



CBAI E-Newsletter, sponsored by SHAZAM September 11, 2019

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IN THE NEWS

CBAI's 45th Annual Convention & Expo is NEXT WEEK, *but it's not too late to register!*

Has your schedule opened up? Have you not gotten around to registering yet? Now is the time to act! You can register for the full convention or as a one-day registrant!



Take a look at the full convention brochure and one-day registration options! **Scheduled for September 19-21, 2019, at the Crowne Plaza in Springfield**, this year's convention features top-notch education from expert speakers across the country, nearly 90 exhibit booths with the latest products and services for community banks, countless networking opportunities, fun social events and more! Check out the details on 20 education break-out sessions, Thursday's Golf Outing, Friday night's karaoke fundraiser for the Foundation, the Saturday night entertainment, partners' programs and other exciting events! To make a hotel reservation for the Crowne Plaza, contact Melinda McClelland at melindam@cbaicom.

[Register for the Full Convention >>](#)

[Register for One-Day at Convention >>](#)

CBSC Preferred Provider Ncontracts Recognized by Inc. Magazine as one of America's Fastest Growing Companies

Ncontracts, the leading provider of integrated risk management solutions for financial institutions, has joined the Inc. 5000, the magazine's annual listing of America's fastest-growing private companies. With 345 percent revenue growth over the past three years, Ncontracts ranks in the top 25 percent of the list. The list represents a unique look at the most successful companies within the American economy's most dynamic segment—its independent small businesses. Microsoft, Dell, Domino's Pizza, Pandora, Timberland, LinkedIn, Yelp, Zillow and many other well-known names gained their first national exposure as honorees on the Inc. 5000.

[Read More >>](#)

Vote for David Loundy for the Federal Home Loan Bank of Chicago Board of Directors

CBAI is pleased to endorse **David J. Loundy, chairman and CEO of Devon Bank, Chicago**, for the **Federal Home Loan Bank of Chicago 2019 Member Director Election**. Loundy was the first third-generation CBAI board member and is a current board member of the Community BancService Corporation. He is also a member of CBAI's Chicago Area Education Subcommittee. CBAI believes Loundy will effectively serve the interests of community-based financial institutions on the FHLB board. Ballots are expected to be mailed around September 23, and signed ballots must be received by mail at the FHLB by November 5, 2019.

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Donate Today to Be a Rock Star for the Foundation at CBAI's 45th Annual Convention & Expo

This year's Friday night activity at CBAI's 45th Annual Convention and Expo is a tented parking lot party at the Crowne Plaza. Included in your registration fee, this fun, interactive event features a karaoke fundraiser benefitting the CBAI Foundation for Community Banking scholarship program. You can sing, nominate a friend, or support a fundraising team to help a great cause! Two teams will be going head-to-head to see who can raise the most money for the Foundation.

Donations are now being accepted! Donations will also be taken throughout the event and in the exhibit hall on Friday. All donations are 100 percent tax deductible. Click here for more information on the Foundation event. You won't want to miss this exciting event, sponsored by **The Baker Group, BankOnIT, Federal Home Loan Bank of Chicago and Quad City Bank & Trust**, and so much more at CBAI's 45th Annual Convention & Expo!

[More Information Here >>](#)



Community Banks' Net Income Increases 8.1 Percent from Second Quarter 2018

Community Banks Top Performers in Q2

The FDIC last week released the bank performance statistics for the second quarter of 2019. The 4,873 FDIC-insured community banks across the nation reported net income of \$6.9 billion in the second quarter of 2019, up \$522.7 million from a year earlier. Growth in net interest income (up 5.1 percent to \$19.3 billion) and noninterest income (up 4.8 percent to \$4.7 billion), as well as gains on securities sales (up 654.8 percent to \$233 million) drove the annual increase in profitability. Combined growth in these areas offset increases in noninterest expense (up 5.6 percent to \$15.3 billion) and provision expense (up 2.2 percent to \$672.7 million). For the 424 insured institutions in Illinois, return on assets and return on equity increased compared to one year ago.

Community banks reported \$6.9 billion in net income during the second quarter, an 8.1 percent increase from the same time last year, the FDIC reported in its Quarterly Banking Profile. The increase was fueled by gains of 5.1 percent in net interest income, 4.8 percent in noninterest income, and 654.8 percent on securities sales. Overall, FDIC-insured institutions reported a 4.1 percent annual gain in net income on a 3.7 percent improvement in net interest income. The FDIC's Problem Bank List declined from 59 to 56 banks, the lowest number since the first quarter of 2007. Merger transactions absorbed 60 institutions, five new banks opened, and one institution failed.

[See FDIC Release >>](#)

[Read Community Bank Performance Section >>](#)

[See Illinois Statistical Table >>](#)

[Read ICBA Release >>](#)

CBAI Supports Bowman's Nomination to the Fed Board

Ahead of a vote that could come as early as this week, CBAI urged Illinois U.S. Senators Durbin and Duckworth to support Michelle Bowman's nomination for a full term as a member of the Board of Governors of the Federal Reserve System. Last fall Bowman made history by being the first person to fill the community bank seat on the Fed Board which was instituted by Congress in 2015. Fed policy impacts many aspects of community banking and this position provides needed insights from an important perspective. Since being sworn-in, Bowman has performed well and has extensively engaged with community bankers on our issues.

