



Community Bankers of Michigan Regulatory Dispatch

October 8, 2025

Timely news and resources community bankers can use

SBA Issues Follow-Up Letter and Form to Comply with EO 14331

On August 7, 2025, President Donald J. Trump issued the Executive Order 14331, Guaranteeing Fair Banking for All Americans ("Fair Banking Executive Order"), instructing the SBA, along with federal banking regulators, to end the practice of politicized or unlawful debanking, which is the practice where banks and financial services providers, both independently and at the direction of federal regulators, freeze or close accounts, deny loans, and refuse services to "politically disfavored" people and businesses.

In connection with the Fair Banking Executive Order, and in order for your institution to maintain good standing status under 13 CFR § 120.410(e) and § 120.420(e), the SBA recently sent a letter (the "SBA Letter") requiring your institution to cease any politicized or unlawful debanking actions, attempt to reinstate affected customers, and provide a detailed report addressing and evidencing your compliance with the Executive Order.

In acknowledgment of the commitment that the Federal banking regulators have demonstrated to the Fair Banking Executive Order, and to ensure that community banks and other small lenders continue to focus their limited resources on lending in their communities and other community banking activities, the SBA is clarifying how an institution that has less than \$30,000,000,000 in total assets as of June 30, 2025, and is supervised by any of the Federal banking regulators, may comply with the SBA's reporting requirements in the SBA Letter.

Specifically, by using the enclosed form and meeting the criteria set forth therein, an institution can demonstrate compliance with the reporting requirements in the SBA Letter.

This form and any supplementary information shall be submitted to debanking@sba.gov by January 5, 2026.

Comment: After receiving a tremendous amount of pushback and requests for clarification from CBM and community banks in response to their August 29, 2025 letter to over 5,000 banks, the SBA released this follow-up letter dated September 30, 2025 that substantially eases compliance obligations for community banks. Key takeaways: The SBA says that banks under \$30 billion in assets supervised by federal banking regulators can 'demonstrate compliance' by completing a brief model form provided by SBA attached to the letter. The follow-up letter makes it clear that only a "reasonable review" of existing records is required, allowing community banks to rely on current staff and systems capabilities without incurring undue costs. Submitting the model form demonstrates a "good faith" compliance effort and is not a formal attestation. Community banks have until January 5, 2026, to submit the form, rather than the December deadline in the original directive.

CBM Insights

Q: We received a loan application via the internet, which ended up being declined. The applicant provided their demographic information, and we recorded it as usual. However, the bottom section of the form asks whether the information was collected on the basis of visual observation or surname. Historically, we've always coded this as "2 – Not collected on the basis of visual observation or surname." Is that correct?

A: This is in regard to Data Field Number 31 and 32 *Ethnicity of Applicant or Borrower Collected on the Basis of Visual Observation or Surname*. The options are 1. *Collected on the basis of visual observation or surname*; 2. *Not collected on the basis of visual observation or surname*; or 3. *Not applicable*.

Below is from *Appendix B to Part 1003 — Form and Instructions for Data Collection on Ethnicity, Race, and Sex*.

12. *If the applicant begins an application by mail, internet, or telephone, and does not provide the requested information on the application but does not check or select the "I do not wish to provide this information" box on the application, and the applicant meets in person with you to complete the application, you must request the applicant's ethnicity, race, and sex. If the applicant does not provide the requested information during the in-person meeting, you must collect the information on the basis of visual observation or surname. If the meeting occurs after the application process is complete, for example, at closing or account opening, you are not required to obtain the applicant's ethnicity, race, and sex.*

Source [link](#).

When looking at *Getting It Right* there's an entry that says "NOTE: Use Code 3 if the requirement to report the applicant's or borrower's ethnicity does not apply to the covered loan or application that your institution is reporting."

Anytime an applicant completes or provides demographic information and the requirement to report the applicant's or borrower's ethnicity does apply to the covered loan or application, regardless of how the application was received the collection method is reported as 2. *Not collected on the basis of visual observation or surname*.

