Regulatory Dispatch

Timely news and resources community bankers can use

CFPB Rescinds Numerus Guidance Documents

In a Federal Register notice, the CFPB stated that 67 guidance documents are to be rescinded, spanning more than 14 years and including documents that expanded the CFPB's public consumer complaint database. Also included in the withdrawal are documents allowing for the public reporting of credit card and other complaints, as well as narratives about complaints, on the CFPB's public database.

In the notice, the CFPB outlines the 8 Policy Statements, 7 Interpretive Rules, 13 Advisory opinions and 39 "Other Guidance" documents that have been rescinded. Most are intended for internal use and for setting the tone with the other prudential regulators but are nonetheless impactful, particularly for banks of over $10 billion directly supervised by the CFPB.

The withdrawn guidance documents impact most federal consumer protection laws, including the Consumer Financial Protection Act of 2010 (CFPA), Fair Credit Reporting Act (FCRA), Fair Debt Collection Practices Act (FDCPA), Equal Credit Opportunity Act (ECOA), Truth in Lending Act (TILA), Electronic Fund Transfer Act (EFTA), and Military Lending Act (MLA). This decision marks a significant change in the Bureau's approach to supervision, regulation, and enforcement under the current administration.

Comment: Most of the documents are intended for internal use and for setting the tone with the other prudential regulators but are nonetheless impactful, particularly for banks over $10 billion directly supervised by the CFPB. While it is smart to review and understand the actions of the CFPB, you should continue to rely on your own regulator (OCC, FDIC, FRB and the state) for guidance and interpretation. If in doubt, ask!

Bank Management

	FRB Industrial Production and Capacity Utilization - G.17 (03/15/2025) – Industrial production (IP) was little changed in April as declines in manufacturing and mining output were offset by growth in utilities output. The index for manufacturing decreased 0.4 percent after increasing 0.4 percent in March. In April, manufacturing output excluding motor vehicles and parts decreased 0.3 percent. The index for mining fell 0.3 percent, and the index for utilities rose 3.3 percent. At 103.9 percent of its 2017 average, total IP in April was 1.5 percent above its year-earlier level. Capacity utilization edged down to 77.7 percent, a rate that is 1.9 percentage points below its long-run (1972–2024) average.
	FRB FOMC Review - Chair Jerome H. Powell (05/15/2025) – *Through the end of 2021, FOMC participants continued to forecast that inflation was likely to subside fairly quickly in 2022, with only a moderate increase in our policy rate. That projection was consistent with*

other central banks with different frameworks and the vast majority of forecasters (figure 4).10 When the evidence showed otherwise, we hiked 525 basis points over a period of 16 months. The most recent data suggest that 12-month PCE (personal consumption expenditures) inflation was 2.2 percent in April, far below its 7.2 percent peak in 2022.11 In a welcome and historically unusual result, this disinflation has come without the sharp increase in unemployment that has often accompanied a campaign of rate hikes to reduce inflation.

The economic environment has changed significantly since 2020, and our review will reflect our assessment of those changes. Longer-term interest rates are a good deal higher now, driven largely by real rates given the stability of longer-term inflation expectations. Many estimates of the longer-run level of the policy rate have risen, including those in the Summary of Economic Projections (figure 5).12

Higher real rates may also reflect the possibility that inflation could be more volatile going forward than in the inter-crisis period of the 2010s. We may be entering a period of more frequent, and potentially more persistent, supply shocks—a difficult challenge for the economy and for central banks.13

While our policy rate is currently well above the lower bound, in recent decades we have cut the rate by about 500 basis points when the economy is in recession.14 Although getting stuck at the lower bound is no longer the base case, it is only prudent that the framework continue to address that risk.

While the framework must evolve, some elements of it are timeless. Policymakers emerged from the Great Inflation with a clear understanding that it was essential to anchor inflation expectations at an appropriately low level. During the Great Moderation, well-anchored inflation expectations allowed us to provide policy support to employment without risking destabilizing inflation.15 Since the Great Inflation, the U.S. economy has had three of its four longest expansions on record.16 Anchored expectations played a key role in facilitating these expansions. More recently, without that anchor, it would not have been possible to achieve a roughly 5 percentage point disinflation without a spike in unemployment.

