



CBAI E-Newsletter, sponsored by SHAZAM April 24, 2019

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IN THE NEWS

NEWS FROM THE FRONT

The Illinois General Assembly has adjourned for a two-week spring break but not before they advanced several Bills of interest. More than 100 community bankers descended on Springfield for the 35th Annual Capital Conference. CBAI also sat down with top staff from IDFPR including new Director Deborah Hagen to discuss priorities for the department moving forward.

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[See CBAI's Capital Conference Recap >>](#)

CBAI Joins State Regulators, Treasurer for Cannabis Banking Summit

The Illinois General Assembly continues to negotiate legislation that would legalize recreational cannabis in Illinois. The state already allows medical cannabis, making it one of 33 states allowing some form of legalized cannabis. This continues to raise questions for community bankers about the legality and efficacy of offering mainstream banking services to the legal cannabis industry. Last week, CBAI Senior Vice President of Governmental Relations Jerry Peck joined State Banking Director Kerri Doll on a panel moderated by Treasurer Mike Frerichs during the Treasurer's Cannabis Banking Summit.

[Read More >>](#)

CBAI Urges the FDIC to Modify Restrictive Deposit Rate Caps Restrictions

On April 23, 2019, the Community Bankers Association of Illinois (CBAI) commented on the Federal Deposit Insurance Corporation's (FDIC) Advanced Notice of Proposed Rulemaking on Deposit Rate Caps in the brokered-deposit regulations. CBAI stated that the Deposit Rate Caps do not reflect either the realities of competitive funding or investing opportunities faced by community banks. CBAI is particularly concerned about how the National Rates are being inappropriately calculated for Rate Caps purposes, and how even

“well capitalized” banks are being adversely impacted by the application of the Rate Caps in the analysis of liquidity during safety and soundness examinations. CBAI believes the Deposit Rate Caps are also aggravating an already significant competitive imbalance against community banks. CBAI urged the FDIC to reexamine and modify the brokered deposit restrictions to avoid the harmful consequences of these regulations on community banks.

[Read CBAI Comment Letter >>](#)

Former Regulators: Fed Should Have Role in Faster Payments

The Federal Reserve should have an operational role in delivering real-time payments, according to former FDIC vice chairman Thomas Hoenig and former Fed operations manager Bruce Summers. In a BankThink op-ed, they wrote that the Fed's role would prevent a monopoly on real-time payments by The Clearing House, serve the public purpose of a final guard against payment breakdowns, and support payment innovations.

CBAI and ICBA have expressed strong support for the development of a real-time payment system and urged the Fed to develop and operate the system, noting that Fed leadership on faster payments would ensure access to financial institutions of all sizes and the customers they serve.

[Read Comment Letter >>](#)

Cannabis-Banking Bill Introduced in U.S. Senate

ICBA-supported legislation to establish a cannabis-banking safe harbor was introduced in the Senate after companion legislation passed out of a House committee last month. Like its House companion, which advanced on a 45-15 committee vote on March 28, the bill would establish a cannabis-banking safe harbor for financial institutions and ancillary companies that serve cannabis-related businesses in states where cannabis is legal. Treasury Secretary Steven Mnuchin last week encouraged Congress to find a bipartisan solution to conflicting state and federal laws on cannabis regulation, noting that the IRS has built rooms to hold cash from cannabis-related businesses because they are forced to operate on a cash basis.

[Read ICBA Letter of Support >>](#)



USDA Announces Higher Loan Limits Under Farm Bill

The USDA announced higher limits for the department's direct and guaranteed farm loans under the 2018 farm bill. Raising limits for USDA guaranteed farm loans was a top ICBA priority during the debate over the farm bill, which raised guaranteed farm loan limits to \$1.75 million, indexed to inflation. The department also released an update on

implementation of the farm bill following its enactment on Dec. 20, 2018. The update provides a title-by-title breakdown of implementation of the law, including policies on commodities, conservation, trade, and credit.

[Read More About Limits >>](#)

[View Update on Implementation >>](#)

Treasury Offers Clarity on ‘Opportunity Zone’ Investments

The Treasury Department issued its second set of proposed regulations related to the new “Opportunity Zones” tax incentive created by the Tax Cuts and Jobs Act of 2017.

