



CBAI E-Newsletter - Sponsored by SHAZAM March 13, 2019

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IN THE NEWS

CBAI NEWS FROM THE FRONT

Governor JB Pritzker released proposed rates for a progressive income tax. The plan calls for a \$3.4 billion tax increase with a top state income tax rate of 7.95% for the highest earners. The General Assembly's Commission on Government Forecasting and Accountability is projecting a \$183 million shortfall in revenue projections for the current fiscal year. This further adds to a \$1.1 billion structural deficit in the current budget.

CBAI's legislation to update the Mortgage Act has cleared committees in both the House and Senate. The latest edition of News from the Front also highlights a newly appointed state representative and provides updates on key legislative issues including negotiations to re-write the Illinois Land Title Act.

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Report on March Staff Visit to Washington, D.C.

CBAI's SVP Federal Governmental Relations, David Schroeder, was in Washington, D.C. throughout the first week of March. Again this quarter, Schroeder visited every office of the Illinois Congressional Delegation. While the 2018 passage of the Economic Growth, Regulatory Relief and Consumer Protection Act (S. 2155) has shifted much of the focus of implementing regulatory relief to the banking regulators, the swift implementation of this legislation and additional regulatory relief for community banks topped the discussion agenda. The Federal Reserve's role in faster and more secure payments and the modernization of the Community Reinvestment Act (CRA) were also discussed as well as opposition to the expansion of powers for credit unions and the Farm Credit System.

[Read Article >>](#)

ICBA Launches Community Focus 2020 Agenda

Legislative and Regulatory Plan Focuses on Expanding Economic Opportunity

The Independent Community Bankers of America (ICBA) last week unveiled its new legislative and regulatory policy platform: "Community Focus 2020: The Community Bank

Agenda for Expanding Economic Opportunity.” The multifaceted agenda—which ICBA is sharing with policymakers in Washington—advocates common-sense reforms that will promote greater access to financial services and economic opportunity throughout local communities nationwide.

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U.S. Faster Payments Council Announces Founding Sponsors

The newly launched U.S. Faster Payments Council (FPC) recently announced its founding sponsors. These sponsor-level organizations have signaled their deep commitment to promoting broad faster payments adoption and ubiquity in the United States, and their determination to get the FPC’s work off to a strong start. “The FPC’s founding sponsors are truly committed to sharing their expertise and resources as we collectively work to accelerate widespread U.S. adoption of faster payments,” said Kevin Christensen, FPC acting executive director and interim board chair, and a senior executive with the SHAZAM Network. “We’re taking a private-sector approach to solve problems and drive ubiquity of U.S. faster payments, including end-user and provider education, security and end-user transparency.” CBAI joined the faster payments council in January, and encourages community banks to join and participate.

[Read Press Release >>](#)

Cannabis-Banking Safe Harbor Bill Introduced

Lawmakers formally introduced ICBA-supported legislation that would establish a safe harbor from federal sanctions for financial institutions and ancillary companies that serve cannabis-related businesses in states where cannabis is legal.

The bipartisan Secure and Fair Enforcement Banking Act would apply solely to states that have legalized cannabis for medical or recreational use. Introduced by Reps. Ed Perlmutter (D-Colo.), Denny Heck (D-Wash.), Warren Davidson (R-Ohio), and Steve Stivers (R-Ohio), the legislation provides that federal banking regulators may not take any prejudicial action in these states against a bank solely because it serves a cannabis-related business.

CBAI and ICBA supported the SAFE Banking Act in the last Congress, and ICBA community banker Greg Deckard last month testified on its behalf before a House subcommittee. Cannabis remains illegal at the federal level, and ICBA does not advocate its legalization.

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Romero Rainey: Another Wall Street Tall Tale

While megabanks have been withdrawing from local communities, a new *Wall Street Journal* article would have you believe these areas can’t possibly get by without them, ICBA President and CEO Rebeca Romero Rainey said.

In reality, community bank acquisitions of megabank branches are more often an economic boon for local communities, she wrote last week. Romero Rainey noted that community banks are out-lending their competitors, and have been adding bank offices while noncommunity bank offices are declining, and are taking advantage of innovative technologies.



Regulators Adopt Policy on Exam Consistency

Federal banking regulators issued principles to promote consistency, clarity and ease of reference for the presentation of information in examination reports. The Federal Financial Institutions Examination Council policy statement, developed as part of its Examination Modernization Project, seeks to reduce unnecessary regulatory burden on community financial institutions. It replaces a 1993 interagency statement.

