



CBAI E-Newsletter, sponsored by SHAZAM July 3, 2019

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IN THE NEWS

CBAI ACTION ALERT: Report: Credit Unions Straying from Founding Mission

Credit unions have strayed from their founding mission of serving people of small means, according to a new report from Federal Financial Analytics. The report notes that credit unions have figured prominently in reports of predatory lending, increasingly serve middle- and upper-income households, and benefit from less stringent safety-and-soundness regulations. This report is just one more illustration of how far credit unions have strayed from their original purpose..

CBAI is calling on community bankers to use the ICBA Be Heard grassroots action center to urge Congress to investigate the trend of large credit unions buying up community banks. This disturbing trend is accelerating (two have been announced in Illinois alone) and is the most recent example of an expansionist agenda which is fueled by their tax subsidy and supported by their "cheerleader regulator." ICBA and CBAI are also encouraging community bankers to send in examples of egregious credit union actions to exposingcreditunions@icba.org and use the customizable op-ed and talking points to raise awareness of the acquisition trend.

[Read the New Report >>](#)

[Take Action Now - Tell Congress to Investigate >>](#)

[Access Additional ICBA Resources >>](#)

Faster Payments Council Names Executive Director

The U.S. Faster Payments Council said payments industry expert Kimberly Ford is joining the organization as its first executive director, effective Monday. Ford spent 15 years at First Data Corp. and has held numerous industry leadership positions, including chair of the Electronic Funds Transfer Association's Legislative & Regulatory Council. The council recently announced its first board of directors and inaugural officers. ICBA member Michael Bilski, chairman and CEO of North American Banking Co., was elected chairman. ICBA members Mark Keeling of The Bankers Bank and Robert L. Palmer of Community Bankers Association of Ohio were elected directors. The Faster Payments Council works to modernize the U.S. payments system and ensure ubiquitous access to faster payments.

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CBAI and ICBA Continues Push for Rural Lending Tax Relief

With Congress heading into the July Fourth recess, ICBA continues calling on community bankers to urge their lawmakers to co-sponsor legislation that would provide tax relief for agricultural and rural residential lending. Community bankers can use ICBA's Be Heard grassroots action center to urge support for the Enhancing Credit Opportunities in Rural America Act (H.R. 1872/S. 1641). The bill provides tax relief for interest earned on loans secured by agricultural real estate or certain rural single-family homes.

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[ICBA's Be Heard Grassroots Action Center >>](#)



CFPB Extends Comment Period on HMDA Thresholds

The Consumer Financial Protection Bureau said it is extending the comment period on its advance notice of proposed rulemaking on the Home Mortgage Disclosure Act, including provisions on coverage thresholds. The CFPB will extend the comment period on the additional HMDA data points required under its October 2015 rule from July 8 to Oct. 15. The bureau also will issue a Federal Register notice to reopen the threshold comment period, which closed June 12.

[Read ICBA Comment Letter >>](#)

Rural Index Rises, but Farm Woes Continue

Creighton University's index of the rural economy rose above growth-neutral in June, though more than one in four surveyed bank CEOs reported rising loan defaults due to farmer financial woes. Almost half of bankers reported that due to crisis-level farm income, farmers in their area have responded by selling or otherwise leaving their farm. Creighton's Ernie Goss cited higher commodity prices and rebuilding from recent floods as positives, and he noted that nearly 70 percent of surveyed bankers said they support raising or continuing current tariff levels.

Jeff Bonnett, president of Havana National Bank and CBAI board member, said it has been estimated that anywhere from 15 to 20 million acres were not planted in corn. According to Bonnett, "Based upon this information, corn prices should be in the \$5.75 to \$6 (or more) a bushel range. What are we missing? Will the true corn acres planted be revealed after the required certification through FSA due by July 15th?"

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Opinion: The Key to Rightsizing Regulation

Eugene Ludwig, former Comptroller of the Currency in the 1990s and founder and chief executive officer of Promontory Financial Group, recently expressed his opinion on rightsizing bank regulation. He believes that smart regulation, not deregulation, is the best approach. Ludwig stated that regulators should engage the private and academic sectors on an ongoing basis via creation of a National Institute of Regulation, a stand-alone institution that emulates the brainpower and contribution seen at the National Institutes of Health.

