



# NEWS FROM THE FRONT

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

Edition: May 24, 2021

We are in the final scheduled week of the spring legislative session with both the House and Senate expected to be in session every day through May 31. Overtime is always an option, but lawmakers generally try to get most work done by the end of May because starting June 1, the requirement to pass most bills increases from a simple majority to a supermajority vote. Large issues remain on the table, including a budget, redistricting, ethics reform, a massive energy bill, and hundreds of other legislative proposals near and dear to individual legislators' hearts.

### **Proposed Legislative Maps Released**

New legislative maps for the Illinois House and Senate were released on Friday. The maps were drawn exclusively by democrats, who hold super-majorities in both chambers. Because U.S. Census data won't be available until September, the mapmakers used an alternate set of data from the American Communities Survey. The Illinois Constitution requires the General Assembly to pass maps by June 30 or the entire process moves to a bi-partisan commission. If the commission is deadlocked, a drawing is conducted to choose a tie-breaker, giving both republicans and democrats a 50/50 shot at controlling the process.

[Proposed maps for the Senate.](#)

[Proposed maps for the House.](#)

Congressional maps do not face the same constitutional deadline. Mapmakers have not yet released drafts of Illinois Congressional Districts. Because of population decline, Illinois' Congressional Delegation will shrink by one seat, moving from 18 members in the U.S. House of Representatives to 17.

Early analysis shows that mapmakers took great care to draw incumbent House republicans into the same district in many cases across the state. These legislators will have to either run against each other, retire or move their residence to an open district.

landlords, with the goal of preventing evictions. Shoring up the effort is an additional \$400 million in rental assistance from larger municipalities. Another area being addressed is mortgage assistance. The state is establishing a \$400 million program to help this sector. More information [here](#).

Meanwhile, a phase-out on the ban on evictions is getting underway. On May 17, Governor Pritzker announced a three-month easing of barred pandemic-related evictions before the ban lapses completely in August. More details are expected soon.

Governor Pritzker has still not indicated when we might see a modification of executive orders dealing with foreclosures and post judgement debt.

### **Secretary of State Continues to Examine Holding Companies for Franchise Tax Liability**

In the past few weeks, several community bankers have reached out to CBAI with questions about the Secretary of State's Office (SoS) auditing holding companies for unpaid franchise taxes. CBAI had reached an understanding with the SoS that as long as the physical stock certificates were held out of state, a practice commonly recommended by auditors, the bank holding company was not liable for the tax. However, if at any point the certificates were returned to the State of Illinois, the SoS could seek payment of the tax.

Adding to the confusion is the fact that the Illinois Corporate Franchise tax is in the process of a four-year phase-out, with it completely going away in 2024.

CBAI's understanding with SoS was reached in 2018. For a time things have been quiet on that front, but recently we are starting to hear of more cases of holding companies being asked for proof of the physical location of stock certificates and being re-examined for potential franchise tax liability. This could include fines and penalties going

In East-Central Illinois, an area sometimes referred to as the "Eastern Bloc," four republican legislators have their residences drawn into the same district. They are Dan Caulkins, Blaine Wilhour, Adam Niemerg and Brad Halbrook. Halbrook faced the same fate a decade ago in the last remap when he was drawn in with then-Representative Adam Brown.

Other Illinois House Republican legislators drawn into the same district include:

Amy Grant and Seth Lewis  
Keith Wheeler and Dan Ugaste  
Tom Morrison and Chris Bos  
Keith Sommer and Mark Luft  
Tony McCombie and Andrew Chesney  
C.D. Davidsmeyer and Randy Freese  
Avery Bourne and Charley Meier  
Joe Sosnowski and Jeff Keicher

On the campaign trail, Governor JB Pritzker vowed to veto any map that wasn't drawn in a bi-partisan manner. He has since changed his position, saying that he would now veto a map only if he does not believe it is fair. The House and Senate will hold a hearing on the proposed maps this week and could vote to approve them before the scheduled end of session on May 31.