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Three New Ways the FDIC is Helping Community Banks

If there's one takeaway from the Federal Deposit Insurance Corp.'s latest annual report, it's that there's a new sheriff in town. The sheriff, Jelena McWilliams, isn't literally new, of course, given the FDIC's new chairman was confirmed in May 2018. Yet, it wasn't until last month that her imprint on the FDIC became clear, with the release of the agency's annual report.

The tone of her message implies that she views the FDIC as more of a partner to the banking profession than a parent, as reflected in her list of priorities. These include encouraging more de novo formations, reducing the regulatory burden on community banks, increasing transparency of the agency's performance, and establishing an office of innovation to help banks understand how technology is changing the profession.

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Fed Considers Tweaks to Reserve Bank Interest Payments

The Federal Reserve Board invited public comment on whether it should propose lowering the rate of interest paid on excess balances at Federal Reserve Banks by eligible institutions that hold a large proportion of their assets there. The advance notice of proposed rulemaking seeks feedback on pass-through investment entities and potential amendments to Regulation D.

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ILCs Put Consumers at Risk: ICBA White Paper

ICBA released a white paper this week detailing why policymakers should close a legal loophole that allows industrial loan companies and their parent companies to skirt regulatory oversight.

"Industrial Loan Companies: Closing the Loophole to Avert Consumer and Systemic Harm" calls on the FDIC to impose an immediate moratorium on approving deposit insurance for these companies and urges Congress to close the ILC loophole permanently.

CBAI and ICBA have expressed concerns for years over a loophole in the Bank Holding Company Act which allows commercial and fintech companies to own or acquire ILCs chartered in a handful of states without being subject to federal regulatory supervision. The white paper notes that commercial ownership of ILCs violates the longstanding U.S. policy of maintaining the separation of banking and commerce.

ICBA issued the white paper as technology companies such as Square, SoFi and Nelnet have sought industrial loan company charters and filed deposit insurance applications. ICBA's white paper argues that these firms should be subject to the same restrictions and supervision as any other bank holding company.

[Read White Paper >>](#)

[Read ICBA Release >>](#)



Mixed Economic Signals in Federal Reserve Beige Book

Economic activity continued to expand in recent weeks, with most Federal Reserve districts reporting slight to moderate growth, according to the Fed's Beige Book released last week. Residential construction activity was steady, though home sales were generally lower. Manufacturing activity strengthened, consumer spending was mixed, and agricultural conditions remained weak.

[See Full Report >>](#)

[See Chicago Fed Report >>](#)

[See St. Louis Fed Report >>](#)

Farmer Mac Unveils Simplified Loan Scorecard

Farmer Mac is now accepting loan applications in a simplified, faster and easier process called AgXpress, which allows community banks to submit loans up to \$750,000 with quick approval times. AgXpress is a credit score-based model designed to simplify the application process and deliver a fast credit decision. Using AgXpress, banks can bypass most traditional loan-onboarding requirements and substantially reduce the amount of time needed to submit a loan.

[Access Application >>](#)

USDA Projects 10% Growth in Net Farm Income

The USDA projected that net farm income will increase 10 percent in 2019 following a 16 percent decline in 2018. Adjusted for inflation, it is forecast to rise 8.1 percent, down 49

percent from its 2013 high. Corn, wheat, dairy and livestock prices are expected to increase, while soybean prices are forecast to decline, and liquidity measures are expected to weaken.

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Fannie, Freddie Update Pooling Requirements for Single Security

Freddie Mac and Fannie Mae published letters to lenders detailing changes in certain requirements for loans included in the new Uniform Mortgage-Backed Security, which both enterprises will begin issuing in June. Fannie and Freddie announced adjustments to interest rate spreads and fees in response to the Federal Housing Finance Agency's recently issued final rule on its single-security initiative.

The rule directs the government-sponsored enterprises to align cash flows and prepayment activities for investors who purchase the uniform security.

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Farm Service Agency Delinquencies Rising

USDA Farm Service Agency loans to producers experienced a rise in delinquencies in January, the Associated Press reported. Nationwide, 19.4 percent of FSA direct loans were delinquent in January, compared with 16.5 percent for the same month a year ago, according to the report. Delinquencies for FSA direct loans, which generally go to riskier borrowers who don't qualify for commercial loans, were the highest in nine years.

[Read Report >>](#)



Submit a Nomination for the 2019 Excellence & Innovation BKD Award, Presented by CBAI

Nominations are now being accepted for the 2019 Excellence & Innovation BKD Award, presented by CBAI. This award recognizes CBAI member banks that go above and beyond to demonstrate their commitment to their customers, employees, shareholders and the community through innovative outreach programs. Since 1999, CBAI and BKD have honored financial institutions for their efforts to build a healthy future for themselves and their communities by developing an innovative way to serve customers or enhance corporate citizenship. Institutions may nominate themselves and do not need to be a BKD client to participate. The deadline to submit is Monday, June 3, 2019. The winner will be announced at CBAI's 45th Annual Convention & Expo, September 19-21, 2019. The winning institution receives a \$1,000 donation to the charity of its choice as well as an award symbolizing its innovation and excellence.