The program provides preferential tax treatment for investments made in Opportunity Zone Funds, including a temporary tax deferral of income from any capital gain and a permanent exclusion for income made from the sale of a fund investment. The White House predicts the initiative will spur \$100 billion in private capital investment.

Treasury said the newly released guidance provides additional clarity and flexibility on requirements for the funds, the treatment of investment gains, and standards on business ownership and operation.

In a December comment letter, ICBA asked the IRS to work with banking regulators to identify how community banks can participate and invest in Opportunity Zone Funds.

[Read More from Treasury >>](#)

[Read ICBA Comment Letter >>](#)

CFPB’s Kraninger Outlines Vision for Bureau

Consumer Financial Protection Bureau Director Kathleen Kraninger laid out her vision for the bureau following a three-month listening tour. Speaking in Washington, Kraninger said her approach emphasizes using available tools to prevent consumer harm, empowering consumers through education, ensuring clear rulemaking and guidance instead of regulation through enforcement actions, using supervision to support compliance, and focusing enforcement on bad actors. Kraninger also discussed the challenges of basing judgments of the agency’s performance on outcomes, noting that effective oversight should mean fewer complaints. She said the agency will develop appropriate ways to measure its progress in preventing consumer harm.

[Read Kraninger’s Speech >>](#)

Calabria Sworn in as FHFA Director

Mark Calabria was sworn in as director of the Federal Housing Finance Agency after his confirmation by the Senate earlier this month. Calabria said he enters office with a “sense of urgency” to address vulnerabilities in the housing-finance system. Calabria will play a key role in the debate over reforming Fannie Mae and Freddie Mac.

CBAI and ICBA continue calling on the FHFA and Treasury Department to end the net-worth sweep of Fannie and Freddie earnings and recapitalize the enterprises.

[Read Calabria’s Remarks >>](#)

[Read more from FHFA >>](#)

HUD Issues New Requirements for Down-Payment Assistance

The Department of Housing and Urban Development added documentation requirements for originating Federal Housing Administration-backed mortgages for borrowers that receive down-payment assistance. In a letter to FHA-approved mortgagees, HUD said lenders must document that all portions of a borrower's minimum required investment are from permissible sources. According to HUD, the new guidance is designed to ensure government entities are acting within their governmental capacity to provide assistance.

[Read HUD Letter >>](#)



Chicago Fed Seventh District Economic Activity Increases

Economic activity in the Seventh District increased slightly on balance in late February and March, and contacts expected growth to pick up to a modest pace over the next six to 12 months. Employment increased modestly; business spending and construction and real estate increased slightly; and consumer spending and manufacturing were little changed on balance. Wages and prices rose modestly, and financial conditions improved slightly. Farmers continued to be challenged by low crop prices.

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Retail Sales Strong in March

Retail sales jumped 1.6 percent in March, the largest monthly gain since September 2017, according to the U.S. Commerce Department. Sales were up 3.6 percent from a year ago following a 0.2 percent increase in February, indicating continued economic strength.

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Deposit and Demographic Trends for 2019

To identify some of the trends in the banking environment overall—and specifically in branching over the past several years—Bancography recently analyzed a compilation of federal data:

- Branch statistics from FDIC and NCUA data releases as of June 30, 2018
- Consumer balance data from the Federal Reserve Board's December 2018 Flow of Funds Accounts tables
- Household and population counts from U.S. Census Bureau 2018 releases

[Click Here to Identify the Trends >>](#)

Fed Survey: Small Businesses More Satisfied with Community Banks Than Other Lenders

Small-business loan applicants continued to be more satisfied with community banks than any other type of lender, according to the latest credit survey from the 12 Federal Reserve Banks. According to the survey, 79 percent of applicants were satisfied with community banks, compared with scores of 67 percent for large banks and 49 percent for online lenders. Only 6 percent of community bank applicants said they were dissatisfied, compared with 11 percent for large banks and 16 percent for online lenders.

