



CBAI E-Newsletter, sponsored by **SHAZAM**

February 24, 2021

IN THE NEWS

Community Banks Again Outperform Industry: FDIC

Community banks reported net income growth of 21.2 percent in the fourth quarter from a year ago and a 3.6 percent increase in 2020 from the year before, according to the FDIC's Quarterly Banking Profile.

Community bank provision expenses increased 141.6 percent in 2020, while net operating revenue increased 10.8 percent on a 33.7 percent gain in noninterest income. The full-year pretax return on assets ratio declined by 13 basis points to 1.31 percent in 2020 because of an increase in average assets.

Community banks also posted strong capital numbers, including a 10.3 percent average leverage ratio, 11.2 percent average Community Bank Leverage Ratio, and 14.4 percent tier-1 risk based capital ratio.

The overall banking industry reported a 9.1 percent net income increase from a year ago and a 36.5 percent decline from 2019. The share of unprofitable institutions remained relatively stable from a year ago at 7.3 percent, with the average return-on-assets ratio rising to 1.11 percent from 0.97 percent in the third quarter.

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CBAI Comment Letter to the Federal Reserve Urges Constructive Modernization of the CRA

In a comment letter to the Board of Governors of the Federal Reserve System, CBAI stated, "This is a historic opportunity to modernize the CRA in a manner that makes it relevant and properly focused without increasing the regulatory burden on community banks. It has been proven time and time again that community reinvestment is what community banks do best. Fairly and honestly serving their customers and communities is their mission and is paramount to their ability to survive and thrive. The first goal of Agencies should be to do no harm to community banks while modernizing a clearly outdated CRA that should include all financial service providers in its compliance requirements."

[Read Article »](#)

[Read CBAI's Comment Letter to the Federal Reserve »](#)

Taxpayer Group Urges Congress to Reexamine Credit Union Tax Break

The National Taxpayers Union called on Congress to evaluate reforms to the credit union industry as some tax-exempt credit unions have begun to resemble taxpaying financial institutions. The organization urged the Senate Finance and House Ways and Means committees to demand enhanced credit union transparency, examine potential abuses of their tax-exempt purpose, and consider reforms such as revenue-neutral tax adjustments and 990 compliance.

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Credit Risk Training Program Series for Community Banks



Session 1: March 8, 2021*
Session 2: March 9, 2021*
Session 3: May 24, 2021*
Session 4: May 25, 2021*
CBAI Headquarters, Springfield

*A detailed beginner
to intermediate level
training program.*

*CBAI is monitoring the COVID-19 situation and will make any changes to in-person sessions as necessary to comply with state and federal mandates and orders.

Deadline to Submit Entries for CBAI's 2021 Foundation Annual Essay Contest is March 3!

The CBAI Foundation for Community Banking provides \$21,000 in scholarship funds for top high-school seniors statewide. One semifinalist may be chosen from each of the 12 CBAI groups via an essay-writing contest. CBAI annually awards a \$1,000 scholarship to a student in 11 of CBAI's 12 groups and \$500 to a second person in each group, which ensures geographical uniformity of winners. One student will win \$1,000 a year for up to four years of higher education. And, as in previous years, the high school of the overall winner will receive \$500. Your bank has an excellent chance of sponsoring a winner at no cost to the bank! The deadline to submit essays is March 3, 2021. Send your submissions to **Bobbi Watson**.

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Climate Change Poses Risks to FIs: Fed's Brainard

Federal Reserve Governor Lael Brainard said climate change is already imposing substantial economic costs while presenting risks and opportunities to financial institutions. Brainard said financial institutions that do not implement frameworks to measure, monitor, and manage climate-related risks could face outsized losses on climate-sensitive assets due to environmental shifts or a disorderly transition to a low-carbon economy.

"Conversely, robust risk management, scenario analysis, and forward planning can help ensure financial institutions are resilient to climate-related risks and well-positioned to support the transition to a more sustainable economy," she said.