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Results of the 2019 CBAI Compensation Survey Now Available

The wait is over! The results of the 2019 CBAI Compensation Survey are now available. And, once again, participants received the results for free, thanks to sponsor **IZALE Financial Group**.

CBAI is confident that community bankers will be very pleased with the report, professionally prepared by **BalancedComp**. Pages are linked for ease of navigation. Compensation is indexed by city of participant. And the analysis provided is more complete than ever before. Thanks go out to nearly 200 community bankers who took the time to complete the Survey. Non-participant CBAI members can purchase the results for \$300. Contact Valerie Johnston, CBAI SVP Communications, at cbaicom@cbaicom.com or 800/736-2224.

USDA Planning Cover Crop Guidance

The USDA said it will provide new guidelines and policy provisions to enact changes to the treatment of cover crops beginning with the 2020 crop year. The 2018 farm bill added flexibility to when cover crops must be terminated while remaining eligible for crop insurance. Producers will now know up front that insurance will attach at the time of planting the insured crop, the USDA said.

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FDIC Centralizing Megabank Oversight

The FDIC said it will centralize its supervision and resolution activities for the largest banks in a new division to be named the Division of Complex Institution Supervision and Resolution. The new division will be responsible for the agency's supervision and monitoring of banks with more than \$100 billion for which the FDIC is not the primary federal regulator.

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GDP Growth Holds at 3.1% in Q1

The gross domestic product rose 3.1 percent in the first quarter of 2019, according to the Commerce Department's third estimate. The GDP rose 2.2 percent in the fourth quarter of 2018. Separately, pending home sales rose 1.1 percent in May, with every major region except the West reporting gains, according to the National Association of Realtors.

[See Estimate >>](#)

[See Pending Home Sales >>](#)

Participate in the "Dress Down" Campaign 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 2019 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 cbaicom@cbai.com or by phone at 800/736-2224. Please send donations to: CBAI Foundation, 901 Community Drive, Springfield, IL 62703.

CBAI LEGAL: U.C.C. Questions and the New U.C.C. Resource Center

Now located in the "Members Only" area of CBAI's website is a U.C.C. Resource Center that has been added to the Legal Link Library. Click here for details and samples of what you will find in the U.C.C. Resource Center.

[See U.C.C. Resource Center >>](#)



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NEWS FROM SERVICES

The Baker Group: Baker Market Update

Maintaining expansion in the manufacturing sector is also proving to be a challenge as markets learned recently that the Institute of Supply Management's Manufacturing Index slipped, again, to 51.7 from 52.1. Some may consider it a positive that it didn't fall as much as expected, but its steady decline is closing in on the expansion/contraction demarcation level of "50." Apart from its implications for growth, the ISM Prices Paid sub-index also has implications for inflation.

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Ncontracts: What to Do If You're Worried About Your Vendor's Finances

No one knows when the next downturn is coming. The only thing we can do is to assume one will come sooner or later and put plans in place to mitigate the risk. Chances are your institution's balance sheet is as prepared as it can be for economic disruptions. That's the very nature of banking.

But what about vendors? Most banks rely on many third-party vendors to deliver critical products and services. Now is the time to make sure you have policies and procedures in place to ensure the ongoing financial soundness of your third-party vendors. How do you know your vendor is in trouble and what can you do if it is?

[Learn More from CBSC Marketing Partner Ncontracts >>](#)

Harland Clarke: Digital + Brick and Mortar – It's Not Either/Or, But Yes... And

Patriots vs. Rams. Superman vs. Lex Luthor. Oil vs. Water. There are many pairs that come to mind when you think of the word "adversaries." Brick and mortar vs online? We don't believe you should think of brick and mortar locations and your institution's digital presence as adversaries. In order to win in today's era of customer engagement, online *and* offline locations need to work in tandem – seamlessly. Find out how to

pave the smoothest road between your customer's offline must-do's and online activity.

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CBIS: Comprehensive Elements of a Risk Management Program

Every risk management approach should be different, providing a unique and comprehensive evaluation of each community bank. A professional insurance partner needs to leverage tools and diverse resources for a customized, consultative analysis of the impact of all six cost drivers on your total cost of risk, **not just premium cost. The work is on-going and never done!** But the process should help you understand all your actual and potential costs, and the strategic options to reallocate these costs with smart, actionable insights. This will empower you to know, control and minimize your total cost of risk and improve your profitability.

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