## **Elder Abuse and Exploitation Mandated Reporting**

Legislation to expand the definition of "mandated reporter" of elder financial exploitation by including investment advisors and insurance adjusters was amended onto [SB 700 \(Crowe/Stuart\)](#). CBAI opposed the legislation as introduced in [HB 3918](#) because "investment adviser" was not defined in the bill, and there were concerns that it could potentially include employees of community banks. CBAI has historically opposed mandated reporter legislation, as mandated reporters are subject to hefty fines and even imprisonment if they fail to report. As an alternative, all employees of state-chartered banks, savings banks and credit unions must undergo financial exploitation of the elderly training every three years, but don't face the same legal scrutiny as those officially designated as mandated reporters.

CBAI offered an amendment to define "investment advisers" to mean any person required to register as an investment adviser or investment adviser representative under Section 8 of the Illinois Securities Law of 1953 and excludes any bank, trust company, savings bank, or credit union, or their respective employees. The sponsor agreed to amend the bill and it passed the House Human Services Committee. SB 700 is currently on 3rd reading in the House and will need to go back to the Senate for concurrence.

## **RUUPA Bill Advancing**

[SB 338 \(Crowe/Zalewski\)](#) amends the Revised Uniform Unclaimed Property Act and further addresses some necessary RUUPA clean-up and concerns held by our financial institution's coalition including CBAI, the Illinois

back decades. In some cases, it could go as far back as the formation of the holding company.

CBAI continues to advise community bankers to be aware of this situation. Be prepared to answer questions related to the franchise tax on SoS interrogatories and provide evidence of the physical location of stocks going back decades, if needed.

CBAI's 2018 understanding with the SoS is encapsulated in the communication below.

*I am writing to clarify the policy of the Office of the Secretary of State regarding stock certificates maintained in another state with regard to calculating Illinois franchise tax obligations. It is the position of this office that stock certificates maintained in another state shall be considered property allocated to that state and not to the state of Illinois, subject to verification. Furthermore, no corporation will be required to amend any previously filed franchise tax assessment for the purpose of treating stock certificates that can be verified as having been maintained in another state at the time of the previous filing, as property allocated to the state of Illinois.*

*The Department of Business Services will adhere to its policy of verifying the information contained in the corporation's annual reports and other reports, including the corporation's allocation factor. In that vein, corporations will need to prove that the stock certificates were actually transferred to another state, how long they have remained there, the value of said stock certificates, among other factors to be taken into account in order to reduce the amount of property reported to the state of Illinois as property located in the state of Illinois. Uncertificated stock will still be considered to be administered, managed and controlled from the state of Illinois. If necessary, and per Department policy, corporate board resolutions, tax returns, accountant's affidavits and other evidence may be required of the corporation to verify its position.*

If you have questions or concerns about the franchise tax or SoS examinations, please feel free to reach out to [Jerry Peck](#) for assistance.

## **Budget Update**

Governor Pritzker, Senate President Harmon, House Speaker Welch, and Comptroller Mendoza announced a plan to pay off \$2 billion in emergency borrowing during the next fiscal year. The loan was originally scheduled to be repaid in three installments by December 2023. Under the deal reached this week, the Comptroller will utilize the state's unexpected revenue overperformance and effective cash management to retire the debt in its entirety within the next budget year. Up to \$100 million in interest costs will be saved.

According to a Thursday budget update offered by Leader Greg Harris, the Appropriation Committees have been employing a two-fold approach to the \$1.3 billion gap in the FY22 state budget. Having first identified areas to

Credit Union League, and the Illinois Bankers Association. The Revised Uniform Unclaimed Property Act (RUUPA), a rewrite of the Illinois Unclaimed Property Act, was passed quickly by the Illinois General Assembly during the last hours of session in 2017. CBAI had several outstanding concerns and has been working on resolving those ever since. SB 338 reflects agreed upon and compromised language between the financial institution's coalition and the Illinois Treasurer's office. For the last several years, coalition language addressing RUUPA concerns has been held up or stalled in the final days of previous legislative sessions, however, SB 338 is advancing and CBAI has been told that it is positioned to finally pass this year.

