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

November 18, 2020

IN THE NEWS

Entire State Moving Back to Phase 3 COVID-19 Restrictions

Governor JB Pritzker announced that the entire state of Illinois will revert from Phase 4 to Phase 3 COVID-19 restrictions on Friday, November 20. This is similar to restrictions in place in April of this year, and does not include a stay at home order which is a feature of Phase 1 and 2. Community banks are encouraged to take measures to protect employees and customers wherever possible. CBAI spoke with Chasse Rehwinkel, acting director of the Division of Banking, who suggests that banks operate in the same manner they did when under Phase 3 earlier this year. He said that voluntary lobby closings are considered an appropriate measure and simply asks that banks notify regulators of their plans to close and open lobbies.

The governor issued a news release yesterday that suggested all businesses serving customers should consider a voluntary 25% capacity limit. From the news release:

Other functions (i.e. infrastructure, governments, logistics and warehousing, etc.) that previously have not been subject to specific guidance may continue regular operations but are encouraged to voluntarily take proactive steps to support new mitigation strategies wherever possible. In these areas, customer serving functions should be limited to 25% capacity, aligned with retail mitigations, and work from home should be maximized wherever possible.

Director Rehwinkel tells CBAI that for the purpose of the order banks would be considered retail operations and should try to adhere to the 25% capacity for customer serving functions. Rehwinkel tells CBAI that capacity should be interpreted in the same fashion as retail stores, meaning 25% of customer capacity, not including employees and vendors.
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New Report Highlights the Contributions of Community Banks to the PPP Loan Program

Community banks play an important role providing financial services to local customers and small businesses. Despite their relatively small size and share of banking industry assets, community banks have consistently demonstrated an ability to serve their customers. Even before the COVID-19 pandemic, community banks held an outsized share of small business loans. At year-end 2019, community banks held about 25 percent of small business loans, well above their share of 15 percent of total banking industry loans. Community bank participation in the U.S. Small Business Administration's Paycheck Protection Program (PPP) was also proportionately larger than their size in the banking industry. Other published analyses have discussed PPP activity in aggregate and by institution size. This article focuses on contributions of community banks to the PPP and explores how factors such as community bank location, specialty, and size affected participation.
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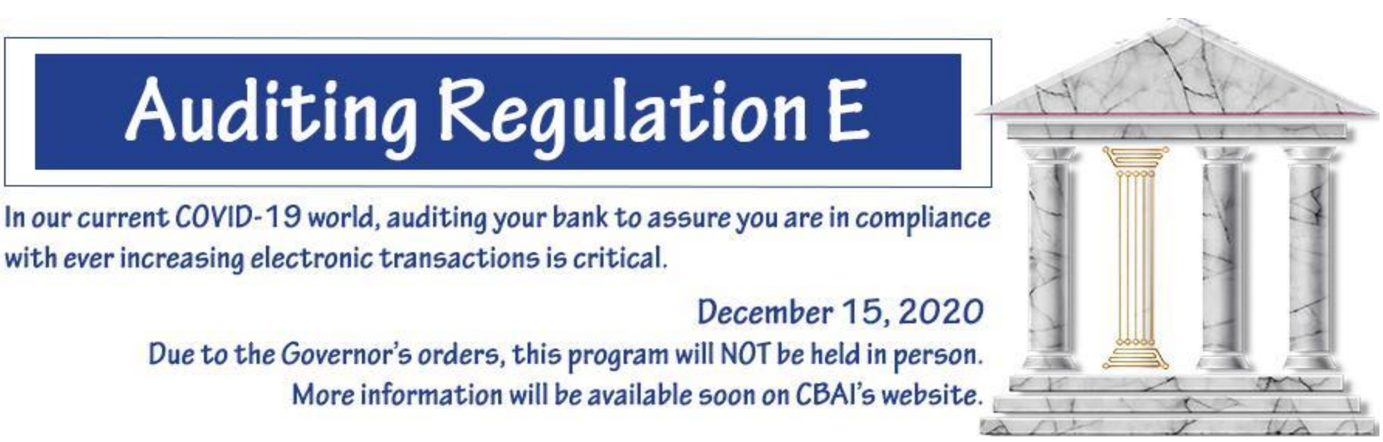

CBAI ACTION ALERT: Urge Members of Congress to Include Critical Provisions in the Next Pandemic Relief Bill!

