposit Ratios](#) (05/01/2026) – WASHINGTON—**Federal bank regulatory agencies jointly issued updated host state loan-to-deposit ratios, [as required by law](#). Each ratio compares the total loans in a state to total deposits in the state for all banks that are legally operating in that state. These ratios replace those issued in May 2025.

By law, a bank is generally prohibited from establishing or acquiring branches outside of its home state primarily for the purpose of acquiring additional deposits. This prohibition seeks to ensure that interstate bank branches will not take deposits from a community without the bank also reasonably helping to meet the credit needs of that community.

The updated ratios, including additional information on how they are used to evaluate compliance with the requirements, are available [here](#).

***Comment: Section 109 prohibits banks from establishing or acquiring branches outside their home states primarily for the purpose of deposit production. Congress enacted Section 109 to ensure that interstate branches would not take deposits from a community without helping to meet its credit needs. Michigan’s Host State Loan to Deposit Ratio is 93%.***

## Technology / Security

[CISA and Federal Partners Release Joint Guidance for Adapting Zero Trust Principles to Operational Technology](#) (04/29/2026) – CISA, in coordination with the Department of War, Department of Energy, Federal Bureau of Investigation, and Department of State, released [Adapting Zero Trust Principles to Operational Technology](#), joint guidance for organizations applying zero trust (ZT) principles to operational technology (OT). Zero trust is a modern, adaptive approach to cybersecurity that eliminates implicit trust and requires continuously validating access based on identity, context, and risk.

With advancements in technology, OT systems that were traditionally isolated or manually operated are now increasingly interconnected, digitally monitored, and remotely controlled. This IT-OT convergence introduces new cybersecurity risks that make perimeter-based defenses and implicit trust models inadequate for safeguarding OT systems and the critical physical processes they control.

This guidance supports OT owners and operators in addressing the unique challenges of transitioning to a ZT architecture, considering technology gaps from legacy infrastructure, operational constraints, and safety requirements. It focuses on establishing comprehensive asset visibility, proactively addressing supply chain risks, and implementing robust identity and access management while stressing the importance of layered security measures—including network segmentation, secure communication protocols, and vulnerability management.

*Comment: Share with your IT staff.*

## 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.

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.**
- 04.01.2026 **FinCEN [Whistleblower Incentives and Protections](#)** SUMMARY: FinCEN is proposing a rule to establish a whistleblower program that offers incentives and protections to encourage individuals who have information about potential violations of the Bank Secrecy Act (BSA), International Emergency Economic Powers Act (IEEPA), Trading With the Enemy Act of 1917 (TWEA), and Foreign Narcotics Kingpin Designation Act (Kingpin Act) to voluntarily report such information (the “Whistleblower Program”). The proposed rule would implement section 6314 of the Anti-Money Laundering Act of 2020 (AML Act) and the Anti-Money Laundering Whistleblower Improvement Act (AML Whistleblower Improvement Act), which were enacted into law as part of the National Defense Authorization Act for Fiscal Year 2021 (FY21 NDAA) and the Consolidated Appropriations Act of 2023, respectively. The Whistleblower Program will contribute to the U.S. government's efforts to safeguard the financial system from illicit use, promote national security, and combat money laundering, terrorist financing, proliferation financing, and related crimes. This notice of proposed rulemaking invites comments from the public regarding all aspects of the proposed rule, as well as comments in response to specific questions. **DATES: Written comments on this proposed rule must be submitted on or before June 1, 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.**
- 12.17.2025 **FDIC [Approval Requirements for Issuance of Payment Stablecoins by Subsidiaries of FDIC-Supervised Insured Depository Institutions](#)** SUMMARY: The Federal Deposit Insurance Corporation (FDIC) is soliciting comments on a proposal that would establish procedures to be followed by an insured State nonmember bank or State savings association (each, an FDIC-supervised institution) that seeks to obtain FDIC approval to issue payment stablecoins through a subsidiary pursuant to the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act). **DATES: Comments must be received by the FDIC no later than May 18, 2026.**