



Community Bankers of Michigan Regulatory Dispatch

September 4, 2025

Timely news and resources community bankers can use

The Regulatory Dispatch will return the week of September 15 after the CBM Annual Convention.

The Latest Issue of [Consumer Compliance Outlook](#) is Now Available

The Second Issue 2025 of *Consumer Compliance Outlook* (CCO) is now available on our [website](#). Because of the increase in fraudulent transactions affecting consumers, CCO is publishing this special issue on fraud-related topics:

- [A Note from the Editors](#)
- [Responding to Counterfeit Instrument Scams and Mail-Related Check Fraud](#)
- [Confidence Scams: What They Are and How to Protect Your Customers](#)
- [Agencies Request Comments on Ways to Address Check and Payment Fraud](#)
- [Cybersecurity Resources for Community Banks](#)
- [Regulatory Calendar](#)
- [Download the complete issue](#) (PDF)

We welcome your suggestions for topics for CCO articles and Outlook Live webinars, or any other feedback you wish to provide, at outlook@phil.frb.org.

A Note from the Editors for This Special Fraud Issue

Fraud is a top-of-mind concern for consumers, financial institutions, and businesses as schemes to defraud them have proliferated in recent years. The 2024 annual report from the Federal Trade Commission's (FTC) Consumer Sentinel Network, which captures data from reports consumers filed with the FTC, highlights the cost of consumer fraud:

- Losses from all fraud/scam categories totaled \$12.5 billion dollars — a 25 percent increase from 2023 losses of \$10 billion.

- Losses from investment scams totaled \$5.7 billion — a 24 percent increase from 2023 losses of \$4.6 billion.
- Losses from imposter scams totaled \$2.95 billion — a 10 percent increase from 2023 losses of \$2.67 billion.
- Losses based on bank transfer/payment totaled \$2.09 billion — a 13 percent increase from 2023 losses of \$1.8 billion.
- Losses from social media scams totaled \$1.9 billion — the single highest category of losses ranked by method of contacting the consumer.
- Losses for military consumers totaled \$584 million — a 22 percent increase from 2023 losses of \$477 million.

CBM Insights

Q: We have an application for an interim construction loan. The first advance at closing will satisfy an existing lien at another lender for the purchase of the land itself. Is this loan subject to the right of rescission?

A: In general, the right of rescission applies to both open-end (§1026.15) and closed-end (§1026.23) consumer credit transactions secured by the consumer's principal dwelling. However, certain transactions are exempt. For open-end credit, §1026.15(f) exempts a "residential mortgage transaction" (a loan to purchase or construct a principal dwelling) and a credit plan in which a state agency is a creditor. For closed-end credit, §1026.23(f) exempts the following transactions: (1) a residential mortgage transaction; (2) a refinancing by the same creditor for a previous extension of credit already secured by the consumer's principal dwelling; (3) a transaction in which a state agency is a creditor; (4) an advance, other than the initial advance, in a series of advances; and (5) a renewal of optional insurance premiums not considered a refinancing under §1026.20(a)(5).

These exemptions can create ambiguities. For example, if a borrower offers her current residence as collateral to finance the construction or purchase of another property to be used as a principal residence in the near future, is the loan subject to rescission? The Official Staff Commentary (OSC) to Regulation Z addresses this issue in comment 1026.23(a)(1)-4 for closed-end credit and comment 1026.15(a)(1)-6 for open-end credit: Transactions such as bridge loans are subject to the right of rescission. The right of rescission also applies when the bridge loan is secured by both the current residence and the new property to be used as a principal residence. The consumer's current principal dwelling triggers rescission rights in this circumstance because the bridge loan is secured by the current dwelling and is not for the purpose of purchasing that dwelling. But if the consumer's construction loan for a new principal dwelling is secured only by the new dwelling, the loan would qualify as a residential mortgage transaction that is exempt from rescission.

Another complex situation is whether the residential mortgage transaction exemption applies when a consumer obtains an open-end credit line and uses a portion of the line for a down payment to purchase a dwelling securing the remainder of the line. In this circumstance,

comment 1026.15(f)-1 clarifies that only the portion of the line used for the down payment is exempt from the right of rescission.

