

*Connected to Community Banking!*



*One Mission. Community Banks.*

## CBAI E-Newsletter, sponsored by SHAZAM

November 6, 2019

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## IN THE NEWS

### NEWS FROM THE FRONT 10/31/19

The Illinois Secretary of State's Office is reversing its decision to target bank holding companies for increased franchise tax assessments. **They have also provided CBAI with a statement guiding taxpayers who have been harmed looking to recover over-payment of taxes.** The fall veto session kicked off with the General Assembly embroiled in new corruption allegations and FBI investigations. Legislation to consolidate downstate police and fire pensions systems has been filed. CBAI discussed agriculture and international trade issues with legislators and cannabis banking with a state agency. You can read about this and more in the latest edition of News from the Front.

[Read NEWS FROM THE FRONT >>](#)

### Check Out CBAI's Facebook Page!

CBAI recently launched a Facebook page! Visit us at [www.facebook.com/CommunityBankersofIL](http://www.facebook.com/CommunityBankersofIL). Plus, be one of the first 250 to like our page and you will be entered into a drawing for a FREE one-day seminar registration.

We want to use our Facebook page not only to keep you up-to-date on CBAI news and events, but also to share what our members are doing. From community events to new hires, we want to know what's happening at your bank! E-mail Valerie Johnston at [cbaicom@cbaicom.com](mailto:cbaicom@cbaicom.com) to share your news with us.

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### CBAI Announces 2019 Community Bank Directors' Conference

CBAI is pleased to offer the 2019 Community Bank Directors' Conference on December 11, 2019, at the Crowne Plaza, Springfield. Being a member of a community bank's board of directors is a challenging and rewarding experience. The community bank director has duties to the institution, its stockholders and its depositors. And, he or she has responsibilities to the public-at-large. To meet these duties and responsibilities, a director must be knowledgeable and active. Join us at CBAI's Annual Directors' Conference! CBAI gathered top banking experts to make this comprehensive, one-day conference a must-attend.

[Register Today >>](#)

### CBAI Urges Further Revisions to the FDIC's Deposit Rate Caps

In a comment letter dated November 4, 2019, CBAI thanked the FDIC for proposed rulemaking to "amend its methodology for calculating the national rate cap[s]" applicable to institutions that are less than well-capitalized; however, CBAI urged the FDIC to implement several recommendations to address the problems with the Deposit Rate Caps that are aggravating already significant problems for less than well-capitalized banks.

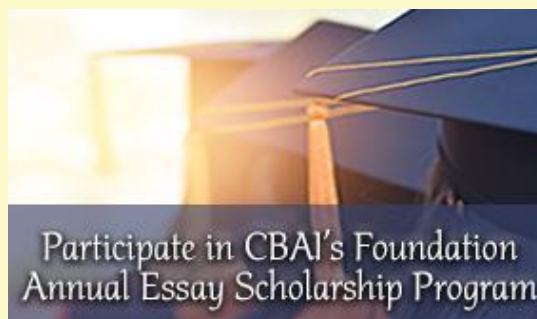
[Read CBAI Comment Letter >>](#)

### ICBA "Wake Up" Campaign Offers Custom Resources

ICBA's recently launched "Wake Up" campaign features various custom resources community bankers can use to take on credit unions' risky practices and tax exemption. The ICBA "Wake Up" resource center offers a customizable grassroots alert calling on Congress to rein in the runaway credit union industry. It also features custom op-eds, talking points, and additional information community bankers can use to spread the word.

The campaign encourages policymakers to open their eyes to the growing threats posed by credit unions' abandonment of their founding mission facilitated by their captive federal regulator, the National Credit Union Administration. The campaign follows the formation of the ICBA Credit Union Task Force to take on the trend of large credit unions using their tax subsidy to buy smaller community banks.

[Learn More >>](#)



### **NCUA Proposes Updating Field-of-Membership Rule**

The National Credit Union Administration issued a proposed rule that would amend the agency's field-of-membership regulations to implement an August 2019 federal appeals court opinion. Under the proposal, credit unions applying for a federal charter or charter change would be allowed to designate a combined statistical area or an individual contiguous portion of such an area as a well-defined local community, provided the area has a population of 2.5 million or less.