CBAI joins the ICBA in urging Illinois community bankers to ask their Members of Congress to include key provisions in the next pandemic relief bill.

Congress is returning from their election break and will be working on potential COVID-19 relief during the "lame duck" session. Your response to this action alert asks your Members of Congress to include common-sense recommendations in upcoming legislation including simplifying PPP loan forgiveness with a $150K threshold; reversing the EIDL offset against PPP loan forgiveness; excluding PPP loans from assets for regulatory capital purposes; extending the TDR provisions through 2021; and making the 8% CBLR permanent for banks under $10 billion.

This important relief will help community banks and their small-business borrowers weather the COVID-19 pandemic. Please

share this action alert with your board members, senior management, and staff. We need a strong showing from Illinois community bankers.
Take Action Here »

Fed Seeking Feedback on FedNow Prep
The Federal Reserve is polling financial institutions on actions they plan to take over the next three months to prepare for the FedNow instant payments service.
Take the Poll »

CBAI Women in Community Banking Fundraiser Achieves Impressive Donation for Breast Cancer Research
For the past few years, the Community Bankers Association of Illinois' Women in Community Banking Conference has raised money for breast cancer awareness. This October, in lieu of the annual conference, CBAI encouraged member banks who would normally attend the event to participate in a month-long fundraiser to continue to support this cause. All funds were collected at the end of the month by CBAI and donated to Susan G. Komen Breast Cancer Foundation for breast cancer research on behalf of CBAI Women in Community Banking. CBAI and several member banks participated by holding dress down days, basket raffles, and other fundraisers to raise money, including State Bank of Toulon; Apple River State Bank; Jersey State Bank, Jerseyville; Buena Vista National Bank, Chester; First Robinson Savings Bank; CNB Bank & Trust, N.A., Carlinville; and Scott State Bank, Bethany. In total, CBAI was able to make a $5,261 donation to the fight against breast cancer. Visit our Facebook page to see the fundraisers held by participating banks.
View CBAI Facebook Page »

FHLB Chicago and Devon Bank Named to Chicago Tribune's 2020 Top Workplace List
Devon Bank, Chicago, and the Federal Home Loan Bank of Chicago were recently recognized by the *Chicago Tribune* as a 2020 Top Workplace. Only 140 companies and organizations were selected for this award. The list is based solely on employee feedback gathered through a third-party survey administered by employee engagement technology partner Energage, LLC. The Top Workplaces program celebrates leadership and the importance of maintaining an employee-focused culture, even during challenging times.
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Fed Removes Some Coin Allocation Caps
The Federal Reserve removed coin allocations for pennies and quarters while raising caps for nickels and dimes by 25 percent as Reserve Bank coin inventories near pre-pandemic levels. In a message to Federal Reserve Cash Services customers, the Fed said it will apply the updated standards to small, medium, large, X-large, and XX-large "endpoint" groups. The sizing regime is based on historical ordering volumes and doesn't correspond to bank size.

The Fed asked customers to order only what they need to meet near-term demand, noting that coin circulation is improving but has not been fully resolved.

Meanwhile, the U.S. Coin Task Force continues calling on financial institutions to use resources on its Get Coin Moving site to encourage consumers to gather, turn in, and circulate their coins.
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FHFA Extends Loan Flexibilities
The Federal Housing Finance Agency said Fannie Mae and Freddie Mac will extend several loan-origination flexibilities until Dec. 31. The flexibilities, previously set to expire Nov. 30, include alternative appraisals, alternative methods for documenting income, and expanded use of power of attorney.
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The Baker Group: Market Update
Another recent COVID-19 vaccine announcement has investors scrambling. Following last week's positive clinical trial results from Pfizer, Moderna announced today that the vaccine its been working on has proven to be 94.5% effective in preventing COVID-19 infections among the participants in its latest clinical trials. As a result, most equity markets are soaring on the news while Treasury bonds suffer through a mild sell-off.