Keeping longer-run inflation expectations anchored was a driving force behind establishing the 2 percent target in the 2012 framework. Maintaining that anchor was a major consideration behind the changes in 2020. Anchored expectations are critical to everything we do, and we remain fully committed to the 2 percent target today.

OCC Interest Rate Risk: Interest Rate Risk Statistics Report (05/14/2025) – Summary - The Office of the Comptroller of the Currency (OCC) today published the spring 2025 edition of the Interest Rate Risk Statistics Report. The report presents interest rate risk data gathered during examinations of OCC-supervised midsize and community banks and federal savings associations (collectively, banks). The statistics are for informational purposes only and do not represent OCC-suggested limits or exposures.

Rescissions

	This bulletin rescinds OCC Bulletin 2024-30, "Interest Rate Risk: Interest Rate Risk Statistics Report," which transmitted the fall 2024 report. Note for Community Banks The publication contains information collected from banks supervised by the OCC's Midsize and Community Bank Supervision department. The report is for informational purposes only. Highlights The spring 2025 report provides statistics on interest rate risk exposures and risk limits for different midsize and community bank populations, including • all OCC-supervised midsize and community banks with reported data. • banks by asset size. • banks by charter type. • minority depository institutions. The publication is intended as a resource to the industry, examiners, and the public. ***Comment: From the Report: 'Examiners collect IRR data for each midsize and community bank at least once each supervisory cycle. Supervisory cycles range from 12 to 18 months depending on the bank's size and condition. The most recent data available for some banks may be up to 24 months old, depending on the supervisory cycle and lag time between the examination and availability of IRR model reports.'***
	CSBS "Preserving America's Community Banks" - Conference of State Bank Supervisors President and CEO Brandon Milhorn; ICBA Capital Summit (05/14/2025) – *CSBS Community Banking Priorities - We can start by tailoring regulatory and supervisory requirements to the size, complexity, and risk profile of individual institutions.* *Next, we can move away from process-driven, checklist-oriented supervision and focus on core financial risks.* *When regulations are targeted at larger institutions, we must prevent "supervisory creep" that applies these requirements to community banks through supervisory expectations.* *Arbitrary regulatory thresholds that prevent banks from growing with their communities and the overall economy should be abandoned.* *The cost of imposing new requirements and reporting obligations must be weighed against real and articulable benefits.* *Consider BSA/AML requirements. I am a former national security lawyer. Maintaining the financial system's integrity is paramount, and no one wants to catch terrorists and criminals more than me.*

	But, how much time and expense goes to BSA/AML reporting? *For the billions that financial institutions spend on BSA/AML compliance, are national security and law enforcement officials seeing equivalent benefits?* *It is incumbent on the federal government – who imposed these requirements on financial institutions – to periodically ensure that the BSA/AML framework continues to fulfill its primary purpose and that the costs of its reporting mandates are properly weighed against the benefits of the regime.* *And this is true for all reporting requirements, such as CFPB's rule implementing the small business lending data rule from Dodd-Frank. Are potential customers walking out the door when you ask for information based on outdated or overly intrusive rules? Are federal reporting requirements actually increasing cyber and privacy risks at your institutions?* *Beyond BSA/AML and other reporting reforms, we should also reconsider our policies regarding bank mergers and de novo bank formation.* *New entrants and beneficial exits are critical components of a healthy banking industry. These market activities support broader financial stability and help provide consumers with continued access to a variety of responsible financial products and services.* *To support investments in new banks and new business models, CSBS has encouraged the federal banking agencies to remove unnecessary limits on de novo bank formation and beneficial mergers and help foster innovation and non-traditional business models. These reforms will allow banks – both existing and new – to better serve our communities and promote economic growth.* ***Comment: From a March CSBS letter to Congress: 'State regulators recognize the need for a new regulatory and supervisory approach to foster the success of community banks across the country. We look forward to working with members of the Committee to strengthen community banks and the dual banking system.' Amen!***
	FDIC Office of the Ombudsman Publishes 2024 Annual Report of Activities (05/13/2025) – Summary: The Federal Deposit Insurance Corporation's (FDIC) Office of the Ombudsman today published a report highlighting its activities and the services provided to stakeholders during 2024. The Office of the Ombudsman is a resource for bankers and other stakeholders seeking an independent, neutral, and confidential liaison for informally discussing disagreements with findings or conclusions of the agency, and for identifying strategies and options to facilitate fair outcomes. The Office of the Ombudsman's 2024 Report can be found on the FDIC's website. **Statement of Applicability:** The contents of, and material referenced in, this FIL apply to all FDIC-supervised financial institutions.