The proposed rule also explains the agency's decision to eliminate the requirement in its 2016 final rule that a field-of-membership serve a core-based statistical area. It also would add an explicit provision to address concerns about potential discrimination in the field-of-membership selection process.

The proposal follows a U.S. Court of Appeals decision in an ICBA-supported lawsuit that largely upheld the NCUA's rule. However, the appeals court also found that a provision of the rule could have a discriminatory impact on lower-income and minority residents, permitting the NCUA to issue the new proposed rule to address the court's concerns. The NCUA rule significantly expands the service areas in which community credit unions can do business. Comments on the proposed rule are due within 30 days.

[Read Proposed Rule >>](#)

[Read U.S. Court of Appeals Decision >>](#)

### **NCUA's Harper Proposes Dedicated Exams for Larger Credit Unions**

National Credit Union Administration Board Member Todd M. Harper last week proposed the creation of a dedicated consumer compliance exam program for large, complex credit unions. Harper said the NCUA's regulatory regime has not evolved with credit union growth. Harper noted that 317 credit unions with 71.7 million members exceed \$1 billion in assets, while the NCUA is on track to complete only 25 fair lending exams of more than 5,300 federally insured credit unions in 2019. He said the NCUA's compliance examinations and consumer financial protection reviews lag those performed by bank regulators. Harper has criticized the NCUA's role in the New York City taxi medallion scandal and voted against NCUA efforts to expand the powers of tax-exempt credit unions.

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### **Megabanks Continue Exiting Local Communities**

ICBA President and CEO Rebeca Romero Rainey wrote in a new blog post that the latest news from Wells Fargo reinforces that when the going gets tough, the megabanks head for the exits. She noted that Wells Fargo's cutbacks of agricultural lenders in rural areas is part of the growing trend of megabanks withdrawing from Main Street communities. "Unlike the megabanks, community banks are not fair-weather lenders," she wrote. "We stick with our borrowers in good times and bad because we are rooted in the communities we serve." CBAI wholeheartedly concurs.

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### **Agencies Issue Community Bank Leverage Ratio Compliance Guide**

Federal regulators formally finalized their rule implementing the Community Bank Leverage Ratio and issued a community bank compliance guide. The final rule holds the CBLR at nine percent, despite CBAI and ICBA-led efforts to lower the threshold to eight percent and expand capital relief to more community banks.

Banks with less than \$10 billion in assets that have a tier one leverage ratio above nine percent can opt to be considered well-capitalized and exempt from risk-based capital requirements, including the Basel III capital rules. Regulators said approximately 85 percent of community banks will qualify for the CBLR framework, which will be available to use in their March 31, 2020, call report.

[Read Joint Press Release >>](#)



### Agencies Update Appraisal Threshold for Higher-Priced Loans

Federal regulators said the threshold for exempting loans from special appraisal requirements for higher-priced mortgage loans during 2020 will increase from \$26,700 to \$27,200. The threshold amount will be effective January 1, 2020, and is based on the annual percentage increase in the Consumer Price Index as of June 1, 2019.

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### Consumer Credit, Lease Exemption Thresholds Announced

Regulators announced the dollar thresholds in Regulation Z (Truth in Lending) and Regulation M (Consumer Leasing) that will apply for determining exempt consumer credit and lease transactions in 2020. The protections generally will apply to consumer credit transactions and consumer leases of \$58,300 or less in 2020. Private education loans and loans secured by real property are subject to the Truth in Lending Act regardless of the loan amount.

[Read Joint Release >>](#)

### Request for Comment on Reporting Data on Loans to Small Businesses and Small Farms in Call Report

The Comptroller of the Currency, Federal Reserve Board, and FDIC have published a request for comment on ways to modify the current requirements for reporting data on loans to small businesses and small farms in the Consolidated Reports of Condition and Income (call report) so that the reported data better reflect lending to these sectors of the U.S. economy. Comments must be received by the agencies no later than December 16, 2019.

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### FHFA Plan Emphasizes Ending Conservatorships

The Federal Housing Finance Agency said ending the conservatorships of Fannie Mae and Freddie Mac is a central element of a new strategic plan on the enterprises. In the CBAI and ICBA-supported strategic plan, the FHFA said the 11-year conservatorship is far longer than any previous financial institution conservatorship. The FHFA also said the conservatorship has left the enterprises undercapitalized, so the agency is statutorily mandated to put them back into a safe, sound, and solvent condition. The agency's recent actions directing Fannie and Freddie to start retaining earnings is a step in that direction.

