



Supervisory Update News Summary

AS OF OCTOBER 15, 2023

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
CFPB Issues Guidance on Credit Denials by Lenders Using Artificial Intelligence	News Release Sept. 19, 2023	The CFPB issued guidance about certain legal requirements that lenders must adhere to when using artificial intelligence and other complex models. The guidance describes how lenders must use specific and accurate reasons when taking adverse actions against consumers. This means that creditors cannot simply use CFPB sample adverse action forms and checklists if they do not reflect the actual reason for the denial of credit or a change of credit conditions. This requirement is especially important with the growth of advanced algorithms and personal consumer data in credit underwriting. Explaining the reasons for adverse actions help improve consumers' chances for future credit and protect consumers from illegal discrimination.	CFPB
CFPB Mortgage Report Finds Jumps in Closing Costs and Denials for Insufficient Income, Growing Proportion of Cash-Out Refinances	News Release Sept. 27, 2023	The CFPB released its annual report on residential mortgage lending activity and trends. In 2022, mortgage applications and originations declined markedly from the prior year, while rates, fees, discount points, and other costs increased. Overall affordability declined significantly, with borrowers spending more of their income on mortgage payments and lenders more often denying applications for insufficient income. Most refinances during the reported period were cash-out refinances, and, in a reversal of recent trends, the median credit score of refinance borrowers declined below the median credit score of purchase borrowers. As in years past, independent lenders continued to dominate home mortgage lending, except for home equity lines of credit.	CFPB

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CFPB and Justice Department Issue Joint Statement Cautioning that Financial Institutions May Not Use Immigration Status to Illegally Discriminate Against Credit Applicants	News Release Oct. 12, 2023	The CFPB and Justice Department issued a joint statement that reminds financial institutions that all credit applicants are protected from discrimination based on their national origin, race, and other characteristics covered by the Equal Credit Opportunity Act, regardless of their immigration status. The CFPB and Justice Department are issuing this statement because consumers have reported being rejected for credit cards as well as for auto, student, personal, and equipment loans because of their immigration status, even when they have strong credit histories and ties to the United States and are otherwise qualified to receive the loans.	CFPB DOJ
CFPB and FTC Take Actions Against TransUnion for Illegal Rental Background Check and Credit Reporting Practices	Press Release Oct. 12, 2023	<p>The CFPB and FTC took action against a rental screening subsidiary of the TransUnion conglomerate for violations of the Fair Credit Reporting Act. The TransUnion company failed to take steps to ensure the rental background checks that landlords use to decide who gets housing were accurate. The company also withheld, from renters, the names of third parties that were providing the inaccurate information. The CFPB and FTC requested a federal court to order the TransUnion company to pay \$15 million for its lawbreaking behavior and to make significant improvements to how it reports evictions.</p> <p>Separately, the CFPB is ordering TransUnion to pay \$8 million for lying to consumers about timely placing or removing security freezes and locks on the credit reports of tens of thousands of consumers. The company told consumers the requests were completed when, in reality, the requests were dumped into its yearslong backlog. TransUnion also failed to keep active-duty members of the military from pre-screened solicitation lists – a simple step which protects servicemembers from identity theft.</p>	CFPB FTC
Interest Rate Increases Lead Community Banker Concerns	Press Release Oct. 4, 2023	Community bankers are feeling the impact of high interest rates and the threat of cyber-attacks, according to the 2023 Annual Survey of Community Banks , released by the Conference of State Bank Supervisors (CSBS).	CSBS

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Community Banker's Economic Outlook Improves...Slightly	Press Release Oct. 10, 2023	Community bankers have a slightly rosier economic outlook for the first time in a year, according to the most recent Community Banker Sentiment Index (CBSI) , released by the Conference of State Bank Supervisors (CSBS).	CSBS
Information Technology Risk Examination (InTREx) Procedures	FIL-52-2023 Sept. 29, 2023	The FDIC updated its Information Technology Risk Examination (InTREx) procedures to improve the Audit module's usability, specify compliance review steps relative to the Computer Security Incident Notification Rule (Part 304 Subpart C), provide more specificity regarding examiner review of service provider reports of examination, and update links to references. Examiners use these procedures to review information technology risk management at each bank safety and soundness examination.	FDIC
Consolidated Reports of Condition and Income for Third Quarter 2023	FIL-54-2023 Oct. 2, 2023	<p>This Financial Institution Letter and the Supplemental Instructions contains materials pertaining to the Consolidated Reports of Condition and Income (Call Report) for the September 30, 2023, report date and provide guidance on certain reporting issues.</p> <p>As a result of the 2022 statutorily mandated review of the Call Report, there are changes to the FFIEC 031, FFIEC 041 or FFIEC 051 Call Report forms and instructions this quarter. These revisions include the removal or consolidation of line items related to FDIC loss-sharing agreements, negative amortization loans, reverse mortgages, and the money market mutual fund liquidity facility. In addition, clarifications have been made to the reporting instructions for certain items on Schedule RC-T, Fiduciary and Related Services.</p>	FDIC
FDIC Issues List of Banks Examined for CRA Compliance	PR-82-2023 Oct. 4, 2023	The FDIC issued its list of state nonmember banks recently evaluated for compliance with the Community Reinvestment Act (CRA). The list covers evaluation ratings that the FDIC assigned to institutions in July 2023. The Texas banks evaluated during this period received Satisfactory ratings.	FDIC