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Kasasa: How to Get Non-Interest Income Now

Today's rate environment is compressing net interest margin for community financial institutions. So, generating non-interest income is more important than ever. But this is not just any non-interest income. Done right, the revenue you drive can add value to consumers' lives and deepen your relationships with them.
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CSI: Zooming to Meet Gen Z Banking Needs

Recent years have seen much discussion regarding millennials' entry into the workforce, spending and financial maturation. But as the oldest millennials approach 40, Gen Z banking is zooming into focus for the financial services industry.
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CBIS: Taking Care of Business Insurance Amidst a Pandemic

The U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) updated its COVID-19 guidance regarding reporting employees' in-patient hospitalization and fatalities resulting from work-related cases of the coronavirus. Employers must report a work-related COVID-19 employee death within eight hours of learning about it. Employers must also report in-patient hospitalizations related to workplace exposure if the hospitalization occurs within 24 hours of the work-related incident. According to OSHA, the employer must report such hospitalization within 24 hours of knowing both the employee has been in-patient hospitalized and that the reason for the hospitalization was a work-related case of COVID-19.
Read More from CBIS »

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CFPB Issues Debt-Collection Compliance Guide

The Consumer Financial Protection Bureau released a guide on its compliance aids related to its final rule implementing the Fair Debt Collection Practices Act. The guide includes information on the CFPB's Regulatory Implementation and Guidance team and links to various resources on complying with the rule, which restricts debt collector communications with consumers. The CFPB structured the final rule to ensure it applies only to third-party debt collectors and doesn't cover community banks and other first-party debt collectors.
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How Washington Can Ensure Stimulus Success: ICBA Op-Ed

The conflict between the Paycheck Protection Program and Economic Injury Disaster Loan advances is undermining the federal coronavirus response, ICBA Chairman Noah Wilcox and small-business customer Jim Lamke write in a new op-ed. In a joint op-ed on Medium, Wilcox and Lamke write that small-business owners have been surprised to find that EIDL advances are reducing PPP loan forgiveness, leaving them with unexpected balances of up to $10,000.

ICBA continues working with policymakers to strike the CARES Act provision requiring EIDL advance deductions and is calling on community bankers to **urge Congress** to address the issue in the next pandemic relief bill.
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OCC Issues Bulletin on CRA Rule

The OCC issued a bulletin summarizing key provisions of its final rule on Community Reinvestment Act regulations. The bulletin provides responses to frequently asked questions. The agency previously issued a Small Bank Compliance Guide and other resources on the rule, available on its CRA webpage.
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FHFA Approves Classic FICO for Fannie, Freddie
The Federal Housing Finance Agency approved the Classic FICO credit score model for use by Fannie Mae and Freddie Mac. The move allows the enterprises to continue operating while they assess more modern credit score models submitted under a joint solicitation, which the agency said could take another year.
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ICBA Urges Lame-Duck Congress to Pass Needed Relief
ICBA called on congressional leaders to ensure a pandemic relief package includes simplified Paycheck Protection Program forgiveness and full forgiveness for Economic Injury Disaster Loan Advances. In a letter to lawmakers as Congress kicks off its lame-duck session, ICBA also advocated excluding PPP loans from regulatory asset thresholds as well as capital and accounting relief to help community banks serve local communities.