For refinancing of closed-end credit, the right of rescission applies under comment 1026.23(f)-4 if a new creditor is involved or if a new advance is made by the existing creditor. A new advance does not include the cost of the refinancing, such as attorney's fees, title examination, and insurance fees, if bona fide and reasonable. It also does not include any finance charges paid or payable with the new loan.

Additionally, any business purpose loan exempt from Regulation Z under §1026.3(a) *Business, commercial, agricultural, or organizational credit* is also exempt from the right of rescission under federal law. However, if the loan is secured by an applicant's homestead, the Texas Constitutional protections provide for the right of rescission regardless of the purpose.

Bank Management

SBA [Orders Lenders to End Practice of Debanking](#) (08/26/2025) – WASHINGTON — The U.S. Small Business Administration (SBA) sent a letter to its network of over 5,000 lenders instructing them to end politicized or unlawful banking practices. Pursuant to Executive Order 14331, "Guaranteeing Fair Banking for All Americans," SBA is requiring all lenders to stop the practice of Obama- and Biden-era debanking, and to reinstate otherwise qualified customers who were wrongfully denied access to financial services on the basis of political, religious, or ideological beliefs. Lenders who fail to comply with these directives will lose their good standing with the SBA and will be subject to additional punitive measures.

"Since the Obama Administration, financial institutions have – both independently and at the direction of federal regulators – weaponized the banking system against Americans who refused to bend the knee to a partisan ideology. Under the leadership of President Donald J. Trump, whose own family and businesses were debanked, those days are over," said SBA Administrator Kelly Loeffler. "This Administration is putting an end to the discriminatory debanking practices that have cost too many hardworking Americans their businesses or the opportunity to start one. Access to banking should not be a partisan issue – but far too many confirmed debanking cases have targeted right-leaning businesses, non-profits, and people - including Christian, pro-life, and Second Amendment organizations.

"Any bank that retaliates against otherwise eligible customers on the basis of reputational, religious, ideological, or political beliefs will be held to account," Loeffler continued. "The SBA is committed to protecting access to financial services for small businesses, and we are grateful to President Trump and other federal regulators for working together to end this wrongful practice."

Both the Obama and Biden Administrations systematically pressured America's financial institutions to engage in debanking – encouraging them to freeze or close accounts, deny loans, or refuse services to lawful businesses and individuals as a form of political retribution. Until recently, most bank executives never exposed or attempted to stop this

coercion – choosing instead to ignore, yield, or join federal regulators in the systemic effort to deny banking services to ideological opponents.

Operation Chokepoint, initiated by President Obama and continued by President Biden, pressured lenders to debank gun manufacturers and other “politically disfavored” but otherwise lawful entities. There are myriad instances of religious and pro-life groups being debanked under the guise of “reputational risk.” Even President Donald J. Trump has been debanked by numerous institutions that refused to accept his deposits or closed his accounts altogether.

Meanwhile, many of these same financial institutions were also directed to increase services to support favored left-leaning political causes. Under the Biden Administration, the SBA advanced loan programs to favor private sector lending toward “green energy.” Administrator Loeffler ended the SBA’s “Green Lender Initiative” on Day One – along with the other partisan programs that funneled taxpayer dollars to pick winners and losers at the expense of qualified small business owners.

Pursuant to Executive Order 14331, the SBA’s letter has required its lenders to take the following actions by December 5, 2025:

- Identify any past or current formal or informal policies or practices that require, encourage, or otherwise influence their institution to engage in politicized or unlawful debanking as specified by the Fair Banking Executive Order.
- Make reasonable efforts to identify and reinstate any previous accountholders of their institution or any subsidiaries denied service through a politicized or unlawful debanking action in violation of a statutory or regulatory requirement under section 7(a) of the Small Business Act (15 U.S.C. 636) or any requirement in a Standard Operating Procedures Manual or Policy Notice, and send notice of the reinstatement to the injured party;
- Identify all potential accountholders denied access to financial services provided by their institution or any subsidiaries through a politicized or unlawful debanking action in violation of a statutory or regulatory requirement under section 7(a) of the Small Business Act or any requirement in a Standard Operating Procedures Manual or Policy Notice, and provide notice to each otherwise qualified client advising of the denied access and the renewed option to engage in such services previously denied; and
- Identify all potential accountholders denied access to payment processing services provided by your institution or any subsidiaries through a politicized or unlawful debanking action in violation of a statutory or regulatory requirement under section 7(a) of the Small Business Act or any requirement in a Standard Operating Procedures Manual or Policy Notice, and provide notice to each victim advising of the denied access and the renewed option to engage in such services previously denied.