Bank Management

	No news to report this week.
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BSA / AML

	FinCEN Issues Real Estate Report Form; Delays Rule Until March 1, 2026 (09/30/2025) –The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) published the Real Estate Report information collection form. FinCEN issued the form as a means to collect information about certain residential real estate transfers, as required by the Anti-Money Laundering Regulations for Residential Real Estate Transfers Rule (RRE Rule) issued in August 2024. FinCEN announced an Order postponing reporting requirements of the RRE Rule until March 1, 2026, to provide industry with more time to comply—consistent with the Administration's agenda to reduce compliance burden—while still adequately protecting the U.S. financial system from money laundering, terrorist financing, and other serious illicit finance threats. Real Estate Report Form: https://www.fincen.gov/system/files/2025-09/RER-Form-508C.pdf Exemptive Relief Order: https://www.fincen.gov/system/files/2025-09/RRE-Rule-Exemptive-Relief-Order-508.pdf
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	Exemptive Relief Press Release: https://www.fincen.gov/news/news-releases/fincen-announces-postponement-residential-real-estate-reporting-until-march-1 <i>Comment: The Final Rule requires, on a nationwide basis, certain people involved in real estate closings and settlements to report information to FinCEN about specified transfers of residential real estate that are viewed as at a high risk for illicit finance. Information required to be reported includes details about the parties to the transfer and the property itself. The Final Rule was scheduled to take effect on Dec. 1, 2025.</i>
	FinCEN Seeks Comments on Proposed Survey of the Costs of AML/CFT Compliance (09/29/2025) – The U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) invites the general public and other Federal agencies to comment on a proposed Survey of the Costs of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Compliance. The proposed survey seeks to gather information on the direct compliance costs incurred by non-bank financial institutions (such as casinos and card clubs; money services businesses; insurance companies; dealers in precious metals, precious stones, or jewels; operators of credit card systems; and loan or finance companies) with AML/CFT compliance requirements and, to the extent these expenses overlap with those of other activities (such as fraud monitoring), the amount attributable to AML/CFT compliance. Responses will aid in understanding the financial impact of these regulations and will be used to shape deregulatory proposals consistent with the Executive Orders of the Trump Administration. Responses will not be used for supervisory or enforcement purposes. Written comments are welcome and must be received on or before December 1, 2025. Federal Register Notice: https://www.federalregister.gov/public-inspection/2025-18918/agency-information-collection-activities-proposals-submissions-and-approvals-survey-of-the-costs-of Proposed Survey: https://www.fincen.gov/survey-costs-amlcft-compliance <i>Comment: The proposed survey seeks to gather information on the direct compliance costs incurred by nonbank FIs – such as casinos and card clubs, money services businesses, insurance companies and others – with AML/CFT compliance requirements. Responses will aid in understanding the financial effects of AML/CFT regulations and will be used to shape deregulatory proposals consistent with the Trump administration’s priorities, according to FinCEN.</i>

