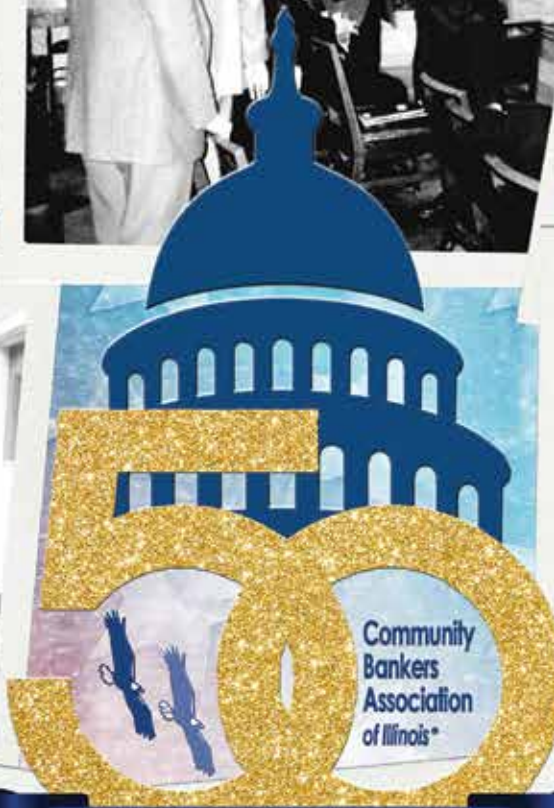


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Banknotes



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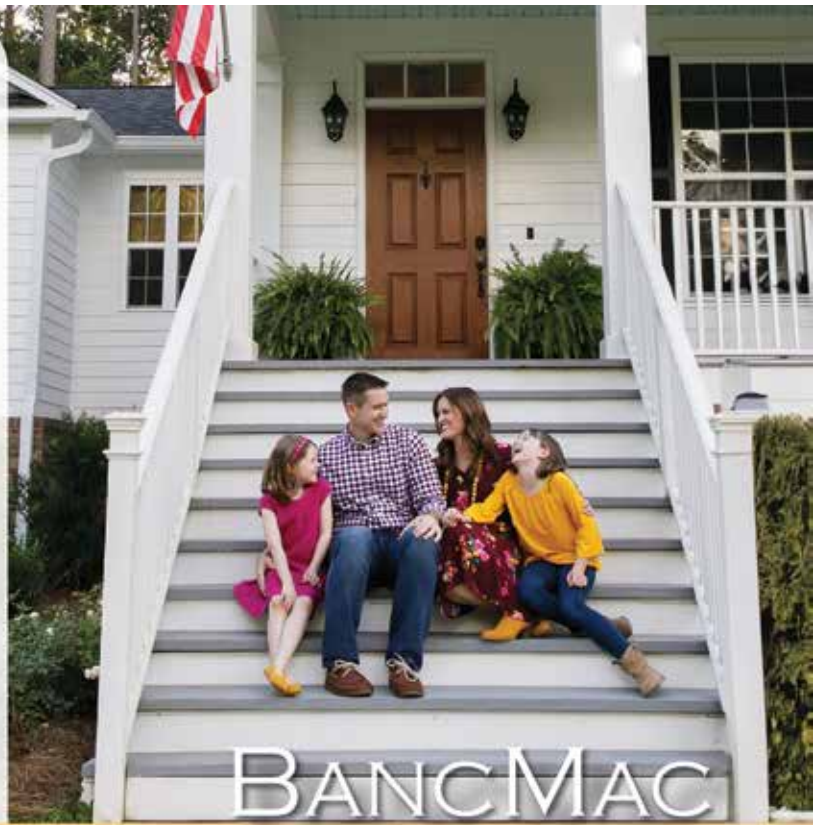
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Tuesday, April 9

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1:00 p.m. Program
4:30 p.m. Adjourn
6:00 p.m. Dinner

Wednesday, April 10

7:30 a.m. Breakfast
8:30 a.m. Program
12:00 p.m. Conclusion

ACCOMMODATIONS

A block of rooms will be available at the Omni Oklahoma City Hotel. Identify yourself as a Baker Bond School attendee when calling **405.438.6500**. The special room rate will be available until **March 6, 2024** or until the room block is sold out. Hotel price: Deluxe \$229 + tax.



