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# Financial Services Trends and Insights – Q4, 2024

November 13, 2024



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# Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- 4 Polling Questions will be launched during this session. You must respond to a minimum of 3 to receive the full 1 CPE credit.

**\*\*Both requirements must be met to receive CPE credit\*\***



# Learning Objectives



Discuss regulatory compliance, including ways to help avoid penalties and safeguard your organization's reputation



Outline effective cybersecurity measures to protect sensitive financial data and maintain trust with clients



Review techniques to evaluate and manage credit risks effectively to support financial stability

# Looking Ahead to 2025



# Regulatory Focus



FINANCIAL



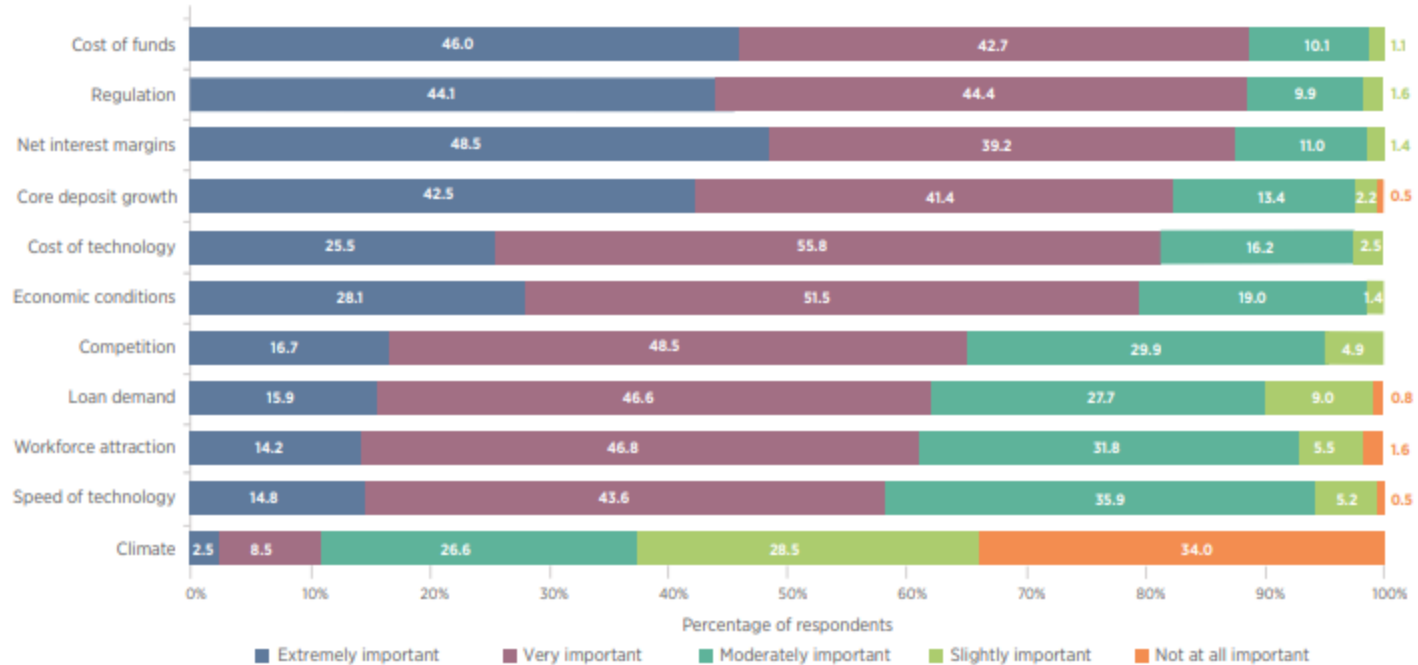
OPERATIONAL



COMPLIANCE

# Interest Rates Are the Top Concern for Community Banks

How important are the following external risks to your bank today?

