



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

March 10, 2021

IN THE NEWS

NEWS FROM THE FRONT

Nearly 7,000 bills have been filed as the General Assembly returns to action. The governmental relations team is reviewing each and every one and identifying those that directly impact community banks. This includes bills proposed by CBAI as part of our 2021 legislative agenda. Governor JB Pritzker is proposing a flat state budget for the coming fiscal year that doesn't include an increase in income tax rates but does rely on increasing tax revenues by rolling back nearly a billion dollars in tax incentives for employers. He also laid out his outlook for Illinois in the State of the State address. A delay in U.S. Census data will impact redistricting in Illinois and may cause issues for the March 15, 2022, primary election. Several candidates have already announced plans to challenge Pritzker for Governor in 2022.

Legislative work continues in Washington D.C., including advocating for further changes to the PPP. CBAI has weighed in on CRA modernization, small business data collection, and consumer access to financial records.

[Read NEWS FROM THE FRONT »](#)

Ironcore Security Alert Update: MS Exchange Servers Will Likely be Weaponized

Last week, Ironcore sent a notification regarding several critical vulnerabilities concerning on-premise Microsoft Exchange servers. This continues to be a critical incident nearly a week after the information was originally disclosed. With more information now available, the general consensus in the cybersecurity community is that these attacks are as bad as it gets. Cybercrime groups are now getting involved, meaning many of the web shells planted on Exchange servers will likely be weaponized for mass data theft, extortions, and even ransomware attacks.

If you have not patched your exchange servers yet, you can assume that you've already been compromised. We strongly recommend patching your servers immediately. Please review our latest [IC University blog post](#) for more information.

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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 Group, the compensation survey is now available on CBAI's website.

[Complete Survey Now »](#)



ICBA Offers Key Takeaways from New SBA Rule and Webinar

The following are community bank takeaways on this week's SBA interim final rule, frequently asked questions, updated application forms, and webinar implementing Paycheck Protection Program changes for IRS Form 1040, Schedule C filers.

Schedule C Borrowers

The platform will start accepting applications on the new form for Schedule C borrowers using gross income on March 5. No loan increases are allowed, and the rule is not retroactive to previously completed loans. In certain instances, however, the loan can be withdrawn and cancelled and then the borrower can reapply.

- If the application has been submitted and not yet approved, withdraw the application and reapply using the new application form.
- If the loan is approved by SBA, but not disbursed, cancel the loan in E-Tran Servicing (not the Platform) and reapply using the new form.
- If the loan is disbursed but not yet reported on Form 1502, cancel the loan in E-Tran Servicing, have the applicant repay the loan, and then reapply using the new form.
- If the loan has been disbursed and reported on Form 1502, the loan cannot be cancelled or increased.
- Note that once a loan is cancelled in E-Tran Servicing, it takes a couple of days to be reflected in the Platform, and then you can reapply.

Partnerships and LLCs: Partnerships may not use the new gross income method or form for Schedule C borrowers.

- Single member LLCs that file Schedule C may use the gross income method and new application form.
- Qualified joint ventures as defined by the IRS (generally married couples that file jointly, both materially participate in the business and each elect not to be treated as a partnership) can apply as Schedule C borrowers using gross income.
- See the instructions on the loan application form for more information. (These same rules apply to farmers seeking to use gross income to calculate loan amounts.)

Webinar slides: The webinar slide deck includes additional information, including new rules regarding applicants with criminal histories or student loan defaults.

[Access Slide Deck »](#)

Key FAQs

The SBA's new FAQs also includes these key updates.

- **FAQs 57 and 58:** Defines lobbying activities as it applies to eligibility of 501(c)(6) organizations and destination marketing organizations; and clarifies that PPP proceeds may not be used for lobbying activity expenses by any PPP borrower.
- **FAQs 59 and 60:** Borrowers who filed for bankruptcy after disbursement of their First Draw loan are eligible for forgiveness if funds were used according to forgiveness rules but are not eligible for a Second Draw loan.
- **FAQ 61:** A borrower may certify on a Second Draw application that it will have used all First Draw proceeds "only for eligible expenses" (if true), even if it doesn't use 60 percent for payroll, in which case forgiveness will be reduced.
- **FAQ 62:** A borrower that received partial forgiveness of its First Draw loan is eligible for a Second Draw loan as long as the borrower used the full amount of its First Draw PPP Loan only for eligible expenses listed in the consolidated IFR implementing PPP updates.