	Lenders must submit a report to the SBA by January 5, 2026, addressing and evidencing their compliance with the above directives to remain in good standing with the agency and avoid punitive measures. <i>Comment: Banks will need to consider addressing historical and future risks created by the Order. For example, banks should consider whether there are particular accountholders or categories of accountholders that the bank may have exited in recent years over issues that could now be viewed by regulators or aggrieved former accountholders as politicized or unlawful. Given the supervisory scrutiny of banks' documentation of AML reviews, compliance may need to ensure that the bank's records fulsomely memorialize the reasons justifying account exit. Similarly, banks will need to carefully assess how they document decisions to exit customers going forward. The Order does not create an absolute right for all customers to bank at any institution they desire, and banks should develop clear policies governing what may lead to a rejection or exiting of a customer.</i>
	<u>FDIC Insured Institutions Reported Return on Assets of 1.13 Percent and Net Income of \$69.9 Billion in Second Quarter 2025</u> (08/26/2025) – • Net Income Decreased from the Prior Quarter, Driven by an Increase in Provision Expenses Related to a Large Bank Acquisition • Community Bank Net Income Increased from the Prior Quarter • The Deposit Insurance Fund Reserve Ratio Increased Five Basis Points to 1.36 Percent; Now Exceeds Statutory Minimum • Quarterly Net Interest Margin Remained Relatively Unchanged from the Prior Quarter • Asset Quality Metrics Remained Generally Favorable, Though Weakness in Certain Portfolios Persisted • Loan Growth Accelerated from the Prior Quarter • Domestic Deposits Increased for the Fourth Consecutive Quarter WASHINGTON—The Federal Deposit Insurance Corporation (FDIC) released the results of its latest Quarterly Banking Profile, a comprehensive summary of financial results based on reports from 4,421 insured commercial banks and savings institutions. In second quarter 2025, insured depository institutions reported a return on assets (ROA) ratio of 1.13 percent and aggregate net income of \$69.9 billion, a decrease of \$677.3 million (1 percent) from the prior quarter. Net income for the industry would have increased absent an increase in provision expenses related to a large bank acquisition. Community Bank Net Income Increased from the Prior Quarter: Quarterly net income for the 3,982 community banks insured by the FDIC totaled \$7.6 billion in the second quarter, an increase of \$842.9 million (12.5 percent) from first quarter 2025. The community bank pretax ROA increased 15 basis points from the prior quarter to 1.33 percent. Higher net interest income (up \$1.2 billion, 5.7 percent) and noninterest income (up \$483.3 million, 10.1 percent) more than offset increases in noninterest expense (up \$612.7 million, 3.5 percent) and provision expense (up \$311.5 million, 29.2 percent).

	FRB Let's Get On with It - Governor Christopher J. Waller (08/26/2025) – <i>I favored reducing the federal funds rate by 25 basis points at the FOMC's July meeting, and subsequent data on the labor market and inflation indicate this was the right call. That also seems to be the message from financial markets, which now expect a 25- basis-point cut at the FOMC's September meeting and put significant odds on an additional one or two cuts at the final two meetings of 2025. As I will discuss, factoring out estimates of the temporary effects of import tariffs, underlying inflation remains close to 2 percent. I believe the data on economic activity, the labor market, and inflation support moving policy toward a neutral setting. Based on the median of FOMC participants' estimates of the longer-run value of the federal funds rate, neutral is 125 to 150 basis points lower than the current setting. While I believe we should have cut in July, I am still hopeful that easing monetary policy at our next meeting can keep the labor market from deteriorating while returning inflation to the FOMC's goal of 2 percent. So, let's get on with it.</i> <i>Economic activity has slowed significantly in 2025 from 2024. Growth for the first half of the year was 1.2 percent. Looking ahead, the limited evidence we have is consistent with continued sluggish growth. We don't have much data for the second half, but smoothing through the monthly volatility, retail sales for July suggest that consumers are continuing to spend, albeit at a slower pace than last year. Meanwhile, manufacturing output in the report on industrial production was flat in July, and according to purchasing managers, new orders for manufacturing are consistent with a modest decline in the next few months. For the large majority of businesses outside of manufacturing, new orders are consistent with roughly flat production in the coming months.</i>