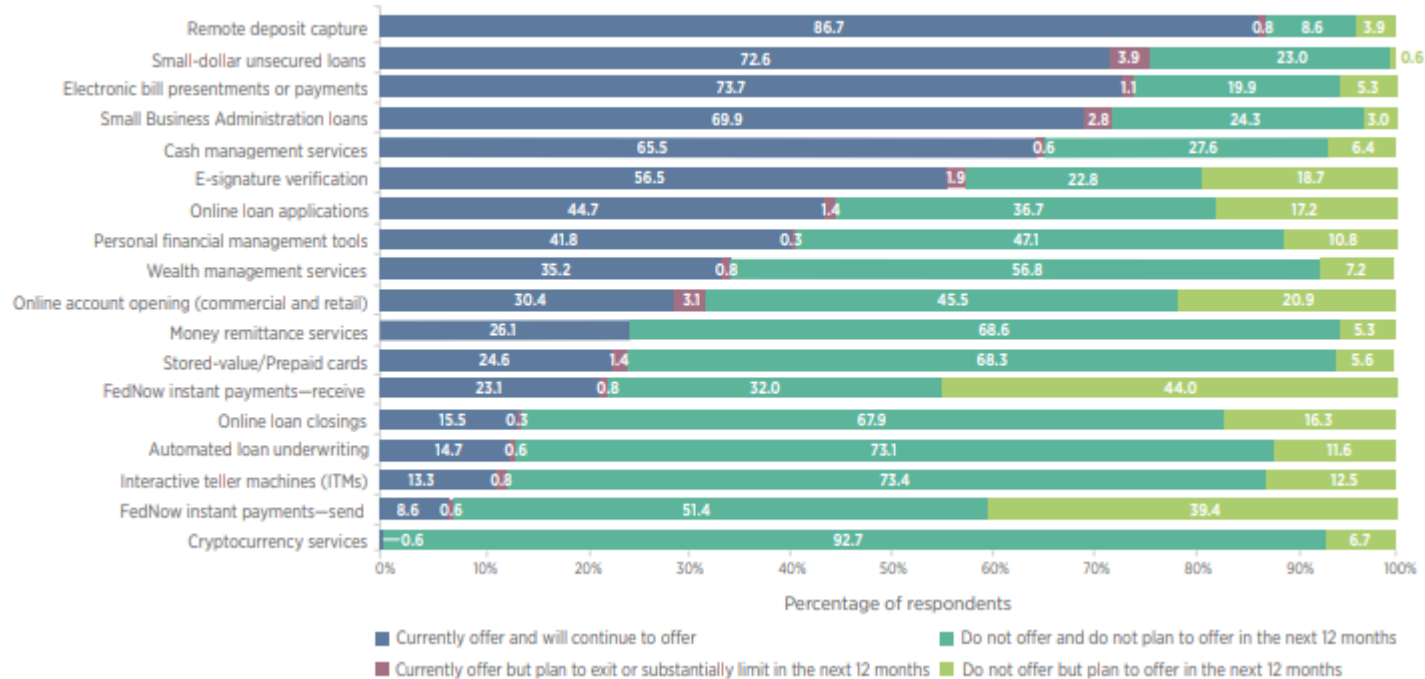


Source: [2024 Annual Survey of Community Banks, conducted by the Conference of State Bank Supervisors](#)



# Technology Creates Opportunity to Add & Streamline Services

What are your bank's intentions regarding the following financial products or services?



Source: [2024 Annual Survey of Community Banks, conducted by the Conference of State Bank Supervisors](#)





# Polling Question #1

My company is most concerned about:

- Digital transformation
- Succession planning
- Net interest margin
- Cost control



# The Three “C”s

Compliance, Cybersecurity, and Credit





# Compliance



# Compliance

BSA /  
AML / CFT

Fair  
Lending

Section  
1071

Section  
1033



# Fair Lending Assessments

Risk Assessment

Compliance  
Management  
System over Fair  
Lending

Data Analytics

Comparative File  
Review

Automated  
Underwriting  
System  
Assessment

Appraisal Bias



# Fair Lending in the Big Picture

Culture and approach to diversity and inclusion, community development, and fairness in all services and products



Understanding the fair lending program and story of the financial institution



Maintaining employees, management, and the board pro-actively informed while promoting transparency and updating training content