Deposit / Retail Operations

	OCC Financial Literacy Digest - Fall 2025 (10/02/2025) – New Resources and Initiatives Biennial Survey of K-12 Economic & Financial Education This biennial survey from the Council for Economic Education provides insight into progress in K-12 economic and financial education in the United States. The survey includes data from the 50 states and District of Columbia. Impersonation Schemes and Relationship Investment Scams – Protect Yourself These web pages from the U.S. Securities and Exchange Commission describe how fraudsters may impersonate organizations or individuals to lure victims into scams. They also describe how relationship investment scams reach people to trick them into making phony investments. Interim Update: National Report Card on High School Financial Literacy This 2025 interim report from the Champlain College Center for Financial Literacy describes data on high school financial literacy programs.
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	What Matters to Consumers When Assessing Information for Financial Decision-Making? This study from the FINRA Investor Education Foundation shares consumers' sentiments about their money management decisions, including the factors consumers consider in their decision-making.
	FRB Fake Companies, Real Risk: The Rise in Synthetic Business Fraud (10/02/2025) – Criminals can create identities from pieces of real and/or fictitious information to commit a dishonest act for personal or financial gain. While a synthetic identity often is an “individual,” more lucrative fraud opportunities may occur with synthetic businesses. The payoff occurs when criminals use the fake business to draw cash from lines of credit and other loans; open business accounts to receive and move money from illicit activities (i.e., money laundering); and submit fake invoices to legitimate companies for goods or services that were never provided. The Federal Reserve has released three toolkits — online repositories of insights to support education and increase awareness about payments fraud and scams — and recently expanded its Synthetic Identity Fraud Mitigation Toolkit with a new downloadable resource (PDF) on synthetic business fraud. These toolkits can enable the payments industry to better identify and fight fraud and scams, as well as to foster payments industry collaboration on fraud and scams mitigation. For more information, visit: • Synthetic Identity Fraud Mitigation Toolkit (released in 2022) • Scams Mitigation Toolkit (newly released in 2025) • Check Fraud Mitigation Toolkit (newly released in 2025) Stay informed of the Fed’s efforts to support payments security and mitigate fraud by exploring FedPaymentsImprovement.org. <i>Comment: The Federal Reserve of Boston posted an article entitled ‘Synthetic identity fraud: How AI is changing the game’ back in March of 2025 that is a good read on the subject. Rather than an organized approach, community banks often rely on a patchwork of point solutions that don’t interoperate or run in real time making synthetic identity schemes both hard to stop and highly profitable.</i>
	FRB The Next Frontier of Payments Innovation - Governor Christopher J. Waller (09/29/2025) – <i>Choice and competition - I approach these issues fundamentally as an economist and as a firm believer in the free market. In particular, I would highlight the importance of choice in how markets function and how competition develops. In general, choices encourage competition, leading to better quality products and services. Businesses innovate to differentiate products, including by incorporating new technical capabilities. This improves market responsiveness to consumer demand. Businesses also incorporate new technologies to compete on cost and efficiency. I see stablecoins, for example, as simply another choice available to consumers and businesses, where they have signaled a need in the market to further improve payments. I believe that we must take this articulated need seriously and respect the ability of the private sector to develop solutions.</i> <i>This dynamic is nothing new. Market participants have long had choices in the types of payment instruments they use. Public and private forms of money coexisting, in multiple forms, is in fact a common feature in all developed economies. In the United States, consumers have had central bank money in the form of cash, commercial bank money in the form of deposits in a bank account, and nonbank money (or</i>

"e-money") in the form of a funds balance on a nonbank payment app. Stablecoins are simply a new form of private money and will exist alongside these other payment instruments, provided consumers accept them as safe, low-risk assets with regulatory protections.

Consumers and businesses have for decades also had a choice of providers of payment services and financial products including banks, card networks, nonbank payment service providers, and, more recently, other fintechs. Having a choice of providers is important because needs and preferences vary among consumers and businesses. I may choose one provider if I want to park my emergency fund in a high-yield savings account, and I may choose different providers if I want to process a cross-border payment, pay someone with a QR code, or buy a crypto-asset. A choice of providers also encourages competition on cost, speed, efficiency, and user experience.

Additionally, firms have options for payments and financial infrastructure, which is important because firms might choose to route money or securities on different rails depending on business needs. Some may value speed; some may prefer the ability to batch payments and settle on net to capture liquidity savings. Some will prefer the features of a centralized financial market infrastructure and its built-in regulatory guardrails; some may prefer to transact on public blockchains, with different models for achieving security and integrity. Having multiple options is also good for public policy objectives like promoting resilience across the broader payment system.

FRB [Paper Checks for Federal Benefits are Ending September 30](#) (09/29/2025) – Starting September 30, 2025, paper checks for federal payments— including Social Security, Veteran Affairs (VA) benefits, IRS tax refunds, and other government benefits—are going away. Federal payments will be sent electronically, except in rare cases where a waiver is approved. The goal is to cut down on fraud, lower costs, and make sure people get their money quickly and safely.

No action is required for most people, because they already receive federal benefit payments electronically.

If you are still receiving paper checks, switch to one of these options before your next payment:

Direct deposit, to send your money straight to your checking or savings account. Visit [GoDirect.gov](#), a U.S. Treasury service for switching from paper checks to electronic payments or update your payment information with the agency that pays your benefits (like Social Security or the VA). You can also set up direct deposit when you file your federal tax return.

Direct Express Card, to add your money to a debit card instead of a bank account. To get started call 1-800-333-1795.

If you need to keep receiving paper checks, you must ask for a waiver from the U.S. Treasury by calling 1-800-967-3050.

Beware of government impersonation scams. If you get a message, verify it by contacting the agency using a website or phone number you know is real. If you're unsure, ask a trusted source, friend, or family member for help.

Comment: Communicate with your accountholders. There are two ways that beneficiaries will be able to receive their checks: 1) they can either get it on a Direct Express Debit Mastercard, or 2) into an existing account through Direct Deposit. And this does not affect the negotiability of checks issued prior to September 30, 2025 or checks issued after that date when a 'waiver is approved.'