Significant to community banks, SB 338 clarifies that the presumptive period of abandonment for automatically renewable time deposits begins to run after one term and one automatic renewal of the time deposit and also clarifies when reporting and delivery of automatically renewable time deposits are to occur. The bill also updates language to the Consolidated Statement Rule, reinstates a visitation standard for examinations authorized by the Act, and further clarifies the confidentiality of records as they relate to financial institutions. CBAI will continue to monitor RUUPA and introduce legislation to make necessary changes that are beneficial to community banks.

[RUUPA Bill \(SB 338\) Fact Sheet](#)

### **Student Loan Reporting**

The Illinois Attorney General's Office is behind [HB 2746](#), a measure that would require lenders to report data about private student loans to IDFP and the AG's Office. Officially called the Know Before You Owe Private Education Loan Act, the bill does not apply to public student loans which make up the vast majority of student lending. The bill requires quarterly filing of data, including enrollment status of the borrower and cost of attendance and financial aid available to the borrower, among other things. This creates a significant regulatory burden on a lender to report data that is not readily available to them. In most cases, they would have to first collect the data from the borrower and their educational institution.

CBAI opposed the legislation, but when it became apparent that it was going to pass over our objections, we worked with the Attorney General's Office on a carve-out for lenders who do very few educational loans. An agreement reached in Senate Amendment 1 limits the detailed reporting to lenders who fund more than 10 separate private educational loans per year. Lenders funding less than 10 loans would still need to report the total number of loans made but would not be required to provide detailed data. The bill is on third reading in the Senate, and because of the Senate amendment, it would have to return to the House for concurrence before being sent to the governor.

### **Illinois Enters COVID-19 Bridge Phase and Governor Modifies Statewide Mask Mandate**

In Illinois, 64% of adults have received at least one COVID-19 vaccine dose and 47% of adults are fully vaccinated,

impose cuts, the Committees have been focusing this week on filling the gap with revenue sources from the Governor's budget -- including closing "corporate tax loopholes" -- to find areas of consensus. Leader Harris said the exercise demonstrated that the state must identify new revenue to avoid severe cuts across the board.

Uncertainty over the extent to which states can use federal stimulus dollars remains problematic. For example, Wednesday night lawmakers learned of additional restrictions on the stimulus monies with regard to spending on K-12 and higher education -- the federal guideline directs that such funding can be used only to supplement state funding, not supplant it. The new fiscal year starts July 1st.

### **Notes from Springfield**

Add Chicago Alderman David Moore to the growing list of Democrats seeking to replace retiring Secretary of State Jesse White. Moore will face Chicago Alderman Pat Dowell, former state Treasurer Alexi Giannoulias, Senator Michael Hastings, and Chicago City Clerk Anna Valencia in the 2022 primary.

Democratic leaders and the governor are rumored to be considering moving the 2022 primary election from March to sometime in the summer of 2022 due to the likely legal challenges over the drawing of new legislative districts. Such a move would require legislative approval.

The Illinois State Board of Education approved a resolution this week requiring Illinois schools to return to in-person instruction for the 2021-2022 school year. The University of Chicago joined Loyola, DePaul, Concordia and Northwestern in requiring students to have the COVID-19 vaccine for the fall semester.

The "shot and a beer" proposal was amended onto [SB 104](#) in the House. Under the amendment, bars and restaurants are allowed to give away one alcoholic beverage to individuals presenting proof of COVID-19 vaccination. The Liquor Control Commission will promulgate rules to govern the provision. SB 104 now heads to the full House for consideration.

