

Summer 2026

COMMUNITY BANKING ADVISOR



FAQS ABOUT REGULATION DD

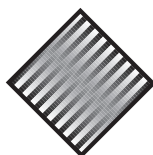
WHAT ARE BANKS' PRIORITIES FOR 2026 — AND BEYOND?

KEEP YOUR INTERNAL CONTROLS UP TO SPEED

BANK WIRE



ANDREWS HOOPER PAVLIK PLC



COMMUNITY BANKING
ADVISORY NETWORK

FAQS ABOUT REGULATION DD

Regulation DD, which implements the Truth in Savings Act, requires banks to provide clear, accurate disclosures about the terms and costs of consumer deposit accounts. It also requires them to avoid misleading or mixed messages in their advertising materials.

Although the regulation isn't particularly difficult to understand, banks often run into compliance issues because of inconsistencies in their disclosures, promotional materials or other customer communications. Here are answers to a few common questions about the regulation's requirements.

WHO AND WHAT DOES THE REGULATION COVER?

Regulation DD is designed to promote transparency about deposit accounts, enabling consumers to make informed decisions about these accounts and meaningful comparisons among financial institutions. It applies to all depository institutions other than credit unions, and its advertising requirements extend to anyone who advertises accounts offered by depository institutions, such as deposit brokers.



The regulation applies to all deposit accounts offered to consumers by covered institutions, including savings accounts, checking accounts, certificates of deposit (CDs) and money market accounts. It doesn't apply to corporate or other organizational accounts.

WHAT MUST BANKS DISCLOSE, AND WHEN?

Regulation DD requires banks to make clear, conspicuous disclosures, in writing, of specific terms and costs of deposit accounts, including:

- ▶ Annual percentage yields (APYs),
- ▶ Interest rates, including any variable rate terms and details on how interest is compounded and credited,
- ▶ Minimum balance requirements, and
- ▶ Fee schedules.

Disclosures can be delivered in electronic form, provided the bank obtains customer consent and complies with other provisions of the Electronic Signatures in Global and National Commerce (E-Sign) Act.

Banks must make these disclosures before an account is opened or a service is provided, when an account matures (if applicable), when a customer requests it, or when an account's terms and conditions change. Regarding account changes, banks generally must provide customers with at least 30 days' advance notice of adverse changes to required terms — such as increased fees or a reduced APY, subject to some exceptions. Advance notice isn't required for favorable changes.

The regulation also requires specific disclosures on periodic bank statements. For

WATCH OUT FOR THESE ADVERTISING PITFALLS

Regulation DD contains detailed requirements regarding deposit account advertising. For example, ads aren't allowed to contain misleading or inaccurate information or use the word "profit" to describe interest paid on an account. In addition, ads shouldn't describe an account as "free" or "no cost" if it's subject to certain maintenance or activity fees, such as monthly service charges or fees for failing to meet minimum balance requirements. The regulation also details required advertising for special account features, including variable interest rates, minimum balances, minimum opening deposits, bonuses and overdraft services.

If an ad states a rate of return, it must use the entire phrase "annual percentage yield," rather than simply using the acronym APY without an explanation of what it stands for. In addition, if an ad uses the term "interest rate," it must be used in conjunction with, but not more conspicuously than, the related annual percentage yield. Ads may not include any rates other than "annual percentage yield" or "interest rate."

For accounts that offer tiered rates, ads that state an APY must specify the APY for each tier, along with corresponding minimum balance requirements. Ads for stepped-rate accounts that include interest rates must state all the interest rates and the time periods for which each rate is effective.

These are just a few of Regulation DD's many advertising requirements. Banks should review their advertising materials carefully and modify them, if necessary, to comply with the regulation.

instance, for each payment period, you must disclose the length of the period, the APY earned, the amount of interest earned, and the fees imposed. You must also disclose the total overdraft fees for *both* the statement period and calendar year-to-date.

ARE THERE ANY SPECIAL DISCLOSURE REQUIREMENTS FOR OVERDRAFT FEES?

For advertisements promoting the payment of overdrafts, banks must accurately disclose all overdraft fees, the categories of transactions for which they may be imposed, the time period in which a customer must cover an overdraft and the circumstances under which the bank won't pay an overdraft. (See "Watch out for these advertising pitfalls" above.)

