



CBAI E-Newsletter, sponsored by **SHAZAM** June 5, 2019

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IN THE NEWS

NEWS FROM THE FRONT

The 2019 spring legislative session of the 101st Illinois General Assembly wrapped up late Sunday afternoon after two days of overtime following the scheduled May 31 adjournment. While it took an extra weekend to wrap up business, Governor JB Pritzker and Democrat majorities in both the House and Senate were successful in advancing a very aggressive legislative agenda this year. In what turned out to be one of the most productive sessions in recent memory, the General Assembly passed a budget, approved a progressive income tax constitutional amendment along with proposed rates, legalized recreational cannabis, added a major gaming expansion including sports betting, expanded abortion rights, accepted a Medicaid spending package, and passed two separate capital bills.

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CBAI ACTION ALERT: Urge the CFPB to Raise HMDA Thresholds

CBAI is calling on all Illinois community bankers to urge the Consumer Financial Protection Bureau (CFPB) to raise coverage thresholds for collecting and reporting data about closed-end mortgages under the Home Mortgage Disclosure Act (HMDA) to 100 loans and also urge the CFPB to make permanent the 500 open-end lines of credit threshold instead of reverting back to 200 in 2022. This Action Alert continues the efforts by CBAI and member community bankers to relieve the significant cost of compliance for smaller institutions to collect and report HMDA data.

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Gov. Pritzker Appoints New Director of Banking

Governor JB Pritzker recently appointed Chasse Rehwinkel as the new Director of Banking at the Illinois Department of Financial and Professional Regulation. Rehwinkel is currently the Chief Economist and Director of Bond Division for the Illinois Comptroller's Office, where he has worked on issues of state liquidity, public budgeting, debt insurance, and access to capital. Prior to this role, Rehwinkel was Director of Policy for the Illinois State Treasurer. CBAI worked closely with Rehwinkel this spring on legislation to address the concerns of the under-banked populations in Illinois through a statewide Bank On program. The program supports local financial institution efforts to connect consumers to safe, affordable bank accounts and other bank products. Through Rehwinkel, the Comptroller's Office worked with CBAI to ensure that CBAI will hold a seat on the governing board. He spoke about the Bank On program at this year's Capital Conference. Rehwinkel replaces Kerri Doll, who will stay on as Assistant Director of Banking at IDFPR. CBAI looks forward to working with Director Rehwinkel when he starts later this month, and continuing our great working relationship with the Office of Banking at IDFPR.

[Read News Release >>](#)

CBAI Leadership Bankers Participate in the Inaugural U.S. Faster Payments Council Member Meeting

On May 29, 2019, the Community Bankers Association of Illinois' (CBAI) Payments Task Force members and staff attended the U.S. Faster Payments Council (FPC) inaugural Member Meeting at the Federal

Reserve Bank of Chicago. The FPC is a new, industry-led membership organization whose mission is to facilitate a world class payments system where Americans can safely and securely pay anyone, anywhere, at any time and with near-immediate funds availability.

[Read Article >>](#)

Celebrating the One Year Anniversary of S. 2155

On the one-year anniversary of the signing of the S. 2155 regulatory relief bill, CBAI joins with the ICBA in calling on the regulators to finish the job for community banks.

[Read Op-Ed >>](#)

[More About S. 2155 >>](#)

[Read CBAI's Federal Policy Priorities >>](#)



CBAI Urges CFPB to Broadly Exempt Community Banks In its Rulemaking

In a comment letter dated May 15, 2019, regarding the CFPB's most recent Payday Lending rulemaking, CBAI highlighted the involvement of the Association and its members in the original, long, unnecessary and distressing Payday Lending rulemaking process which culminated in the Bureau's 2017 Final Payday Lending Rule. The reason for CBAI's aggressive response to this rulemaking was that the proposed regulations, while designed to curb the excesses of payday lenders, inappropriately included community banks and would have harmed them.

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OCC Report Highlights Key Risks for Federal Banking System

The Office of the Comptroller of the Currency (OCC) recently reported credit, operational, compliance, and interest rate risks are key themes for the federal banking system in its Semiannual Risk Perspective for Spring 2019.

[Read OCC Release >>](#)

[See Semiannual Risk Report >>](#)

FDIC's McWilliams: Supporting Community Banks is Paramount

The FDIC's latest Quarterly Banking Profile reports that the annual rate of loan growth at community banks was 6.6 percent in the first quarter, stronger than the overall industry, FDIC Chairman Jelena McWilliams said. Speaking in Washington as she works her way through a 50-state listening tour, McWilliams noted that loan growth was led by commercial real estate loans, residential mortgages, and commercial-and-industrial loans. Net income at community banks also surpassed the overall industry, growing by 10.1 percent from a year earlier, she said.

"Supporting this segment of the banking system is paramount," McWilliams said. "Community banks in the U.S. are intertwined in a symbiotic relationship with their communities: if those communities do not do well, neither will their community banks."

