



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

Connected to Community Banking!

July 1, 2020

IN THE NEWS

Re-Elect Ashworth and Gross for the Federal Home Loan Bank of Chicago 2020 Board

Jim Ashworth and Michelle Gross currently serve on FHLB Board, and their two seats are up for election this year. CBAI is asking that you support these two incumbents. If re-elected, they will effectively serve the interests of community-based financial institutions on the FHLB Board. Ballots are expected to arrive during the week of September 21, 2020.

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Register by July 15 to Receive Early-Bird Pricing for CBAI's 46th Annual Convention & Expo!

Register today for CBAI's 46th Annual Convention & Expo, scheduled for September 24-26, 2020, at the JW Marriott, Indianapolis, Indiana. Expert speakers on the hottest community banking topics fill an exciting education agenda of break-out sessions. This year's Opening Breakfast Speaker, Christine Cashen, delivers a fast-paced, hilarious program on handling conflict, reducing stress and energizing employees. Also, on the agenda are the Welcoming Reception with BancPac Live and Silent Auction, a jam-packed Exhibit Hall, the Annual Business Meeting Luncheon, and much more. The Closing General Session speaker Vallie Smith Collins shares her experience during the flight and rescue of the event that has become known as the "Miracle on the Hudson."

[Register Here »](#)



Check out a special message from CBAI Special Events Chairman and State Bank of Toulon President & CEO, Doug Parrott. **Register by July 15, 2020, to receive early-bird pricing! So don't wait, register now!!**

Make a Donation to the Community BancPac Auction

CBAI is once again beginning to prepare for the Community BancPac's 29th Annual Silent Auction and 13th Annual Live Auction. Thanks to the generosity and thoughtfulness of many of you, this night is always a fun-filled event as it kicks off the opening night of CBAI's Annual Convention. We are excited and hope to make this year's auctions another successful and memorable event.

We would like to encourage you to shop local. What products make your community great? Do any of your customers produce a unique product? We would love to showcase what makes each of your communities special while also supporting Community BancPac. And if shopping isn't your thing, that's okay! You can still make a cash donation that will allow CBAI staff to purchase popular items for the auction and credit your financial institution for the item donation. This year we are asking anyone that makes a cash donation to consider allowing your funds to be combined with other financial institutions to purchase higher priced items. All financial institutions will be credited with the item donation they contributed to in the auction booklet and on the bid sheet.

[Download Auction Form »](#)

BOOST PRODUCTIVITY. REDEFINE SUCCESS.

Delivering a frictionless experience for your customers is a top priority for your success. And that's why we'll continue to work behind the scenes to advocate for open standards that foster innovation and competition, and ensure interoperability in the payments industry.

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CBAI Urges Caution in FHFA's Review of FHLBank Membership

In a June 23, 2020, response to a Request for Information (RFI) by the Federal Housing Finance Agency (FHFA), the Community Bankers Association of Illinois (CBAI) urged caution by the FHFA in its review of membership eligibility in Federal Home Loan Banks. CBAI stressed the regional structure, special functions and unique purpose of the FHLBanks are important to the nation, and must be recognized, supported and maintained by policymakers.

CBAI recommended the FHFA not unilaterally exclude any class from FHLBank membership, and not again propose an ongoing mortgage asset test for bank membership. Further, Congress should dictate major membership decisions. Additionally, the FHFA should maintain a reasonable degree of flexibility in developing a set of principles and requirements of general applicability for membership, while maintaining the rigorous safety and soundness standards and the housing and community development mission focus that has served the FHLBSystem and its members well for many decades.

[Read CBAI Comment Letter to the FHFA »](#)

Senate Votes to Extend PPP Into August

The Senate passed legislation to extend the Paycheck Protection Program application deadline until August 8, sending it to the House hours before the SBA stopped accepting PPP applications.

The bill, which the Senate passed via unanimous consent, needs to be approved by the House and signed by the president to take effect. After the SBA has approved \$520.6 billion in PPP loans through Tuesday evening, the program has roughly \$130 billion in remaining funds.