Highlights:

- During 2024, the Office of the Ombudsman actively engaged with stakeholders across the country by:
  - Providing liaison services to facilitate productive communication between bankers and the FDIC;
  - Discussing options for resolving disagreements with supervisory findings or conclusions;
  - Engaging with stakeholders to initiate or strengthen relations with the Office;
  - Responding to requests for information about the FDIC's regulatory or resolution-related activities;
  - Providing Freedom of Information Act support to help reduce delays, increase transparency, and assist in resolving disputes;
  - Ensuring the public receives prompt and courteous assistance during bank failures; and
  - Monitoring a bank's supervision following an appeal of a material supervisory determination with the FDIC Supervisory Appeals Review Committee.

- In the coming year, the Office of the Ombudsman will continue to serve its stakeholders efficiently and effectively, focusing on its statutorily required activities.

- To share your thoughts and feedback, or if you need the Office's service, please contact your Regional Ombudsman or submit an anonymous inquiry using the Ombudsman's online form.

FIL-12-2025
Attachment(s)

FDIC Publishes 2025 Risk Review (05/13/2025) – The Federal Deposit Insurance Corporation (FDIC) today published its *2025 Risk Review*, an annual publication which uses year-end banking data from the prior year to summarize conditions in the U.S. economy, financial markets, and the banking industry.

The 2025 Risk Review provides an overview of banking risks in 2024 in two broad categories: market risks and credit risks in various portfolios. The discussion of market risks covers net interest margins, liquidity, and funding. The credit risks discussed are commercial real estate, non-depository financial institution lending and private credit, consumer lending, residential real estate, corporate debt and leveraged lending, small business lending, agriculture lending, and energy.

Comment: CRE conditions were uneven in 2024, and office properties are expected to continue to underperform in 2025. Rising operating costs (including insurance and debt service), elevated vacancy rates, and slower rent growth negatively impacted property-level cash flows and borrower repayment capacity, particularly for office properties. A

	significant volume of CRE loans is scheduled to mature in 2025. These maturing loans could face difficulties with interest rates still well above pre-2023 levels. While CRE asset quality metrics (Past-Due and Nonaccrual – PDNA, net charge-offs) worsened in 2024, they remained far below Great Recession levels. Deterioration was more pronounced among larger banks (> $100 billion in assets), but community banks and noncommunity banks under $100 billion maintain the highest exposure levels to CRE loans. CRE loan quality and collateral values may continue to be a source of risk for banks, and interest rates may continue to affect the CRE sector, including bank CRE loan performance.

BSA / AML

Deposit / Retail Operations

	OCC Prohibition Against Interstate Deposits: Annual Host State Loan-to-Deposit Ratios (05/12/2025) – Summary The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) issued on May 12, 2025, the host state loan-to-deposit (LTD) ratios. The OCC is issuing this bulletin to inform banks[1] about how these ratios are used to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (IBBEA). Rescission This bulletin rescinds OCC Bulletin 2024-14, "Prohibition Against Interstate Deposits: Annual Host State Loan-to-Deposit Ratios," published June 13, 2024. Note for Community Banks Section 109 of the IBBEA applies to community banks that have covered interstate branches. Section 109 does not apply to federal savings associations. Highlights These ratios ▪ use data as of June 30, 2024. The data excludes banks designated for Community Reinvestment Act (CRA) purposes as wholesale, limited purpose, or special purpose banks. ▪ are used to compare a bank's statewide LTD ratio with the host state LTD ratio for banks in a particular state. ▪ update data last released on May 31, 2024. Background Section 109 of the IBBEA prohibits the use of interstate branches primarily for deposit production. The OCC's CRA regulation, specifically 12 CFR 25, subpart E (March 29, 2024), "Prohibition Against Use of Interstate Branches Primarily for Deposit Production,"

