



## CBAI E-Newsletter, sponsored by SHAZAM May 8, 2019

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### IN THE NEWS

#### **Senate Approves Progressive Income Tax Constitutional Amendment and Rates**

The Illinois Senate voted 40-19 along party lines to approve SJRCA1, a measure that would place a constitutional amendment on the ballot during the November 2020 general election to replace Illinois' flat income tax with a progressive income tax. The proposal does not set specific tax rates. It simply eliminates the constitutional requirement that Illinois use a flat income tax which means the General Assembly and Governor would have sole discretion for deciding the state's income tax structure and rates.

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

#### **ICBA's Romero Rainey: Community Banks Live the Label**

In a blog post marking her first year as ICBA President and CEO, Rebeca Romero Rainey said it's been a gratifying whirlwind and noted several of the community banking industry's achievements over the past year.

Romero Rainey cited passage of the S. 2155 regulatory relief law, ICBA's introduction of its Community Focus 2020 policy platform, and more than 320 congressional meetings at the recent ICBA Capital Summit in Washington. "Unlike some other institutions, you don't just wear the label of community banker," she wrote. "You live the label."

[Read the Blog Post >>](#)

#### **CBAI's 37th Annual Call on Washington**

##### ***We Made Our Presence Known and Our Voices Heard!***

Community bankers descended on Washington D.C. urging additional meaningful regulatory relief during the Community Bankers Association of Illinois' 37<sup>th</sup> Annual Call on Washington, which was held April 28 – May 1, 2019. Again this year, CBAI's Call on Washington was held in conjunction with the Independent Community Bankers of America's (ICBA) Capital Summit. More than 1,000 community bankers from across the country brought their message to the nation's capital and told their community bank story to illustrate the need for additional regulatory relief. *We made our presence known and our voices heard!*

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#### **Court Rejects Qualified Mortgage Lawsuit Against Lender**

A U.S. district court in Ohio rejected a foreclosure lawsuit from a plaintiff who defaulted on

his mortgage loan following a job loss and divorce. In *Elliot v. First Federal Community Bank of Bucyrus*, the plaintiff claimed the mortgage lender failed to make a good-faith determination that he could repay the loan under the Consumer Financial Protection Bureau's ability-to-repay rule.

As detailed in an advisory from the Alston & Bird law firm, the court found the bank did its due diligence to confirm the plaintiff would be able to repay the mortgage. The court ruled the plaintiff did not adhere to a settlement agreement during divorce proceedings, which was not reasonably foreseeable to the bank.

The plaintiff contended that the bank should not have considered his spousal support under a separation agreement and certain rental income as reliable sources of income under Appendix Q of the CFPB rule. The court refuted these arguments, ruling that the plaintiff's tax returns and written lease supported the bank's debt-to-income ratio determination. **This is the first ability-to-repay action that has been brought since the qualified mortgage rule was finalized.**

[Read More >>](#)



## **OCC Publishes Advanced Notice of Proposed Rulemaking Regarding "Fiduciary Capacity"**

The OCC has published an advance notice of proposed rulemaking inviting comment on whether the OCC should update the regulatory definition of "fiduciary capacity" to make it more consistent with state laws. The notice also requests comment on the potential addition of new provisions to OCC regulations to establish certain basic requirements for non-fiduciary custody activities of banks.

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## **CFPB Proposes Higher HMDA Thresholds**

The Consumer Financial Protection Bureau proposed raising the coverage thresholds for collecting and reporting data about closed-end mortgage loans and open-end lines of credit under the Home Mortgage Disclosure Act. The proposal would provide relief to smaller lenders from HMDA reporting requirements and clarify ICBA-advocated HMDA exemptions contained in the S. 2155 regulatory relief law. The CFPB is proposing raising the coverage threshold for closed-end mortgage loans from 25 to either 50 or 100 loans. For open-end lines of credit, the proposal would extend for another two years the current temporary coverage threshold of 500 open-end lines of credit. Once that temporary extension expires, it would permanently set the threshold at 200.

[Read More >>](#)

## **FHLBank Chicago Announces Q1 2019 Financial Highlights and Declares Dividend**

The Federal Home Loan Bank of Chicago recently announced that its Board of Directors approved maintaining the dividend declared in the fourth quarter of 2018 on the Class B1 activity stock and increasing the dividend declared on the Class B2 membership stock. Based on the preliminary financial results for the first quarter of 2019, the Board declared a dividend of 5.00% (annualized) for Class B1 activity stock and a dividend of 2.25% (annualized) for Class B2 membership stock (an increase of 25 basis points from the

previous quarter).

The Bank pays a higher dividend per share on activity stock to reward members that use the Bank's advances and, thereby, support the entire cooperative. The higher dividend received on Class B1 activity stock has the effect of lowering your borrowing costs.

