



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

June 2, 2021

IN THE NEWS

Spring Legislative Session Wrap-up

The Illinois General Assembly has wrapped up the the Spring legislative session. The House adjourned around 3:00 a.m., and the Senate continued late into overtime on Tuesday. The General Assembly passed a budget that includes \$650 million in new taxes on employers. They drew new legislative maps, but didn't take up a congressional map. CBAI was successful in passing changes to the Revised Uniform Unclaimed Property Act (RUUPA). An anticipated energy bill including green energy initiatives, subsidies for nuclear power plants, and a climate bank that could potentially compete with community banks never made it past the negotiating table. CBAI's Jerry Peck recorded a video recap early Tuesday as things were wrapping up.

[Watch the Recap Video »](#)

CBAI Urges CTR Filing Relief for Cash Fulfillment Transactions with Certain Armored Car Services

In a letter dated May 28, 2021, CBAI urged FinCEN to issue an Administrative Ruling providing relief from the unnecessary filing of CTRs by community banks for their cash fulfillment transactions with certain armored car services (ACS) which are also money service businesses (MSBs). CBAI explained in the letter that FinCEN has the authority to make exceptions and grant exemptions, that the filing of these CTRs by community banks is duplicative, and that despite granting this exception, FinCEN will still receive useful information about these transactions from the ACS/MSB.

[Read CBAI Letter to FinCEN »](#)



Deadline for Nominations for the Excellence & Innovation BKD Award Presented by CBAI is June 4

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, innovative product/service or program. Your bank does not need to be a BKD client in order 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! If you have any questions, please e-mail **Valerie** or **Bobbi**.

[Learn More About the Award »](#)

[Download the Nomination Form »](#)

Join Us for a North Central Illinois Regional Legislative Roundtable and Reception

The CBAI governmental relations team will be hosting legislators and community bankers at a roundtable and reception on Tuesday, June 29, 2021, from 5:00 to 7:30 p.m. at Crate at The Cannery in Eureka, IL.

This casual event is an opportunity for community bankers to interact directly with lawmakers and discuss the concerns of our industry. Anyone from the bank, from directors to tellers, are welcome and encouraged to attend. Drinks and appetizers will be provided. **There is no cost for CBAI members to attend.** These events are made possible by generous sponsorships from ICBA, CBSC, FHLB, and IZALE Financial Group.

Contact Jessie for More Information »



**FHLBank
Chicago**

**Federal Home Loan Bank
of Chicago**

Visit www.fhlbc.com

Community Bank Net Income Rises 77.5%

Community banks reported net income growth of 77.5 percent in the first quarter of 2021 from a year ago, according to the FDIC's Quarterly Banking Profile.

Community banks reported:

- Annual net income growth of \$3.7 billion.
- A 45 percent increase in noninterest income driven by a 126.4 percent increase in revenue from loan sales.
- Declines in provision expenses of 78.4 percent from a year ago and 67.9 percent from the previous quarter.
- A decline in net interest margins of 27 basis points to 3.26 percent, the lowest level on record.
- The noncurrent rate for total loans declined 8 basis points to 0.73 percent, while the net charge-off rate declined 7 basis points to 0.04 percent, a record low.

Community bank equity capital grew 0.7 percent on a 54.6 percent increase in retained earnings. The leverage capital ratio declined 5 basis points to 10.27 percent as growth in average assets outpaced tier 1 capital formation.

The overall banking industry reported a 315.3 percent net income increase from a year ago and 29.1 percent growth from the previous quarter on lower provision expenses. The share of unprofitable institutions dropped from 7.4 percent a year ago to 3.9 percent.

The DIF balance rose \$1.5 billion from the fourth quarter to \$119.4 billion, and the reserve ratio declined four basis points to 1.25 percent on rising insured deposits.

During the quarter, three new banks opened, 25 institutions were absorbed through mergers, and no banks failed.

