



CBAI E-Newsletter, sponsored by **SHAZAM** December 2, 2020

IN THE NEWS

CBAI Supports Minority Depository Institutions (MDIs)

CBAI submitted a comment letter to the FDIC on November 19, 2020, in response to the Agency's proposed revisions to the Statement of Policy regarding MDIs. CBAI stated its appreciation to the FDIC for revising this Policy Statement and hopes it will further the Agency's efforts to strengthen and support MDIs. CBAI provided input to the FDIC regarding methods to identify and provide engagement opportunities that would be beneficial to MDIs including technical assistance, training and education, and outreach.

[Read CBAI Comment Letter »](#)

Legislation & Regulation Committee Seeks Legislative Proposals for December Meeting

The CBAI Legislation & Regulation Committee will meet on December 16 to set the 2021 legislative agenda. The committee will review legislative proposals for statutory and regulatory changes at the state and federal level. In preparation for the meeting, we are seeking input from community bankers. Please share your suggestions and ideas on possible legislation or regulatory changes. The Legislation and Regulation Committee plays a vital role to ensure the continued success of community banking in Illinois. Please email [Jerry Peck](#) with your input.

*Identifying & Managing Agriculture Problem Loans in a Volatile Lending Environment
Live Stream or On-Demand Recorded Session
December 9, 2020*

Register now for this session!



You Could Win \$500 Cash by Helping CBAI Recruit a New Member!

CBAI members are our best salespeople. Only a fellow banker can accurately and credibly tell a potential member about the benefits of membership. Bring a prospect to our attention, and we'll do the rest!

To show our appreciation for helping to bring new members into CBAI, \$50 for a new associate member and \$100 for a new bank member will be donated to the **CBAI Foundation for Community Banking** in your name. The Foundation endows the Scholarship Programs of CBAI.

You, too, receive a chance at a reward. By virtue of your assistance, you are eligible to win \$500 in cash. If you provide a lead resulting in a new member bank joining CBAI as a member, your name will go into "the hat" twice for the drawing. If you're instrumental in the recruitment of a new associate member firm, your name will be entered once. At the 2021 CBAI Annual Convention in Chicago, we'll pull out a name and that person **will receive \$500!** Doug Parrott of State Bank of Toulon was the 2020 winner.

New community banks and associate members join CBAI every year and we hope to generate excitement from you about that growth. If you have a question or a lead, please call Valerie Johnston at the CBAI office at 800/736-2224 or contact via [email](#).

Community Bank Net Income Rises 10%: FDIC

Community bank net income increased 10 percent in the third quarter from the same time last year, according to the FDIC's Quarterly Banking Profile. The overall banking industry reported a 10.7 percent decline in net income from a year ago following a 173 percent increase from the second quarter.

Community banks reported the annual gain despite a 116.6 percent increase in provision expenses, with a 154.2 percent increase in revenue from loan sales driving the improvement. Community banks' net interest margin compressed 41 basis points year-over-year to a record low 3.27 percent, as the decline in average earning asset yields continued to outpace the decline in average funding costs.

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[More Information on Illinois Banks »](#)



Federal Home Loan Bank of Chicago

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Agencies Respond to Push on Asset Thresholds

Federal regulators announced CBAI and ICBA-advocated relief from regulatory burdens caused by participating in federal coronavirus response programs. Under the interim final rule, community banks that have crossed certain regulatory asset thresholds will be able to calculate their asset size during calendar years 2020 and 2021 based on the lower of either total assets as of Dec. 31, 2019, or total assets as of the normal measurement date. The rule applies to the community bank leverage ratio, the Fed's debit card interchange and routing rule, management interlocks, call reports, examination frequency rules, the Small Bank Holding Company Policy Statement, and other thresholds. It applies to institutions with less than \$10 billion in total assets as of Dec. 31, 2019.

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FDIC Podcast: Community Banks Have Outsized PPP Role

The FDIC's latest podcast discusses how community banks are punching above their weight in Paycheck Protection Program lending due to their symbiotic relationships with small businesses. In the podcast, FDIC researchers Diane Ellis and Angela Hinton dig into a recent FDIC report that used call report data to show that community banks hold a disproportionate share of PPP loans.

[Read FDIC Report »](#)

[Listen to the Podcast »](#)

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The Baker Group: Market Update

Analysts are expecting a 500k boost to Non-Farm Payrolls with the Unemployment Rate dipping one-tenth to 6.8%. That labor news will be preceded by Thursday's Jobless Claims report when the BLS is expected to tell us that there were 765k new claimants for the week ending November 28th. That weekly number has remained stubbornly high and the prior week's 778k surprised forecasters looking for that total to decline. Continuing Claims, which have been steadily declining, are expected to fall to 5.8M for the week ending November 21st from the prior week's 6.07M.

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CSI: Eight Things to Know About Synthetic Identity Fraud

Community banks and other smaller financial institutions need to recognize one of today's most troubling cybersecurity issues – synthetic identity fraud. Traditional identity theft is bad enough, but synthetic identity fraud affords criminals even greater access to money that doesn't belong to them. As a result, it's time to learn how this financial crime is carried out, why it's growing, and how your institution can help stop it.

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CBIS: In Uncertain Times, Be Sure About Your Collateral Protection Insurance

As you know, 2020 has been a whirlwind. Despite COVID, its economic impact, and forcing employees (both your staff and borrowers) to work remotely, low interest rates continue to keep community banks busy with new loan and refinancing requests.

[More from CBIS »](#)

CBSC PREFERRED PROVIDERS



PROBLEM LOANS & BANKRUPTCIES ARE COMING, ARE YOU READY? E-CLASSROOM SEMINARS VIA ZOOM AND/OR ON-DEMAND DECEMBER 10, 2020 9-11AM & 1-3PM

Register Now!