The Bank expects to report net income of \$77 million for the first quarter of 2019 when it files Form 10-Q with the Securities and Exchange Commission next month.

[Read Release >>](#)

### **Small Ag Banks Mitigate Risk of Rising Demand for Farm Loans**

In an indirect sign of stress in the farm sector, small agricultural banks are making adjustments, such as syndicating loans and charging higher interest rates, to offset risk in the face of high demand for farm loans, said the Federal Reserve Bank of Kansas City in its quarterly Ag Finance Databook. The Fed's Beige Book, meanwhile, said spring floods in the northern Plains and western Corn Belt could put an additional burden on a farm sector coping with low commodity prices.

[Read More >>](#)

[See KC Fed Ag Finance Databook >>](#)



### **USDA Extends Deadline for Tariff Relief**

The USDA extended the deadline from May 1 to May 17 for agricultural producers to certify 2018 crop production for payments through the Market Facilitation Program. The MFP helps producers that have been significantly affected by foreign tariffs and have lost traditional exports. The extension was due to delayed harvests from heavy rain and snow.

[See More >>](#)

### **CBAI-Backed Capital Bill Introduced in U.S. Senate**

CBAI-supported legislation to enhance community bank access to capital was introduced in the Senate. The Community Bank Access to Capital Act of 2019 (S. 1233), introduced by Sen. Mike Rounds (R-S.D.), includes CBAI-advocated provisions to:

- exempt publicly held community banks with less than \$5 billion in assets from the Sarbanes-Oxley Act's internal control attestation requirements,
- exempt community banks with less than \$5 billion in assets from the FDIC's annual report on financial condition and management, and
- revise the SEC definitions of "accredited" and "non-accredited" investors to attract new investors.

Rounds has introduced similar CBAI-supported legislation in previous Congresses to help private and publicly traded banks raise much-needed capital. CBAI will continue working to advance these measures in Congress.

### **GDP Rises 3.2% in First Quarter**

The U.S. gross domestic product rose 3.2 percent in the first quarter, according to the Commerce Department's initial estimate. It was the largest first-quarter gain since 2015 and follows a 2.2 percent quarterly increase in the fourth quarter of 2018. The second estimate is slated to be released May 30.

Separately, consumer sentiment edged down in April, according to the University of Michigan's survey of consumers. The index declined 1.2 percent in April and was down 1.6 percent from the same time a year ago.

[See Bureau of Economic Analysis Release >>](#)  
[Read Michigan Survey >>](#)

### Index Points to Slower Midwest Economic Growth in March

The Federal Reserve Bank of Chicago's Midwest Economy Index (MEI) moved down to +0.22 in March from +0.29 in February. Contributions to the March MEI from three of the four broad sectors of nonfarm business activity and three of the five Seventh Federal Reserve District states decreased from February. The relative MEI edged down to +0.57 in March from +0.60 in February. Contributions to the March relative MEI from three of the four sectors and two of the five states decreased from February.

[Read More >>](#)



### Dress Down to Benefit CBAI Foundation

CBAI encourages your bank to hold a "dress down" day for your staff benefitting CBAI's Foundation for Community Banking scholarship program. Choose any day in 2019 and ask your employees to donate a minimum of \$5 to the Foundation to dress casually. Participating banks will be recognized for their support in Banknotes magazine and at CBAI's convention!

Your donations help fund the Foundation's 31 scholarships offered every year to high school seniors, the children and grandchildren of community bankers, and CBAI's Community Bankers School students. (All Foundation donations are 100% tax deductible).

To find out more information on participating in "Dress Down for the Foundation," **contact Valerie Johnston at [cbaicom@cbaicom.com](mailto:cbaicom@cbaicom.com)** or by phone at 800/736-2224. Please send donations to: CBAI Foundation, 901 Community Drive, Springfield, IL 62703.

### June 3rd is the Deadline to Submit a Nomination for the 2019 Excellence & Innovation BKD Award, Presented by CBAI

Nominations are now being accepted for the 2019 Excellence & Innovation BKD Award, presented by CBAI. This award recognizes CBAI member banks that go above and beyond to demonstrate their commitment to their customers, employees, shareholders and the community through innovative outreach programs. Since 1999, CBAI and BKD have honored financial institutions for their efforts to build a healthy future for themselves and their communities by developing an innovative way to serve customers or enhance corporate citizenship. Institutions may nominate themselves and do not need to be a BKD client to participate. **The deadline to submit is Monday, June 3, 2019.** The winner will be announced at CBAI's 45<sup>th</sup> Annual Convention & Expo, September 19-21, 2019. The winning institution receives \$1,000 donation to the charity of its choice as well as an award symbolizing its innovation and excellence.

[See More Information >>](#)  
[Download Entry Form >>](#)




## How Did Your Bank Celebrate Community Banking Week?

We would love to hear how your bank celebrated Community Banking Week in Illinois! E-mail us at [cbaicom@cbaicom.com](mailto:cbaicom@cbaicom.com) and let us know your bank's happenings. We want to share your bank's activities in the July issue of *Banknotes* magazine!