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
FDIC Launches Public Campaign to Raise Awareness About Deposit Insurance	PR-83-2023 Oct. 11, 2023	To increase the public’s awareness of deposit insurance and how it can protect people’s money in the event of a bank’s failure, the FDIC launched a national campaign, “ Know Your Risk. Protect Your Money. ” The consumer-focused campaign aims to reach those who may have lower confidence in the U.S. banking system or who are unbanked, as well as those who use mobile payment systems, alternative banking services and financial products that may appear to be FDIC-insured but are not.	FDIC
FinCEN Issues Compliance Guide to Help Small Businesses Report Beneficial Ownership Information	Press Release Sept. 18, 2023	FinCEN published a Small Entity Compliance Guide to assist the small business community in complying with the beneficial ownership information (BOI) reporting rule. Starting in 2024, many entities created in or registered to do business in the United States will be required to report information about their beneficial owners—the individuals who ultimately own or control a company—to FinCEN. The Guide is intended to help businesses determine if they are required to report their beneficial ownership information to FinCEN.	FinCEN
OCC Reports Mortgage Performance for Second Quarter of 2023	NR 2023-108 Sept. 27, 2023	<p>The OCC reported on the performance of first-lien mortgages in the federal banking system during the second quarter of 2023.</p> <p>The OCC Mortgage Metrics Report, Second Quarter 2023 showed that 97.3 percent of mortgages included in the report were current and performing at the end of the quarter, compared with 97.6 percent in the first quarter 2023. Performance improved compared to second quarter 2022 when 97.0 percent of mortgages were current and performing. In the report, <i>Quarterly Report on Bank Trading and Derivatives Activities</i>, the OCC reported cumulative trading revenue of U.S. commercial banks and savings associations of \$13.7 billion in the second quarter of 2023. The second quarter trading revenue was \$3.9 billion, or 22.4 percent, less than in the previous quarter and \$3.3 billion, or 31.7 percent, more than in the second quarter of 2022.</p>	OCC

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Governor Abbott Renews Drought Disaster Declaration in September 2023	Proclamation Sept. 21, 2023	Governor Abbott amended and renewed a July 8, 2022, disaster proclamation certifying that exceptional drought conditions posed a threat of imminent disaster in several counties. The Texas Division of Emergency Management has confirmed that those same drought conditions continue to exist.	TxGov
Governor Abbott Issues Wildfire Disaster Declaration In September 2023	Proclamation Sept. 26, 2023	Governor Abbott amended and renewed a disaster proclamation issued on August 11, 2023, certifying that wildfires that began on July 24, 2023, posed an imminent threat of widespread or severe damage, injury, or loss of life or property in several counties. The Texas Division of Emergency Management has confirmed that those same wildfire conditions continue to exist.	TxGov

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INDUSTRY PUBLICATIONS

CFPB - [Data Point: 2022 Mortgage Market Activity Trends](#) (September 2023)

FDIC - [Consumer Compliance Examination Manual](#) (Update September 2023)

FRB Dallas - [Agricultural Survey -Third Quarter 2023](#) (October 2023)

FRB Dallas - [Southwest Economy: Bankers, Regulators Absorb Lessons of Silicon Valley Bank Failure as New Tests Emerge](#) (September 2023)

OCC - [Mortgage Metrics Report, Second Quarter 2023](#) (September 2023)

OCC – Comptroller’s Handbook: [Lease Financing](#) (September 2023)

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OTHER RESOURCES

[Bloomberg Business and Financial News](#)

[Consumer Financial Protection Bureau \(CFPB\)](#)

[The Financial Forecast Center - Discount Rate Information](#)

[FFIEC Information Technology Handbook InfoBase](#)

[FFIEC BSA/AML Examination Manual InfoBase](#)

[Financial Accounting Standards Board \(FASB\)](#)

[Financial Action Task Force \(FATF\)](#)

[Financial Crimes Enforcement Network \(FinCEN\)](#)

[Office of Foreign Assets Control, U.S. Treasury \(OFAC\)](#)

[Real Estate Market Reports \(Texas A&M RE Center\)](#)

[Simply Stated \(CSBS podcast\)](#)

[Texas Constitution and Statutes](#)

[The Texas Economy – Texas Comptroller](#)

[Texas and National Economy – Federal Reserve Bank of Dallas](#)

[Uniform Bank Performance Reports \(UBPR\) and Users Guide](#)

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ACRONYMS AND ABBREVIATIONS

ACRONYM/ABBREVIATION	MEANING
AML	Anti-Money Laundering
ASU	Accounting Standards Update
BIS	Bank for International Settlements
BSA	Bank Secrecy Act
CFPB	Consumer Financial Protection Bureau
CFR	Code of Federal Regulations
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act
DOJ	Department of Justice
FASB	Financial Accounting Standards Board
FC	Finance Commission of Texas
FCA	Farm Credit Administration
FDIC	Federal Deposit Insurance Corporation
FDIC-OIG	FDIC Office of Inspector General

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ACRONYM/ABBREVIATION	MEANING
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Authority
FHFA	Federal Housing Finance Agency
FinCEN	Financial Crimes Enforcement Network
FRB (or Fed or FR)	Federal Reserve Board or Federal Reserve
FTC	Federal Trade Commission
HUD	Housing and Urban Development Department
NCUA	National Credit Union Association
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Asset Control
OIG	Office of Inspector General
SDN	Specially Designated National
SEC	Securities and Exchange Commission
TDB	Texas Department of Banking
TSSB	Texas State Securities Board
Treasury	U.S. Department of Treasury