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### USDA Establishes Hemp Production Program

The USDA launched a Domestic Hemp Production Program creating a consistent regulatory framework for U.S. hemp production, as required by the 2018 farm bill. The department said it will soon issue an interim final rule that will allow hemp to be grown under federally approved plans and will make hemp producers eligible for agricultural programs. The rule includes provisions for the USDA to approve state and tribal hemp-production plans and establishes a federal plan for hemp producers in states or territories without an approved production plan.

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### Illinois Harvest: Majority of Beans in Bin; Corn Hit and Miss

Harvest in Illinois finally shifted into high gear in recent weeks with a focus on cutting soybeans. As of October 20, total soy harvest was 52% complete, or 16 points behind the average pace. Meanwhile, corn harvest was just 36% complete, or 34 points behind the average pace.

[Read IFB FarmWeek Article >>](#)

### **Counterfeit Official Checks and Fictitious Cashier's Checks Reported at Illinois Community Bank**

An Illinois community bank has recently reported that counterfeit official checks and fictitious cashier's checks using the bank's routing number are being presented for payment nationwide in connection with a variety of online auction overpayment and job opportunity scams. The bank does not issue cashier's checks. Therefore, any check drawn upon the bank marked as a "cashier's check" is fictitious. There are several variations of counterfeit official checks, which may be identified by specific traits.

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### **Community Bank Impediments to Attracting and Retaining Core Deposits**

In the 2019 Conference of State Bank Supervisors (CSBS) National Survey of Community Banks, "cost of funds" (35.4%) was the highest-rated answer by 571 community banks to the question of "what is likely to have the biggest influence on profitability over the next 12 months." In a related question, nearly one-third of the community bankers ranked "core deposit growth" (22.8%) or "cost of funds" (8.2%) as the "single greatest challenge" facing their institutions.

Deposit growth and funding risks are clearly a priority for community banks. And how these banks respond to the strategic challenges of attracting and retaining core deposits is an issue of interest to regulators, policymakers and bankers themselves.

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### **CBAI LEGAL: State Banks' "Wild Card" Authority and National Banks' "Most Favored Lender" Privileges**

Section 5(11) of the Illinois Banking Act is sometimes referred to as state-chartered banks' "wild card" statute because, even in the presence of other Illinois laws that may impose specific limits or obligations on state banks, those limits and obligations are superseded in favor of "parity" with whatever investments, property holdings and activities are authorized for national banks by the National Bank Act and/or by regulations of the Office of the Comptroller of the Currency. With respect to interest rates and loan-related charges, national banks have a parity "wild card" of their own.

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## **NEWS FROM SERVICES**

### **The Baker Group: Baker Market Update**

Stock prices are up and bond prices are down. The Ten-Year is off about half-a-point and that has pushed its yield up a handful of basis points to around 1.77%. For those who might be curious about the slope of the yield curve after last week's third rate-cut of the year, well, there's not a lot of slope.

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### **GET TIME BACK IN YOUR DAY**

Customer disputes are an ugly reality of running a bank, and if not handled correctly, can be time consuming and costly. Get time back in your day with SHAZAM's dispute resolution services. Our team of experts will take cardholder calls on your behalf, research claims, coordinate communications and investigate fraud-related cases, all while staying compliant with Regulation E. **Learn more at SHAZAM.**

### **CBIS: Who Needs Flood Insurance?**

An increase in flood events in many areas of the U.S. due to changing weather patterns, including more frequent and more severe storms, is a concerning trend. A huge misconception is that flood insurance should only be a concern for properties located on the coast or in Special Flood Hazard Areas (SPHA) designated by the Federal Emergency Management Agency (FEMA). According to Cat modeling firms *AIR Worldwide* and *KatRisk*, flood damage is the most frequent form of property loss reflected in their models. Twenty-five percent of flood insurance claims originate from low-to-moderate risk areas. Floods are the costliest disasters in the U.S. All 50 states and 98% of counties have had a federally declared flood disaster!

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FOR MORE INFORMATION CONTACT  
Jenny Dial | jennyd@cbaibank.com | 800.736.2224

Find us on:

