



Community Bankers of Michigan Regulatory Dispatch

September 30, 2026

Timely news and resources community bankers can use

New FDIC and OCC Rule Defining Safety and Soundness: No "Free Pass" for Banks and Employees - Davis Wright Tremaine LLP

Key Highlights

- **A generally positive development for banks as institutions.** The OCC and FDIC finalized a joint rule that narrows the definition of "safety and soundness" to focus on material risks to banks and their customers. Supervisory priorities will shift toward this narrower definition.
- **The final rule does not apply to individuals.** A bank employee or board member might still be held personally liable for a safety-and-soundness violation even if it is not material. Whether that actually happens is something to watch.
- **Compliance still matters.** Banks and individuals can still be subject to supervisory or enforcement actions for violations of banking and related laws. Though the OCC proposed a rule to limit supervisory actions, it is not clear how much protection that will give banks or individuals.
- **Policies, procedures, and controls can still help.** Banks—and individuals working at and for banks—should consider reviewing policies, procedures, and controls with an eye toward the human side of the examination process.

Comment: If your bank is a national bank (regulated by the OCC) or a state-chartered non-member bank (regulated by the FDIC), the rule strictly applies. Examiners must now show a data-supported link to material financial harm (affecting capital, asset quality, earnings, liquidity, or market risk) before taking formal action against the bank, but not individuals associated with the bank.

CBM Insights

Q: What are the specific requirements for the "Purpose" field on the Loan Estimate and Closing Disclosure under TRID? Additionally, our auditor told us to use the term "Adjustable Rate" instead of "ARM" in the "Product" field. What are the specific requirements for the "Product" field?

A: Under the TRID rule (12 CFR § 1026.37(a)(9)) (below), there are exactly four permissible terms that can be utilized in the "Purpose" field on the Loan Estimate and Closing Disclosure:

Purchase – Refinance – Construction - Home Equity Loan – see below:

1. General. Section 1026.37(a)(9) requires disclosure of the consumer's intended use of the credit. In ascertaining the consumer's intended use, § 1026.37(a)(9) requires the creditor to consider all relevant information known to the creditor

at the time of the disclosure. If the purpose is not known, the creditor may rely on the consumer's stated purpose. The following examples illustrate when each of the permissible purposes should be disclosed:

i. **Purchase.** The consumer intends to use the proceeds from the transaction to purchase the property that will secure the extension of credit. In a purchase transaction with simultaneous subordinate financing, the simultaneous subordinate loan is also disclosed with the purpose "Purchase."

ii. **Refinance.** The consumer refinances an existing obligation already secured by the consumer's dwelling to change the rate, term, or other loan features and may or may not receive cash from the transaction. For example, in a refinance with no cash provided, the new amount financed does not exceed the unpaid principal balance, any earned unpaid finance charge on the existing debt, and amounts attributed solely to the costs of the refinancing. Conversely, in a refinance with cash provided, the consumer refinances an existing mortgage obligation and receives money from the transaction that is in addition to the funds used to pay the unpaid principal balance, any earned unpaid finance charge on the existing debt, and amounts attributed solely to the costs of the refinancing. In such a transaction, the consumer may, for example, use the newly-extended credit to pay off the balance of the existing mortgage and other consumer debt, such as a credit card balance.

iii. **Construction.** Section 1026.37(a)(9)(iii) requires the creditor to disclose that the loan is for construction in transactions where the creditor extends credit to finance only the cost of initial construction (construction-only loan), not renovations to existing dwellings, and in transactions where a multiple advance loan may be permanently financed by the same creditor (construction-permanent loan). In a construction-only loan, the borrower may be required to make interest-only payments during the loan term with the balance commonly due at the end of the construction project. For additional guidance on disclosing construction-permanent loans, see § 1026.17(c)(6)(ii), comments 17(c)(6)-2, -3, and -5, and appendix D to this part.

iv. **Home equity loan.** The creditor is required to disclose that the credit is for a "home equity loan" if the creditor intends to extend credit for any purpose other than a purchase, refinancing, or construction. This disclosure applies whether the loan is secured by a first or subordinate lien.

Source [link](#).

Under TRID (12 CFR § 1026.37(a)(10)) (again, below), disclosures must use "Adjustable Rate" rather than "ARM" or "Adjustable Rate Mortgage" in the Product line on page 1 of the Loan Estimate and Closing Disclosure.

(i) The description of the loan product shall include one of the following terms:

(A) Adjustable rate. If the interest rate may increase after consummation, but the rates that will apply or the periods for which they will apply are not known at consummation, the creditor shall disclose the loan product as an "Adjustable Rate."

Source [link](#).

The CFPB provides a blank annotated loan estimate with citations [here](#).