# Small business lending rule: Section 1071 of the Dodd-Frank Act

Compliance tier	Original compliance date	New compliance date	First filing deadline
Tier 1 institutions (highest volume lenders)	October 1, 2024	July 18, 2025	June 1, 2026
Tier 2 institutions (moderate volume lenders)	April 1, 2025	January 16, 2026	June 1, 2027
Tier 3 institutions (smallest volume lenders)	January 1, 2026	October 18, 2026	June 1, 2027



On June 25, 2024, the CFPB issued an interim final rule to extend compliance deadlines with an unofficial redline of the small business lending compliance dates interim final rule to illustrate the changes this interim final rule makes to the 2023 final rule.



# Section 1071: Data collection effective dates



Three tiers by the volume of loans to small businesses (covered credit transactions):

Tier 1 — At least 2,500 originations in both 2022 and 2023

Tier 2 — At least 500 but fewer than 2,500 originations in both 2022 and 2023

Tier 3 — At least 100 but fewer than 500 originations in both 2022 and 2023



Did not originate at least 100 in each of calendar years 2022 and 2023 but subsequently originates at least 100 such transactions in two consecutive calendar years shall comply with the requirements of this subpart in accordance with § 1002.105(b)



# Section 1033: Data Availability for Consumers

## **Consumer Data Access:**

Consumers have the right to access their financial data held by financial institutions

## **Data Portability:**

Consumers can transfer their financial data to third-party providers

## **Standardization:**

The rule mandates standard formats for data sharing to ensure interoperability

## **Security Requirements:**

Financial institutions must implement robust security measures to protect consumer data

## **Consent Management:**

Consumers must provide explicit consent for data sharing, and they can revoke it at any time

## **Transparency:**

Financial institutions must disclose what data is being shared and with whom



# Section 1033: Data Availability for Consumers

## **Dispute Resolution:**

Mechanisms must be in place for consumers to resolve disputes regarding data access and sharing

## **Third-Party Accountability:**

Third-party providers receiving consumer data must adhere to the same security and privacy standards

## **Regulatory Oversight:**

The CFPB will oversee compliance with the rule

## **Implementation Timeline:**

Compliance with the rule will be phased in over a five-year period, based on total assets or receipts, with the largest entities required to begin by April 1, 2026, and the smallest by April 1, 2030





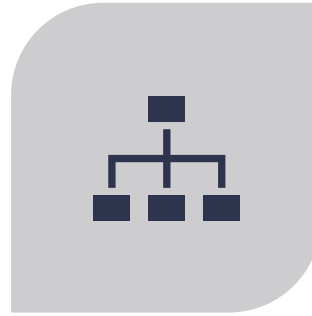
# Cybersecurity



# Cybersecurity



OPERATIONS BASED ON  
GOVERNANCE OR  
COMPLIANCE FRAMEWORK



DATA CLASSIFICATION AND  
GOVERNANCE



THIRD PARTY RISK  
MANAGEMENT

# Peace of Mind Starts with Policies and Standards

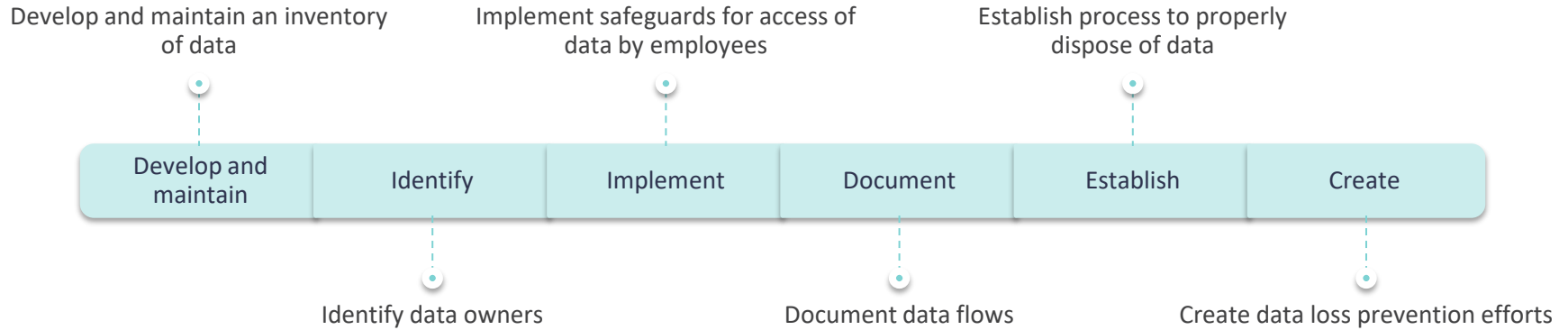
Security is not a product

Standards based operations from a framework:

