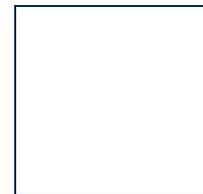
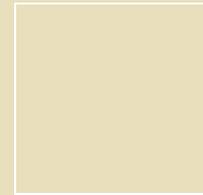


Dodd Frank Act: Effects on Community Banking Organizations

April 12, 2012

Maryland Community Bankers Forum

*Keith Larkin, Assistant Vice President
Supervision, Regulation, & Credit*



THE FEDERAL RESERVE BANK OF RICHMOND

RICHMOND ■ BALTIMORE ■ CHARLOTTE



Disclaimer

The views and opinions expressed herein are mine and do not necessarily reflect the official opinions of the Federal Reserve Bank of Richmond, the Federal Reserve System, any other regulatory agency, or individual.



Overview

- Debit Card Interchange Fees
- Savings & Loan Holding Companies Requirements
- Stress Testing
- FDIC Insurance Requirements
- Capital Requirements
- Charter Conversions
- Consumer Financial Protection Bureau (CFPB)
- Consumer Compliance Regulations





Debit Card Interchange Fees

- Reg II - Debit Card Interchange Fees & Routing
- Institutions with assets <\$10 billion are exempt
- 21¢ per transaction + 5 bp X the transaction value
- Adjustment of 1¢ for fraud-prevention standards
- Prohibits restricting number of networks over which electronic debit transactions may be processed to less than two unaffiliated networks
- Ability to grant discounts for cash or debit card payments





S&L Holding Companies

- Federal Reserve assumed supervisory and rule writing authority for SLHCs
- Final rule issued December 2011 that provides a two-year phase-in period for SLHCs to use the Federal Reserve's existing regulatory reports
- Regulation MM interim final rule for mutually owned SLHCs





Stress Testing Guidance

- Comment period on proposed rulemaking extended to 4/30/12
- Proposed guidance regarding stress-testing practices at banking organizations with >\$10 billion in consolidated assets
- Outlines general principles for a satisfactory stress testing framework
- No proposed stress testing requirement for institutions <\$10 billion.....except for testing that is already required (ie CRE, liquidity, or IRR)





FDIC Insurance

- Permanently increased insurance coverage to \$250,000
- FDIC must raise target ratio of Deposit Insurance Fund to at least 1.35 % of insured deposits by 9/30/20
- Additional assessments would be charged only against institutions with \geq \$10 billion in assets
- Assessment base changed to assets less tangible capital
- Temporary unlimited coverage for non-interest bearing transaction accounts expires end of 2012





Capital Requirements

- Requires certain institutions to establish floor for risk-based capital
- Applies to institutions with \geq \$250 billion in total assets or foreign exposures \geq \$10 billion
- Phase-in of restrictions on regulatory capital treatment of debt or equity instruments
- Debt issued before 5/19/10 by institutions $<$ \$15 billion is grandfathered
- BHC capital requirements & source of strength





Charter Conversions

- National banking associations or Federal savings associations may not convert to a State bank or State savings association if subject to formal enforcement action or MOU with the OCC (or OTS)
- State bank or State savings association may not convert to a national banking association or Federal savings association if subject to formal enforcement action or MOU with the State bank supervisor
- Exception – Future regulator must provide written notice of proposed conversion plan to address significant supervisory matters that is acceptable to current regulator





Consumer Financial Protection Bureau (CFPB)

- Opened for business 7/21/11
- Richard Cordray named as Director by President Obama
- Processing complaints on credit cards and mortgage lending
- Soliciting comment on public disclosure of certain credit card complaint information
- Establishment of the Consumer Advisory Board
- Re-publishing regulations to reflect transfer of authority and certain other changes made by DFA





“Abusive”

The act or practice:

- 1) materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service; or
- 2) takes unreasonable advantage of—
 - a lack of understanding on the part of the consumer of the material risks, costs, or conditions of the product or service;
 - the inability of the consumer to protect the interests of the consumer in selecting or using a consumer financial product or service; or
 - the reasonable reliance by the consumer on a covered person to act in the interests of the consumer.





Consumer Compliance Rules – In Effect

- Appraiser independence
- Loan originator compensation
- Regulation Q repealed
- Regulation CC next day availability \$200
- Risk based pricing notices
- Protections for remittance transfers



Consumer Compliance Rules – Proposed

- Ability-to-repay
- Mandatory escrow accounts
- TILA/GFE/HUD1 combined disclosure
- Definition of “larger participants” in certain consumer financial product and service markets
- Overdraft protection programs



Questions??