BSA / AML

	FinCEN Issues Advisory and Financial Trend Analysis on Chinese Money Laundering Networks (08/28/2025) –The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) is raising the alarm on Chinese money laundering networks (CMLNs), which pose a significant threat to the U.S. financial system. FinCEN is issuing: (1) an Advisory to urge financial institutions to be vigilant in detecting the use of CMLNs by Mexico-based drug cartels, including several designated as Foreign Terrorist Organizations; and (2) a Financial Trend Analysis highlighting the scope and breadth of CMLN activity in the United States. News Release: https://www.fincen.gov/news/news-releases/fincen-issues-advisory-and-financial-trend-analysis-chinese-money-laundering Advisory: https://www.fincen.gov/sites/default/files/advisory/2025-08-28/FinCEN-Advisory-CMLN-508.pdf Financial Trend Analysis: https://www.fincen.gov/sites/default/files/shared/4000-10-INV-144549-S3F6L-FTA-CMLN-508.pdf
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	<i>Comment: Don't assume a 'this can't happen here' approach. These organizations will happily take advantage of any community bank not prepared to identify these crimes.</i>
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Deposit / Retail Operations

	FRB Unveils Two Online Toolkits for Scams and Check Fraud Mitigation (08/28/2025) – Newly released online repositories of insights and downloadable resources increase awareness about scams and check fraud, helping the payments industry to better identify and respond to them. <i>Comment: Battling fraud speaks to an existing community bank strength — knowing who your customers are. It is also about ensuring your employees and customers are up to speed on the latest scams. Be sure to use alerts and these types of toolkits that summarize the latest fraud attacks. Then, share that information internally and make it available to your customers, raising awareness of all the types of fraud your bank is seeing and sharing examples of the latest scams to help protect them.</i>
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Human Resources

	No news to report this week.
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Lending

	FDIC Update to the Consumer Compliance Examination Manual (08/29/2025) – Summary: The FDIC's Consumer Compliance Examination Manual has been updated to reflect that the FDIC will evaluate potential discrimination under the Equal Credit Opportunity Act and Fair Housing Act only through evidence of disparate treatment. Statement of Applicability: The contents of, and material referenced in, this FIL apply to all FDIC-supervised financial institutions. Highlights: The following sections of the FDIC's Consumer Compliance Examination Manual have been updated: - Sections 1.1, 2.1, and 4.1 of Section IV-Fair Lending Laws and Regulations have been updated to remove all references to disparate impact and how to evaluate disparate impact risk. Section VII-1.1 Unfair, Deceptive, and Abusive Practices - Federal Trade Commission Act/Dodd-Frank Act has been updated to remove reference to disparate impact. To assist readers in identifying the changes, the FDIC is providing a redline document that identifies all changes.
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	<i>Comment: President Trump in April issued an executive order to eliminate enforcement of disparate-impact liability, which since the early 1970s has allowed courts to halt policies and practices that, while facially neutral, seem to exclude people based on characteristics such as race, gender and disability. The administration alleged that such liability “handcuffed” employers by requiring them to consider race and “racial balancing” to avoid legal liability.</i>
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Technology / Security

	No news to report this week.
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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.

- 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.**
- 06.16.2025 **Joint** [Request for Information on Potential Actions to Address Payments Fraud](#) **SUMMARY:** The Office of the Comptroller of the Currency (OCC), Treasury; the Board of Governors of the Federal Reserve System (Board); and the Federal Deposit Insurance Corporation (FDIC) seek public input on questions related to payments fraud. This request for information (RFI) offers the opportunity for interested stakeholders to identify ways that the OCC, the Federal Reserve System (FRS), and the FDIC could take actions collectively or independently in their varying respective roles to help consumers, businesses, and financial institutions mitigate check, automated clearing house (ACH),

wire, and instant payments fraud. **DATES: Comments must be received by September 18, 2025.**