[See More Information >>](#)

[Download Entry Form >>](#)

Community Banking Week in Illinois is Coming!

April 7 – 13, 2019, is the 29th Anniversary of Community Banking Week in Illinois. This year's theme is "Sharing Your Dreams." Invite the friends and neighbors of your community bank to help celebrate the independent spirit that is the hallmark of locally-run banks. For your FREE kit, contact **Bobbi Watson** today!

Is the Apple + Goldman Sachs Alliance the First of More to Come?

Apple and Goldman Sachs have teamed up a deal that may foretell future pairings with more ominous consequences. Who's next? Could this alliance spur Amazon, Google, Facebook and other big companies to partner with a banking provider? The pair has partnered to issue an Apple credit card that will be incorporated into the iPhone. The official launch date for the credit card has not been set yet, but it is the first step of what is reported to be a broader agreement to offer additional financial products down the road.

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Asset/Liability Management Seminar

Finding a balance between interest rate risk, liquidity and performance has never been more critical. You can improve your liquidity position by holding a lot of cash, but performance suffers. You can increase performance with long-term, fixed-rate assets but may have to take on significant IRR to get there. Managing any one of these issues in isolation is easy but managing all three simultaneously is a challenge that all community banks must face. This program explores the unique relationship between IRR, liquidity and performance and gives you specific ideas about how to manage all three simultaneously. Leading this program is Ryan W. Hayhurst, managing director and member of the board of directors and Matt Harris, CFA, senior vice president at The Baker Group.

[See Brochure >>](#)



Registration is now open for CBAI's 45th Annual Convention & Expo, scheduled for September 19-21, 2019, at the Crowne Plaza, Springfield, IL.

Don't wait! Register today for early-bird pricing and receive a significant discount to attend CBAI's annual showcase event! You won't want to miss it!

[Register Here >>](#)

NEWS FROM SERVICES

Baker Market Update

Other investors may be relieved to know that January's Retail Sales report did not say the same thing as December's disappointing result. On the heels of December's 1.6% decline, a recent report for January notched a total gain of 0.2% and without automobiles, the increase was 0.9%. Maybe things are looking up for retailers. We'll learn more about how entrepreneurs and proprietors are feeling when the National Federation of Independent Businesses publishes its Small Business Optimism Index.

[See Baker Market Update >>](#)



SAVE THE DATE: The Baker Group Bank Investment Strategies for 2nd Quarter Webinar

Thursday, April 11, 2019 - 10:30 a.m. CDT

Actual topics to be determined at a later date. General topics will include:

- Economic Update and Fed Policy Outlook
- Industry Trends and Regulatory Hot Button Issues
- Current Investment Strategy Recommendations
- Interest Rate Risk and Liquidity Management Guidance

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SHAZAM: SAVE TIME & MONEY WITH SHAZAM DISPUTE RESOLUTION SERVICES

Are you losing time and money handling cardholder disputes? Let our dedicated team handle the complex dispute process, so your team can get back to their day. Our Dispute Services team will collect and manage all dispute information, store all documents and case history, and ensure you stay compliant with Regulation E.

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Wolters Kluwer: Managing Regulatory Changes

The breadth, pace and depth of regulatory change continues to present challenges for banks and their compliance efforts. Increasingly, technology applications are helping meet those ongoing needs. Central Bancompany recently implemented financial technologies provided by CBSC preferred provider Wolters Kluwer to help manage regulatory change and strengthen risk assessment processes across its 13 affiliate banks.

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CBIS: Compliance Standards for Fraudulent Wire Transfer Requests

Risks associated with wire transfer fraud requests have been problematic since the inception of these services. In recent years, insurers have experienced an exorbitant increase in activity regarding fraudulent wire transfers. In all probability, this is due to the nature of

today's high-tech environment, the known vulnerability of the customers' personally identifiable information, and the overall proliferation for the immediate demand for money. Regardless of circumstance, everyone needs to be aware of their exposure and address it accordingly.

[Read More from CBIS >>](#)

CBAI LEGAL: Erroneous Recording of Mortgage Release Not Enforceable by Mortgagor

A notice of loan satisfaction and mortgage release that a loan servicer recorded by mistake cannot be relied upon by the mortgagor to escape remaining debt on the mortgage loan.

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