In addition, periodic bank statements must separately disclose 1) the total dollar amount of all fees for paying checks or other items when there are insufficient funds ("total overdraft fees"), and 2) the total dollar amount of all fees for returning items unpaid.

The regulation also provides that when a bank discloses balance information to customers through automated systems, the balance generally shouldn't include additional amounts the bank may provide to cover overdrafts. However, banks may include those additional amounts if they prominently state that such amounts are included in the balance and aren't available for all transactions.

DOES YOUR BANK HAVE A MONITORING SYSTEM?

To avoid running afoul of Regulation DD, banks should have a system in place for monitoring disclosures and advertisements to ensure they're accurate and use consistent terminology. The system should also prompt banks to include appropriate disclosures in CD renewal notices and provide customers with 30 days' advance notice of adverse changes. Banks need to review all advertising materials for terms — such as APY, "bonus" or "reward" — that may trigger additional disclosure obligations. ■

WHAT ARE BANKS' PRIORITIES FOR 2026 — AND BEYOND?

The 2026 Banking Priorities Executive Report released by Computer Services Inc. (CSI) presents the current thinking of executives at community financial institutions about their technology and business priorities and challenges. Most respondents (85%) were community banking professionals, while the remaining 15% worked for credit unions.

SURVEY HIGHLIGHTS

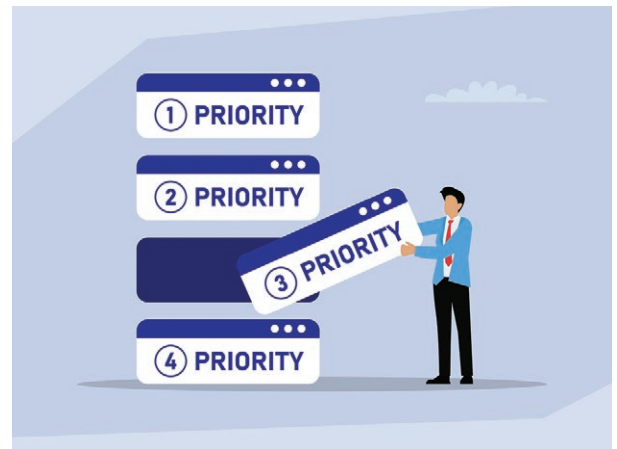
The survey's respondents identified the following four top issues for 2026:

1. Artificial intelligence (AI),
2. Cybersecurity/data privacy,
3. Macroeconomic pressures, and
4. Interest rates.

Other key concerns included the political climate, payment disruptions, nontraditional competition (for example, fintech companies) and fraud.

FOR THE THIRD YEAR IN A ROW, AI WAS THE MOST SIGNIFICANT TECHNOLOGY TREND FOR BANKING PROFESSIONALS.

Although 91% of respondents believe bank branches will remain relevant for the next 10 years (up from 86% in last year's survey), some highlighted obstacles that banks continue to face. The biggest obstacles to expanding their institutions' commercial portfolios were technology limitations or integration gaps (49%), competition from fintech or alternative lenders (44%),



regulatory uncertainty or compliance burdens (42%) and competition from large national institutions (42%). Other significant obstacles included credit risk and underwriting standards, staffing or expertise constraints, and distribution and relationship management challenges.

TECHNOLOGY TRENDS

For the third year in a row, AI was the most significant technology trend for banking professionals. In 2026, AI was named by 50% of respondents, up 17 percentage points from 2025. As the study observed, "AI is increasingly top of mind for executives as they explore ways to transform operations, drive efficiency, fight fraud and sharpen decision making."

In other notable findings, 85% of respondents believe institutions that adopt AI will have a significant competitive advantage. Respondents said that the top potential benefits of AI for financial institutions include cybersecurity (57%), advanced data analytics (55%), financial crime prevention (48%), customer service (48%) and increased customer engagement — for example, through the use of chatbots and virtual assistants (46%).

In addition to these benefits, respondents raised some concerns about AI, mentioning that it should augment, not replace, human judgment (78%). They also noted potential issues concerning customer perception of AI use in banking (62%) and regulatory/compliance risks (56%). Other significant technology trends respondents pointed out included cryptocurrency and other digital assets (20%), digital transformation (11%) and real-time fraud detection (8%).