[See Fed Survey >>](#)

St. Louis Fed Eighth District Economy Improves

Reports from contacts suggest economic conditions have improved slightly since the previous St. Louis Fed report. Labor market conditions remained tight: Employment grew slightly while wages continued to increase at a moderate rate. Price pressures strengthened modestly, with many contacts citing tariffs as a contributing factor to higher input prices. Most retailers expect to pass along increased costs to their customers. Reports on consumer spending activity remained mixed. Manufacturing activity continued to improve at a moderate pace. Residential real estate activity increased modestly while residential construction activity was unchanged. District bankers reported a moderate increase in loan demand. Agriculture conditions declined modestly, as some farmers expressed concerns over recent flooding.

[Read More >>](#)



How Did Your Bank Celebrate Community Banking Week?

We would love to hear how your bank celebrated Community Banking Week in Illinois! E-mail us at cbaicom@cbaicom.com and let us know your bank's happenings. We want to share your bank's activities in the July issue of *Banknotes* magazine!

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 \$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 >>](#)

CBAI Group Meeting Registration Now Open for All Group Meetings

CBAI leaders and executive staff are visiting 11 locations on the 2019 Group Meetings Tour this spring. Bankers from nearly 200 banks participate in these enjoyable and informative annual events. For this year's after-dinner presentation, an analyst from The Baker Group provides an update on market conditions, Fed policy, regulatory hot-topics and industry trends for community banks. The opening portion of each Group Meeting will focus on critical legislative and association issues. CBAI President Kraig Lounsberry provides updates on Association projects and community banking in general, and SVP 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 Groups 1 & 2 meeting follows a different format). Make plans now to attend!

[See Schedule >>](#)

CBAI Announces Saturday Night Entertainment at 45th Annual Convention & Expo

CBAI is excited to announce the Saturday night entertainment at its 45th Annual Convention & Expo, "There's No Place Like a Community Bank," scheduled for September 19-21, 2019, at the Crowne Plaza in Springfield.

Party Nation, Atlanta's favorite party band, is a dynamic eight-piece party, dance and show band providing top-notch, live musical entertainment. The band is fronted by extraordinary lead vocalists along with a rockin' rhythm section. These true entertainers will wow audiences with versatile vocals and an energetic performance. Party Nation has an extensive repertoire of music from today's hits, the 80's and 90's, R&B, hip hop, country, classic rock, contemporary jazz and more!

Party Nation has performed across the U.S. and abroad for hundreds of super successful, high-end events. From awards ceremonies to beach parties, masquerade balls and Fortune 500 companies, Party Nation's experience, talent and professionalism make every event extra special!

Party Nation's fast paced, high-energy show will not only fill the dance floor, but will also entertain those attendees who do not wish to dance with an exciting performance that

many have compared to being at a concert. So, get ready for a non-stop, unforgettable and energetic performance that you won't want to miss.



They reach for a dream.
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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 >>](#)

[VIEW CBAI'S EVENTS CALENDAR HERE](#)

NEWS FROM SERVICES



Selecting a retail checking product that provided value to customers while generating fee income for Warren-Boymton State Bank

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Baker Market Update

The renewal of American sanctions designed to punish the purchase of Persian petroleum has resulted in a buck-and-a-half boost to the price of a barrel of dinosaur wine from West Texas. That's good news for the folks in and around the Permian Basin, but bond prices and equity prices are both starting the week with minus signs. With many investors and market participants still filtering back into action after a long, holiday weekend, volumes are light and so is the news.

[See Baker Market Update >>](#)

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SHAZAM Credit Card Services. Our well-rounded and competitively priced program will



support issuing your choice of Visa® or Mastercard® credit cards while giving you the ability to customize the program for your cardholders! Plus, you'll earn 100% of the revenue from interest.

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CBAI LEGAL: Board Distinctions Between State and O.C.C.

Although the responsibilities of bank directors are uniformly recognized for both state-chartered and national banks, there are some distinctions regarding qualifications and composition of boards of each type of charter.

[Read More >>](#)

CBIS: Do You Know What to Do in the Event of a Medical Emergency?

Ensure your staff knows the procedures in place to be prepared for a medical emergency at the workplace. Periodically review your building's emergency procedures and become familiar with the building layout, location of the nearest exits, designated assembly area, and emergency contact numbers. Find out best practices for assisting an employee or visitor with a medical emergency.

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