



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

December 16, 2020

IN THE NEWS

CBAI Joins the ICBA in Calling for Full Forgiveness of EIDL Advances

In a December 11, 2020, letter to U.S. House and Senate leadership, CBAI joined with other ICBA state banking associations in calling on Congress to fully forgive Economic Injury Disaster Loan (EIDL) Advances for those recipients that also have Paycheck Protection Program (PPP) loans. In the letter, CBAI said that the EIDL Advances are converting to unexpected debt in the PPP forgiveness process which reduces the value of the promised loan forgiveness.

Although time is running out in the 116th Congress to pass a stimulus package with needed PPP reforms including EIDL forgiveness, please join CBAI and the ICBA in urging your Members of Congress to address these issues in legislation.

[Read Letter to Congressional Leadership »](#)

[Take Action NOW »](#)

CBAI Urges the CFPB to Carefully Craft Small Business Data Collection Requirements to Minimize the Regulatory Burden on Community Banks

On December 11, 2020, CBAI responded to a request for comments by the Consumer Financial Protection Bureau (CFPB) regarding their proposals for small business data collection and reporting. This rulemaking will implement the last major section of the Dodd-Frank Act (Section 1071) which concerns applications for loans by small businesses and minority- and women-owned businesses. CBAI highlighted the importance to the economy and the exemplary performance of community banks in small business lending and urged the Bureau to aggressively use its authority to exempt community banks from harmful and unnecessary regulatory requirements.

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FDIC Finalizes Rule on Brokered Deposits

The FDIC has approved a final rule for determining whether deposits made through deposit arrangements qualify for treatment as a brokered deposit. The rule establishes standards for determining whether an entity meets the statutory definition of "deposit broker." It also identifies business relationships that automatically meet the "primary purpose exception."

In addition, the final rule amends the methodology for calculating the interest rate restrictions that apply to less-than-well-capitalized institutions. It also includes CBAI and ICBA-advocated changes to the proposal to more closely reflect market rates, such as including credit unions in the weighted average of rates paid by insured institutions.

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Last Chance to Take Advantage of CARES Act New Tax Deduction and Support CBAI's Foundation

Time is running out to make a tax-deductible donation in 2020! With the Coronavirus Aid, Relief and Economic Security (CARES) Act enacted this year, you can take advantage of a new 2020 tax deduction for charitable contributions. This new deduction is for donations up to \$300 for individual returns. CBAI's Foundation for Community Banking Scholarship Program would love to have your support this year! The Foundation endows 31 scholarships every year for high school seniors, children and grandchildren of community bankers, and Community Bankers School students. More than \$40,000 is provided to deserving students annually.

The provision is designed especially for people who choose to take the standard deduction, rather than itemizing their deductions. Under this new change, individual taxpayers can claim an "above-the-line" deduction of up to \$300 for cash donations made to charity during 2020. This means the deduction lowers both adjusted gross income and taxable income – translating into tax savings for those making donations to qualifying tax-exempt organizations.

You have until December 31, 2020, to take advantage of this new tax deduction. The Foundation relies solely on your donations to make these scholarships possible. Please consider making a contribution to the Foundation help us continue to offer these invaluable scholarships.

[More Information on the Foundation »](#)

[Description of the New Deduction »](#)



FDIC Finalizes Rule on Industrial Loan Companies

The FDIC has finalized a rule on covered parent companies of Industrial Loan Companies (ILC). The rule will require the parent holding company to enter into written agreements with the FDIC and the ILC on the company relationship, require capital and liquidity support from the parent to the industrial bank, and establish recordkeeping and reporting requirements. Unfortunately, the rule falls short of what CBAI called for in its comment letter to address the safety and soundness concerns posed by ILCs, and in several instances the rule actually eased the existing regulatory practices. CBAI will continue to urge Congress to close the regulatory "loophole" which permits the parent companies of ILCs to escape Federal Reserve supervision of their holding companies.