Summary of Deposits Survey and Filing for June 30, 2021

The Summary of Deposits (SOD) is the annual survey of branch office deposits as of June 30 for all FDIC-insured institutions, including insured U.S. branches of foreign banks. All institutions with branch offices are required to submit the survey; institutions with only a main office are exempt. All survey responses are required by July 31, 2021. No filing extensions will be granted.

Statement of Applicability: This Financial Institution Letter (FIL) applies to all FDIC-insured institutions.

Distribution: FDIC-Insured Institutions, including Insured U.S. Branches of Foreign Banks.

Read the FIL »



CBAI is excited to announce, "We're putting the Bank Back Together!" 2020 is behind us and we are ready to live, breathe and jump again! CBAI is on a mission to reunite in "Sweet Home Chicago" on September 23-25, 2021, at the Marriott Marquis, Chicago. Everybody needs somebody - and we need you to make this convention a success! [Register for Early-Bird Pricing through June 30, 2021 »](#)

Fed Council Raises Concerns with Nonbank Charters

Federal Reserve Community Depository Institutions Advisory Council members expressed concerns with special-purpose charters for nonbanks during the group's April 1 meeting, according to the minutes.

The council, which includes community bankers, said "like financial products should be offered under like regulations," citing special-purpose charters that allow nonbank institutions to avoid oversight. The group also said the Federal Reserve should carefully review any applications to the payments system from nontraditional, more lightly regulated institutions.

[Read More »](#)

Fed Issues FedNow Message Specifications

The Federal Reserve recently released the FedNow Service ISO 20022 specifications that will define the service's message flows and formats when operational in 2023. The specifications and the Fed's "How To: Gaining Access to MyStandards" guide allow financial institutions to begin preparing systems and developing solutions to support FedNow instant payments.

[Read Specifications »](#)

[Access Guide »](#)

ICBA Online Account Opening Directory Gets IRS Nod

The IRS promoted ICBA's directory of community banks that can open accounts remotely with a starting balance of \$25 or less. The IRS included ICBA's directory in a news release on the agency's efforts to help individuals without a permanent address access federal benefits. Community banks can add their bank to ICBA's directory by completing an online form.

[Read More »](#)

A graphic for a seminar. The background is green. Text on the left reads: "CBAI Spring 2021 HR Survival Guide: Employers in the Time of COVID-19" in white. Below that, in yellow: "Live E-Classroom Seminar Via Zoom" and "June 9, 2021". On the right, there is a small image of a book titled "EMPLOYMENT LAW" with "2021 Updates" written on it in white.

A graphic for an IRA seminar. The background is a wooden desk with a calculator, a stack of money, and a notebook. Text on the right reads: "IRA Institute" in large black font, "June 15-16" in smaller black font, and "Live E-Classroom Seminar via Zoom" in black font. On the notebook, there is a handwritten table with two columns: "Roth IRA" and "Traditional IRA".

Brainard: Developments Sharpening Fed Focus on CBDC

Federal Reserve Governor Lael Brainard said several developments are sharpening the Fed's focus on central bank digital currency, or CBDC. Brainard cited the growing role of digital private money, the migration to digital payments, plans for using foreign CBDCs in cross-border payments, and concerns about financial exclusion.

[Read More »](#)

USDA to Begin Paying Off Direct Loans to Minority Farmers

The USDA announced the initial phase of plans to pay off USDA direct loans to socially disadvantaged (SDA) farmers and ranchers. It will subsequently announce its process for paying off guaranteed loans. Section 1005 of the recently passed American Rescue Plan Act relief legislation requires USDA to pay off 120 percent of all direct and guaranteed loans existing as of Jan. 1, 2021.

[Read More »](#)

OCC Finalizes Rule on Collective Investment Funds

The OCC finalized a rule applicable to national banks and federal savings associations administering a collective investment fund invested primarily in real estate or other assets that are not readily marketable. In August, the OCC published an interim final rule that codified the time a bank generally has for withdrawing an account from a covered CIF and established an exception to that requirement. Under the exception, banks may qualify for an extension to the standard withdrawal period with OCC approval. The final rule revises one of the conditions for the exception and otherwise adopts the interim final rule as final without further change, effective upon publication in the Federal Register.