- **FAQ 63:** Clarifies that alternative business size standards are not applicable to Second Draw loans. Generally, borrowers must have no more than 300 employees, with a few limited exceptions.
- **FAQ 64:** Outlines which borrowers may use an Individual Taxpayer Identification Number (ITIN) instead of a Social Security Number (SSN) when applying for a PPP loan.
- **FAQ 65:** For PPP borrowers who claim the Employee Retention Credit, payroll costs that are qualified wages for the Employee Retention Credit are not eligible for loan forgiveness if the employer elects to claim the credit for those amounts.

[Read Interim Final Rule »](#)

[Read FAQs »](#)

ICBA Summarizes New House-Passed Stimulus Plan

ICBA released a summary of the House version of the \$1.9 trillion American Rescue Plan Act (H.R. 1319), which the House passed Saturday on a nearly party-line vote.

Key components of the House bill include “recovery rebate” payments of \$1,400, an increase and extension of supplemental unemployment insurance, aid to state and local governments, and funding for vaccine distribution and schools. The Senate bill will be based on the same framework but likely will differ on key points such as the federal minimum wage, targeting of “recovery rebate” payments, and spending levels.

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The advertisement for FHLB Chicago features a woman in a kitchen holding a yellow sign that says "Open". Below her is the text "They reach for a dream. You are the solution." and the FHLB Chicago logo. To the right, the text reads "FHLB Chicago" with a house icon, "Federal Home Loan Bank of Chicago", and "Visit www.fhlbc.com".

Bill Would Expand Farm Partnership Access to PPP

Legislation allowing farmers and ranchers categorized as partnerships to use gross income to calculate maximum Paycheck Protection Program loan amounts was introduced in the House.

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. A pending revision to the SBA's loan calculation formula for sole proprietors, independent contractors, and self-employed individuals will reportedly use gross income instead of net income. A bipartisan group of lawmakers last week told SBA it has the authority to use gross income for farm partnerships.

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A bipartisan bill from Rep. Jim Hagedorn (R-Minn.) and others would allow the use of gross income and retroactively enable producers who used net income to recalculate their PPP loans if they have not been forgiven.

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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!**

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FHFA Extends GSE Multifamily Forbearance

The Federal Housing Finance Agency said Fannie Mae and Freddie Mac will continue to offer COVID-19 forbearance to qualifying multifamily property owners through June 30. The programs were set to expire March 31.

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New Same Day ACH Window in Effect This Month

Nacha's new rule allowing Same Day ACH transactions to be submitted to the ACH Network for an additional two hours every business day takes effect on at 4:45 p.m. (Eastern time) Friday, March 19. Originators currently must submit Same Day ACH transaction files to ACH operators by 2:45 p.m. ET (11:45 a.m. PT). The change will give banks and originators more flexibility to send faster payments throughout the day, leading to enhanced faster payment capabilities nationwide.

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[Access the FedACH Processing Schedule »](#)



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.

ICBA Concerned with "Crypto Bank" Charter Application

ICBA expressed concerns with the national bank charter application of First Blockchain Bank & Trust N.A. California-based cryptocurrency startup Metallicus Inc. is seeking a national banking charter for First Blockchain, its wholly owned subsidiary, which will be headquartered in South Dakota.

In its comment letter to the OCC, ICBA said:

- The application fails to provide adequate information.
- An FDIC-insured "crypto bank" will create consumer confusion and consumer protection risks.
- Certain supported cryptocurrencies and associated services raise risks of illicit activities.

The OCC should postpone its consideration of the application and release additional disclosures about the application before soliciting comments to better inform the public about how the new bank would operate.

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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 »](#)

CONNECT WITH CBSC PREFERRED PROVIDERS



The Baker Group: Baker Market Update

The next FOMC meeting is scheduled for March 16th and 17th, and that means that Fed officials are forbidden to make any public comments between now and March 18th. So, if investors don't like what happens this week, they can't blame it on something Jerome did or didn't say, at least not this week. But if things get as wild as they did for a time last week, well, there's still plenty they can whine about.

[See Baker Market Update »](#)

Ginnie Mae Taps Wolters Kluwer for Digital Transactions

CBSC Preferred Provider Wolters Kluwer is helping Ginnie Mae adopt digital technologies as part of its broader modernization initiative. The news marks the continued acceleration and adoption of digital technologies that help speed and secure transactions in the lending industry, reflecting Wolters Kluwer's end-to-end digital lending capabilities from origination through to the secondary market.

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Fitech: Exclusively Focused on Community Banks for Payment Technology

Fitech is a leading payment technology provider that focuses exclusively on community banks. The full suite of payment products and integrations includes virtual terminals, open APIs, digital onboarding, merchant implementation training, statement customization, next-day funding for merchants and collaborative pricing with our bank partners. Each solution is scalable and complemented by both regional support and unparalleled customer service.

