In July, the NCUA issued an updated version of its 2020 supervisory priorities (Letter to Credit Unions 20-CU-22) in response to economic conditions that emerged from COVID-19 as well as statutory and regulatory changes that have occurred since March.

The Letter to Credit Unions states that the NCUA will be updating the Examiner's Guide to include additional guidance for examiners including reviewing procedures for assessing the safety and soundness of credit unions. Priorities are now: Bank Secrecy Act/Anti-Money Laundering; CARES Act; Credit Management and ALLL; Cybersecurity; LIBOR Transition Planning; Liquidity Risk; and Serving Hemp-Related Businesses.

Also, at the end of June, the OCC published its Spring 2020 Semiannual Risk Perspective. Part IV Trends in Key Risks generally follows along with NCUA's priorities: Credit Risk Increased Sharply, Stressing Banks' Balance Sheets; Net Interest Margins, Interest Rate Risk, and London InterBank Offered Rate; COVID-19 Pandemic Impact and Response; Heightened Cyber Risk Environment; Bank Secrecy Act; and Consumer Compliance and Fair Lending.

Contact us and we can help you prepare for visits from examiners.

COVID - 19

The Centers for Disease Control and Prevention has published webpages for banks and employees regarding reopening and reducing the risks associated with COVID-19.

- COVID-19 Employer Information for Banks
- What Bank Employees Need to Know About COVID-19

Also, monitor your local health department and state requirements for more information about guidance surrounding the pandemic.

Paycheck Protection Program Page This is updated frequently to provide additional information as it becomes available.

Regulatory and Legislative Recap
July 2020

FINAL REGULATIONS/RULES

Effective Date	Regulation	Citation	Summary
10/01/2020	Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds *OCC, FRS, FDIC, CFTC, SEC*	85 FR 46422	The agencies are adopting amendments to the regulations implementing section 13 of the Bank Holding Company Act (BHC Act). Section 13 contains certain restrictions on the ability of a banking entity or nonbank financial company supervised by the Board to engage in proprietary trading and have certain interests in, or relationships with, a hedge fund or private equity fund (covered funds). These final amendments are intended to improve and streamline the regulations implementing section 13 of the BHC Act by modifying and clarifying requirements related to the covered fund provisions of the rules.
10/20/2020	Payday, Vehicle Title, and Certain High-Cost Installment Loans (12 CFR 1041) *CFPB*	85 FR 44382 85 FR 41905	The CFPB is revoking provisions of the Payday Rule that: Provide that it is an unfair and abusive practice for a lender to make a covered short-term or longer-term balloon-payment loan, including payday and vehicle title loans, without reasonably determining that consumers have the ability to repay those loans according to their terms; prescribe mandatory underwriting requirements for making the ability-to-repay determination; exempt certain loans from the mandatory underwriting requirements; and establish related definitions, reporting, recordkeeping, and compliance date requirements. Blog Post

PROPOSED REGULATIONS

Comments Due	Regulation	Citation	Summary
09/21/2020	Higher-Priced Mortgage Loan Escrow Exemption (Regulation Z) *CFPB*		The Bureau issued a notice of proposed rulemaking (NPRM) to add a new exemption from the requirement to establish escrow accounts for certain higher-priced mortgage loans (HPMLs). Specifically, the NPRM proposes to add new a provision that would exempt from the Regulation Z HPML escrow requirement any loan made by an insured depository institution or insured credit union and secured by a first lien on the principal dwelling of a consumer if (1) the institution has assets of $10 billion or less, adjusted for inflation; (2) the institution and its affiliates originated 1,000 or fewer loans secured by a first lien on a principal dwelling during the preceding calendar year; and (3) certain of the existing HPML escrow exemption criteria are met, as described in the NPRM.
08/10/2020	Qualified Mortgage	85 FR 41448	With certain exceptions, Regulation Z requires creditors to make a reasonable, good faith