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Community Bank Assessment Credits Take Effect

The FDIC Deposit Insurance Fund reserve ratio surpassed 1.38 percent, triggering approximately \$764

million in ICBA-advocated assessment credits for community banks with less than \$10 billion in assets. The FDIC will start applying the credits this month to offset the 2019 second-quarter bank assessments.

As advocated by CBAI and ICBA, a provision of the Dodd-Frank Act of 2010 requires larger banks to offset the cost of increasing the DIF reserve ratio from 1.15 percent to 1.35 percent on banks under \$10 billion. These assessment credits will be automatically applied each quarter that the reserve ratio is at least 1.35 percent.

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Six Banking Issues to Watch as Congress Reconvenes

Unlike most recent congressional recesses, this past summer's break has seen some key financial policy news as bank regulators finalized a pivotal rule rolling back the Volcker Rule. Now that lawmakers have returned from their late-summer break on September 9, there are a host of other unresolved financial services issues facing them, including efforts to let bankers serve the marijuana industry and reforms of anti-money-laundering requirements.

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Meeting with Federal Reserve Bank of Chicago President Charlie Evans

CBAI member Greg Ohlendorf (President and CEO – First Community Bank and Trust in Beecher) and CBAI's David Schroeder (Senior Vice President, Federal Governmental Relations) met with senior staff from the Federal Reserve Bank of Chicago including: Charlie Evans (President and CEO), Julie Williams (Executive Vice President Supervision and Regulation) and Richard Brunskill (Vice President Community Banking Organizations). CBAI meets periodically with the Federal Reserve to discuss important issues for Illinois community banks.

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Federal Reserve's Beige Book: Modest Economic Growth Continues

This Beige Book was prepared by the Federal Reserve Bank of Atlanta based on information received from contacts outside the Federal Reserve System as of August 23, 2019. On balance, reports from Federal Reserve Districts suggested that the economy expanded at a modest pace through the end of August. Although concerns regarding tariffs and trade policy uncertainty continued, most businesses remained optimistic about the near-term outlook.

Economic activity in the FRB Chicago's Seventh District increased slightly overall in July and early August, and contacts expected growth to continue at a similar pace over the next 12 months. Consumer spending increased modestly; employment and business spending increased slightly; and manufacturing and construction and real estate were little changed. Wages and prices rose slightly. Financial conditions were little changed on balance. Farm income prospects improved some but remained poor for most agriculture sectors.

[Read Full Beige Book Report >>](#)

[See FRB Chicago Report >>](#)

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

USDA Predicts Higher Farm Profits in '19

The USDA has projected that net farm income will increase \$4 billion (4.8 percent) to \$88 billion in 2019 following slight gains in 2017 and 2018. Adjusted for inflation, the increase is projected at 2.9 percent. Direct government farm payments are forecast to increase 42.5 percent to \$19.5 billion—the highest level in 14 years—due to higher payments for farmers affected by trade disputes.

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ICBA Commends Trump Administration for Issuing Housing Plan

ICBA commended the Trump administration for its proposed reforms to the housing-finance system. In a statement, ICBA President and CEO Rebeca Romero Rainey noted the plan proposes recapitalizing Fannie Mae and Freddie Mac and ending the net-worth sweep of their earnings. She said community banks have long supported these actions and depend on the liquidity provided by the government-sponsored enterprises and competitive access to the secondary market. CBAI has backed this approach for several years as well.

[Read ICBA Release >>](#)

[See Treasury Release >>](#)

Credit Union Consolidation Continues; Trend Spotlighted in Wall Street Journal

Total assets in federally insured credit unions rose 6.3 percent over the past year to \$1.52 trillion while their numbers declined to 5,308 from 5,480, the National Credit Union Administration reported. According to second-quarter data, insured shares and deposits rose \$62 billion, or 5.5 percent, while the average credit union outstanding loan balance rose 1.5 percent to \$15,458. The troubling trend of large credit unions buying up smaller community banks made headlines this week in The Wall Street Journal. ICBA has led the way in raising the profile of this troubling trend with its Credit Union Task Force, Be Heard grassroots action alert to Congress, and exposingcreditunions@icba.org email address, which community bankers can use to flag examples of egregious credit union actions.

[Read More from the National Credit Union Administration >>](#)

[Read Wall Street Journal Article >>](#)

[Click Here for the ICBA Be Heard Grassroots Action Alert >>](#)



CFPB Settlement First Under Remittance Rule

The Consumer Financial Protection Bureau announced a settlement with Maxitransfers Corp. in the first enforcement action based on violations of its Remittance Transfer Rule. According to the consent order, the CFPB found that Maxi violated the Consumer Financial Protection Act of 2010 by errantly telling consumers it would not be responsible for errors made by its third-party payment agents. The bureau also said Maxi used inaccurate language in disclosures and failed to maintain required policies and procedures to comply with error-resolution procedures. Maxi must pay a \$500,000 civil money penalty and improve its compliance management to prevent future violations.

