



NEWS FROM THE FRONT

Community Bankers Association of Illinois
One Mission. Community Banks.®

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Congress Passes COVID-19 Relief Package

On Monday, Congress finally approved \$900 billion of welcomed and much needed COVID-19 relief as part of a year-end spending bill that passed the House (359-53) and the Senate (92-6). Last minute modifications were made to the bill to greatly improve the PPP loan- related provisions from earlier drafts. The final bill included:

- 1)** \$325 billion for additional Paycheck Protection Program (PPP) loans;
- 2)** Simplified PPP loan forgiveness for loans \$150,000 and less;
- 3)** Fully forgivable Economic Injury Disaster Loan (EIDL) advances, ending the EIDL debt trap;
- 4)** Lender hold harmless provisions for relying on borrower documentation and certification;
- 5)** Tax deductions for business expenses paid with PPP funds; and
- 6)** Provisions that a PPP lender shall only be responsible for paying fees to an agent for services for which the lender directly contracts with the agent. This language applies to all PPP Loans.

A detailed summary of the bill from the ICBA can be found below and will be updated as additional information is known. [See summary.](#)

CBAI is proud of the advocacy engagement of Illinois community bankers who worked patiently but tirelessly to make sure this round of COVID-19 relief included meaningful benefits for their small business customers and reasonable Program

Committee (Senator Toomey) is likely to support this public safety initiative.

9) CBAI submitted a detailed comment letter to the FDIC on modernizing the outdated brokered deposit regulations. We are pleased to report that the recent final rule incorporated many of our recommendations.

10) CBAI was also pleased to report that, as a result of a strong advocacy effort by community banks, and the associations that represent their interests, the housing GSE's postponed a September 1st implementation of guarantee fee increase until December 1st. This crucial postponement allowed existing loan pipelines, which could not be repriced to reflect the fee increase, to empty.

11) CBAI is readying a comment letter to the CFPB on customer data sharing. This letter will highlight the responsible safeguarding and use of customer data and how rulemaking must command that safeguards be imposed on other users of customer data.

12) CBAI responded to a request for comments by the CFPB regarding their proposals for small business data collection and reporting. CBAI highlighted the importance, of small business 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.

CBAI's Call on Washington, which will be held in conjunction with the ICBA's Capital Summit, is

requirements for lenders. The responsibility now falls to the SBA and other Agencies to quickly implement this legislation. CBAI will work diligently to ensure implementation strictly follows Congressional intent.

CBAI Legislation & Regulation Committee sets 2021 Legislative Priorities

The Legislation & Regulation Committee met virtually to discuss CBAI's legislative priorities for 2021 at both the state and federal level. They also discussed the scheduling of government relations events like Capital Conference, Call on Washington and statewide Legislative Roundtables.

On the state side, the full legislative calendar for the Spring 2021 session still has not been released. We remain unsure as to how robust of a legislative calendar will be attempted with COVID restrictions still in place. The General Assembly only met once for five days in May after the initial COVID shutdowns in March. The fall veto session was cancelled and there is speculation of a lame duck session in early January, but so far, no dates have been announced.

We anticipate taxes and budgeting will be major concerns in the coming legislative session. Illinois has a \$3.9 billion budget shortfall in the current year which is expected to grow in coming years unless action is taken. CBAI will advocate for spending reforms and responsible revenue enhancements that will begin to return Illinois to stable financial footing. We also expect the Legislative Black Caucus to introduce legislation aimed at perceived structural racism in lending practices. These concerns are mainly targeted at large mega-banks and non-depository lenders. CBAI will push for tiered regulations and asset thresholds in new regulations so that community banks are not unduly punished for the misdeeds of larger and non-traditional lenders.

The CBAI Board of Directors voted unanimously to reaffirm our commitment to the three legislative priorities from 2020 that were not addressed due to the COVID shutdown of the General Assembly. They include: (1) continuing to pursue changes to the Revised Uniform Unclaimed Property Act, (2) continuing to push a CBAI initiative that exempts banks under \$20 billion in

planned for April 28-30, 2021. We will plan to host as normal of an event as possible given likely COVID restrictions on travel, including those imposed by the State of Illinois, Washington, D.C., the Capitol and Congressional offices, and hotels and meeting venues. We will provide updates on the status of this annual event closer to the date of Call on Washington.

Election Update

All races are final following the November general election. The Illinois Senate increased its Democratic majority by one, 41 D/18 R, with Karina Villa (D) winning the seat previously held by Senator Jim Oberweis, who ran for Congress. Oberweis eventually lost the Congressional race to incumbent Lauren Underwood (D). Senator Robert Martwick (D) held on to win in the 10th Senate District.

In the Illinois House, Republicans ended the election with a net gain of one seat, having defeated incumbents Nathan Reitz, Monica Bristow, Mary Edly-Allen, and Diane Pappas. Democrats overturned seats held by Allen Skillicorn, John Cabello, and Grant Wehrli. The final House tally is 73 D/45 R.