## **On the Federal Side**

### **Closing the Industrial Loan Company (ILC) Regulatory Loophole**

CBAI continues to work with the Independent Community Bankers of America (ICBA), members of Congress, and the banking regulators on legislation and regulations to address this important safety and soundness issue which impacts our financial system and the FDIC's Deposit Insurance Fund. The following is excerpted from [CBAI's 2021 Federal Policy Priorities](#).

"CBAI has consistently supported the long-standing American economic policy of prohibiting the mixing banking and commerce, which ILCs represent, because of

according to data from the Centers for Disease Control and Prevention.

Illinois is in the 28-day Bridge Phase as part of the Restore Illinois COVID-19 plan. Governor Pritzker issued [Executive Order 2021-10](#), which eases capacity limits for most businesses and starts to roll back COVID-19 mitigations as a transition to full reopening. If COVID-19 infections and hospitalizations decrease and vaccinations increase during the 28 day Bridge Phase, Illinois can enter Phase 5 of the plan, which is a fully reopened state with limited COVID-19 restrictions. The earliest Illinois could enter Phase 5 (fully re-opening) is June 11.

Governor Pritzker also revised Illinois' mask policy to align with the new CDC guidance. Under the latest Executive Order, fully vaccinated individuals can stop wearing a mask and practicing social distancing in most indoor and outdoor settings. Masks are still required for everyone in healthcare settings, congregate settings, schools, daycares, and transit. Read the full Executive Order [here](#). The City of Chicago also adopted the CDC guidelines but continues to "advise" individuals to continue wearing masks. Under the order, unvaccinated people are still subject to the state mask mandate. From the executive order:

#### *Face Coverings*

*Any individual **who is not fully vaccinated** and who is over age two and able to medically tolerate a face covering (a mask or cloth face covering) shall be required to cover their nose and mouth with a face covering when in a public place and when unable to maintain a six-foot social distance. This requirement applies whether in an indoor space, such as a store, or in a public outdoor space where maintaining a six-foot social distance is not always possible.*

### **Governor Enacts Rent Relief Program, Could Phase-out Eviction Moratorium**

Illinois residents with economic hardships due to the pandemic can now apply for the second round of rental assistance. The Illinois Rental Payment Program – with a total of \$1.1 billion in funding – is being implemented through multiple rounds of monies to renters and debt.

the risks they pose to the financial system, our economy, consumers, and American taxpayers. ILCs are the functional equivalents of full-service banks and should be properly regulated. The risk posed by ILCs is the regulatory loophole that excludes their holding companies from being supervised and regulated by the Federal Reserve. Completely closing this loophole will be an important safeguard in times of economic stress.

The passage of needed legislation is particularly important now as large tech companies are eyeing ILC charters as a way to enter the banking industry, and enjoy its many benefits of being a bank, without their holding companies being subject to Federal Reserve supervision. These new big data, social media, e-commerce, artificial intelligence, and financial technology companies extend an ominous reach into our economic lives, with privacy and conflict of interest concerns. We should not allow the mixing of banking and commerce and closing the ILC loophole will prevent harming consumers and the financial system."

### **You're Invited to a CBAI Legislative Roundtable - North-Central Illinois**

The CBAI governmental relations team will be hosting legislators and community bankers at a roundtable and reception on Tuesday, June 29, from 5-7:30 p.m. at *Crate at The Cannery* in Eureka, IL. This casual event is an opportunity for community bankers to interact directly with lawmakers and discuss the concerns of our industry. Anyone from the bank, from directors to tellers, are welcome and encouraged to attend. Drinks and appetizers will be provided. There is no cost for CBAI members to attend. These events are made possible by your generous donations to Community BancPac. Please contact [Jessie Schmidt](#) at 217/529-2265 for more information or to register.

We would like to thank Chad Martin, president and CEO of Goodfield State Bank, who is helping to coordinate the event. As always, we welcome anyone who would like to assist CBAI in connecting with local legislators from their area. If you have an interest, please contact us.

## **CBAI Capital Conversations**



**Sponsored by CBSC, College Ave, FHLBC & ICBA**