The Senate bill also would decouple the PPP reauthorization from the SBA's 7(a) program to avoid shutting it down when the PPP expires. Politico reported that the Senate extended the PPP into August to give Congress time to pass the next economic relief package, which lawmakers are debating now.

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FDIC Codifies the "Valid When Made" Doctrine

The FDIC joined the OCC in codifying the "valid when made" doctrine, or the so-called "Madden fix," which clarifies that the interest rate on loans will continue to be valid after the loans are transferred.

CBAI supported this rulemaking in a comment letter to the regulators dated January 20, 2020. In its letter, CBAI stated that transfers [assignments] are an important choice, and often the best course of action to manage liquidity. Banks also rely on assignments in secondary market securitization to manage concentrations of credit and access other funding sources. All these tools are used to effectively manage financial institutions and meet customers' needs. This management tool would be significantly weakened if the interest on assigned loans to third parties were uncertain for fear of violating state usury caps.

[Read FDIC Press Release »](#)

[Read FDIC Fact Sheet »](#)

[Read CBAI Comment Letter »](#)



CBSC and Fitech Expand Relationship to Include Autobooks, Service Suite for Small Business Banking

New member service improves small business cash flow and operating efficiency.

CBSC Board of Directors announced it has expanded its partnership with Fitech, the exclusive provider of merchant payments services, to include Autobooks, an integrated suite of services tailored to meet the unique needs of small businesses. Fitech leverages Autobooks to streamline payables, receivables, and reporting for small business banking clients.

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CBAI Urges FDIC to Halt Industrial Loan Company Approvals and Closing the ILC Regulatory Loophole

CBAI has consistently opposed the mixing of banking and commerce, which industrial loan companies (ILCs) represent, because of the risks they pose to the financial system, our economy and American taxpayers. Our concerns are magnified by the lack of supervision and regulation (i.e., the 'loophole') of their parent holding companies by the Federal Reserve.

In a June 29, 2020 comment letter to the FDIC, CBAI expressed its opposition to the mixing of banking and commerce and urged a moratorium on approving deposit insurance applications until the unique risks posed by ILCs can be thoroughly explored in post-pandemic Congressional hearings, and for Congress to close the ILC 'loophole'. CBAI also urged public hearings to be held on each pending ILC application for deposit insurance before the FDIC acts on the application.

[Read CBAI Comment Letter to the FDIC »](#)

Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Financial Institutions

The FDIC, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the National Credit Union Administration (federal financial regulatory agencies) in conjunction with the state bank and credit union regulators are jointly issuing examiner guidance (interagency examiner guidance) to outline the supervisory principles for assessing the safety and soundness of institutions

given the ongoing impact of the COVID-19 pandemic. This is guidance for examiners, and no action on the part of supervised institutions is required.

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FHLBank Chicago Announces Q3 and Q4 2020 Dividend Guidance

In April 2020, the Federal Home Loan Bank of Chicago announced their expectation to maintain a 5.00% (annualized) level of dividend for Class B1 activity stock for the second quarter of 2020. Given the uncertainties related to the COVID-19 pandemic and its potential effects on the economy, they were unable to provide further guidance on dividends at that time. While the virus continues to impact the businesses and communities you serve throughout our District, they remain financially strong and ready to support you through this time.

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CDC Issues COVID-19 Guidelines for Banks

The Centers for Disease Control and Prevention released COVID-19 guidelines for bank employers and employees. The guidelines provide information on how COVID-19 spreads, how to protect staff, and more. Additional resources on managing staff and technology are available on ICBA's comprehensive COVID-19 frequently asked questions.

[Read Employer Guidelines »](#)

[Read Employee Guidelines »](#)

2020 CRA List Released

Federal regulators released the 2020 list of distressed or underserved nonmetropolitan middle-income geographies. These are geographic areas where revitalization or stabilization activities are eligible to receive Community Reinvestment Act consideration under the community development definition.

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ICBA Summary of OCC's CRA Final Rule

ICBA published a summary of the OCC's final rule reforming Community Reinvestment Act regulations for national banks and savings associations. The summary outlines background information and provisions of the rule, including the community bank opt-in, qualifying activities, assessment areas, performance evaluations, and more.