	implements the requirements of IBBEA section 109. The regulation includes specific tests for determining whether an interstate bank is lending appropriately in host states where it has branches. Section 109 of the IBBEA and 12 CFR 25, subpart E (March 29, 2024), provide a process to test compliance with the statutory requirements. The first step in the process is an LTD ratio test that compares a bank's statewide LTD ratio with the host state LTD ratio for banks in a particular state. The second step is conducted if a bank's statewide LTD ratio is less than 50 percent of the published host state LTD for that state or if data is insufficient to complete step one. The second step requires the OCC to determine whether the bank is reasonably helping to meet the credit needs of the communities served by the bank's interstate branches. A bank that fails both steps is subject to sanctions by the OCC. The LTD ratios are published annually and comply with the requirements of IBBEA section 109.
	Joint Agencies Issue Host State Loan-to-Deposit Ratios (05/12/2025) – Federal bank regulatory agencies today jointly issued updated host state loan-to-deposit ratios, as required by law. Each respective host state loan-to-deposit ratio shows the ratio of total loans in a state to total deposits in the state for all banks that have that state as their home state. These ratios replace those issued in May 2024. 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. Related Link Attachment: Section 109 Host State Loan-to-Deposit Ratios (PDF)

Lending

	FRB Senior Loan Officer Opinion Survey on Bank Lending Practices (05/12/2025) – The April 2025 Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS) addressed changes in the standards and terms on, and demand for, bank loans to businesses and households over the past three months, which generally correspond to the first quarter of 2025.1 Regarding loans to businesses over the first quarter, survey respondents reported, on balance, tighter lending standards and weaker demand for commercial and industrial (C&I) loans to firms of all sizes.2 Furthermore, banks reported tighter or basically unchanged lending standards, and weaker or basically unchanged demand for commercial real estate (CRE) loans.

	Banks also responded to a set of special questions about changes in lending policies and demand for CRE loans over the past year. For all CRE loan categories, banks reported having tightened policies related to loan-to-value ratios and debt service coverage ratios. For some CRE loan categories, banks also tightened policies related to market areas served and the length of interest-only payment periods. For office loans, banks reported having tightened all queried policies on such loans over the past year. For loans to households, banks reported basically unchanged lending standards and weaker demand for most categories of residential real estate (RRE) loans, on balance. Banks similarly reported basically unchanged lending standards but stronger demand for home equity lines of credit (HELOCs). In addition, banks reported having tightened standards for credit card loans, while standards remained basically unchanged for auto and other consumer loans. Meanwhile, demand reportedly weakened for credit card and other consumer loans and remained basically unchanged for auto loans.

Technology / Security

	FBI Cyber Criminal Proxy Services Exploiting End of Life Routers (05/07/2025) – The Federal Bureau of Investigation (FBI) is issuing this announcement to inform individuals and businesses about proxy services taking advantage of end of life routers that are susceptible to vulnerabilities. When a hardware device is end of life, the manufacturer no longer sells the product and is not actively supporting the hardware, which also means they are no longer releasing software updates or security patches for the device. Routers dated 2010 or earlier likely no longer receive software updates issued by the manufacturer and could be compromised by cyber actors exploiting known vulnerabilities. End of life routers were breached by cyber actors using variants of TheMoon malware botnet. Recently, some routers at end of life, with remote administration turned on, were identified as compromised by a new variant of TheMoon malware. This malware allows cyber actors to install proxies on unsuspecting victim routers and conduct cyber crimes anonymously. ***Comment: To help prevent similar abuses, security professionals recommend 1) monitoring for abnormal login attempts from residential Ips; 2) blocking known open proxy addresses; and 3) replacing EoL devices and ensuring routers are correctly updated and secured.***