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Banking Profession Reports Strong Q1 2019

Net income for the banking profession was \$60.7 billion in the first quarter of 2019, largely due to higher net interest income, according to the FDIC. Higher-than-expected growth in insured deposits offset the increase in the Deposit Insurance Fund balance, resulting in an unchanged reserve ratio of 1.36 percent. Community banks also reported another positive quarter, with net income of \$6.5 billion, a 10.1 percent increase, driven by higher net interest income, higher realized gains on securities, and lower provision expenses. Sixty-two percent of community banks reported net income growth year-over-year while only 3.9 percent of community banks reported net losses for the quarter. Community bank loan growth outpaced the rest of the industry on a quarter-over-quarter and year-over-year basis.

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Flood Insurance Extension Heads to President

The House passed a \$19.1 billion disaster aid bill that would extend the National Flood Insurance Program through Sept. 30, sending it to President Donald Trump to be signed into law. The legislation, which passed on a 354-58 vote, would avert a lapse on June 14 following a two-week extension that was approved last week. The House Financial Services Committee could begin marking up legislation as soon as next week to enact a longer-term reauthorization of the program, which has been operating on a series of short-term renewals since 2017.



OCC Issues Final Rule on Federal Savings Associations with Less than \$20 Billion in Assets

The Office of the Comptroller of the Currency recently issued a final rule to allow federal savings associations with total consolidated assets of \$20 billion or less as of December 31, 2017, to elect national bank powers and operate as covered savings associations.

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ICBA Webinar on Benefits of .BANK

ICBA and .BANK recently hosted a webinar on the benefits of the .BANK domain and how to make the move easy and affordable. "The .BANK Decision" featured two ICBA community bankers and included discussions of deciding on .BANK, making the move, educating staff and customers, and best practices.

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USDA Announces Trade-Related Aid for Farmers

In late May the USDA announced several actions to help farmers respond to trade disruption and retaliation. President Trump has authorized the department to provide up to \$16 billion in relief programs, which is in line with the estimated impact of retaliatory tariffs on U.S. agricultural goods. The Farm Service Agency's Market Facilitation Program will provide \$14.5 billion in direct payments to producers beginning in late July to early August.

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Rural Mainstreet Index Slumps Below Growth Neutral

Farm Loan Defaults Expected to Double from 2017 Rates

The Creighton University Rural Mainstreet Index (RMI) for May slumped below growth neutral for the month. According to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy, the RMI for May indicated negative growth for the month for the region, after five months of growth.

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School Loan Debt Will Impact the Housing Market

The country's younger population has had its credit ratings disproportionately lowered due to unprecedented volume on school debt delinquencies. Statistics for Americans late on college loans are even greater than credit card delinquencies which has affected would-be new entries, with new owners making up only about a third of the market. While the supply for lower-priced properties has fallen and stricter lending standards evolved, this has made mortgage approvals tougher amid a record in delinquent school debt. Even before the college loan delinquencies rose, banks and credit unions had already increased standards for lending requirements after the last banking crisis.

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ICBA President Romero Rainey to Speak at CBAI's Annual Convention

This year's Business Meeting Luncheon keynote speaker at CBAI's 45th Annual Convention & Expo is Rebeca Romero Rainey, president and CEO of the Independent Community Bankers of America (ICBA), the leading advocacy organization exclusively representing community banks. She is one of the nation's foremost advocates of the community banking industry, with a focus on regulatory reform for our country's nearly 5,700 community banks. Scheduled for September 19-21, 2019, CBAI's 45th Annual Convention & Expo will be held at the Crowne Plaza in Springfield.

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How to Create a Digital Payments Strategy

Here's a surprising number: \$14.2 billion. That's the amount U.S. fintech companies received in investment in the first half of 2018, according to KPMG's The Pulse of Fintech 2018. What's more, two of the top three U.S. fintech deals in the first half of last year were payments companies. These trends point to an evolution in payments that should grab community banks' attention. Once considered a supportive product, payments have become a critical component of a bank's organizational strategy.

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CBAI LEGAL: Police Request for Bank Records; Credit Card Statute of Limitations

This CBAI Legal column examines two unrelated topics from two Illinois Appellate Court opinions: 1) whether a mere request (i.e., without subpoena or warrant) by police is sufficient to authorize release of a customer's bank records; and (2) what statute of limitations applies when a lender sues to enforce credit card debt.

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NEWS FROM SERVICES

The Baker Group: Baker Market Update

"Trade Tensions Escalating" is becoming a tiresome headline these days and it just won't go away. This week is no exception with bond prices moving up, again, while equity prices vacillate. Punitive tariffs,

threats of more punitive tariffs, threats of retaliatory punitive tariffs, finger-pointing, posturing, and bellicose rhetorical ripostes have all the makings of a great Netflix series. Unfortunately, this is real-life and commercial trade among nations is a big deal for all concerned.

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CBIS: Water, Water Everywhere

We've all experienced an unprecedented month of May 2019 where weather is concerned, including tornadoes and widespread flooding. Approximately 65% of flooding occurs in non-FEMA zones. Community banks are aware of FEMA zones and requirements, but what about the non-FEMA zones? Have you checked your personal and commercial insurance policies for backup of sewer and drain coverage? What is your actual coverage limit for the peril of flood on our policies?

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