- **Regulatory** - GLBA, HIPAA, NERC/CIP, State Laws
- **Contractual** - PCI – DSS, CMMC
- **Operational** - CIS Controls, NIST, IIA



# Data Protection



Source: <https://www.cisecurity.org/controls/>



# Data Backups



Attackers are getting smarter and deleting or encrypting online backups; so, organizations should confirm that they have off-line copies of backup and restore files available



Backup and restore files should be saved in well secured location



Perform an in-depth review of file permissions for network file shares



Test the restoration of your data



# Software Vendor Risk Management

All software products have bugs/vulnerabilities



Key questions:

Pick your hosted software vendor:

1. CrowdStrike
2. Trellance
3. MoveIT
4. Kronos
5. Solarwinds
6. MS Exchange
7. \_\_\_\_\_

Do we have accurate system and data inventory?

What does this software application have access to?

What user account/privileges are given to it?

What do we need to do for our due diligence?

What impact does this software have on the institution if it is hacked/breached?

What impact does this software have on the institution if it is down for 2 hours? 2 days? 2 weeks? 2 months?





# Polling Question #2

I would like to see one of the following topics on a future webinar:

- New IIA standards
- Implementation of the sections 1033 and/or 1071
- Best practices for third party risk management
- Best practices for problem credit / asset management





# Credit



# Credit Risk

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Challenging assumptions and monitoring performance to plan

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Effective risk identification

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Migration analysis

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ACL and risk profile

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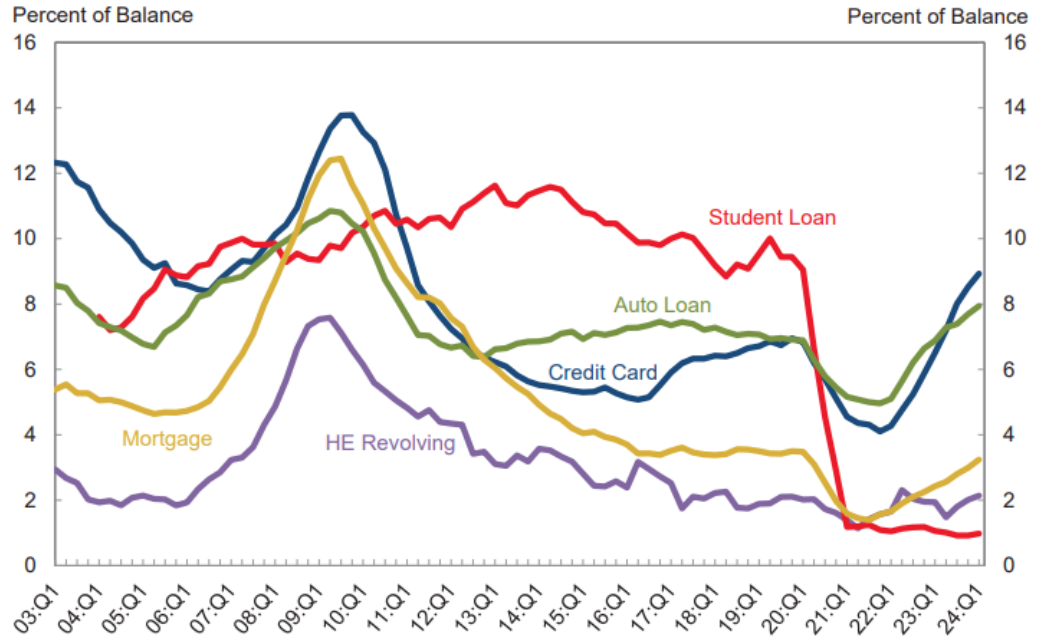