ICBA continues encouraging community bankers and their small-business contacts to urge Congress to address the EIDL-PPP conflict, which is leaving borrowers with unexpected debt and community banks with balances from SBA-originated advances.
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Agencies Issue Statement on LIBOR Fallback Rate
Federal regulators issued a joint statement reiterating that banks may use any reference rate for loans that they determine to be appropriate for their funding model and customer needs. However, banks should include language in lending contracts on using a robust fallback rate if the initial reference rate is discontinued. The agencies said that while they are not endorsing a specific LIBOR replacement rate, institutions should have processes to mitigate their LIBOR transition risks. The statement notes that while the Alternative Reference Rates Committee recommended the Secured Overnight Financing Rate, or SOFR, as its preferred LIBOR alternative, the use of SOFR is voluntary.
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Payments Guide Now Open to All ICBA Members
ICBA Bancard's interactive tool to help community banks create a custom digital payments strategy to support their small-business customers is now available to all ICBA-member community banks. The ICBA Bancard Digital Payments Strategy Guide—Small Business Edition assesses community banks' overall small-business payments readiness, current payments business, digital capabilities, and financial alignment.
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CBAI LEGAL: Sibling Rivalry; Power of Attorney; Trusts and Interpleader
A recent case decided by the Illinois Appellate Court for the Second District resolved an intra-family dispute about an amendment to the father's living trust agreement by one of his children to whom he had granted power of attorney.
Read Most Recent CBAI LEGAL »

MORE UPCOMING EDUCATIONAL PROGRAMS

CBAI's Directors' Conference to be Held Virtually on December 14

CBAI is pleased to offer the "2020 Community Bank Directors' Conference" this year in a virtual format. The conference will be offered both live-stream, on-demand and is priced to train all your directors. The live-stream opportunity will be held on December 14th and provides the option to get your whole board together for a day of education in a remote environment. The on-demand option allows your bank to train your directors on their own time. You can also purchase both options to allow your directors the flexibility to train in the manner they are most comfortable. All options offer video training, handouts and the opportunity to reach out to the presenters with questions. The on-demand training will be available a week after the live-stream and will not expire until March 31, 2021.

Ryan Hayhurst from The Baker Group explores balance sheet strategies for community banks; David Kemp of Bankers Management Inc. discusses risk management in a pandemic; **Kraig Lounsberry and Jerry Peck** of CBAI provide an association and legislative update; **Patti Tobin** of CBIS provides an insurance market update; and the conference concludes with **David Kemp** discussing being a director in these trying times.
Register Today »

Account Titling Scheduled for December 1 Live and On-Demand

CBAI is pleased to offer "Account Titling" on December 1, 2020, live via Zoom and on-demand as a recorded session. The on-demand recorded session will be emailed to participants approximately one week after the live program takes place on December 1, 2020. Your entire bank can utilize this session for training as it includes the video from the day of the program, plus the exact same handout materials as the live session. This seminar is designed for new account representatives, tellers, and head tellers who need to understand the various types of account ownerships that exist – from single account owners through corporations. You learn what the different ownership types represent and how to make sure you are opening the proper type of account for your customer. In addition, the seminar covers Customer Identification Program requirements and FDIC Insurance, as well as stop payments, forgeries, and other operational issues that front-line staff face on a daily basis. Bryan Fetty of Young & Associates, Inc., leads this seminar.
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Identifying & Managing Agriculture Problem Loans in a Volatile Lending Environment Set for December 9

The 2019 crop year can probably best be described as a roller coaster ride that would exceed anything you could ever find at an amusement park. Producers and their lenders experienced every emotion during the year from late to no planting to better than expected crop yields to concern over low commodity prices for the next year or so, and perhaps beyond. There was hope for a better 2020, and then in early 2020, an invisible enemy entered the lending environment whose impact is still uncertain, but that appears to exceed anything envisioned in our wildest dreams. Consequently, there will probably be an increase in problem loans. Of course, the financial impact will vary across producers and assessing that impact will require the ability to assess each individual operation. The program focuses on the preparation and use of financial statements, including an accrual-adjusted income statement, to calculate some of the most commonly used financial measures and how to compare those measures to industry averages. Also, a spreadsheet that is available at no cost, is used to illustrate how to prepare an accrual-adjusted income statement and then assess the impact of a variety of revenue, expense and interest rate scenarios on profitability and repayment capacity. What is ahead for 2021 and beyond? Who knows, but we better be ready to buckle up and hang on, because that roller coaster car is about to leave the platform and we need to be prepared for the some unexpected twists, turns, ups and downs. All aboard!
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