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CFPB Offers Leeway on Homeowner Loss Mitigation

The Consumer Financial Protection Bureau issued an interim final rule clarifying that mortgage servicers may offer certain COVID-19-related loss-mitigation options based on limited borrower application information. Regulation X normally would require servicers to collect a complete loss-mitigation application before making an offer. The rule specifies that loss-mitigation options must meet certain criteria to qualify for an exception.

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CSBS: Mortgage Forbearance Requests are Manageable...For Now

Following the COVID-19 pandemic and subsequent economic lockdown, one question on the minds of bankers, mortgage service providers, investors, regulators and policymakers is: Will Americans be able to continue to pay their mortgages? Given that over the past three months, total nonfarm payroll employment has dropped by about 20 million employees and the unemployment rate has increased from 3.5% to 13.3%, this appears to be a legitimate and genuine concern. While it is too early to gauge the long-term impact, recent data show that mortgage forbearance requests have stabilized and are manageable...for now.

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FDIC Releases Quarterly Newsletter

The FDIC released its quarterly newsletter on June 30, 2020. Topics covered include:

- COVID-19 Guidance Update
- Loan Application – One Definition Does Not Fit All

- FDIC Works to Preserve and Promote Minority Depository Institutions
- Amendments to Regulation Implementing the Home Mortgage Disclosure Act (HMDA)
- Upcoming Chicago Region Community Affairs Webinars
- Consumer Compliance Report of Examination Update – Revised Violation Codes
- FDIC Consumer Compliance Supervisory Highlights
- [Read More »](#)

OCC Reduces Assessments Due to COVID-19

The OCC approved an interim final rule that will reduce assessments due to the OCC on Sept. 30, 2020, because of the COVID-19 emergency. Under the rule, assessments will be based on Dec. 31, 2019, call reports, which will result in lower assessments for most OCC-supervised banks. If a bank's assets as reported on the June 30, 2020, call report are lower, the OCC will base its assessment on that data.

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OCC: Federal Standards Preempt New State, Local Requirements

The OCC said that while state and local governments have an important role to play in the country's COVID-19 response, banks are governed primarily by uniform federal standards. In a bulletin on preemption, the OCC said it is concerned that the proliferation of competing requirements will conflict with banks' ability to operate effectively and efficiently.

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GAO Recommends Tighter PPP Oversight

The Government Accountability Office recommended updates to the Paycheck Protection Program as part of a sprawling review of the federal COVID-19 response. Alongside a timeline of the SBA's numerous issuances of regulations and guidance on the program, the GAO encouraged the agency to "identify and respond to risks in PPP to ensure program integrity, achieve program effectiveness, and address potential fraud." Specifically, the GAO raised concerns with allowing lenders to rely on borrower certifications to determine their eligibility and use of loan proceeds. It also encouraged the SBA to proceed with its planned reviews of loans over \$2 million.

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CBAI Foundation Scholarships for Children and Grandchildren of Community Bankers

The CBAI Foundation for Community Banking is proud to present three annual \$4,000 Scholarships endowed by: *SHAZAM®*, *Kasasa and Community BancService Corporation*. Eligible students are children and grandchildren of community bankers and students who work at our members' community banks. *(These students are not eligible for the original Foundation Scholarships).*

Your community bank can be eligible for all three with your support of the Foundation. These scholarships are for the children and grandchildren of CBAI member bank employees, directors, and officers of community banks with a tax-deductible contribution/pledge of at least \$2,500 to the Foundation. Part-time employees of the bank who are high school seniors are also eligible. The presentation of these scholarships will be held at the Annual Recognition Program during CBAI's 46th Annual Convention in Indianapolis, IN.