Bank Management

FRB [requests public comment on two proposals related to establishing a regulatory framework for Board-supervised payment stablecoin issuers under the GENIUS Act](#) (09/24/2026) – The Federal Reserve Board requested public comment on two proposals related to establishing a regulatory framework for Board-supervised payment stablecoin issuers under the GENIUS Act.

The first proposal would require that Board-supervised payment stablecoin issuers fully back their stablecoins with certain permissible reserve assets, such as short-term Treasury bills and certain other high-quality, liquid assets. The proposal would also establish standardized capital requirements to address

certain credit and operational risks of payment stablecoin activities, as well as risk management standards, in accordance with the law. Separately, the proposal would introduce rules for Board-supervised firms that safekeep the assets backing payment stablecoins. It would also clarify the permissibility of stablecoin and related activities for Board-supervised banks.

The second proposal would establish a tailored application process for Board-supervised banks applying to issue payment stablecoins. These applicants would be required to submit a business plan and financial information, among other documents. The proposal would also create a process governing appeals, hearings, and final determinations for applications.

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

Comment: These proposals introduce stringent reserve and capital requirements alongside a tailored bank application process.

BSA / AML

No news to report this week.

Deposit / Retail Operations

FRB [Help us Understand the Current Fraud Landscape: Complete the FRFS Payments Fraud Trends Survey](#) (09/24/2026) – The Federal Reserve is committed to helping reduce fraud risk and advancing the safety and security of the payment system. You can help enhance the view of the current industry fraud landscape by completing the survey.

By sharing your organization’s experiences, this survey will help us identify key fraud focus areas, and emerging trends.

Comment: On the Payments Security front, the FRB also has [Protecting Customers During Stressful Moments: Understanding Scam Risk Across Customer Segments](#) that is worth the read as well. Continue to share internally and externally as appropriate.

Nacha [Redefining ‘Banking Day’ in the Nacha Rules: Your Input is Needed](#) (09/22/2026) – Regardless of how early or late your bank is open, and whether or not you’re open weekends, the term “Banking Day” is generally understood to mean Monday-Friday, excluding federal holidays. [Now, Nacha is looking to formalize this in the Nacha Rules, which is why we’re issuing a Request for Comment \(RFC\) on a new proposal.](#)

It would change the definition of “Banking Day” in the Rules to “a calendar day other than a Saturday, Sunday, or Federal banking holiday in the United States.” It would also clarify the definition of “Settlement Date” by replacing references to “date” with “Banking Day.” Additionally, the term “Business Day” would be eliminated from this section.

Here’s a little background. Earlier this year, Nacha issued a Request for Information on the meaning and significance of the term “Banking Day” as it currently appears in the Nacha Rules. Respondents overwhelmingly felt the current definition in the Rules is understandable and doesn’t create inconsistencies with their ACH processing and operations. And 92% of respondents believe it is important that ACH processing timeframes are uniform across all banks and credit unions.

	At the same time, large majorities also responded that there would be benefits from better alignment of definitions among Nacha, the Federal Reserve and The Clearing House, and that it’s essential to have uniformity and certainty of processing times and deadlines—including settlement, funds availability, and return deadlines—across all ACH participants. To learn more and respond to the new RFC, please go to the RFC page on Nacha’s website. The deadline to comment is Oct. 23. <i>Comment: Nacha's proposal to redefine a "Banking Day" as any calendar day excluding weekends and Federal holidays establishes uniform ACH processing timeframes tied strictly to the ACH Network's operational schedule. While this change eliminates ambiguities surrounding non-standard local closures, it introduces potential technical burdens and implementation costs for community banks.</i>
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Human Resources

	No news to report this week.
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Lending

	OCC Reports Mortgage Performance for Second Quarter of 2026 (09/23/2026) – WASHINGTON—The Office of the Comptroller of the Currency (OCC) reported on the performance of first-lien mortgages in the federal banking system during the second quarter of 2026. The <i>OCC Mortgage Metrics Report, Second Quarter 2026</i> showed that 97.7 percent of mortgages included in the report were current and performing at the end of the quarter, an increase from 97.5 percent in 2025. The percentage of seriously delinquent mortgages – mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due – decreased from the second quarter of 2025. Servicers initiated 7,904 new foreclosures in the second quarter of 2026 showing an increase from the previous quarter and from a year earlier. Servicers completed 7,349 modifications during the second quarter of 2026, a 16.5 percent increase from the previous quarter’s 6,308 modifications. Of these 7,349 modifications, 7,107, or 96.7 percent, were “combination modifications” — modifications that included multiple actions affecting the affordability and sustainability of the loan, such as an interest rate reduction and a term extension. The first-lien mortgages included in the OCC’s quarterly report comprise approximately 18.8 percent of all residential mortgage debt outstanding in the United States or approximately 10.1 million loans totaling \$2.6 trillion in principal balances. This report provides information on mortgage performance through June 30, 2026. Related Link ▪ OCC Mortgage Metrics Report, Second Quarter 2026

The Role of the Community Reinvestment Act, the Low-Income Housing Tax Credit, and Other Efforts

The Community Reinvestment Act (CRA), enacted in 1977, has promoted housing affordability by encouraging banks to serve LMI communities, expanding homeownership access, and supporting affordable housing and community development investments. The CRA is a cornerstone of U.S. affordable housing policy, and the Fed is responsible for administering the act for banks we supervise.