Lawmakers Urge Expanded Farm Partnership Access to PPP

A bipartisan group of lawmakers asked the Treasury Department and SBA to clarify that farm partnerships and LLCs are eligible to use gross income in applying maximum Paycheck Protection Program loan calculations. Farmers and ranchers without payroll or positive net income in 2019 were shut out of the original Paycheck Protection Program. Congress changed this limitation to be based on gross income, but SBA guidance has required farm partnership applicants to use net income from their schedule K-1. In their letter, the members of Congress said they believe the Consolidated Appropriations Act of 2021 provides SBA authority to use gross income to allow farm partnerships to qualify.

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ICBA Issues Summary on New BSA/AML Law

ICBA recently issued a summary on the defense spending law enacted at the beginning of the year that includes BSA/AML reforms. Among its reforms, the National Defense Authorization Act establishes a Financial Crimes Enforcement Network database of company "beneficial ownership" information for use by law enforcement.

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OCC Warns of Fictitious Consumer Notifications

The OCC said consumers have reported receiving various fictitious email messages related to an inheritance-beneficiary scam alleged to be initiated by the agency. The notification tells recipients that a "revenue transfer order certificate/clearance identification PIN" is required to allow for a purported transfer of funds.

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White House Extends Forbearance, Foreclosure Protections

The Biden administration extended the foreclosure moratorium and mortgage forbearance on certain loans through the end of June.

The extension—which applies to FHA, VA, and USDA Rural Housing loans—also provides up to six months of additional mortgage payment forbearance to borrowers who entered forbearance on or before June 30, 2020. The FHFA last week said Fannie Mae and Freddie Mac will extend until March 31 the moratoriums on single-family foreclosures and real-estate-owned evictions for enterprise-backed mortgages.

[Read More from White House »](#)

[Read more from FHFA »](#)

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CBIS: MetLife Exclusive Benefits Offer for CBAI Member Banks

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The Baker Group: Introduction to Bonds Webinar Series

The Baker Group is offering an Introduction to Bonds Webinar Series consisting of four 1-hour and 30-minute sessions spread over two weeks to allow attendees the time to learn the information presented while limiting disruption to their normal work responsibilities. This webinar series is designed to give attendees the knowledge to better understand the various types of securities available, how to analyze them effectively, and how to use that knowledge to build and manage a high-performance investment portfolio within the framework of the entire balance sheet. Session 1: March 2, 2021; Session 2: March 4, 2021; Session 3: March 9, 2021; and Session 4: March 11, 2021.

[Learn More and Register Today »](#)

Interest Rates May Be Near Zero, but Fee Income Drivers for Your Bank Are Limitless

With short-term interest rates near zero, community banks need other avenues to drive revenue. That's where Fitech can help. Our modern technology makes it simple for your business customers to accept payments, send invoices and manage both their cash flow and business operations with real-time transaction reporting. These value-added services generate non-interest income for your institution and protect your relationship with business owners—two key objectives in today's environment.

Banks that control how their small businesses get paid, control where the deposits go. Partner with Fitech today to deliver meaningful, personalized service and grow your portfolio. Contact [Mitchell May](#) at 916/500-1404. Fitech is an endorsed partner of CBAI.

Shazam Selected to Help Shape the Future of Instant Payments

SHAZAM, Inc., a nationwide provider of financial services to community financial institutions, has been selected to participate in a pilot program to guide development of the Federal Reserve's instant payments offering, the FedNowSM Service. FedNow will offer community financial institutions another network through which to access faster payments infrastructure.

The FedNow Service will provide an important payments infrastructure when it becomes available in 2023. Financial institutions and their service providers will be able to use the service as a springboard to bring the benefits of safe, efficient instant payments to communities across the country.

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The Baker Group: Market Update

About all that's being consumed these days is whatever fuel heats your house, but in January, according to the Census Bureau, furniture consumption rose by 12% as the sales of electronics jumped 14.7%. After a year of Americans living the lockdown life, one might reasonably wonder what electronics are still left to be bought.

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CBIS: Can We Ever Get Enough Fraud Prevent Advice?

