NEWS FROM THE FRONT- 6/9/2020

Paycheck Protection Program Reform Legislation Signed into Law
Paycheck Protection Program (PPP) reforms were passed through Congress with bipartisan support and signed into law by President Trump on Friday, May 29, 2020. While further guidance and clarification from the SBA and Treasury is likely, the Paycheck Protection Program Flexibility Act of 2020 includes the following:

- Extends from eight to 24 weeks the amount of time borrowers have to spend PPP funds while remaining eligible for forgiveness.
- Lowers the amount that must be spent on payroll costs from 75% to 60%.
  *(The Treasury and SBA recently clarified that partial forgiveness will be available subject to at least 60% of the loan forgiveness amount having been used for payroll costs.)**
- Extends to December 31, 2020, the period in which employers may rehire or eliminate a reduction in employment, salary, or wages that would otherwise reduce the forgivable loan amount.
- Replaces the six-month deferral of payments due under PPP loans with deferral until the date on which the amount of loan forgiveness is remitted to the lender, or 10 months after the end of the forgiveness period.
- Establishes a minimum maturity of five years for **new** PPP loans instead of the current two-year maturity date.
- Eliminates a provision that makes PPP loan recipients who have such indebtedness forgiven ineligible to defer payroll tax payments.

CBAI and ICBA will continue to strongly advocate with policymakers for additional reforms and flexibilities, such as allowing a forgiveness presumption of compliance for loans of $1 million or less and an easy-to-use loan forgiveness calculator.

Read the ICBA Summary of PPP Reforms
*** Read Joint Treasury and SBA Statement**

CBAI Urges FDIC to Revise Brokered Deposit Restrictions
In a June 8, 2020, comment letter, the Community Bankers Association of Illinois (CBAI) urged the Federal Deposit Insurance Corporation (FDIC) to ease its proposed brokered deposit restrictions. CBAI supports modernizing the FDIC's brokered deposit rule to reflect today's banking practices and evolving funding strategies. Community banks rely upon third-party

service providers to help them originate deposits to serve their local communities and effectively compete with large and regional banks, credit unions and fintech providers. However, if the FDIC's proposal is adopted as currently written, it will severely impact community banks' ability to serve their customers and communities. CBAI identified the problems with the proposal and made detailed recommendations to solve each one, which if adopted, will benefit Illinois community banks.

Read CBAI Comment Letter

Banks Impacted by Rioting and Looting Amid Statewide Protests
There were reports of banks being vandalized, windows being broken, and ATM machines being damaged as looters took advantage of otherwise peaceful protests last week. Most reports of damage to banks came from Chicago but there was looting and damage to businesses reported statewide. CBAI has been closely monitoring the situation and coordinating with IDFPR and the Illinois Emergency Management Agency to address the level of direct threats to community banks. IDFPR decided not to issue a blanket Emergency Proclamation but has offered to issue them on a case by case basis for banks who choose to close for fear of impending threats.

Governor JB Pritzker issued a disaster proclamation for 14 counties in Illinois to expedite the use of state resources, personnel and equipment to help municipalities. The counties include: Champaign, Cook, DuPage, Kane, Kendall, Macon, Madison, Sangamon, Will, Lake, Peoria, Rock Island, Williamson and Stephenson. The governor also activated members of the Illinois National Guard to support various jurisdictions throughout the state in their work to protect communities. In addition to the soldiers from the Illinois National Guard and troopers from the Illinois State Police, the State Emergency Operations Center is monitoring operations throughout the state and fulfilling requests from local governments. **Click here to read the Governor's Proclamation**.

Members of the Illinois Legislative Black Caucus are calling for an end to looting and urging leaders at every level of government to craft solutions to end police violence and other systemic racial injustices afflicting African-American communities.

New Laws
The Governor signed legislation, **SB2099** (Harmon/Zalewski), to allow the Governor, with the approval of the Comptroller and Treasurer, to borrow up to $5 billion from the Federal Reserve Bank. With that, Illinois became the first state to borrow from the Federal Reserve's $500 billion targeted for local governments. Illinois is borrowing $1.2 billion to offset FY20 revenue losses due to the pandemic.

Governor Pritzker also signed **HB2682** (Zalewski/Feigenholtz), which is an omnibus liquor law. The bill allows bars and restaurants to sell liquor for pickup and delivery. Cocktails may not be delivered via a third-party delivery app. The legislation also delays late fees and license fees for liquor licenses for businesses and establishes automatic liquor license renewal approval and extension for any license holder whose business or operations have been suspended in any capacity due as a result of COVID-19.

Fiscal Update

Illinois tax collections fell $341 million in May, adding to the decline in state revenues resulting from the economic fallout of the COVID pandemic. Income tax revenues dropped $2 billion in April. The Commission on Government Forecasting and Accountability reports that overall revenues are down by $1.3 billion from a year ago. The state has delayed income tax payments, originally due April 15, to July 15.

The S&P bond rating agency acknowledged that the state's FY21 budget is "precariously balanced" and has maintained its BBB- rating, just above junk status. Its latest report says Illinois has the fifth-highest per-capita debt in the nation and notes that the budget is balanced only with $5 billion in borrowing from the Federal Reserve. S&P also called the state still "structurally misaligned" with $7.2 billion in unpaid bills and no action on the state pension fund deficit.

Governor Issues New Executive Orders

Executive Order 2020-38 resumes activities that were paused in previous Executive Orders due to COVID-19. The Order outlines public health requirements for individuals, businesses, retail stores, manufacturers, office buildings, restaurants and bars, gyms, personal service facilities, youth sports and public amusement. Individuals must continue to practice social distancing, maintaining at least a six-foot distance, and wear a face covering in public places or when working.

Executive Order 2020-39 reissues Executive Orders 2020-03 through 2020-37, extending most provisions through June 27, 2020. This includes extending the ban on residential evictions, a moratorium on utility shutoffs, and suspension on repossession of vehicles. This also includes the ability to conduct marriages and notarization remotely, as well as the suspension of many in-person licensing and training requirements to ensure that workers can keep their professional credentials active.

Executive Order 2020-40 allows all schools to open for limited in-person educational purposes, such as summer school, following the completion of the regular 2019-20 school year.

Executive Order 2020-41 suspends in-person creation of sports betting accounts.

Notes from Springfield

All regions in Illinois have moved to Phase 3 of the Governor's Restore Illinois Plan. COVID-19 testing is now available to anyone in Illinois who wants to be tested, regardless of symptoms or exposure.

Community BancPac Legislative Roundtables to Resume as State Re-Opens
With the presumption that all, or parts, of Illinois will move into Phase 4 of the re-opening plan allowing gatherings of up to 50 people, we are planning to resume legislative roundtables in July and August. These events are supported by Community BancPac and are intended to give community bankers an informal opportunity to interact with elected officials. Because we will likely be limited in the size of gatherings, our hope is to make up for it in volume of events across all geographic regions of the state. In keeping with the values of community bankers, we would also like to support small businesses impacted by the shutdown. If you know of a bar, restaurant, winery, brewpub or other venue in your area that would be a good location, please contact Jessie Schmidt who is coordinating the planning. Look for announcements in the coming weeks as we start to add events to the calendar. Contact: jessicas@cbai.com

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For more information, or if you have any questions or comments, please contact Jerry Peck or Megan Peck at 800/736-2224.