Introduction

The principles of CBAI's governmental relations program began long before there was an association. A large contingency of members within the Illinois Bankers Association (IBA) grew frustrated as it became evident that banks focused on serving their communities and banks focused on massive growth didn't always see things the same way. In the 1960s, the very divisive issue of branch banking facilitated the creation of the Bankers Against Monopoly Banking (BAMB) Committee within the IBA. Recognizing that if community-minded bankers did not establish their own voice, they would always be relegated to the back seat. So, the committee became a collective force to stand up to the big banks. This sentiment eventually became the catalyst for the formation of the Independent Community Banks in Illinois (ICBI), now known as the Community Bankers Association of Illinois.

Governmental relations continue to be at the heart of the association's mission. A staff of one lobbyist in 1974 has grown to what is now a six-person governmental relations team, including four state lobbyists and a full-time federal lobbyist. Our advocacy program has always been banker-driven. CBAI's Legislation & Regulation Committee is made up of 50 bankers from all over the state with a wide variety of experience and expertise in banking. They identify and set our legislative priorities and advise our professional lobbying team. The mixture of grassroots direct banker advocacy and a dedicated professional lobbying team has proven to be a powerful combination in the fight to protect and advance the community banking profession.

Did You Know?

"Grassroots lobbying is a powerful tool for community banks. Nothing is more effective in terms of industry advocacy than a community banker relationship with a legislator."
www.icba.org

During the past 50 years, we've been involved in countless legislative and regulatory battles. Our list of victories and accomplishments is lengthy. Our legislative highlights are included on the following pages. Instead of trying to focus on every victory, the members of the governmental relations team decided to reflect on a few pivotal moments in community banking during the past 50 years and share their thoughts on how CBAI responded during times of need

Grassroots Beginnings and Branch Banking

Kraig Lounsberry, President, 16 years with CBAI

Grassroots advocacy has long been the rallying cry for member involvement at most governmental relations-centric trade associations; however, in 1974, it was grassroots advocacy that led to the creation of the ICBI and later CBAI. The push for branch banking by large downtown banks began in earnest in the 1960s. Illinois had long been a unit bank state, but as other states began passing branch banking and multi-bank holding company laws, Illinois community banks realized they needed to act quickly to stop this push in Illinois.

The grassroots effort to stem this tide began with the BAMB committee within the Illinois Bankers Association. Created in 1966, the 200-plus members of BAMB effectively lobbied the IBA leadership to oppose branch banking laws into the early 1970s; however, in 1971, the IBA executive committee replaced BAMB with a Bank Structure Committee to better study the issue. Although deactivated by the IBA, the committee's members continued to lobby both the IBA leadership and the Illinois General Assembly to oppose branch banking legislation. In 1973, BAMB committee mem-



CBAI community bankers and staff meet with CFPB Director Kathy Kraninger and CFPB staff regarding TRID improvements.



U.S. Senator Tammy Duckworth visits with CBAI member bankers during Call on Washington.



Illinois State Treasurer Michael Frerichs meets with Illinois community bankers.

bers, reorganized as the Committee Against Monopoly Banking (COMB), soundly defeated a proposal at the IBA convention to support branch banking in Illinois. COMB members also banded together to create a legislative strategy to defeat branch banking legislation in Illinois. Community bankers from all over Illinois made phone calls, sent telegrams, wrote letters and made numerous personal visits to Illinois legislators to encourage them to defeat seven bills related to branch banking.

Convinced they needed a more formal organization moving forward, ICBI was originally created as a watchdog group, but on February 27, 1974, five community bankers filed articles of incorporation to create the independent not-for-profit ICBI association. The group raised funds and continued the banker-led grassroots opposition throughout 1974. It wasn't until March of 1975 that the group hired Bob Wingert as their full-time lobbying coordinator. Soon after, former legislator Jim Nowlan joined as a legislative consultant to continue the fight. The branch banking battle continued throughout the 1970s but not just at the state level. In 1976, ICBI joined the Illinois Commissioner of Banks to sue the city of Chicago for a home rule ordinance implementing branch banking in Chicago. The Illinois Supreme Court ruled that home rule powers did not extend to branch banking and found the ordinance unconsti-

tutional. In another lawsuit, a federal court ruled that off-site electronic terminals installed by two of Chicago's largest banks constituted branch banking and were illegal. Unfortunately, the tide really started to turn in 1980 when Congress passed, and President Carter signed the Financial Deregulation and Monetary Control Act and again in 1981, when the U.S. Treasury Department recommended eliminating the prohibition on branching and ownership across state lines.