SBA Issues Instructions on "Loan Necessity" Questionnaires

The SBA issued to lenders a letter and instructions on the agency's "loan necessity" questionnaire for Paycheck Protection Program loans of \$2 million or more. The instruction guide details how lenders receive notice of a questionnaire, what to do after being notified, what to do with borrower responses, and how to submit the questionnaires. The SBA letter says requests to complete the questionnaire do not mean the SBA is challenging a borrower's certification.

Lenders are required to upload the completed form and supporting documents via the SBA's lender platform and to separately input borrower responses to each question, though they aren't required to re-enter narrative comments from the questionnaire. Further, lenders are not required to verify or validate borrower responses, though they should confirm that all required responses, supporting documents, signatures, and certifications have been received.

[Read Instruction Guide »](#)

ICBA Guide Details EIDL Lien Requirements

ICBA is reminding community bankers about the procedures for renewing or refinancing a line of credit for a borrower with an Economic Injury Disaster Loan. As detailed in ICBA's guide on SBA lien requirements, EIDL loans over \$25,000 require a blanket Universal Commercial Code lien allowing the SBA to take an interest in the assets of the business. The requirements apply to EIDL loans, not advances.

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OCC Issues Proposal on CRA General Performance Standards

The OCC issued a proposed rule on Community Reinvestment Act general performance standards with a 60-day comment period. The proposal provides the OCC's proposed approach to determining CRA evaluation measure benchmarks, retail lending distribution test thresholds, and community development minimums under the general performance standards in its CRA final rule issued in June.

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**2020 Community Bank
Directors' Conference
December 14, 2020**

**Live Stream and/or
On-Demand Recorded
Session**

FHFA Raises Conforming Loan Limits for 2021

The Federal Housing Finance Agency increased the maximum conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac in 2021. The limit for one-unit properties in most parts of the country will rise to \$548,250, an increase from \$510,400 in 2020. The maximum loan limit will be higher for areas in which 115 percent of the local median home value exceeds the baseline loan limit.

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PPP Loan Forgiveness Tops \$38B

The Small Business Administration said it has forgiven 367,321 Paycheck Protection Program loans worth \$38.4 billion as of noon last Sunday. In a new section of its PPP webpage, the agency also said it has received 595,144 loan submissions worth \$83.2 billion.

ICBA is calling on community bankers to continue pressuring Congress to include PPP reforms in the next economic stimulus package, such as simplifying forgiveness, addressing the conflict with EIDL advances, and excluding PPP loans from regulatory asset thresholds.

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OCC Updates Rule on Activities and Operations

The OCC issued a final rule designed to update or eliminate outdated regulatory requirements. Effective April 1, 2021, the amendments apply to permissible derivatives activities, tax equity finance transactions, payment systems memberships, choosing state corporate governance provisions, and more.

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YOUR FUTURE. OUR SOLUTIONS.

SHAZAM is a national member-owned debit network, processor and core provider. We serve community financial institutions facing a future full of rapidly changing technology, shifting consumer behaviors and new waves of industry regulations. SHAZAM helps solve these challenges by providing payment solutions, proactive fraud prevention, security services, a core banking solution, advocacy, marketing and more.

ADVANCE WITH THE RIGHT PARTNER.

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CFPB Updates HMDA Filing Guide

The Consumer Financial Protection Bureau released an update to its Filing Instructions Guide for HMDA data collected in 2021 and reported in 2022. As noted in the guide's version log, the bureau reclassified and moved questions related to macroquality edits. The guide is available on the FFIEC's HMDA page.

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Nacha Launches ACH Resource Center

Nacha recently launched new resource center to help businesses stay current with changes to ACH operating rules and to the ACH network. The ACH Rules for Corporates Resource Center includes end-user briefings on various topics, the latest on upcoming rules changes, account-validation resources, and email signup.

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CBAI LEGAL: Case Law Classics

With limited new case law coming from State and federal Appellate Courts, this CBAI LEGAL column reaches back to classic cases addressing: (1) the order of posting checks against an NSF account; and (2) the failure of the accountholder to promptly notify the bank regarding a forged or altered check.

[Read Most Recent CBAI LEGAL »](#)



HOME MORTGAGE DISCLOSURE ACT

Recent regulatory activity for HMDA obviously increases the potential for errors. Bankers, now more than ever, have to understand the HMDA rules.

Live E-Learning Seminar
December 16, 2020
REGISTER NOW!

MORE UPCOMING EDUCATIONAL PROGRAMS

CBAI December Training Programs Moved to Virtual Only Format

All CBAI educational programs in December have been moved to a virtual format, utilizing resources including live-stream, on-demand, Zoom, GoToMeetings, and Microsoft Teams. It is our goal to continue to deliver timely and informative education programs while keeping our members safe. More details on specific programs are available at www.cbai.com or by contacting [Tracy McQuinn](#).

Auditing Regulation E Set for December 15 from 9am-4pm as a Live E-Learning Seminar

In our current COVID-19 world, auditing your bank to assure you are in compliance with ever increasing electronic transactions is critical. The world continues to change and become more electronic, and this has been accelerated by our current COVID-19 crisis. The result is that more and more, your bank is processing transactions that are subject to Regulation E. This increase demands additional management functions – including audit. This seminar is designed to help you complete an audit of Subpart A of Regulation E. The course will not discuss Subpart B (international wires). The complete agenda is below.

[Register Today »](#)

[VIEW CBAI's EVENTS CALENDAR](#)