Both Democrat caucuses still have a supermajority.

CBAI Urged 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.

assets from paying state income taxes on commercial or agricultural loans under \$10 million, and (3) filing a new omnibus bill that amends the Illinois Banking Act to make several clarifications and changes such as a retention of record timeframe, the examination of call report fees, clarifications on customer bank records, and bank closure for certain circumstances.

The Committee also directed CBAI staff to plan for a **Capital Conference** in 2021. A potential date cannot be determined until the spring legislative session calendar is released. We plan to host as normal of an event as possible given likely COVID restrictions. We plan to gather in Springfield and visit the Capitol, if possible. We will also create contingency plans to have legislators come to meet with us in person or virtually in the event that direct Capitol access is not available. A virtual Capital Conference will be a last resort, as the Committee feels that direct, in-person advocacy is more effective, when possible.

We also plan to hold statewide legislative roundtables later in the year when vaccine distribution will hopefully be widespread, and restrictions will be eased. These are intended to give community bankers a relaxed atmosphere to interact with their legislators closer to home and away from the hectic pace of legislative session. Multiple touches with legislators both in Springfield and in their home districts is very effective for building relationships and direct advocacy for community banking issues.

Federally, we are in the waning days of the 116th Congress with much to be accomplished in the "Lame Duck" session, including several improvements to the SBA's Paycheck Protection Program in a COVID-19 relief package, and enactment of the National Defense Authorization Act, which contains important beneficial ownership reporting relief sought by community banks.

The Committee heard a recap of the November election. On the U.S. House side of the Capitol, two new members were elected from Illinois – Marie Newman (D-3rd) will replace Dan Lipinski over whom she prevailed in the March primary election, and Mary Miller (R-15th) who will replace the retiring John Shimkus. CBAI has reached out to both of these new members to introduce them to

CBAI made specific recommendations which included the following:

- 1)** Apply Section 1071 rulemaking to all types of financial institutions, including credit unions, Farm Credit System lenders, and Industrial Loan Companies.
- 2)** Apply Section 1071 rulemaking to nontraditional financing products, particularly when delivered through non-traditional lenders.
- 3)** If a size-based financial institution exemption threshold is selected, \$1 billion in assets should be exceeded for three calendar year-ends (not including assets at year-end 2020) before the data collection and reporting is required.
- 4)** Businesses which exceed \$1 million in annual revenues should be exempt from this rulemaking.
- 5)** There should be no requirement for verifying the level of minority- or women-ownership of a business or to confirm the status of a minority individual.
- 6)** The Bureau should only include the "mandatory" data points for collection and reporting and not repeat the mistakes it made in HMDA rulemaking by adding a number of "discretionary" data points.
- 10)** The Bureau should robustly protect the privacy interests of small businesses, minority- and women-owned businesses, and related individuals.
- 11)** The rule should be phased-in over three years for community banks.

CBAI looks forward to working with the Bureau in Section 1071 rulemaking to minimize the regulatory burden on community banks.

CBAI Political Action Committees

During the 2020 election cycle, CBAI made significant contributions to both state and federal candidates who support the mission of community banking. The strategy of Community BancPac has been to have lighter spending in non-election years and concentrate our efforts ahead of primary and general elections.

Community BancPac also does not make campaign contributions during the legislative session. For these reasons, Community BancPac has a healthy reserve going into 2021 which we will continue to build upon during the year in preparation for the 2022 election cycle. CBAI FedPac is run differently. Because of federal campaign laws, it is more advantageous to spread out donations throughout

CBAI and highlight community bank issues and priorities.

The House Financial Services Committee will continue to be Chaired by Maxine Waters (D-CA 43rd) and Ranking Member Patrick McHenry (R-NC-10th). Leadership of the Senate Banking Committee will depend on the outcome of Georgia's Senate runoff elections which will be held on January 5th, and which will determine if that chamber is controlled by the republicans or democrats. Current Chairman Mike Crapo (R-ID) will likely lead a different committee and be replaced by Pat Toomey (R-PA), while the current Ranking Member Sherrod Brown (D-OH) will be the lead democrat.

On the regulatory side, while some leadership changes are expected, several agency heads have remaining years on their terms and cannot be replaced by President-elect Biden. The leaders that cannot be replaced include the FDIC's Jelena McWilliams (term ends in June 2023) and Federal Reserve Chairman Jerome Powell (term as Chairman ends February 2022). Leaders who are likely in jeopardy to be replaced include the CFPB's Kathy Kraninger and Acting OCC's Comptroller Brian Brooks. CBAI has developed good working relationships with all of the federal agencies in Washington D.C. and their Chicago offices so our ability to advocate for Illinois community banks will not be impacted by leadership changes.

There were many updates to **CBAI's 2020 Federal Policy Priorities** which highlighted CBAI's progress in its continued and exclusive advocacy for Illinois community banks.