## CBAI Announces Golf Outing Location for the 45th Annual Convention & Expo


CBAI is pleased to announce the Golf Outing at CBAI's 45th Annual Convention & Expo on September 19, 2019, will be held at Panther Creek Country Club in Springfield. Panther Creek Country Club has been called Springfield's best venue for a golf outing. Professionally designed by PGA Hall of Fame golfer Hale Irwin, all 7,244 yards will excite and challenge every level of golfer. Panther Creek has five sets of tees to choose from, so it provides a complete test for the game's best golfers while also featuring wide fairways and large putting surfaces which level the playing field. Opened in 1992, the 18-hole, par 72 course at Panther Creek Country Club has a course rating of 74.2 and a slope rating of 128 on Bent grass.

[Information on Panther Creek >>](#)



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**CBAI'S 45TH ANNUAL CONVENTION & EXPO**


**THERE'S  
NO PLACE LIKE  
A COMMUNITY BANK**

**SEPTEMBER 19-21, 2019**  
**CROWNE PLAZA, SPRINGFIELD, IL**

Don't wait! Register today for early-bird pricing and receive a significant discount to attend CBAI's annual showcase event! You won't want to miss it!  
[Register Here >>](#)

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## NEWS FROM SERVICES



*Selecting a retail checking product that provided value to customers while generating fee income for Warren-Boynton State Bank*



**ECONOCHECK**  
Enhance Relationships. Build Revenue.

**CBSB Partners with Ncontracts**

### *CBAI Members Now Have Improved Access to Risk Management Solutions*

The Community Bankers Association of Illinois (CBAI), the state's largest banking trade association, and its business services subsidiary, Community BancService Corporation, Inc. (CBSC), announced today that it has partnered with Ncontracts to provide member banks with improved access to risk management solutions.

"In today's increasingly complex and regulated environment, CBAI member banks can rely on Ncontracts to be a trusted teammate to assist them with vendor and risk management, business continuity planning, cybersecurity assessments, contract management and findings management," said David Pirsein, CBSC board chairman and President & CEO at First National Bank in Pinckneyville. He added, "Ncontracts' products are efficient, costeffective, and protect the most critical business operations of financial institution clients. Now, special member-only discounts make them even more affordable."

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### **Investment News from The Baker Group: Baker Market Update**

As positive as those survey results are, some people are never satisfied, and there are those who think that the true picture of the labor market's health is being obstructed by the 490k drop in the Labor Force and further obscured by the fact that the number of employed persons fell by 103k. But hey, the Unemployment Rate went down and to some, that's all that matters.

[See Baker Market Update >>](#)

### **SHAZAM ACH: BETTER VALUE AND SERVICE**

Reduce payments processing time and lower your provider costs with **ACH services from**

**SHAZAM**. Our ACH solution allows you to process a wide range of transactions so you can attract new corporate accounts while staying compliant with NACHA and OCC. Plus, when you partner with SHAZAM, you automatically receive all the benefits of NACHA membership.

[Contact us today to learn more >>](#)



### **Regency 360 Now Has Access to Office Depot Affiliate Pricing**

*CBAI Members will save even more money on office supplies*

Recently, Regency 360, CBSC's preferred partner for office supplies, printed products, and corporate apparel, negotiated additional discounts on purchases through Office Depot, the world's largest office supply company. CBAI member banks will now have access to pricing usually reserved for the nation's largest businesses.

The agreement includes access to Office Depot's world class delivery system, which ensures the items your bank orders are delivered fast, efficiently and professionally.

The special prices and enhanced delivery are only available through the Regency 360 platform. Recognizing that establishing a new account on the platform can be timeconsuming, Regency has eliminated that hassle by setting up an account in the name of every CBAI member bank.

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### **CBAI LEGAL: Federal Court Revisits Appealability of "CAMELS"**

Following up on its 2017 opinion in which it "kicked the can down the road," the U.S. Court of Appeals for the 7<sup>th</sup> Circuit ruled against a bank's challenge to a poor composite CAMELS rating.

[Read Most Recent CBAI LEGAL >>](#)

## **CBIS: Quick Tips for Social Media to Avoid Trust Issues**

Why are we, as risk managers, writing about social media grammar you ask? Simple. Any website posting may create liability exposures for your employer – community banks! Social media may seem like it's all #TBT an #ICYMI, but good grammar still rules, particularly when it comes to your professional reputation. To help everyone write in a clear and consistent voice, whether via email or on LinkedIn, we suggest using the AP Style guide.

[Read More from CBIS >>](#)

[See a List of CBSC Preferred Providers](#)

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*\*CBAI's Enhanced Email Promotion Ends May 31, 2019*