In 2024 alone, CRA-related incentives supported over \$430 billion in loans and investments for homeownership, small businesses, and affordable housing in these areas. This leverage of private capital helps expand the supply of affordable rental housing, often in partnership with local community-based organizations and the public sector. The CRA has expanded homeownership opportunities for LMI families, such as through down-payment assistance and partnership with community development financial institutions (CDFIs). More recently, many banks and nonbank mortgage providers have been using alternative cash flow underwriting to expand access to credit for prospective homebuyers.

Similarly, the CRA bolsters the effectiveness of the low-income housing tax credit (LIHTC), which has been a fundamental resource for financing affordable housing for 40 years. When banks invest in LIHTC developments, they not only receive tax credits but also earn CRA consideration for supporting housing in underserved areas. Together, the CRA creates the expectation to invest, and the LIHTC provides the tool to do it, leveraging private capital to build safe, stable, and affordable apartments that strengthen families and communities. On average, the LIHTC creates 110,000 units of affordable housing per year, about 4 million apartments since its enactment. More broadly, multifamily construction is a key component of any strategy to improve access to affordable housing for low- and moderate-income families.

On the demand side, housing vouchers have also been used to supplement the incomes of LMI renters, though the demand for vouchers far outstrips the supply. And vouchers can have a positive effect on supply as well by assuring builders of affordable housing that renters will have sufficient incomes to pay.

Recent legislation may also play a role in supporting housing accessibility. Congress recently passed bipartisan legislation that includes provisions for expanding rental assistance, guidelines for addressing zoning barriers to production, homeownership counseling and financial literacy, commercial conversions to housing, and support for manufactured housing.

Industry, government, and community development groups are also exploring how innovative building practices, such as modular housing, can lower costs and speed construction.

For those working directly in communities—developing affordable housing, counseling prospective homebuyers, managing emergency assistance programs, working with voucher recipients—the research discussed today reflects the daily realities you navigate: families that can find themselves priced out of neighborhoods and essential workers unable to find affordable housing near their jobs.

Collaboration between public and private sectors will continue to be important going forward. Private-sector innovation in construction methods, materials, and financing approaches can help lower development costs and expand what's feasible. Financial institutions, including CDFIs, support affordable housing development through lending and investment. Community development organizations bring irreplaceable knowledge of local needs, relationships with residents, and on-the-ground experience with what works and what doesn't in different contexts.

Progress on housing affordability will require action across all these fronts, with each institution and sector doing its part and working together. Earlier this year, I attended a Federal Reserve conference in which a panel of mayors from cities and towns in Arizona, Utah, and Tennessee, without regard to politics,

discussed practical ways to invest in affordable housing and improve their communities. They are doing the practical hard work of talking with neighbors, cutting red tape, and investing in public–private partnerships. When I hear this type of commitment and skill, I am encouraged by local leaders' devotion to making a better future for their communities. That's the kind of practical approach that can help make a difference in advancing affordable housing all across the country. Thank you.

Technology / Security

OCC [Cybersecurity: Cybersecurity Supervision Work Program](#) (09/21/2026) –The Office of the Comptroller of the Currency (OCC) recently updated the structure and references of the OCC Cybersecurity Supervision Work Program (CSW) used by examiners. As cyberattacks evolve and as banks¹ adopt various standardized tools and frameworks to assess cybersecurity preparedness, the OCC continues to update its approach to assessing cybersecurity risk as part of risk-based supervision. The CSW provides high-level examination objectives and procedures that are aligned with existing supervisory guidance and the [National Institute of Standards and Technology \(NIST\) Cybersecurity Framework \(CSF\)](#). The OCC did not add any new procedures in the update to CSW, nor did it change any of the procedures. This update maintains alignment between the CSW structure and the evolving NIST CSF.

The CSW does not establish new regulatory expectations, and banks are not expected to use this work program to assess cybersecurity preparedness. The OCC continues to encourage, but does not require, the use of a standardized approach to assess and improve cybersecurity preparedness, and banks may choose from a variety of tools and frameworks available.

Rescissions

This bulletin rescinds OCC Bulletin 2023-22, “Cybersecurity: Cybersecurity Supervision Work Program,” issued on June 26, 2023.