- 1)** Community bankers truly excelled in their response to the COVID-19 crisis with the Paycheck Protection Program (PPP) and this achievement has been widely recognized by their customers, Members of Congress, and the banking regulators. CBAI is working to make much needed improvements to the PPP in the next stimulus bill, including simplified forgiveness, repeal of the EIDL advance deduction from PPP forgiveness, and a hold-harmless for PPP lenders.
- 2)** CBAI actively supported and was gratified by recent agency rulemaking easing certain regulatory requirements which were needed because of expanded bank balance sheets due to the

the year. In 2020, we were unable to host the FedPac baseball fundraiser because of the cancellation of in-person attendance at Major League Baseball games. This event is the primary fundraising opportunity for the FedPac. Currently the FedPac has a very low balance that we need to address to be able to maintain the strength of our federal advocacy program in 2021.

Because of federal campaign finance law, we are not allowed to make direct FedPac fundraising appeals unless a banker has signed our FedPac authorization form. We encourage every CBAI member to sign the form and send it to **David Schroeder** so that he can share more information with you about our FedPac outreach efforts. **[Download authorization form here.](#)**

Notes from Springfield

- 1)** The Illinois General Assembly has not met since the abbreviated five-day session at the end of May. The two weeks of scheduled veto session were cancelled. There is speculation that a lame duck session could be held at some point between January 1 and the inauguration of the new General Assembly at noon on January 13.
- 2)** Sen. Dan McConchie has been selected as the new Senate Minority Leader replacing Sen. Bill Brady. Last week, Leader-Designate McConchie traveled to Springfield for a one-on-one, face-to-face meeting with the CBAI GR team to discuss our priorities for the upcoming legislative session.
- 3)** Nineteen House Democrats have publicly indicated that they will not vote for Michael Madigan to retain his position as Speaker of the House in the next General Assembly. That would leave him six votes shy of the 60 necessary to retain the gavel. Speaker Madigan is still running for the position and last week was endorsed by the House Legislative Black Caucus. To date, no candidate for speaker has emerged who appears to have a clear path to the 60 votes necessary to win the election.
- 4)** Cristina Pacione-Zayas is replacing former Sen. Iris Martinez (D-Chicago), who was recently elected as Cook County Circuit Court Clerk. Pacione-Zayas is the Secretary of the Illinois State Board of Education.
- 5)** Governor Pritzker borrowed another \$2 billion of the \$5 billion allowed from the Federal Reserve to help fill the budget deficit in the current FY21 state budget. The administration previously borrowed

pandemic. These requirements were related to debit interchange, capital, financial reporting and other matters.

3) The SBA's recent release of detailed PPP borrower information was as a result of a Freedom of Information Act (FOIA) request, initially denied by the SBA, but then ordered by a Federal judge. The SBA did not have any choice in this matter but to comply.

4) CBAI supported beneficial ownership reporting relief be included in the National Defense Authorization Act. Currently, community banks are required to collect this information, but the requirements of the Act will transfer that responsibility to FinCEN.

5) CBAI continues its opposition to the expansionist agenda of credit unions and the Farm Credit System lenders.

6) CBAI recently submitted a comment letter to the FDIC opposing the mixing of banking and commerce represented by Industrial Loan Companies (ILCs). While closing the regulatory loophole, which allows the holding companies of ILCs to escape consolidated supervision by the Federal Reserve, falls to Congress, we urged the FDIC to protect the DIF and our financial system to the greatest extent possible within their jurisdiction.

7) CBAI submitted a comment letter to the OCC regarding the modernization of the Community Reinvestment Act (CRA). Among our many recommendations to reflect the way consumers conduct their banking business and banks deliver these services, including all three regulators agreeing on a way forward with CRA modernization.

8) CBAI continues to support a safe harbor for banks willing to serve cannabis related businesses. While Senate Banking Committee Chairman Crapo opposes this effort, his incoming replacement on the

\$1.2 billion, leaving \$1.8 still available, but the governor indicated that the state will not borrow the additional available funds.

6) The statewide minimum wage rises another \$1 to \$11/hour on January 1. The wage already grew from \$8.25 to \$9.25 and then \$10 in 2020. It will increase again every year by \$1 until 2025, when it reaches \$15/hour. Business groups, including CBAI, have called on the legislature and Governor Pritzker to roll back the increases due to the pandemic impact on small businesses, but the governor emphatically has said no.

7) Secretary of State Jessie White announced that he will not seek re-election in 2022. A flurry of candidates from both parties are exploring campaigns for the position.

8) Illinois' cannabis regulators announced they have joined with regulators from across the nation to form the Cannabis Regulator Association, a non-partisan organization aimed at sharing best practices and experiences in regulating cannabis. The organization will assist federal, state and local entities that have legalized or are considering the legalization of cannabis. More information can be found [here](#) and [here](#).

If you have any questions or comments, please contact [Jerry Peck](#) or [Megan Peck](#) of the CBAI Governmental Relations Department.

If you have someone you would like to add to receive these NEWS FROM THE FRONT newsletters, please email [Stacy Workman](#) and indicate you would like for them to be added!