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CFPB Finalizes QM Reforms

The Consumer Financial Protection Bureau finalized rules addressing the pending expiration of the "GSE Patch," which exempts Fannie Mae and Freddie Mac mortgage loans from parts of the bureau's Qualified Mortgage rule. The patch provides QM status to loans purchased or guaranteed by the government-sponsored enterprises even if they exceed the rule's 43 percent debt-to-income limit. It is scheduled to expire July 1, 2021, or when the government-sponsored enterprises exit conservatorship.

The CFPB's first rule replaces the 43 percent DTI limit with an approach based on loan pricing. The second creates a new category of "seasoned" QMs, allowing non-QM mortgages to "season" into QMs based on strong performance over 36 months.

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SBA Issues FAQ on PPP Questionnaires

The SBA updated its Paycheck Protection Program frequently asked questions with guidance on why some PPP borrowers are receiving a loan necessity questionnaire. FAQ #53 notes that SBA is providing the questionnaire to lenders to provide to PPP borrowers that received loans of \$2 million or more. Upon request from lenders, borrowers should return the completed questionnaire to lenders within 10 business days, it says. ICBA has repeatedly raised questions about the questionnaire among policymakers and called on the SBA to suspend the questionnaires while it addresses lender and borrower concerns.

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Senate Sends 'Beneficial Owner' Reform to President

The Senate voted 84-13 to pass a compromise defense spending bill that includes a key step toward ICBA-advocated relief from "beneficial ownership" disclosure mandates.

The fiscal 2021 National Defense Authorization Act would create a Financial Crimes Enforcement Network database of company beneficial ownership information for use by law enforcement. While President Trump has threatened to veto the bill, the Senate and House have passed it with veto-proof majorities.

In a recent letter to House and Senate Armed Services Committee leaders, ICBA said the provision would deter the use of shell companies while marking a good start toward needed relief from onerous reporting requirements.

[Read Letter »](#)



FHLB Chicago

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of Chicago**

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SBA Details Tax Reporting on Covered 7(a) Payments

The SBA issued a notice on the six months of 7(a), 504, and Microloan payments it is making for borrowers under Section 1112 of the CARES Act.

The notice on related tax issues says:

- 7(a) lenders are responsible for issuing the Form 1099-MISC for: (1) loans that have not been purchased by SBA, and (2) loans that have been purchased by SBA and are serviced by the 7(a) lender.
- SBA is responsible for issuing the Form 1099-MISC for 7(a) loans that have been purchased and are serviced by SBA.

The notice also details tax reporting for the 504 and Microloan programs, what must be reported as income on Form 1099-MISC, who should be identified as the payer and recipient, and more.

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Fed Announces Reserve Requirement Indexing

The Federal Reserve Board announced the annual indexing of amounts used to calculate depository institution reserve requirements. Net transaction accounts are exempt in 2021 given the reserve requirement ratio was set to zero percent in March 2020.

The reserve requirement exemption amount will be set at \$21.1 million, up from \$16.9 million in 2020. The low reserve tranche—the amount of net transaction accounts that may be subject to a reserve requirement ratio of not greater than 3 percent—will be set at \$182.9 million, up from \$127.5 million in 2020.

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ARRC Issues Guide on LIBOR Developments

The Alternative Reference Rates Committee released a guide and webinar recording on recent announcements on the transition from U.S. dollar LIBOR.

Regulators last week issued a joint statement encouraging banks to cease entering into new contracts that use U.S. dollar LIBOR as a reference rate as soon as practicable and no later than Dec. 31, 2021, to facilitate the transition away from LIBOR. Further, LIBOR's administrator, ICE Benchmark Administration Limited, proposed to cease publication of the one-week and two-month USD LIBOR settings on Dec. 31, 2021, and the remaining USD LIBOR settings on June 30, 2023.

The statements, which were welcomed by the Fed, reaffirmed the regulators' position that new contracts entered into before Dec. 31, 2021, should use either a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after LIBOR's discontinuation. [Read Guide »](#)

ICBA Opposes FCS Push on Lending Authority

ICBA reiterated its opposition to CoBank and Farm Credit System efforts to expand their lending authorities once again via the appropriations process. In a letter to congressional appropriators, ICBA specifically opposed including language that would allow CoBank to more than double its population limits for water and waste disposal facility loans. ICBA said there is no evidence of lack of funding for these loans to justify this change for the tax-privileged FCS.