The security of your customer's personal information is a primary goal of your community bank. That is why you never ask for confidential information, like a full social security number, full bank account number, debit or credit card numbers, or PIN in an email or via a website, or from an unsolicited phone call or text message. If your community bank customer receives a suspicious email, text message or phone call requesting confidential information, do they know it is not from you? Have you invited the community bank customer to report suspicious, unsolicited phone calls or text messages by calling your information center or vendor? My experience has been EVERY community bank is happy to help answer any questions the customer may have and appreciate their cooperation as the community bank takes more steps to protect the customer and their accounts.

[Read More from CBIS »](#)

CBSC PREFERRED PROVIDERS



Nominations are Now Being Accepted for the 2021 BKD Award for Excellence and Innovation, presented by CBAI

Nominations are being taken for 2021 Excellence & Innovation BKD Award, presented by CBAI and the accounting firm of BKD LLP. The purpose of the award is to bring recognition to banks with an outstanding and innovative product/service or program. Your bank does not need to be a BKD client to enter. Nominations are due at CBAI headquarters no later than Friday, June 4, 2021. Last year, the winner was CNB Bank & Trust, N.A., Carlinville. This year, your bank could be the winner! Send us your community bank's innovative programs, unique community service projects or special way your bank has stepped up to help local businesses during the COVID-19 pandemic. Your extra efforts deserve to be recognized! Nominations can be submitted to [Valerie Johnston](#).

[Learn More About the Award »](#)

[Download a Nomination Form »](#)

Bowman: Fed Rethinking Antitrust Approach

The Federal Reserve Board should consider revisions to its antitrust framework to better reflect technological developments and competition from nonbanks, Fed Governor Michelle Bowman said.

Bowman said the Fed has heard from community banks on the board's competitive analysis framework and its impact on their business strategies and long-term growth plans. "We are in the process of reviewing our approach, and we are specifically considering the unique market dynamics faced by small community banks in rural and underserved areas," she said.

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OCC Approves Final Rule on Supervisory Guidance

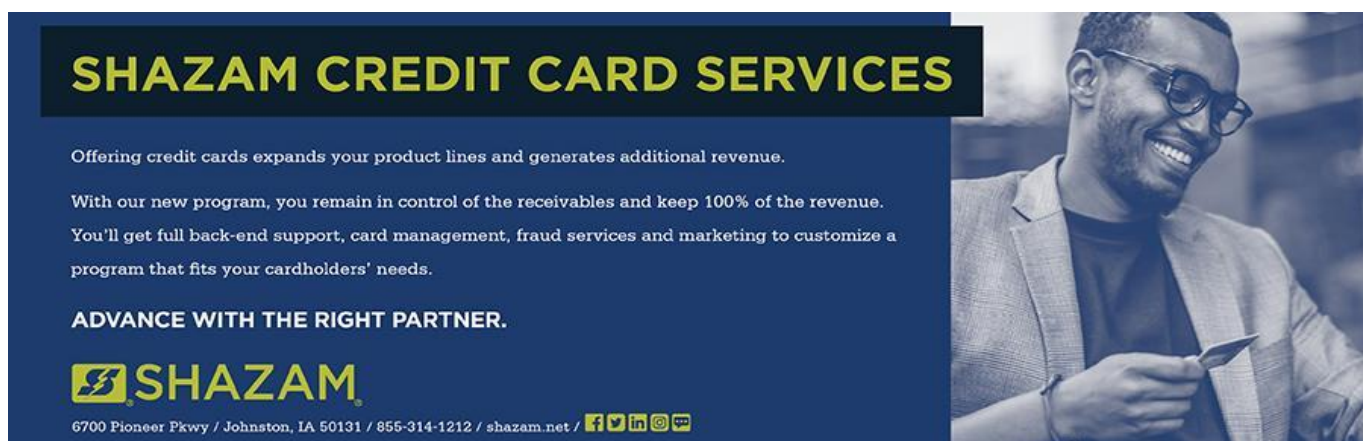
The OCC approved a final rule confirming that supervisory guidance does not create binding legal obligations for the public. The final rule adopts the proposed rule published last year without substantive change and is set to take effect March 15.