[Read More »](#)

CONNECT WITH CBSC PREFERRED PROVIDERS



IZALE: CBAI Exclusive BOLI & Executive Benefits Webinar

IZALE Financial Group, a CBSC Preferred Provider, will provide an overview of Bank Owned Life Insurance (BOLI), an alternative asset that is gaining popularity among community bankers. IZALE will review what it is, how it works, why it complies with regulatory guidance, and how it performs compared to other assets. Additionally, they'll cover the current trends in executive benefits.

Join IZALE for insight from a leading industry expert to learn how BOLI's steady, predictable earnings can enhance your balance sheet and how executive benefits help your bank attract, retain, and reward your top talent. This webinar will expand upon the article *"Two Peas in a Pod,"* published in CBAI's May edition of *Banknotes*.

[Register Here »](#)

CBSC Announces Expanded Partnership with FBX BankTrends

Community BancService Corporation, Inc. (CBSC) announced it has expanded its partnership with **FBX BankTrends**. In addition to a call report-based peer benchmarking solution, CBAI member banks now have access to an additional deposit rate tracking solution at a members-only discounted rate.

The deposit rate tracking solution, **Informagic**, will allow member banks to make **real-time accurate** pricing decisions with actionable insights that positively impact bank portfolio, overall positioning, and product development.

Informagic's Deposit Rate Module license includes:

- 24/7 access to a web-based platform that allows you to customize and generate deposit rate reports you need instantly;
- Customizable alerts to let you know the second your competitors change their rates or makes product changes;
- Access to tracked financial institutions in Illinois, including banks, S&L's, credit unions, brokerages, fintech, and internet banks;
- Customizable dashboard with historical graphing capabilities;
- Retail and small business products including CD's, IRA, MM, checking, and savings; and
- Direct links to your competitor's promotional offerings, print advertisements, and online promotions.

To learn more about Informagic or BankTrends, please contact [Bridgette Hardonk](#).

Register Today for CBAI and Wolters Kluwer CASH Suite Product Showcase

There are many commercial lending solutions from which to choose. But when it comes to saving time and increasing efficiency, the others just don't compare to the CBSC-endorsed Wolters Kluwer CASH Suite. Sign up now for the product showcase on June 9, 2021, at 12 p.m. CST.

[Register Now »](#)

Ncontracts: Six Common IT Exam Issues – And the Controls You Need to Address Them

Ask any risk manager about the top risks that keep them awake at night and one answer will always come up: cybersecurity. It's not easy to defend against cybercriminals who are constantly refining their techniques and inventing new ones. While it's nearly impossible to stay ahead of them, that doesn't mean there's no hope. In fact, just focusing on the basic building blocks of cybersecurity can go a long way.

[Read More »](#)

Kasasa: How to Counter Big Banks's Growing Primary Financial Institution Status

At the end of 2019, some people predicted an impending recession. However, none of them suggested that it would come at the tiny, spiked hands of a virus known as corona. Coming into 2020, most community financial institutions had healthy loan portfolios and were hungry for deposits. A few months later, those same institutions were flooded with deposits as investors pulled back from the stock market and stimulus checks arrived.

As a result, net interest margins and return on assets came under a ton of pressure. Suddenly financial institutions needed loans — and a lot of them. There wasn't an easy path to acquire those loans, certainly not 68% more. Even PPP lending was isolated to commercial clients, not the kind of healthy long-term growth that financial institutions need to weather economic storms.

[Read More »](#)

Harland Clarke: Don't Downplay the Revenue Potential of Your Check Program

It may be surprising how many people still write checks — and why. Just as surprising is the lost opportunity financial institutions face by missing out on check orders at account opening or on reorders. Find out why checks are still valuable. Access the full article, "Check Writers Are More Important Than Ever Before."

[Read More »](#)

CBIS: Multifactor Authentication Becoming Mandatory with Some Community Bank Insurers

Why is MFA critical to the point that some insurers are making it mandatory in order to cover a community bank with cyber security risk insurance? This evaluation is being made no matter the size or location of the insured! We'll explore further.