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COMPLIANCE INSTITUTE

2021

SESSION I: OPERATIONS/DEPOSIT COMPLIANCE

JANUARY 12 & 13, 2021

CBAI, SPRINGFIELD

A comprehensive compliance program for those compliance officers who are either new to banking or new to their positions.

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Wolters Kluwer to Acquire eOriginal

Wolters Kluwer Governance, Risk & Compliance (GRC) has signed an agreement to acquire eOriginal, a leading provider of cloud-based digital lending software, for approximately \$231 million in cash.

The acquisition extends GRC Compliance Solutions' leading position in U.S. mortgage and loan document generation and analytics into the fast-growing digital loan closing and storage adjacency.

[Read News Release »](#)

The Baker Group: Market Update

Equity investors are liking the vaccine news while also being cautiously optimistic for some kind of fiscal relief bill making it



through Congress before year's end. The Treasury market is greeting the new week with lower prices and higher yields with the Ten-Year's yield rising to around 94 basis points as the Long Bond's yield has moved up to around 1.67%.

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Wolters Kluwer: Last Chance to Register for Two-part Webinar - Paycheck Protection Program Update with TSoftPlus Product Enhancements Overview

Businesses and communities across the U.S. are hopeful that Congress approves additional PPP funding before the end of the year. Our experts are carefully monitoring developments and will be prepared to share the latest updates during our next webinar. During the second half of the webinar, we will share product highlights for our end-to-end PPP solution, TSoftPlus. For the next round of PPP funding, we are adding new enhancements to ensure that our clients and their borrowers have 24/7 digital capabilities from the first step of origination to the final step of forgiveness.

Date: Thursday, December 17

Time: 3 PM Eastern | 2 PM Central | 1 PM Mountain | 12 PM Pacific

Cost: Complimentary

[Register »](#)

Ncontracts: Inside a Big Bank's \$60 Million Fine for Vendor Mismanagement

Earlier this year, the Office of the Comptroller of the Currency hit Morgan Stanley with a \$60 million civil money penalty for faulty vendor management practices that potentially exposed sensitive customer data. The bank also faces seven class-action lawsuits accusing it of negligence. What went wrong and how do you avoid the same fate?

[Read More to Find Out »](#)

Kasasa: State of the Banking Institution Industry: 2020 Pandemic Edition

As balance sheets have changed, so have the challenges facing community financial institutions. 2020 has not made things easy for community financial institution leaders. First COVID-19 closures, then PPP, deciding whether and how to reopen, operational challenges, not to mention static low rates. Now you're probably ready to have a better picture of how the current economy and changes in consumer behavior will influence your ability to do business. That's why we analyzed the national data on your behalf and highlighted some noteworthy trends. We also compared how our own clients stacked up against their peers across the nation.

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Harland Clarke: Account takeover attacks increased nearly 300 percent from 2019 to 2020

Fraud is increasing in effort and sophistication, making protection one of the most important responsibilities for financial institutions today. Learn fascinating new fraud trends and how banks and credit unions can stay a step ahead, like:

- How fraudsters are getting up close and personal in their efforts to separate consumers from their funds;
- Scams designed to exploit the rise in mobile banking; and
- The importance of preventing a fraudulent account opening over detecting and restricting one that's already open.

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CBIS: Why Should We Care the Terrorism Risk Insurance Act was Extended Through December 31, 2027?

The Terrorism Risk Insurance Act (TRIA) was enacted by the 107th United States Congress and signed into law by President George W. Bush effective November 26, 2002, in the aftermath of the terrorist attacks of September 11, 2001. The law was intended to ensure the continued financial capacity of insurers to provide coverage for risks from terrorism. Prior to 9/11, business insurers generally neither charged for nor specifically excluded terrorism coverage. The scope of the World Trade Center attacks in New York and the resulting \$40 billion estimated insured losses forever changed our perspective. It was the worst terrorist attack on record for both property and fatalities and the worst international attack on American soil since the Japanese surprise attack on Pearl Harbor December 7, 1941.