	Definition Under the Truth in Lending Act (Regulation Z): Extension of Sunset Date *CFPB*		determination of a consumer's ability to repay any residential mortgage loan, and loans that meet Regulation Z's requirements for "qualified mortgages" (QMs) obtain certain protections from liability. One category of QMs consists of loans that are eligible for purchase or guarantee by either the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, government-sponsored enterprises, or GSEs), while operating under the conservatorship or receivership of the Federal Housing Finance Agency (FHFA). The GSEs are currently under Federal conservatorship. The Bureau of Consumer Financial Protection (Bureau) established this category of QMs (Temporary GSE QM loans) as a temporary measure that is set to expire no later than January 10, 2021 (the sunset date) or when the GSEs exit conservatorship. Another category of QMs is the General QM loan category. In a separate proposal released simultaneously with this proposal, the Bureau proposes amendments to the General QM loan definition. In this notice of proposed rulemaking, the Bureau proposes to amend Regulation Z to replace the sunset date of the Temporary GSE QM loan definition with a provision that extends the Temporary GSE QM loan definition to expire upon the effective date of final amendments to the General QM loan definition. The Bureau is not proposing to amend the provision stating that the Temporary GSE QM loan category would expire if the GSEs exit conservatorship. The Bureau is proposing to extend the Temporary GSE QM loan definition to ensure that responsible, affordable mortgage credit remains available to consumers who may be affected if the Temporary GSE QM loan definition expires before the amendments to the General QM loan definition take effect.
09/08/2020	Qualified Mortgage Definition Under the Truth in Lending Act (Regulation Z): General QM Loan Definition *CFPB*	85 FR 41716	

RESOURCES/GUIDANCE

Guidance	Summary
Home Mortgage Disclosure Act FAQs *CFPB*	The CFPB added two FAQs regarding HMDA reporting requirements for certain data points. Essentially, institutions are required to report the credit score, DTI, and combined loan-to-value ratio relied on in making a credit decision even if that data was not the dispositive factor in a credit decision, and when income and property value are factors in the credit decision but not the dispositive factors, they still need to be reported.
Frequently Asked Questions: Mortgage Origination, Underwriting and	Freddie Mac updated its Covid-19 frequently asked questions regarding mortgage origination, underwriting, and loan eligibility for sellers. The update addresses questions regarding obtaining 2019 tax returns, borrower creditworthiness, construction conversion and renovation mortgages; and appraisal reports

Eligibility, Property Valuation, Post Funding Quality Control reviews, Notarization, Title Insurance, Powers of Attorney, Forbearance *Freddie Mac*	
Treatment of Certain COVID-19-Related Loss Mitigation Options Under the Real Estate Settlement Procedures Act 20-RA-06 *NCUA*	The NCUA has issued this alert to notify credit unions that the Consumer Financial Protection Bureau's interim final rule that amends parts of Regulation X became effective July 1, 2020. This interim final rule added a temporary exception in Subpart C to Regulation X for certain COVID-19-related loss mitigation options. The alert outlines important changes that may impact credit unions that service mortgages regulated by Regulation X. Under this rule, a loan mortgage servicer may offer a borrower a loss mitigation option based on its evaluation of limited information collected from a borrower, if certain criteria (described in the rule) are met. The new exception permits credit unions and their affiliates to align their loss mitigation programs with the criteria of the FHFA COVID-19 payment deferral or other comparable programs.
Update to NCUA's 2020 Supervisory Priorities 20-CU-22 *NCUA*	On July 15, the NCUA issued an updated version of its supervisory priorities for 2020. The update was partially due to the ongoing pandemic. Included in the priorities are: BSA/AML (as always), CARES Act, Consumer Financial Protection, Credit Risk Management and ALLL, Cybersecurity, LIBOR Transition Planning, and Liquidity Risk.
Interpretive Letter #1170 *OCC*	The Letter states that a national bank may provide cryptocurrency custody services on behalf of customers, including by holding the unique cryptographic keys associated with cryptocurrency The letter also reaffirms the OCC's position that national banks may provide permissible banking services to any lawful business they chose, including cryptocurrency businesses, so long as they effectively manage the risks and comply with applicable law.
FIN-2020-Alert001 Convertible Virtual Currency Scam Involving Twitter FinCEN	FinCEN is emphasizing a high-profile scam exploiting Twitter accounts to solicit fraudulent payments denominated in convertible virtual currency (CVC). Cyber threat actors compromised the accounts of public figures, organizations, and financial institutions to solicit payments to CVC accounts, claiming that any CVC sent to a wallet address would be doubled and returned to the sender.
FIN-2020-A003 Advisory on Imposter Scams and Money Mule Schemes Related to Coronavirus Disease 2019	This advisory is intended to aid financial institutions in detecting, preventing, and reporting potential COVID-19-related criminal activity. Topics include imposter scams, money mule schemes and guidance on completing SARs related to COVID-19.

