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IN THE NEWS

Illinois Legislation Effective January 1, 2020

There are several new Illinois laws that will go into effect on January 1, 2020. Get an overview of the ones that could impact your institution.

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OCC: Mortgage Performance Improves in Q3

The OCC reported a slight improvement in the performance of first-lien mortgages in the federal banking system during the third quarter of 2019. The agency said 96.4 percent of mortgages in its report were current and performing at the end of the quarter, up from 95.4 percent a year earlier. Servicers initiated 21,492 new foreclosures during the third quarter, a 0.4 percent increase from the previous quarter and a 24.6 percent decrease from a year ago.

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Illinois Department of Financial and Professional Regulation Announces Creation of Office of Innovation

The Illinois Department of Financial and Professional Regulation has created a new program designed to encourage innovation in financial product development in both the banking and fintech sectors.

The Office of Innovation is tasked with monitoring and responding to emerging marketplace trends and to help make Illinois an ideal destination for innovation. The Office will serve as a point of contact for innovators of financial products to receive feedback and technical assistance from the Department, as well as to educate industry sectors as a whole. The Office will be overseen by the newly-crafted position of regulatory innovation officer.

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Regulatory Developments Year in Review

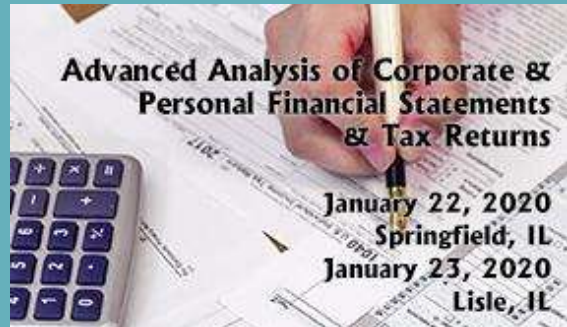
This past year, there were changes to consumer compliance laws and regulations that may affect your institution. In addition, it might be useful to be aware of revisions to examination procedures that FDIC and other agencies' examiners use in connection with reviews of financial institutions for adherence to applicable laws and regulations.

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CFPB Issues New TRID Guides

The Consumer Financial Protection Bureau published additional guidance on disclosing construction and construction-permanent loans under the TILA-RESPA Integrated Disclosure rule. A Combined Guide provides guidance for disclosing the transaction phases together, and a Separate Guide provides guidance for disclosing the phases separately. The guides include illustrative examples for commonly asked questions about TRID and Regulation Z.

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Fed: Growth of Noncash Payments Accelerates

Noncash payments rose 6.7 percent per year between 2015 and 2018 while total card payments increased 8.9 percent per year, the Federal Reserve reported in a new payments study. Debit cards were used almost twice as often as credit cards in 2018, but the value of credit card payments was nearly 30 percent higher. The number of ACH credit and debit transfers grew by 6.0 percent per year in 2015-2018, while payments made by checks fell 7.2 percent per year.

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Labor Department Overtime Rule Set for January 1

The Labor Department's final rule updating the earnings threshold that determines exemptions from overtime pay requirements is set to take effect January 1, 2020. After a federal judge in 2017 struck down the department's 2016 final rule, the new final rule increases the salary level test from \$23,660 to \$35,568 per year and the total annual compensation level for "highly compensated employees" from \$100,000 to \$107,432 per year.

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USDA Pays \$10.4B in Trade Relief

The Farm Service Agency this year paid more than \$10.4 billion to farmers through the Market Facilitation Program, according to a USDA recap of 2019. The program supports farmers affected by trade retaliation by foreign nations. The USDA also provided more than \$1 billion in disaster relief and roughly \$4.26 billion in prevented planting claims related to flooding and excess moisture.

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Young & Associates, Inc. Offering New Marijuana/Cannabis and MRB Policy

With 33 states, the District of Columbia, Guam and Puerto Rico now allowing the use of marijuana to some degree, banks now need to spell out their responsibilities to conduct business with legal marijuana/cannabis businesses in their communities and the same time mitigate legal and regulatory risks posed by doing so. Many financial institutions just decide they want no part of marijuana related businesses, then one of their cherished customers rent a building to a grower or seller, putting the bank in a secondary or tertiary relationship with the marijuana/cannabis business. Situations such as this make the "we will not touch it" approach untenable. Young & Associates, Inc. has developed a policy that banks can customize to ensure that staff knows how to handle many of the marijuana/cannabis issues that may arise for situations such as this. This policy resembles the responsibilities and requirements for conducting banking activities for legal marijuana and cannabis businesses, including those Tier 2 and 3 businesses that have a secondary or tertiary relationship with marijuana related businesses.