According to Microsoft, 99.9% of account compromise attacks can be blocked by Multifactor Authentication. Arete goes even further by reporting that 94% of the ransomware victims investigated did not use MFA.

[Read More »](#)

CBSC PREFERRED PROVIDERS



I DECIDED TO PARTNER WITH SHAZAM.

We're the only nationwide independent debit network, processor and core provider supporting community banks. As a leader in the industry we have a simple mission:

Strengthening community financial institutions.

Treasury Distributes \$6.1B in Rental Assistance

The Treasury Department said it distributed \$6.1 billion to renters and landlords through the Emergency Rental Assistance program in less than two weeks. The \$21.6 billion American Rescue Plan program is designed to prevent evictions and support housing security for Americans affected by the pandemic. [Read More »](#)

Participate in the CBAI 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!**

[Read More »](#)

CBAI LEGAL: OCC Clarifies (Partially) CRA Credit Though Subsidiaries and Affiliates

In its Interpretive Letter #1177 issued in January of this year, the federal Office of the Comptroller of the Currency ("OCC") attempted to clarify when CRA activities of subsidiaries and affiliates of national banks qualify for CRA credit on behalf of the national bank itself. The conclusion is fairly straight-forward for subsidiaries, but more ambiguous for affiliates.

[Read Most Recent CBAI LEGAL »](#)



2021 Frontline Branch Live E-Classroom Series ~or~ On-Demand Recorded Session
REGISTER NOW!



CBAI Trust Seminar: Estate Planning Hot Topics
June 23, 2021 - CBAI, Springfield

MORE UPCOMING EDUCATIONAL PROGRAMS

Consumer & Commercial Loan Documentation offered June 9 & 10 and as On-Demand Recorded Sessions

CBAI is pleased to offer "Consumer Loan Documentation" on Wednesday, June 9, 2021, and "Commercial Loan Documentation" on Thursday, June 10, 2021, both at the CBAI Headquarters in Springfield and as on-demand recorded sessions. Loan documentation is a critical component in lending. After the decision to make a loan has been made, the next step is the documentation/closing process. This part of the lending process is essential to avoid loan losses due to poor documentation. Many community banks assign this important responsibility to loan officers and loan administrators. If not performed properly, poor documentation can cause loans to be adversely classified, even if the underlying credit is sound or if the loan is performing as agreed. The purpose of these one-day workshops is to provide participants with a good understanding of the consumer and commercial loan documentation process. Participants are exposed to the five steps in loan documentation, which include identifying the borrower, identifying and documenting the collateral, evidencing the debt, attaching the collateral, and perfecting the security interest.

[Register Today »](#)

Group Meeting Registration Now Open for Groups 1 & 2, 3, 4, 6, 8

Six down, five to go! CBAI leaders and executive staff have visited six of the 11 locations on the Group Meeting tour this spring. The June Group Meetings remain, with the Group 1 & 2 Meeting date recently announced. Bankers from nearly 200 banks participate in these enjoyable and informative events each year. This year's after-dinner presentation is titled "Skimming and Card Cloning," and will be conducted by Mike Burke from SHAZAM. Burke covers the anatomy of a debit card and how fraudsters are stealing this information with the use of skimming devices at ATMs, Points of Sale (POS) and fuel dispensers. CBAI President Kraig Lounsberry provides updates on Association projects and community banking in general and Senior Vice President of Governmental Relations Jerry Peck offers an up-to-the minute report of banking-related legislative activities.

Consisting of an optional golf outing and a dinner meeting, each Group Meeting provides an excellent opportunity to get the latest information on key banking issues and catch up with friends and peers. *(Note: The Group 1 & 2 Meeting will follow a different format and will be held June 24 at Arlington International Racecourse in Arlington Heights.)*

[See the 2021 Group Meeting Schedule and Make Plans Now to Attend »](#)

[VIEW CBAI's EVENTS CALENDAR](#)