The survey also asked how institutions plan to leverage technology to advance their commercial banking priorities. Top answers were to help integrate data analytics and commercial client insights (50%), improve cash flow visibility and enhance forecasting for business clients (45%), and expand real-time payments capabilities (44%).

STRATEGIC PRIORITIES

In response to a question about strategic priorities, respondents said that technology modernization was their top strategic priority (44%), followed by strengthening cybersecurity (40%) and increasing operational

efficiencies (38%). Notably, strategic priorities varied significantly by institution type and size.

For example, technology modernization was named as the top priority by 47% of bank executives, compared to 31% of credit union executives. And it was named the top priority by 59% of respondents at larger institutions (\$5 billion to \$10 billion in total assets), compared to 31% of respondents at smaller institutions (\$100 million to \$250 million in total assets). Other significant priorities included market expansion, customer support improvements and customer financial wellness/inclusion.

OPTIMISM ABOUT THE FUTURE

Despite the many challenges banks face, the majority of banking professionals surveyed (86%) were optimistic about the future of community banking. In addition, 92% said their institutions were growing their customer bases, and 82% said they were attracting younger generations of account holders. These responses reflect a generally positive outlook for community banking. ■

KEEP YOUR INTERNAL CONTROLS UP TO SPEED

Strong internal controls play a critical role in helping community banks operate efficiently and maintain long-term profitability. Even though most banks have established internal controls, rapid changes in technology (including AI adoption), evolving security threats and increased regulatory scrutiny may make adjustments necessary. Recent workforce changes, such as expanded remote working arrangements and shifting staff responsibilities, must also be factored into the equation. Bank management needs to be aware of these challenges

and adapt their systems accordingly to ensure internal controls remain effective.

THE IMPORTANCE OF SEGREGATION OF DUTIES

Segregation of duties is a simple control that significantly reduces the risk of fraud and error. By assigning different people responsibility for authorizing or reviewing transactions, recording transactions and maintaining custody of assets, a bank limits the ability of any one



employee to both commit and conceal irregularities. If workforce changes reduce segregation of duties, they can significantly weaken a bank's internal controls.

Consider this example: ABC Bank has been operating with a reduced staff to save costs as it shifts its use of technology. However, as lending activity has increased, its staff has struggled to keep up with the growing volume of loan applications. To avoid falling behind, the bank provides Anna, its vice president for loan servicing, the ability to record transactions on the bank's loan system. Because Anna is also responsible for reviewing loan file maintenance changes, she now lacks independence with respect to her review of loan file maintenance reports. In other words, the duties associated with recording and reviewing transactions are no longer segregated, increasing the risk of errors or irregularities going undetected and potentially drawing examiner scrutiny.

How can your bank avoid this situation? When employees' *operational* responsibilities change, evaluate any potential conflicts of interest with employees' existing *review* responsibilities. Then update your controls to address any gaps or new risks.

THE PROS AND CONS OF DIGITAL APPROVALS

A byproduct of the remote work environment is that reviewers may sign off on transactions by email or

typing their initials on an electronic document. But this can be risky, as virtually anyone can enter the reviewer's initials.

Most banks now use a digital signature platform, which requires the reviewer to enter a username and password. It also incorporates other protections to verify the signer's identity and otherwise ensure the integrity of the approval process. However, in addition to the difficulties of integrating and maintaining these platforms with the bank's current operations, use of digital signature platforms is also subject to regulatory compliance and must pass muster with the Federal Reserve. This would require another level of due diligence on the bank's part to ensure the fintech company it uses is reliable.

ONGOING RISK ASSESSMENT CAN HELP

Change is the one certainty in today's economic environment. Community banks should review internal controls and modify them as needed in response to operational, technological and regulatory changes. Ongoing risk assessments, surprise audits, job rotation, mandatory vacations and fraud training can all help strengthen your bank's control systems and reduce the risk of problems going unnoticed. Periodic independent review of your internal controls can also provide valuable insight into whether your policies and procedures remain aligned with current and expected risks. ■

BANK WIRE

MANAGING UDAAP RISKS

The Consumer Financial Protection Bureau (CFPB) has broad authority to prosecute “unfair, deceptive, or abusive acts or practices” (UDAAP) by banks and other financial providers. Unfortunately, many community banks haven’t fully developed programs to address UDAAP-related compliance risks. Doing so may seem like an overwhelming task, especially because UDAAP restrictions are broad and somewhat subjective.