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Ag Lenders' Conference
February 4, 2020
Northfield Center, Springfield



Participate in CBAI's Foundation
Annual Essay Scholarship Program

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.

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Four Digital Banking Trends to Watch in 2020

Banks and credit unions have faced unprecedented levels of competition over the past year. Challenger banks and technology companies have attempted to disrupt traditional banking relationships and gain deposit share, threatening institutions' roles in their customers' and businesses' financial lives. As institutions look to adjust their operating models and business strategies to better align with shifting consumer behaviors and expectations, they should take notice of the trends and activities that are expected to impact the digital banking space in the coming years.

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OCC: Interagency Statement

The OCC, FDIC and Federal Reserve Board issued a "Statement Regarding Status of Certain Investment Funds and Their Portfolio Investments for Purposes of Regulation O and Reporting Requirements Under Part 363 of FDIC Regulations." This interagency statement explains that the agencies will exercise discretion not to take action against banks, or against certain asset managers that become principal shareholders of banks, with respect to certain extensions of credit by banks to portfolio companies of the principal shareholder fund complex that otherwise would violate Regulation O, 12 CFR 215, provided certain eligibility criteria are satisfied.

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CBAI LEGAL: Segregated Deposit Accounts as Lending Limit Exemption

The Illinois Banking Act's "segregated deposit account" exemption from a state-chartered bank's lending limit is addressed in two Interpretive Letters discussed in this CBAI LEGAL.

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MORE UPCOMING EDUCATIONAL TRAINING

Compliance Institute: Operations Offered January 14 & 15 at CBAI

Community banks are constantly faced with a bewildering array of ever-changing regulations. In response to this training need, CBAI is pleased to present the Compliance Institute this January & March. An introductory course for those compliance officers who are either new to banking or new to their positions, this institute is designed to provide a comprehensive understanding of the major regulatory compliance regulations that have been determined to be "must-knows" for all compliance officers. The school has been divided into two sessions, Operations/Deposit Compliance and Lending Compliance. Bill Elliott, CRCM, senior consultant and director of compliance education, and Sharon Bond, CRCM, consultant, both of Young & Associates, Inc., Kent, Ohio, lead this institute.

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CBC Program: Auditing Flood Set for January 28 & 29

The presentation will focus on audit techniques for the entire Flood process, and exactly what to look for when performing the Flood audit. It seems as if monthly there is a bank somewhere paying out a lot of money for Flood violations – and we would prefer that it not be you. The primary focus of the seminar will be on the process of auditing your flood program, both at loan origination and loan servicing. Flood errors can happen almost any time – and the object is to assure that errors are kept to a minimum. Included will be a discussion of the requirements for both public and private flood insurance. Worksheets will be included for all subjects presented.

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NEWS FROM SERVICES

The Baker Group: Baker Market Update

The karma of the manufacturing sector could do with a little bolstering, but it's not going to get it from a recent report from the Dallas Fed that its Manufacturing Activity Index fell to negative 3.2 from an already negative 1.3. A faltering start to a new year that may falter some more with the news that a private, Chicago Purchasing Managers Index, although slightly improved, remains in contractionary territory with a value of 48.9. Manufacturing needs a hug, or at least a black-eyed pea.

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Are you looking for a professional conference close to home? Join us in Des Moines, IA, for the 2020 SHAZAM Forum, April 14 – 16. We've got 2 ½ days filled with breakout sessions, entertainment and networking specifically designed for community banks like yours. [Register before January 31 for early bird pricing.](#)

CBIS: Financial Institution Market Update 2019

As one year closes and another begins, now is the time for reflection and to look toward the future. We began the year seeing a relatively stable rate environment with firming in certain areas, a theme that prevailed throughout 2019. Insurers ended the year by taking a stronger and more disciplined stance on upcoming 2020 renewals; looking at lower-performing risks and lines of coverage. As a result, client experiences have been mixed as it relates to renewal pricing and terms. That being said, we are seeing general trends.

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