



BE ON TARGET

Regulatory Hot Topics

Stephany Trotti, CPA
**Deputy Commissioner/
Director of Thrift Regulation**
September 22, 2022

Regulatory Hot Topics

- ❖ **Subordinated Debt**
- ❖ **QTL**
- ❖ **Crypto/Digital Assets**
- ❖ **CRE**
- ❖ **Examination Trends**
- ❖ **Lessons Learned**
- ❖ **Updates to the Rules**
- ❖ **Administrative Items**



Subordinated Debt

- ❖ Investment Considerations
- ❖ Reporting



QTL

- ❖ **Finance Code 92.204**
 1. HOLA
 2. or Internal Revenue Service (IRS) Domestic Building and Loan Association (DBLA) test

- ❖ Qualified Thrift Lender Handbook -
<https://www.occ.treas.gov/publications-and-resources/publications/comptrollers-handbook/files/qualified-thrift-lender/pub-ch-qualified-thrift-lender.pdf>



QTL

❖ Line 14 - Small Business Loans

Small Business Loan Definition

1. Loans to small businesses include any loan to a small business as defined in this section
 - a. a small business per 12 CFR 160.3 is defined as a small business concern or entity as defined by section 3(a) of the Small Business Act, 15 U.S.C. 632(a), and implemented by the regulations of the Small Business Administration at 13 CFR part 121.
 - i. Small business administration states that a small business concern must be independently owned and operated and not dominant in its field of operation
 - ii. and meet the size standard set forth in 13 CFR 121 (Link Below)
2. **or** loan that does not exceed \$2 million (including a group of loans to one borrower) and is for commercial, corporate, business, or agricultural purposes



Link: https://www.sba.gov/sites/default/files/2022-07/Table%20of%20Size%20Standards_Effective%20July%2014%202022_Final-508.pdf



Crypto/Digital Assets



Resources:

- Fact Sheet: WH Releases First-Ever Comprehensive Framework for Responsible Development of Digital Assets
 - Link: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/16/fact-sheet-white-house-releases-first-ever-comprehensive-framework-for-responsible-development-of-digital-assets/>
- Crypto-Assets: Implications for Consumers, Investors, and Businesses
 - Link: https://home.treasury.gov/system/files/136/CryptoAsset_EO5.pdf
- SR 22-6: Engagement in Crypto-Asset-Related Activities by FR Supervised Banking Organizations
 - Link: <https://www.federalreserve.gov/supervisionreg/srletters/SR2206.htm>
- FIL 16-2022 Notification of Engaging in Crypto-Related Activities (FDIC Supervised)
 - Link: <https://www.fdic.gov/news/financial-institution-letters/2022/fil22016.html>
- Staff Accounting Bulletin No. 121
 - Link: <https://www.sec.gov/oca/staff-accounting-bulletin-121>



Commercial Real Estate

- ❖ **Trends**
- ❖ **Post Pandemic Expectations**
- ❖ **Resources:**
 - ❖ **Supervisory Insights-CRE: An Update on Bank Lending Amid the Evolving Pandemic Backdrop**
 - ❖ **Proposed Statement-Prudent Commercial Real Estate Loan Accommodations and Workouts**



Examination Trends

- ❖ **Most Common Upgrade**
 - Liquidity
 - Asset Quality
- ❖ **Most Common Downgrade**
 - Earnings
 - Management
- ❖ **Lending**
 - Underwriting/Practices remains stable
 - Concentrations trending upward in C&I
- ❖ **Funding**
 - Pricing stabilized/unchanged
 - Sources remain unchanged



Lessons Learned

❖ **GAO Audit-Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions**

- Link: <https://www.gao.gov/assets/gao-22-104659.pdf>
- Deferral of examinations/Expansion off-site monitoring
- Expanded telework and new technology
 - Generally worked well, with some challenges noted in smaller FIs
- Issuance of guidance and communications to examiners
- Adjustments to examination staffing



Updates to Rules

- Proposed rules are open for comment until October 2, 2022
- Link to Stakeholder Webinar Recording:
<https://www.sml.texas.gov/news/precomment-draft-and-stakeholder-webinar-notice-savings-bank-rule-review-7-tac-chapters-75-76-77/>

Adoption-proposed for October Finance Commission Meeting



Administrative Items

- Application forms to be updated with new Rule adoption and made available on agency website.
- Electronic Application Submissions
 - Contact: SMLThriftMail@sml.texas.gov
 - Direct submission
 - Establish secure portal



Questions

Contact Info: strotti@sml.texas.gov

Cell Phone: (737) 222-0265