# Personal Savings Rate



# Consumer Loan Delinquency Trends

## Transition into Delinquency (30+) by Loan Type

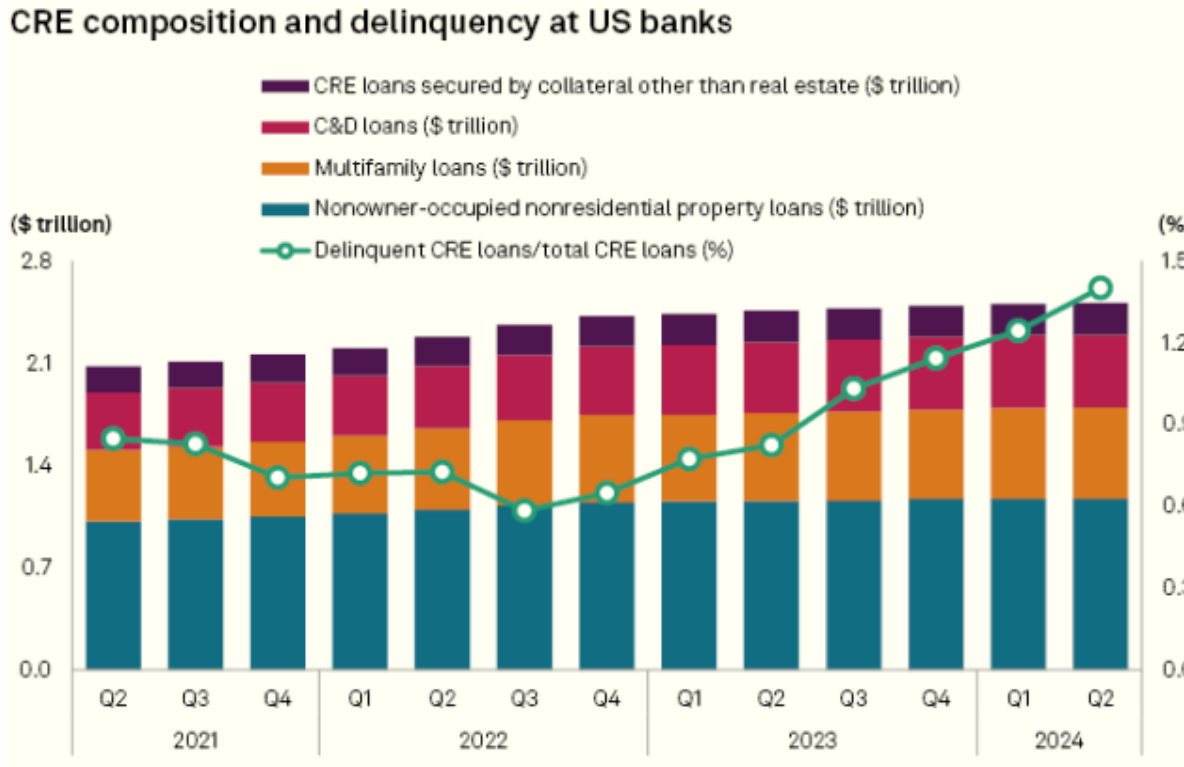


Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum  
Student loan data are not reported prior to 2004 due to uneven reporting



# CRE Delinquencies by Loan Type



Source: S&P Global Market Intelligence



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# Polling Question #3

I would like to talk to someone at CLA about:

- Regulatory compliance matters
- Cybersecurity matters
- Credit risk matters
- Nothing at this time





# Three Actions You Can Take Today

## Employ

Employ a culture of education, training and documentation for around regulatory compliance

## Address

Address vendor risks by creating a method to ask key questions about system and data inventory, software application access, user account privileges, due diligence, and the impact of software breaches or downtime

## Evaluate

Evaluate your institution's credit risk profile, considering recent trends and strategic initiatives, to ensure that reserves and capital levels are adequate for the inherent risks within the loan portfolio.





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