



# Community Bankers Association of Illinois

*One Mission. Community Banks.®*

The CBAI team is mostly working from home to comply with the Stay at Home order while still providing the level of service our members have come to expect over the last half century. It has been a busy weekend as conversations with state and federal regulators continue and new guidance is issued almost hourly. Here is a quick recap of the latest major developments.

## **Federal Regulators Offer Guidance on Loan Modifications**

CBAI and the ICBA are communicating with banking regulators multiple times a day. During these communications, we have been stressing the need for regulatory relief and written guidance, so community banks are better able to support their customers and communities.

Over the weekend, federal and state regulators issued the following inter-agency guidance that addresses several important aspects of working with customers including accounting for loan modifications, past due reporting, non-accrual status and charge offs, and Discount Window borrowing. The statement applies to all FDIC insured institutions and states that the FDIC:

- Encourages financial institutions to work constructively with borrowers affected by COVID-19;
- Will not criticize institutions for prudent loan modifications and will not direct supervised institutions to automatically categorize COVID-19-related loan modifications as troubled debt restructurings (TDRs);
- Confirmed with staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs;
- Views that modification efforts described in the inter-agency statement for borrowers of one-to-four family residential mortgages where loans are prudently underwritten and not past due or carried in non-accrual status do not result in loans being considered restructured or modified for the purpose of respective risk-based capital rules; and
- Views prudent loan modification programs to financial institution customers affected by COVID-19 as positive actions that can effectively manage or mitigate adverse impacts on borrowers due to COVID-19, and lead to improved loan performance and reduced credit risk.

[See FDIC Guidance »](#)

The regulators are stressing the importance of prompt action by the community bank and their borrower to minimize the negative impact of problem situations, particularly approaching the end of the quarter.

The regulators have also asked us to encourage our members to reach out and stay in contact with their regulators about their concerns and questions.

Please contact [davids@cbai.com](mailto:davids@cbai.com) if you have any observations and recommendations about what the regulators are doing or not doing to help you through this crisis. Our message will reinforce what community bankers are personally telling their regulators, and we have already seen how this coordinated messaging **is** making a difference.

There is a steady flow of information coming from the federal regulators – far too many to adequately summarize here. Please visit their websites for the most current information from your particular regulator(s). Here are the links to their websites:

[FDIC »](#)

[OCC »](#)

[Federal Reserve »](#)

## **CBAI Partners with State Treasurer's Office to Develop "Supporting Illinois Small Businesses" Loan Program**

Last week the Illinois Treasurer's Office reached out to CBAI for assistance on making up to \$250 million in state funding immediately available for small business loans. The Treasurer's Office will make capital available to community bankers who will administer the program. We finalized details late this weekend, and the program was announced this morning.

[See Small Business COVID-19 Relief Program »](#)

[Read Full Press Release »](#)

Through this program, the Treasurer's Office would partner with approved financial institutions to provide loans, either lower rate loans, or loans to a business or non-profit that would not otherwise qualify, to Illinois small businesses impacted by the COVID-19 pandemic.

State funds would be deposited with qualified financial institutions for a one-year term at a near-zero deposit rate of 0.01% (0.0001).

- Deposits could be drawn in \$1 or \$5 million increments, up to a maximum of \$25 million per financial institution.
- Deposited funds would facilitate affordable loans (not to exceed 4.75%) to small businesses and non-profits that could be used to provide bridge funding, pay fixed debts, payroll, accounts payable and other bills.
- Eligible Illinois businesses or non-profits must: (1) have been shut down or limited due to COVID-19, (2) have less than \$1 million in liquid assets or \$8 million average annual receipts (per SBA standards) and (3) be headquartered in the state of Illinois or agree to use the funds in Illinois.
- Deposits would be renewable as determined by the Treasurer's Office
- Financial institutions would be required to provide reports to the Treasurer's Office regarding the usage of program funds, including the number and types of loans provided and the economic impact of such loans.

We realize that this program isn't necessarily a magic bullet, but it does give community bankers one more tool to assist our small business customers. We often joke about the speed of state government, but in this case, it is remarkable how quickly the Treasurer's Office has acted to make funds available. CBAI continues to work with the Treasurer's Office on additional initiatives to assist our customers during the crisis.

## **SBA Disaster Relief Loans**

The SBA has received authorization to provide small business assistance through the Economic Injury Disaster Loan (EIDL) program for businesses impacted by COVID-19. This program can provide low interest loans of up to \$2 million to businesses and private non-profits. This document outlines the EIDL program and provides high-level information related to the loan caps, use of proceeds and interest rates.

[See Document »](#)

The state of Illinois has applied for EIDL program assistance and is awaiting SBA approval. Once this approval is received, SBA disaster loan funds will be available to Illinois businesses.

Please stay informed by visiting [www.sba.gov/updates](http://www.sba.gov/updates) and [www.sba.gov/coronavirus](http://www.sba.gov/coronavirus).

The SBA has a broad range of programs that can help small businesses through these challenging times including business advisory and lending services.

[List of Programs »](#)

## **ICBA: Money is Safe in Community Banks**

The ICBA issued a national press release reminding consumers and community banking customers that their insured deposits are safe and backed by the full faith and credit of the federal government through the FDIC. "Community banking customers can continue to bank with confidence knowing their money is safe because

it is insured by the FDIC," ICBA President and CEO Rebeca Romero Rainey said. "Since the FDIC was founded in 1933, no one has ever lost a penny of FDIC-insured funds."

The release noted that the FDIC fully insures funds in community banks up to \$250,000 per depositor and \$250,000 for certain retirement accounts.

[Read ICBA Press Release »](#)

### **Guidance on Essential Critical Infrastructure Workforce**

Governor JB Pritzker's Stay at Home order specifically identifies banks as essential businesses. [Read Official Executive Order »](#)

[CBAI COVID-19 Resource Center »](#)

[FAQs »](#)

A letter from Treasury Secretary Steven Mnuchin offers guidance on the federal designation of community bankers as a critical workforce:

*Consistent with the President's guidelines "if you work in a critical infrastructure sector, as defined by the Department of Homeland Security, you have a special responsibility to maintain your normal work schedule." The Essential Critical Infrastructure for the financial services sector includes workers who are needed to process and maintain systems for processing financial transactions and services, such as payments, clearing and settlement services, wholesale funding, insurance services, including ATMs, movement of currency (e.g. armored cash carriers); support financial operations, such as those staffing data and security operations centers; and, key third party providers who deliver core services. These individuals are critical to maintaining safe and efficient financial services and ensuring citizens have access to these services that are necessary to conduct their daily lives.*

[Read Letter »](#)

[See Guidance from the Department of Homeland Security on the Critical Infrastructure Workforce »](#)

### **Additional Resources for Community Bankers**

Our goal at CBAI is to provide you with timely and concise information. We understand that your time is at a premium as you focus on the operation of your bank and the safety of your employees and your customers. More comprehensive information can be found in the COVID-19 resources in the Members Only section of [www.cbai.com](http://www.cbai.com). If you do not have access to this portion of CBAI's website, please contact [Stacy Workman](#). We also encourage you to visit ICBA's website for additional resources. The CBAI team is working remotely, but we are still available to serve your needs. Please don't hesitate to reach out if you have questions or concerns. CBAI members also have free access to the Capitol Fax Blog, which is an excellent source of information for the political implications of the crisis and the latest information from state leaders.

[CBAI Resources on COVID-19 »](#)

[ICBA Resources on COVID-19 »](#)

CONTACT CBAI