FinCEN	
FIN-2020-A005 Advisory on Cybercrime and Cyber-Enabled Crime Exploiting the Coronavirus Disease 2019 (COVID-19) Pandemic *FinCEN*	This advisory is intended to aid financial institutions in detecting, preventing, and reporting potential COVID19-related criminal activity. This advisory is based on FinCEN's analysis of COVID-19-related information obtained from Bank Secrecy Act (BSA) data, open source reporting, and law enforcement partners.
COVID-19 Examiner's Guide Chapter *NCUA*	On June 23, the FFIEC released an Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Institutions. The guidance provides that examiners will exercise appropriate flexibility and will consider if financial institutions have taken appropriate actions in response to COVID-19 impacts. Examiners will review management's response to the pandemic and determine the reasonableness of those actions given the credit union's economic environment. In response, the NCUA published a COVID-19 Chapter in its Examiner's Guide, which mirrors the FFIEC's guidance.
FIN-2020-A004 Advisory on the Financial Action Task Force-Identified Jurisdictions with Anti-Money Laundering and Combating the Financing of Terrorism Deficiencies *FinCEN*	The Advisory was issued to inform financial institutions of updates to the FATF list of jurisdictions with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) and counter-proliferation financing deficiencies.
Joint Statement on Managing the LIBOR Transition *FFIEC*	The members of the Federal Financial Institutions Examination Council highlighted the risks that will result from the transition away from LIBOR, and encouraged supervised institutions to continue their efforts to transition to alternative reference rates in order to mitigate financial, legal, operational, and consumer protection risks.

Regulation Z Threshold Adjustments – Effective January 1, 2021

No Changes:

- Minimum Interest Charge on Open-End Credit: will stay at $1.00 [1026.6(b)(2)(iii) & 1026.60(b)(3)]
- Credit Card Penalty Fees: the safe harbor for a first violation credit card penalty fee will stay at $29 and the adjusted dollar amount for the safe harbor for a subsequent violation penalty fee will also stay at $40. [1026.52(b)(1)(ii)(D)]

Adjustments:

High-cost Mortgages:

- the 2021 adjusted total loan amount threshold for high-cost mortgages increases to $22,052. [1026.32(a)(1)(ii)(A)]
- the 2021 adjusted points-and-fees dollar trigger for high-cost mortgages increases to $1,103. [1026.32(a)(1)(ii)(B)]

2021 Qualified mortgage thresholds under the ability-to-repay rule [1026.43(e)(3)(i)(A)-(E)]**:**

The maximum thresholds for total points and fees will be:

- 3% of the total loan amount for a loan greater than or equal to $110,260
- $3,308 for a loan amount greater than or equal to $66,156 but less than $110,260
- 5% of the total loan amount for a loan greater than or equal to $22,052 but less than $66,156
- $1,103 for a loan amount greater than or equal to $13,783 but less than $22,052
- 8% of the total loan amount for a loan amount less than $13,783.