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CBAI's Professional Forums

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CFO Forums

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Marketing Groups

Branch Managers Groups

HR Groups

Meet with a group of your peers in a non-competitive atmosphere to solve your most pressing problems, discuss challenges, discover new ideas and tactics and gain access to experts in your field.

For more information, visit www.cbai.com or call 800/736-2224.

IRS to Expand Identity Protection PINs

The IRS said next year it will begin allowing taxpayers to apply for an identity protection personal identification number. The IP

PIN will be a single-use code designed to block identity thieves from falsely claiming a tax refund in someone else's name. IP PINs are currently issued only to those who fill out an ID theft affidavit or to taxpayers who've experienced tax refund fraud.

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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](#).

CBAI's 2021 Holiday Closing Signs Now Available

CBAI's 2021 FREE holiday closing signs are now available on our website for download. Signs are in an Adobe pdf format, and black and white and color versions are available in both English and Spanish. [Download Yours Today »](#)



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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Participate in CBAI's Foundation for Community Banking Essay Contest Scholarship Program

The CBAI Foundation for Community Banking provides \$21,000 in scholarship funds for top high school seniors statewide. One semi-finalist may be chosen from each of the CBAI groups via an essay-writing contest. A \$1,000 scholarship can be awarded to a student in 11 of CBAI's 12 groups along with \$500 to a second-place person in each group, which assures geographical uniformity of winners. The statewide winner 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. Your bank's chance of sponsoring a winner is better than ever! It costs nothing for your bank to be involved and there are "no strings attached"! However, the banks reaping the greatest benefits are those which offer local scholarships in addition to the \$21,000 the Foundation has made available for awards statewide. Through promotion of the Scholarship Program to the community-at-large, as well as involvement with students, participating banks have gained a higher profile for their community-service efforts. Local high-school administrators, teachers and guidance counselors appreciate the scholarship opportunities as well. It is, however, not necessary to work through your local school(s). Banks can promote the program at-large and take the applications and essays directly. Each bank then judges the essays and sends the best to the CBAI Foundation. Your bank can harvest more publicity, better community goodwill, and a higher profile. It also can be applied toward your CRA requirement. For more information, please contact [Bobbi Watson](#).

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50 Years in Banking Is Quite an Accomplishment — Shouldn't It Be Recognized?

Has someone in your bank or a bank director achieved 50 years in banking? You may be surprised to learn that many community bankers achieve that milestone every year! If your bank has a director or employee whose professional ties to banking span 50 years, he or she is eligible for recognition with a handsome award from CBAI. If the 50-year anniversary has already passed, an award may be purchased from the association for \$200. In addition to the award, individuals celebrating a 50-year anniversary receive coverage in CBAI's bi-monthly magazine *Banknotes*, and at the CBAI Annual Convention. But first, CBAI needs to hear about it! Contact the **CBAI Department of Communications** at 800/736-2224 to set-up recognition.

CBAI LEGAL: Department of Labor H.R. Questions (PART TWO)

In a sequel to an August CBAI LEGAL column about wage payment rules, this column examines Illinois Department of Labor information pertaining to vacation and leave days.

[Read Most Recent CBAI LEGAL »](#)



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**.

Don't Miss CBAI's On-Demand Recorded Sessions

CBAI Education Department is offering the following programs via On-Demand Recorded Session. Please contact the Education Department for details at 800/736-2224.

Visit the On-Demand Recorded Sessions »

- Safe Deposit Security, Disasters & Compliance Issues
- Identifying & Managing Ag Problem Loans in a Volatile Environment
- Problem Loans & Bankruptcies
- CBAI's Community Bank Directors' Conference
- Account Titling & Other Operational Issues
- ACH: Stay Informed & In Compliance

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