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Fed: FraudClassifier Gets Positive Industry Reception

The Federal Reserve said it has received positive feedback on its FraudClassifier model for classifying fraud simply and consistently. The article says small and mid-size financial institutions are beginning to use the model, which has helped them classify fraud types that they previously did not track, such as authorized party fraud. The Fed developed FraudClassifier to help address inconsistent classifications for fraud involving ACH, wire, or check payments.

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Complete the 2021 CBAI Compensation Survey Online!

Ensure your bank has the competitive edge in recruiting top talent! Complete the 2021 Compensation Survey quickly and easily by April 15, 2021, and receive free results. (Non-participants pay \$300). Conducted by BalancedComp and sponsored by IZALE Financial Services, the compensation survey is now available on CBAI's website.

[Complete the Survey »](#)

Order Free Marketing Materials for Community Banking Week in Illinois!

April 4-10, 2021, is the 31st anniversary of Community Banking Week in Illinois! This year's theme is "Growing Stronger Communities." Celebrate the independent spirit that is the hallmark of locally-run banks. For your FREE marketing kit, contact [Bobbi Watson](#) today!

CBAI Launches Foundation for Community Banking's 25th Anniversary Campaign

In 2021, we are excited to celebrate the 25th anniversary of CBAI's Foundation for Community Banking. Established in 1996, the Foundation has bestowed an incredible \$550,000 in scholarships to deserving college-bound students since its inception. Additionally, more than \$70,000 has been awarded to CBAI member bankers to attend the Community Bankers School. The Foundation annually offers three types of scholarships, with more than \$40,000 allocated to students every year. A total of 31 annual scholarships are provided to high school seniors statewide through our essay contest, to the children and grandchildren of community bankers, and to Community Bankers School attendees.

We want to continue the success of the Foundation and ensure that we can maintain the 31 annual scholarships for many more years to come. In order to do that, we need your help. To celebrate the Foundation's silver anniversary, CBAI is spearheading a special "25 for 25" Campaign. There are several different ways you can choose to participate.

Contributions in any amount are greatly appreciated! All banks, associate members and individuals donating to this campaign will be recognized in Banknotes magazine. **All donations are 100% tax deductible!**

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CBAI is Recognizing Community Bank Member Achievements!

CBAI offers several opportunities to recognize our community bank members for their achievements. Is there someone in your bank who will be celebrating 50 years in banking this year? Is there a retired individual from your bank who you would like to nominate for the CBAI Distinguished Member award? Is your bank eligible to be a Patron of Community Banking? Do you have a director who should be spotlighted? Please let us know! We would love to honor individuals and bank members in these categories. Contact **Valerie Johnston** for more information.

COMPLIANCE LENDING INSTITUTE 2021

March 30 & 31, 2021
CBAI, Springfield



A comprehensive compliance program for those compliance officers who are either new to banking or new to their positions.



MORE UPCOMING EDUCATIONAL PROGRAMS

Sexual Harassment Training Scheduled in March via Virtual On-Demand Video

CBAI's Illinois State Mandated Sexual Harassment Training for 2021 will be available beginning in March. We are offering two virtual videos – one for managers and supervisors, and another for all employees. Our training courses cover the requirements as set forward by the State of Illinois and are priced to train your entire staff at \$375 for both virtual videos. These virtual videos are an essential tool for your workplace to ensure a culture of dignity, respect and understanding of diversity. Contact **Tracy McQuinn** for more information.

CBAI's Professional Forums Renewing for 2021

Meet with a group of your peers in a non-competitive atmosphere to solve your most pressing problems, discuss challenges, discover new ideas and gain access to experts in your field. CBAI currently has CEO, CFO and Senior Lender Forums, as well as Operations/Technology, Marketing, Branch Manager and Human Resources Groups.

More Information »

VIEW CBAI'S EVENTS CALENDAR



One day or day one.
You decide.



If not now, when?
Seize control of your career
and attend CBS today!

**Community
Bankers School**



**July 11-16, 2021
Bloomington, IL**

For more information, contact
Melinda at CBAI at 800/736-2224
or via e-mail at melindam@cba.com.