Human Resources

	No news to report this week.
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Lending

	CFPB Small Business Lending Under the Equal Credit Opportunity Act (Regulation B); Extension of Compliance Dates (10/02/2025) – The Consumer Financial Protection Bureau (CFPB or Bureau) is finalizing its June 18, 2025 interim final rule amending Regulation B to extend the compliance dates set forth in its 2023 small business lending rule, as amended by a 2024 interim final rule, and to make other date-related conforming adjustments <i>Comment: Under the rule as adopted originally, lenders are in Tier 1 if they originated at least 2,500 covered loans in both 2022 and 2023, lenders are in Tier 2 if they originated at least 500 covered loans in both 2022 and 2023 and were not in Tier 1, and lenders are in Tier 3 if they originated at least 100 covered loans in both 2024 and 2025 and were not in Tiers 1 or 2. In the preamble to the final rule the CFPB advises that ‘covered financial institutions are permitted to continue using their small business originations from 2022 and 2023 to determine their compliance tier, or they may instead use their originations from 2023 and 2024, or from 2024 and 2025. The CFPB also advises that “covered financial institutions are permitted to begin collecting protected demographic data required under the 2023 final rule 12 months before their new compliance date, in order to test their procedures and systems.”</i>
	Joint Agencies Issue Reminder to Institutions on Lending When the National Flood Insurance Program Is Unavailable (10/01/2025) – Federal financial institution regulatory agencies remind lenders that they may continue to make loans that are subject to the federal flood insurance statutes when the National Flood Insurance Program is not available. During this period, lenders are allowed to make these loans without requiring federal flood insurance. As explained in the Interagency Questions and Answers Regarding Flood Insurance (PDF), in Q&A Applicability 12, lenders may continue to make loans without flood insurance coverage during this time but must continue to make flood determinations; provide timely, complete, and accurate notices to borrowers; and comply with other applicable parts of the flood insurance regulations. In addition, lenders should evaluate safety and soundness and legal risks and should prudently manage those risks during the lapse period. The guidance also addresses the availability and use of private flood insurance. Interagency Questions and Answers Regarding Flood Insurance (PDF) <i>Comment: The bottom line is that banks can make loans when the National Flood Insurance Program (NFIP) is closed, but they must still perform flood hazard determinations and provide disclosures to borrowers. Any loans closed during the shutdown of the NFIP without adequate flood insurance would require monitoring and the start of forced placed procedures once insurance under the federal program becomes available.</i>

Technology / Security

	ICBA Tackling Familiar Cyber Threats with Smarter Tools (10/01/2025) – The latest Independent Banker magazine shares ways that community banks can fight cyber-attacks that are being supercharged by AI and other technological capabilities.
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	Details: The article in the October issue of Independent Banker says: • Community banks should have an incident response plan and run through what they would do in the case of a breach. • Plan updates and testing need to be ongoing because attacks, software, and people change. • Community bankers can stay up to date on threats by speaking to their peers and learning about evolving risks through ICBA’s Cyber & Data Security page.
	CISA and DHS Announce Cybersecurity Awareness Month 2025 (09/29/2025) – WASHINGTON – The Department of Homeland Security (DHS) and the Cybersecurity and Infrastructure Security Agency (CISA) announced the official beginning of Cybersecurity Awareness Month 2025. This national campaign, administered by CISA, will give partner agencies and the private sector the tools, support, and information they need to secure the vital services fundamental to our civilization: water, power, communications, food, finance, and more. This year’s theme is Building a Cyber Strong America, as CISA gets back on mission to be the nation’s leading cybersecurity agency. This campaign engages with all levels of government and businesses big and small. It calls on everyone – state, local, tribal and territorial (SLTT) governments, small and medium businesses, and entities involved in our supply chains – to take cybersecurity into their own hands to secure the Homeland in a world of constantly-evolving threats. <i>“Cybersecurity is a critical theater in defending our homeland,” said Homeland Security Secretary Kristi Noem. “Every day, bad actors are trying to steal information, sabotage critical infrastructure, and use cyberspace to exploit American citizens. Taking down these threats requires a strong private-public partnership, and the reforms we’ve implemented at CISA have empowered them to work with all of our partners to take down these threats and make America cyber secure again. This Cybersecurity Awareness Month is the time for us to continue our efforts to build a cyber strong America.”</i> Cyber threats never take a day off. CISA and DHS urge every citizen, government entity, and business to remain vigilant and work to neutralize cyber threats before they cause damage. <i>“Critical infrastructure – whether in the hands of state and local entities, private businesses, or supply chain partners – is the backbone of our daily lives,” said Acting CISA Director Madhu Gottumukkala. “Whenever it’s disrupted, the effects ripple through communities across America. That’s why this year CISA is prioritizing the security and resilience of small and medium businesses, and state, local, tribal, and territorial government (SLTT) that facilitate the systems and services sustain us every day. This includes things like clean water, secure transportation, quality healthcare, secure financial transactions, rapid communications, and more. Together, we must make resilience routine so America stays safe, strong, and secure.”</i> Below are some cybersecurity best practices that you can adopt, right now, to help keep yourself and America safe: ▪ Recognize and report phishing: Stop scams before they spread. ▪ Require strong passwords: Long, random, unique passwords protect accounts. ▪ Turn on multifactor authentication (MFA): Add a vital layer of defense. ▪ Update software: Patch known vulnerabilities before attackers exploit them.