Generally, an act or practice is unfair if it causes, or is likely to cause, substantial injury to consumers and such injury isn’t reasonably avoidable. An act or practice is deceptive if it misleads, or is likely to mislead, consumers (provided the consumer’s interpretation is reasonable under the circumstances, and the act or practice is material). Banks need to conduct periodic UDAAP risk assessments and develop policies and procedures to monitor and mitigate those risks. Key areas to evaluate include customer complaints, product disclosures and third-party relationships. ■



FEDERAL REGULATORS EXPAND ELIGIBILITY FOR CBLR

The community bank leverage ratio (CBLR) is an optional simplified measure of capital adequacy for eligible community banks. Rather than compute multiple risk-based capital ratios, qualifying banks

can calculate a single ratio: Tier 1 capital / average total consolidated assets. Recently, federal banking regulators modified the CBLR framework, making it available to more banks. Under the new rules, as long as a bank maintains a CBLR greater than 8% (down from 9%), it’s considered “well-capitalized.” Regulators also extended the grace period for banks that no longer meet all of the qualifying criteria: Now they can remain in the CBLR framework for up to four consecutive quarters (up from two), subject to a limit of eight quarters in the previous five-year period. Once the grace period expires, a bank must either meet the CBLR qualifying criteria again or comply with generally applicable capital rules.

To qualify for the CBLR, a bank must generally have:

- ▶ Less than \$10 billion in average total consolidated assets,
- ▶ Off-balance-sheet exposure of 25% or less of total consolidated assets, and
- ▶ Trading assets plus trading liabilities of 5% or less of total consolidated assets.

The CBLR is simple and efficient. However, because it treats all assets equally, regardless of risk, it can result in higher capital requirements than those determined under traditional risk-based rules. ■

FDIC FINALIZES DIGITAL SIGNAGE RULES

The Federal Deposit Insurance Corporation (FDIC) recently finalized regulations that govern digital signage identifying insured deposits and providing nondeposit disclosures. The goal is to simplify signage requirements for digital channels, such as websites, mobile applications and ATMs. Generally, FDIC signage needs to be displayed only on a bank’s homepage, login page and account-opening screens (rather than on all transaction pages). In addition, nondeposit disclosures are limited to the pages offering those products. The new rule is now in effect, but banks aren’t required to comply until April 1, 2027. ■

This publication is distributed with the understanding that the author, publisher and distributor are not rendering legal, accounting or other professional advice or opinions on specific facts or matters, and, accordingly, assume no liability whatsoever in connection with its use. ©2026



ANDREWS HOOPER PAVLIK PLC
5300 Gratiot Road, Saginaw, MI 48638

Community Banks

Andrews Hooper Pavlik PLC provides a broad range of accounting, audit, tax, and consulting services to the community banking industry. Our services are customized to meet your needs and include collaboration with your management teams.

With extensive industry experience, Certified Bank Auditors and Certified Regulatory Compliance Managers on staff, and the ability to staff highly-trained service professionals on every engagement, you can count on us to meet your needs and exceed your expectations.

Audit & Accounting

- Accounting and Compliance Consulting
- ACH Self-Audit
- Asset Liability Management Review
- Customized Training
- Director Exams and Supervisory Committee Audit
- Financial Statement Audit
- HUD Audit
- Independent Loan Review
- Internal Audit
- Model Validation
- Quality Control Review
- Regulatory Compliance Audit
- Risk Assessment Assistance
- Sarbanes-Oxley (SOX) Assistance and Testing
- System and Organization Control (SOC) Examination
- Trust Administration Internal Audit

IT Consulting

- Cybersecurity and IT Consulting
- General IT Controls Audit
- GLBA Compliance Audit
- Penetration Testing
- Social Engineering
- Vulnerability Assessments

Mergers & Acquisitions

- Due Diligence Loan Review
- Due Diligence Review of Deposits and Human Resources
- Interim Period Financial Statement Audit
- Pro-Forma Financial Statement Assistance
- Regulatory Compliance Consulting
- Tax and Accounting Assistance

Tax

- Accounting for Income Taxes
- IRS Examinations
- Tax Planning
- Tax Research
- Tax Return Preparation