Are you ready for a payment partner that's as committed to growing your non-interest revenue as you are? Contact **Mitchell May** at 916/500-1404 to put Fitech's expertise to work for your institution. Fitech is an endorsed partner of CBAI.

ICBA Bancard: What You Need to Know about Today's Credit Card Rewards Program

In today's environment, having the right rewards program to match your existing and targeted cardholder customer base is more important than ever. That's why ICBA Bancard, in partnership with TCM Bank, N.A., recently released, "Cultivating the Strategic Value of Credit Card Rewards Programs," with key considerations for community bankers in structuring their card portfolios. Tina Giorgio, ICBA Bancard president and CEO, recently sat down with Damon Moorer, president and CEO of TCM Bank and ICBA Bancard's leading rewards expert, to dive deeper into the white paper and get his take on what makes a successful credit card rewards program.

[Read Highlights from Their Conversation »](#)

Harland Clarke: Discover an Instant Issuance Card Solution for Institutions Like Yours

It is now feasible for institutions of all sizes to instantly issue permanent cards in-branch, thanks to Harland Clarke's instant issuance solution that uses SaaS, or cloud-based technology. Financial institutions are readily adopting this technology, particularly for instant card issuance, because of the speed, affordability and flexibility it offers.

Discover how Instant Issuance™ by Harland Clarke delivers the security, convenience and ease of use your financial institution and customers have been waiting for. Contact **Diane Schipkowski** to find out how easy it is for your bank to issue instant issue cards.

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SHAZAM Chooses Coopera as DEI Partner

SHAZAM, Inc., a nationwide provider of financial services to community financial institutions, has selected Coopera to enhance the company's efforts around diversity, equity and inclusion (DEI). SHAZAM chose Coopera, in part because of the company's work with community financial institutions in the Midwest assisting, crafting and implementing new DEI strategies. The partnership between SHAZAM and Coopera will focus on building plans for integrating diversity, equity and inclusion initiatives into SHAZAM's everyday business practices. Coopera's intimate knowledge of the financial services industry, and its specific inclusion needs, will help SHAZAM continue in its commitment to inclusive hiring and outreach practices, strong community partnerships through a spirit of service, employee inclusion and a culture of continuous learning.

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CBS: Weather, How Do I Insure Thee?

No, Shakespeare did not say that, but after the recent Texas deep freeze, maybe all of us should be asking ourselves that question. This event should be watched and studied by everyone in risk management for unexpected climate-related complex catastrophic or “cat” claims. Up until this event, we have seen unexpected severity in a number of climate cats, but this event had it all, including a wide selection of impacts caused by the failure of large parts of the Texas electrical grid. Frankly, what lines of coverage were NOT hit in some form by this single phenomenon? Cyber liability and crime coverage might qualify, but that’s about all. Even AIR Worldwide extreme weather-event models do not explicitly capture the potential insured losses from power outages.

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CBS C Preferred Providers

SHAZAM CREDIT CARD SERVICES

Offering credit cards expands your product lines and generates additional revenue.

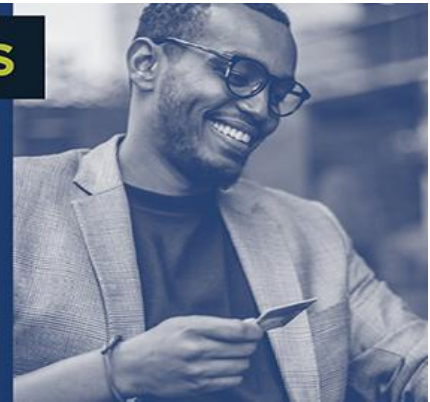
With our new program, you remain in control of the receivables and keep 100% of the revenue.

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ADVANCE WITH THE RIGHT PARTNER.



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Participate in CBAI’s Foundation for Community Banking 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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IRS Issues Guidance on Employee Retention Credit

The IRS issued guidance for employers claiming the employee retention tax credit under the CARES Act. The guidance includes clarifications and describes retroactive changes relating to expanded eligibility.

For 2020, the employee retention credit can be claimed by employers who paid qualified wages after March 12, 2020, and before Jan. 1, 2021, and who experienced a full or partial suspension of their operations or a significant decline in gross receipts. It is equal to 50 percent of qualified wages paid, including qualified health plan expenses, for up to \$10,000 per employee in 2020. The maximum credit available for each employee is \$5,000 in 2020.