Back in Illinois in 1981, ICBI was fighting the passage of the Multiple Bank Holding Company (MBHC) Act. ICBI created a large coalition consisting of the Illinois Agricultural Association, Illinois Farmers Union, Illinois Livestock Association, Illinois Small Businessmen's Association, National Federation of Independent Businesses, Independent Insurance Agents of Illinois and many individual members of the IBA. Intense lobbying was accompanied by media buys throughout Illinois; however, support by Chicago Mayor Jane Byrne pushed the bill over the top. After the General Assembly passed the bill, the fight continued with the intense lobbying of Governor James Thompson, and when he signed the bill, four ICBA member banks filed a lawsuit arguing the Act was unconstitutional. A legal fight ensued, but in the end, the Illinois Supreme Court unanimously ruled the MBHC Act to be constitutional.



Jack Marantz, Bank of Springfield, speaks with President Gerald Ford.



CBAI member bankers and staff meet with U.S. Senator Richard Durbin.



(L to R) David Manning and Jim Ghiglieri testify in committee.

Although the branch banking war was ultimately lost, many battles were won. Illinois was one of the last, if not the last, unit banking states, and today, Illinois is second, only to Texas, for the most independent bank charters. Delaying the passage of the bill not only preserved charters but gave community banks time to develop a plan to thrive under the new banking laws and mitigate the advantage sought by the larger urban banks. Finally, this issue illustrated that community banks needed an autonomous voice to fight for them in Springfield and Washington, D.C. Moreover, Illinois community bankers realized that this could only be accomplished through a strong and vibrant state association dedicated to one mission: community banks.

Taking the Governor to Court

Dave Manning, Legislative Consultant, 35 years with CBAI

Rod Blagojevich was first elected governor of Illinois in 2002. In 2004, just two years into his first term, his budget director, John Filan, was desperate to find ways to balance the state budget without seeking an income tax increase. One method was to impose “sweeps.” Sweeps is a term for a budgetary gimmick in which special state funds set up for dedicated purposes are raided and “excess” balances are transferred into the state’s General Revenue Fund (GRF) for the operation of state government. In 2004, more than \$500 million was “swept” from special state funds into the GRF.

Illinois’ Bank and Trust Company Fund, which funds bank regulation, was one of the state funds that was targeted by the governor. Making matters worse, before sweeping the fund, bank regulatory fees were increased by 50%.

CBAI immediately joined forces with the Illinois Credit Union League (ICUL) and the Illinois League of Financial Institutions (ILFI), which represented savings and loans. When initial negotiations failed, all three trade associations filed a lawsuit on December 14, 2004, in Sangamon County Circuit Court. It is important to note that a

“There are always pleas for ‘unity’ emanating from the traditional banking group after a skirmish on bank structure. The ones calling for unity argue that with one association, the voice of banking will be stronger. I do not agree. No single bank association can responsibly and fairly serve the disparate interests of community banks and the international financial goliaths. That is why 30 independent banking associations exist today. While theoretically, one association may seem preferable, in reality, it may result in stifling valid and important points of view. Community bankers must have guaranteed and dedicated representation in the public, lawmaking and regulatory arenas. ICBI is that organization for Illinois.”

— CBAI President Don Nolen, West Frankfurt, 1982.

trade association has standing to sue on behalf of its members because it was highly unlikely that an individual bank would undertake such an expensive and provocative action against its regulator. CBAI, ICUL and ILFI had no choice but to take legal action on behalf of our collective members.

The lawsuit asserted that “actions taken by the state to balance its budget are unconstitutional and under a budget bill passed that year. The Administration intentionally escalated financial institution regulatory fees far above the amount necessary to cover budgetary expenses of regulatory oversight.” The pleadings also stated that the transfer of excess monies from the financial institutions’ dedicated funds to the General Revenue Fund “violated the existing statutory framework that limits the specific purposes for which expenditures from the dedicated funds may be made.”

