

DOGGONE REGULATIONS

by [Steve Brown](#)

Did you hear this one - a 12Y old dog (84 in human years) survived this weekend after being frozen to the sidewalk outside its home in snowy Wisconsin. Humane Society workers said few animals could have survived such an ordeal given temperatures dropped into the single-digits. We don't know about you, but we were amazed. We also think it might do the owner some good if they were required to spend 7 times as long (given the whole dog-to-human year thing) outside under similar conditions to even things out. We certainly live in some crazy times these days.

Consider the regulatory agencies. Using the FDIC Financial Institution Letter communications to bankers as our source, we find that in 2007, regulators released no less than 106 notifications during the year. That breaks down to just a tad less than 9 per month that bankers had to keep up with. Sheer volume is only part of the story. Things get even more interesting when you break the data down further.

For instance, the largest regulatory communication to bankers by frequency was OFAC "Specially Designated Nationals and Blocked Persons." This notification easily outdistanced the others, flooding into our email inboxes 26% of the time (about 28x during the year). Rounding out the rest of the top 5 notifications was BSA (10%); regulatory relief/guidance for storm ravaged areas (8%); insurance assessments (5%) and quarterly reports of income/condition (4%).

Other communication of high importance but that did not make the frequency cut (i.e. < or = 2%) included communications about identity theft, financial education, servicing and subprime mortgage lending. The regulators also informed us all about how to file/submit various forms or applications and gave us periodic insight into issues the industry was facing.

Things sure have changed in 2008. First of all, we are averaging (through Nov.) over 12 notifications per month or about a 25% increase over the prior year. Just trying to stay on top of that flow of information has been daunting for most. Again, by type, OFAC was still #1 by volume with 41% of notifications, which we felt was unusual, given the extreme nature of the credit crisis. This was followed by regulatory relief/guidance for storm ravaged areas (9%); a tie between BSA and deposit insurance coverage (at 4% each) and then finally communication about the TLGP (3%). It is clear that unlike our chilly dog, regulatory contact with bankers this year has been running hot.

New regulatory rules and guidance have also been falling onto banker's heads like snowflakes in a snowstorm. There have been rules on managing 3rd party risk; the TLGP; revisions to the call report that will need to be followed in 2009; recordkeeping requirements on qualified financial contracts; how to process accounts when a financial institution fails; how to handle other real estate owned; how to manage commercial real estate concentrations; liquidity risk management; pandemic planning; ID theft red flags and examination procedures; guidance on payment processor relationships; flood insurance; TARP and appraisal guidelines. Banks can find all of these new rules or updated guidelines on the FDIC web site under "Financial Institution Letters." They are sorted by the month in which they came out.

Bankers who don't want to get left out in the cold during the next regulatory visitation would do well to focus on these latest rules and guidelines in particular. It is our experience that regulators will first tend to inform bankers in this manner and then walk in with these new rules in one hand and a measuring stick in the other. We'll keep you informed, but no matter what, it appears 2009 is shaping up to be a cold year indeed and perhaps even one for the dogs. Woof...

BANK NEWS

Closed

First Georgia Community Bank marks the 23rd bank shut down in the nation this year. United Bank will assume all of First Georgia's deposits, totaling \$197.4mm, for a 0.81% premium and purchase \$60.6mm in assets.

TARP CPP

The non-public bank deadline is today. To file, go: <http://www.treas.gov/initiatives/eesa/application-documents.shtml>

FDIC TLGP Corrections

For banks that need to correct submissions - log into FDICconnect, use the drop down under Type of Senior Unsecured Debt , choose "Corrected Submission." Then enter your FDIC Identification Number of the previous submission and click the "Search" button. After it comes up, amend as needed.

US Keeps On Giving

Despite this year's turmoil, US charitable foundations' international giving are expected to top last year's record of \$5.4B.

Chargeoffs

Based on FDIC data, real estate loans amount to nearly 50% of chargeoffs, but keep an eye on consumer loans. Though they only represent 8% of loan portfolios, consumer loans account for nearly 15% of chargeoffs.

Still Worse

The latest update from RealtyTrac finds housing foreclosures increased 5% in Oct. from Sept and grew 25% nationally compared to the same period last year. States with the worst foreclosure rates were NV (1 in 74 homes), AZ (1 in 149) and FL (1 in 157).

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