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CBAI LEGAL: Financial Institutions Electronic Documents and Digital Signatures Act

The same Illinois law that ensures the equality of electronically imaged and stored bank records and paper originals, thus negating the need for continued storage of paper originals, also mimics the federal E-SIGN Act with regard to customer consent for electronic banking transactions and disclosures.

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FHFA Authorizes \$1B for Affordable Housing

The Federal Housing Finance Agency authorized the disbursement of \$1.09 billion for Fannie Mae and Freddie Mac's affordable housing allocations for 2020, their largest amount ever disbursed. The authorized funds break down as follows: \$711 million will go to the Department of Housing and Urban Development's Housing Trust Fund, and \$383 million will go to the Treasury Department's Capital Magnet Fund. The Housing Trust Fund allocates money annually to states and state-designated entities for producing or preserving affordable housing. The Capital Magnet Fund competitively awards money for affordable housing activities.

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CFPB: 11 Million Families Risk Losing Housing

The Consumer Financial Protection Bureau issued a report warning of widespread evictions and foreclosures if pandemic protections end without additional action. According to the report, more than 11 million families are behind on their rent or mortgage payments, with homeowners alone estimated to owe almost \$90 billion in missed payments. The CFPB noted that residential eviction protections run through March 31 while federal foreclosure protections expire after June 30.

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MORE UPCOMING EDUCATIONAL PROGRAMS

CBAI Offering Basic and Advanced Financial Statements Seminars

CBAI is pleased to offer "Basic Analysis of Corporate and Personal Financial Statements and Tax Returns" on Monday, March 22, 2021, and "Advanced Analysis of Corporate and Personal Financial Statements and Tax Returns" on Tuesday, March 23, 2021, both at CBAI Headquarters in Springfield. The basic course is designed to provide bankers and credit analysts with an understanding of how to analyze this source of financial information. The primary objective is to determine the creditworthiness of current customers and prospects. The advanced course is designed to address the needs of bankers, credit analysts, treasury personnel and cash managers by developing a clear understanding of financial documents. This is required to obtain an overview of the financial condition and creditworthiness of potential and existing clients. Consumer and commercial loan officers, branch managers, senior loan officers, senior credit officers, loan review personnel, credit analysts, loan administrators

and anyone involved in the lending process would benefit from attending these seminars. Jeffery Johnson, president of Bankers Insight Group, Atlanta, GA, who has more than 40 years' experience in banking, leads these seminars.

[Register Today »](#)

Stress Management Offered via E-Classroom Seminar

CBAI is pleased to offer "Stress Management & Reduction" on March 23 via e-classroom seminar utilizing Zoom, from 2:00 – 3:30 p.m. Our lives are being changed and stressed now more than ever during the COVID-19 pandemic and the practical guide to managing stress in a stress-filled world is a fantastic way to prepare any person for the challenges of an ever-changing life. In this program, participants learn easy-to-implement skills related to building a managed life. Anyone stressed or overwhelmed by their work, personal situation or the COVID-19 pandemic can benefit from attending this program. Jody Holland, who has received specialized training and certifications in team building, leadership, management and personnel testing leads this program.

[Register Today »](#)

Community Bank Directors' College to be Held April 19-21, in Springfield

The Community Bank Directors' College was developed in close cooperation with both state and federal regulators and is designed to teach individuals how to become more effective, capable and supportive members of their banks' board of directors. Its goal is to graduate directors who return to your bank more active, more knowledgeable and more decisive. In effect, they will be an even bigger asset to your community bank. The College provides a thorough understanding of bank operations and bank directors' responsibilities. The college is recommended for both new and seasoned bank directors.

[Register Today »](#)

Basic BSA Institute Set for April 27-28, in Springfield

The Bank Secrecy Act (BSA) remains an important topic for banks. The Basic Bank Secrecy Act Training is a one and one-half day program designed to provide a thorough grounding in the basics of the BSA. The course will assume that the attendee will have a limited knowledge of BSA requirements.

Although the board of directors is ultimately responsible for BSA, each bank must have a BSA officer who is in charge of the day-to-day BSA program. Attendees will leave the program with a basic understanding of the five key elements (pillars) of an effective BSA compliance program, as well as an understanding of all appropriate reporting standards for the program. We will include a brief discussion of the BSA/AML (Anti-Money Laundering) risk assessment and related topics. The primary focus of the institute is to assure that all attendees understand the basic requirements for a sound compliance program based on the regulation and core examination procedures.

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[VIEW CBAI's EVENTS CALENDAR](#)



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The Mission. Community Banks.

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CBAI Web Site Hosting Services provides your bank's web site with the latest technology and securities, reliability, scalability, and performing infrastructure, consistently satisfies and meet all securities and quality standards and regulatory requirements for banks.