If you would like to know how your bank can become eligible for these scholarships, please view the form below or contact **Valerie Johnston** or **Bobbi Watson**. **Nominations must be received by Friday, August 14, 2020.**

[Learn How Your Bank Can Become Eligible »](#)

Consider a "Dress Down Day" Benefitting CBAI's Foundation Scholarship Program

CBAI encourages your bank to hold a "dress down" day for your staff benefitting CBAI's Foundation for Community Banking scholarship program. Choose any day in 2020 and ask your employees to donate a minimum of \$5 to the Foundation to dress casually. Participating banks will be recognized for their support in Banknotes magazine and at CBAI's convention! Your donations help fund the Foundation's 31 scholarships offered every year to high school seniors, the children and grandchildren of community bankers, and CBAI's Community Bankers School students. (All Foundation donations are 100% tax deductible). To find out more information on participating in "Dress Down for the Foundation," contact **Valerie Johnston** at 800/736-2224. Please send donations to: CBAI Foundation, 901 Community Drive, Springfield, IL 62703.



Federal Home Loan Bank of Chicago

Visit www.fhlbc.com

MORE UPCOMING EDUCATIONAL TRAINING

CBAI's In-Person Meetings Best Practices

As CBAI is gearing up to hold in-person educational events, we have developed the "CBAI's In-Person Meetings Best Practices" that explains the steps we are taking to comply with the state's guidelines on conducting in-person meetings and events.

[Read CBAI's In-Person Best Practices »](#)

CBAI Offering New E-Classroom Seminar Series

Community Bankers Association of Illinois, in conjunction with Focused Results, is offering a new "E-Classroom Seminar Series!" Topics include: Getting Results from Digital Sales Calls, Digital Coaching in the Now Economy, Best Practices in Branch Delivery, and The Pandemic's Financial Impact on Each Generation. These seminars utilize ZOOM. Each ZOOM meeting is a private, invitation-only meeting that is password protected.

[Register Now »](#)

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

MORE NEWS FROM SERVICES

The Baker Group: Baker Market Update

Some good news has already come out for Pending Home Sales as a report this week that showed in May, that activity surged 44.3% after plunging 21.8% in April and about the same in March. Pre-release estimates were only expecting a comeback of around 19.3%

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Welch Systems: What Are ITMs?

ATMs have been around since the 1960's and have become ubiquitous...everyone has used an ATM. Think of an ITM as an ATM on steroids. Engineers added video to the ATM architecture, which enables the customer to speak to a live teller, and integration directly to the core that greatly expands the scope of banking transactions.

[See Benefits of ITMs »](#)



Wolters Kluwer: New PPP Loan Forgiveness Technology Available

Thanks to the tireless work of lenders the past few months, the Paycheck Protection Program has provided critical stimulus relief to hundreds of thousands of small business employees under the CARES Act. Given the well-publicized challenges in navigating the Paycheck Protection Program, technology is helping lenders facilitate these PPP loans and, in the next phase of the program, loan forgiveness. **CBSA preferred provider Wolters Kluwer** has launched TSoftPlus PPP Forgiveness Module to help lenders and borrowers expedite the PPP loan forgiveness process.

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The Baker Group Bank Investment Strategies for 3rd Quarter 2020 Webinar

On Wednesday, July 8, The Baker Group will be offering a bank investment strategies webinar. 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

Financial institutions' CEOs, CFOs, investment officers, board members, and those who are directly or indirectly responsible for financial management functions will benefit from this webinar. ***There is no cost for this webinar.***

***1.5 hours of Finance CPE Credits will be earned for your participation in this group internet-based webinar. *Webinar must be viewed on a desktop computer to obtain CPE credits.**

Register Today »

CBIS: Agricultural Lending

Agricultural banks are at a crossroads due to years of weak profitability in the farm sector, with little near term prospects for substantial recovery. This seems to be the underwriting philosophy of major insurers that may not have had the stability of land values or the presence of many strong community banks that the state of Illinois enjoys.

While the industry assembled substantial financial resources during years of prosperity, (brought about by demand from expanding global exports and renewable fuels programs) there is concern that reserves have deteriorated, with additional erosion expected. For these reasons, you may be asked to complete a special agriculture questionnaire, or even have a verbal discussion with underwriters in the near future. **Read More from CBIS »**



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