Additionally, you can take easy steps to boost your organization's resilience.

- **Enable system logging on your systems:** Detect suspicious activity.
- **Back up data:** Speed recovery when incidents occur.
- **Encrypt sensitive information:** Render stolen data useless by keeping it locked and unreadable.
Make encryption part of your security strategy.

This October, DHS and CISA are calling on every sector in the nation to join the mission: Building a Cyber Strong America starts with you.

For resources, toolkits, and practical guidance visit cisa.gov/cybersecurity-awareness-month.

Selected federal rules – proposed

Proposed rules are included only when community banks may want to comment. Date posted may not be the same as the Federal Register Date.

- 09.19.2025 **Treasury** [GENIUS Act Implementation](#) **SUMMARY:** The Department of the Treasury (Treasury) is issuing this advance notice of proposed rulemaking (ANPRM) to solicit public comment on questions relating to the implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act. The GENIUS Act tasks Treasury (and various other federal agencies) with issuing regulations that encourage innovation in payment stablecoins while also providing an appropriately tailored regime to protect consumers, mitigate potential illicit finance risks, and address financial stability risks. Through this ANPRM, Treasury is seeking public comment on potential regulations that may be promulgated by Treasury, including regarding regulatory clarity, prohibitions on certain issuances and marketing, Bank Secrecy Act (BSA) anti-money laundering (AML) and sanctions obligations, the balance of state-level oversight with federal oversight, comparable foreign regulatory and supervisory regimes, and tax issues, among other things. Treasury is seeking comment on all aspects of the ANPRM from all interested parties and also requests commenters to identify other issues that Treasury should consider. **DATES: Comments on this ANPRM must be received on or before November 4, 2025.**
- 08.22.2025 **CFPB** [Personal Financial Data Rights Reconsideration](#) **SUMMARY:** The Consumer Financial Protection Bureau (CFPB or Bureau) is seeking comments and data to inform its consideration of four issues related to implementation of section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). These issues are: the proper understanding of who can serve as a “representative” making a request on behalf of the consumer; the optimal approach to the assessment of fees to defray the costs incurred by a “covered person” in responding to a customer driven request; the threat and cost-benefit pictures for data security associated with section 1033 compliance; and the threat picture for data privacy associated with section 1033 compliance. **DATES: Comments must be received on or before October 21, 2025.**
- 08.21.2025 **FDIC** [Official Signs, Advertisement of Membership, False Advertising, Misrepresentation of Insured Status, and Misuse of the FDIC's Name or Logo](#) **SUMMARY:** The Federal Deposit Insurance Corporation (FDIC) is seeking comment on a proposal that would amend signage requirements for insured depository institutions' (IDIs) digital deposit-taking channels and automated teller machines (ATMs) and like devices. The proposed changes are intended to address implementation issues and sources of potential confusion that have arisen following the adoption of current signage requirements for these banking channels. The proposal would provide additional flexibility to IDIs while also enabling consumers to better understand when they are conducting business with an IDI and when their funds are protected by

the FDIC's deposit insurance coverage. **DATES: Comments must be received by the FDIC no later than October 20, 2025.**