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Conference of State Bank Supervisors Launches Online Tools to Protect Against Cyber Risks

The Conference of State Bank Supervisors has launched three new online tools so the financial industry can more easily navigate the state regulatory system and protect against cyber risks.

The tools include:

- A [portal of state agency guidance](#) for nonbank financial services companies
- An [interactive map of agent-of-the-payee exemptions](#) from money transmission laws
- A new [cybersecurity 101 resource](#) center for banks and nonbanks alike

The tools are part of CSBS Vision 2020, a set of initiatives to modernize nonbank licensing and supervision, and the first two tools respond to formal recommendations made earlier this year by the CSBS Fintech Industry Advisory Panel. The cybersecurity 101 resource center features a non-technical guide and related information to help financial institutions develop comprehensive cybersecurity programs.

Participate in CBAI's 2020 Annual Foundation Essay Scholarship Program

The 2020 Annual Foundation for Community Banking Essay Scholarship Program is now available. This program allows your bank to sponsor local high school seniors in the Foundation's essay contest, which annually awards \$21,000 in scholarship funds to top high school seniors statewide. **There is no cost for**

your bank to participate! Each year, the Foundation awards a \$1,000 scholarship to a student in 11 of CBAI's 12 groups along with \$500 to a second person in each group, which ensures geographical uniformity of winners. One student will win \$1,000 a year for up to four years of higher education. And, as in previous years, the high school of the overall winner will receive \$500.

Don't miss this rewarding public relations opportunity! High-school seniors are always looking for ways to make college more affordable. Plan now to participate in the CBAI Foundation for Community Banking Scholarship Program and make 2020 our biggest year yet! Return the form today via fax to 217-585-8738 or e-mail bobbiv@cbaicom.com to receive your information kit on the 2020 Annual CBAI Foundation for Community Banking Scholarship Program.

[See Brochure >>](#)

Fall Associate Member Directory Now Available

CBAI's 2019 Fall Associate Member Directory is now available! Take advantage of this vital resource to find vendors for all your purchasing and consulting needs.

The Directory is divided into three sections:

- By category of business/product/service;
- Alphabetical by firm name; and
- Preferred services of Community BancService Corporation (CBSC), a division of CBAI.

The Associate Member Directory is distributed twice annually via e-mail and is also available on our website at www.cbaicom.com. The website version will be continuously updated as new firms join membership. If you would like a hard copy, please contact Valerie Johnston at cbaicom@cbaicom.com.

[See Associate Member Directory >>](#)



The image contains two promotional banners. The left banner is for FHLB Chicago, featuring a close-up of a document with the text: "Membership offers customized solutions for your strategies." and the FHLB Chicago logo with the website www.fhlbc.com. The right banner is for a "CBC PROGRAM RENEWAL" seminar, featuring a group of business professionals running. The text on the banner reads: "CBC PROGRAM RENEWAL 'The challenge of keeping pace with the ever-changing compliance regulations!'" Below this is a graphic with the word "COMPLIANCE" in large blue letters, surrounded by terms like "management", "CONSISTENCY", "guidelines", and "policies". At the bottom of the right banner, it lists "Community Bankers For Compliance Policies / APRWIN / Responding to Audit Findings / Lending Errors" and the dates "October 29-Springfield October 30-Lisle".

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

NEWS FROM SERVICES

The Baker Group: Baker Market Update

Blowouts, upsets and surprises. Those terms could well describe the NFL's opening weekend, but might they also describe the recent week that's waiting for financial markets? Treasury prices fall as the Ten Year's yield rises above 1.60%. While trade talks with China are not scheduled to resume until next month, data out of China is showing significant slowdowns in that nation's exports and imports.

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Big Gains in the Cloud, Especially for Community Banks

Wolfgang Prinz, vice president of global platform management at Wolters Kluwer Finance, risk and reporting has examined the opportunities for community banks in the cloud. He has concluded that outsourcing regulatory reporting and compliance – using software as a service – can help firms with limited resources and manpower acquire expertise, flexibility and reliability at a reasonable cost. **Wolters Kluwer is a CBSC Preferred Marketing Partner.**

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The Baker Group Offers Bond School November 5-6 in Oklahoma City

Education is the foundation of performance for investment portfolio managers, and that is why The Baker Group has presented hundreds of seminars and conferences across the country over the last 40 years. Now they have brought that history of educational experience to a bond school designed specifically for new portfolio managers and those needing to learn the fundamentals of fixed income investing. The Baker Bond School will give attendees the knowledge to better understand the various types of securities available, how to analyze them effectively, and how to use that knowledge to build and manage a high-performance investment portfolio within the framework of the entire balance sheet.

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