Note for Community Banks

The CSW continues to enable risk-based examination scoping and is scalable for banks of different sizes and complexity. Examiners may use the CSW’s examination procedures during examinations of a community bank’s cybersecurity preparedness.

Highlights

The CSW

- procedures remain unchanged and no new procedures were added.
- structure was updated to align with the updated NIST CSF categories and subcategories.
- addresses evolving risks and supports risk-based bank information technology examinations.
- maps to the Federal Financial Institutions Examination Council (FFIEC) [Information Technology \(IT\) Examination Handbook](#) and common cybersecurity frameworks.
- focuses on cybersecurity preparedness and supplements the OCC’s bank information technology examination procedures contained in the “[Community Bank Supervision](#),” “[Large Bank Supervision](#),” and “[Federal Branches and Agencies Supervision](#)” booklets of the *Comptroller’s Handbook* and the *FFIEC IT Examination Handbook* booklets.

The [CSW Overview page](#) on www.occ.gov links to the [CSW References page](#), which provides cross-references that map the CSW procedures to existing supervisory guidance, examiner guidance, and industry cybersecurity frameworks. For example, cross-references include the *OCC Comptroller’s Handbooks*, *FFIEC IT Examination Handbook*, the Center for Internet Security Critical Security Controls, and the Cyber Risk Institute Profile. Future changes to the CSW References page will be made available through www.occ.gov.

Related Links

- [Cybersecurity Supervision Work Program Overview](#)
- [Cybersecurity Supervision Work Program References](#)

Comment: For community banks, the key takeaway from this regulatory update in particular is that while the program does not establish new regulatory expectations, it has been restructured to match evolving industry frameworks and sophisticated threat vectors like AI-driven cyber threats.

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.

- 09.24.2026 **FRB** [Application Procedures for Board-Supervised Insured Depository Institutions Seeking Approval for a Subsidiary to Issue Payment Stablecoins](#) SUMMARY: The Board of Governors of the Federal Reserve System (Board) proposes to issue regulations that would establish procedures to be followed by an insured State member bank that seeks to obtain Board approval for a subsidiary to issue payment stablecoins pursuant to the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act). **DATES: Comments must be received by the Board on or before November 16, 2026.**
- 09.11.2026 **Joint** [Proposed Third-Party Risk Management Guidance](#) SUMMARY: The OCC, Board, FDIC, and NCUA (collectively, the agencies) invite comments on this proposed third-party risk management guidance. The proposed guidance would reflect the agencies' supervisory experience and lessons learned through examining banking organizations' third-party risk management practices. In particular, the proposed guidance would discuss the potential benefits that may accrue when a banking organization aligns its third-party risk management practices in relation to the reasonably assessed risk levels specific to each of its third-party relationships. This approach may assist banking organizations in the prioritization of third-party risk management based on material financial risks, compliance with laws and regulations, and resource allocation. The proposed guidance also would help banking organizations consider potential strategies for tailoring their third-party risk management practices according to the banking organization's size, complexity, and risk profile, as well as the nature of its third-party relationships. The agencies plan to rescind and replace existing guidance on third-party risk management to promote consistency and innovation in the banking industry. **DATES: Comments must be received on or before November 16, 2026.**
- 07.31.2026 **FDIC** [Extensions of Credit to Insiders](#) SUMMARY: The Federal Deposit Insurance Corporation (FDIC) is proposing to increase quantitative thresholds for certain extensions of credit to insiders of FDIC supervised institutions, as restricted by the Federal Reserve Act and regulations promulgated thereunder. Specifically, the proposal would increase the thresholds for certain (1) extensions of credit to executive officers not otherwise specifically authorized by statute from \$100,000 to \$400,000; and (2) extensions of credit to insiders requiring prior approval by the board of directors from \$500,000 to \$2,000,000. The proposal would also establish an indexing methodology to periodically update such thresholds over time. **DATES: Comments must be received on or before October 5, 2026.**
- 07.31.2026 **Joint** [Community Reinvestment Act Regulations](#) SUMMARY: The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) are proposing to amend their Community Reinvestment Act rules by making certain substantive, technical, and process-oriented changes to refocus on the statutory objective of encouraging banks to meet the credit needs of their communities; to better ensure that community development grants reach the communities they are intended to benefit; to reduce unnecessary burden, particularly for community banks; and to provide greater clarity for how to obtain CRA consideration. The OCC and the FDIC are also proposing certain

technical changes to their rules implementing the Community Reinvestment Act sunshine requirements of the Federal Deposit Insurance Act. In addition, the OCC is proposing similar technical changes to its Public Welfare Investments rule and its Rules, Policies, and Procedures for Corporate Activities. **DATE: Comments must be received on or before October 13, 2026.**