On December 21, 2004, the group filed a motion seeking a temporary injunction against the governor, comptroller and treasurer to prevent sweeps while the case was pending. The Illinois Mortgage Bankers and Mortgage Brokers also joined the suit, and on February 28, 2005, a hearing regarding the injunction took place before Judge Leo Zappa. The following week, the IBA asked to join the suit, and the five groups that had already joined agreed to their request. Judge Zappa signed the Preliminary Injunction on March 11, 2005, to enjoin the state from sweeping the funds; however, excess funds continued to accumulate.

In the ensuing years, CBAI and the other groups continued to press the administration for a compromise, and finally, in 2008, the governor’s budget director indicated a willingness to negotiate a compromise. An agreement was reached with the administration in the fall of 2008 that included the repayment of all legal fees; an immediate cash payment of over \$25 million for state-chartered banks; a fee holiday for excess fees; and an agreement to lower regulatory fees and move the fee schedule into statute to make it more difficult to raise fees in the future.

Although it was a difficult decision to sue the governor, the ends definitely justified the means. Twenty years later, the concessions won as a part of this major victory continue to benefit Illinois chartered banks.

2008 Financial Crisis

Megan Peck, Vice President of Governmental Relations, 16 years with CBAI

In March of 2008, I became the newest vice president of governmental relations for CBAI. I was young, green and excited for the opportunity to advocate for community bankers at the state capitol. In my previous role in the Illinois House, I staffed the Financial Institutions Committee, so I was aware that banking issues could be complex. I was hoping to have some time to settle into the position and learn as much as I could. Little did I know that a global financial crisis was looming that



CBAI Governmental Relations staff in 2022

would affect community banks across Illinois, the country and the world in a big way. Kraig Lounsberry joined as senior vice president of governmental relations in June, and although the two of us hit the ground running, we both soon realized that we had our work cut out for us.

The 2008 financial crisis began when the U.S. housing market tanked, and large amounts of mortgage-backed securities and derivatives plummeted in value. It was at this time that we learned that the largest banks were deemed too big and too intertwined with the U.S. economy for the government to allow them to collapse despite their role in causing the subprime loan crash. They were too big to fail.

While I was still learning my way through some difficult banking issues, it became absolutely clear that our job was to educate and inform legislators and regulators about the differences between Main Street community banks that were being harmed and the too-big-to-fail banks that helped cause the crisis. We consistently called on all bank regulators to tailor their regulations to community banks, because a one-size-fits-all approach does not recognize the disproportionate burden of banking regulations on community banks. A clear distinction was finally made between community banks and the too-big-to-fail banks and emphasizing that distinction continues as one of our core legislative missions.

Dedicated Federal Program

David Schroeder, 14 years with CBAI, 40 years in community banking

During my career as a community banker, I was proud to help form two de novo banks and later served as CBAI’s Chairman from 2005–2006. Nearly 15 years ago, CBAI leadership offered me the opportunity to come on board and represent community banks full-time at the federal level. With that, CBAI’s dedicat-

ed federal lobbying program was born. To this day, CBAI is the only state community bank trade association to have an individual lobbyist dedicated solely to the federal agenda.

CBAI's commitment paid off almost immediately. In 2010, Mike Estes, then president and CEO of Fisher National Bank, and I went to D.C. to support a bipartisan amendment to Dodd-Frank offered by then Illinois Congressmen Louis Gutierrez (D) and Don Manzullo (R). The amendment changed the deposit insurance assessment formula, shifting a significant portion of the expense from community banks to the largest banks. This amendment was opposed by the nation's largest banks and, therefore, was not supported by their national trade association, so passage was not a foregone conclusion by any stretch of the imagination. However, the ICBA and CBAI's community bank advocacy helped successfully counter the opposition, and this change, which has saved community banks billions of dollars in deposit insurance assessments, was eventually passed into law. This is just one of a long list of wins we've been able to accomplish through our continued advocacy in Washington, D.C.

Every year, I have the opportunity to lead CBAI's annual Call on Washington, an important way for community bankers to advocate directly with regulators and key lawmakers. I reinforce that message by visiting Washington, D.C., throughout the year to inform and encourage the Illinois Congressional Delegation to support Illinois community bank positions on legislation. That said, the majority of my time is now spent on regulatory matters. Every year, community bankers face an avalanche of proposed new rules and regulations being proffered by the Federal regulators. In the past year and a half, CBAI submitted 18 formal comment letters encouraging the most reasonable interpretation and implementation of proposed rules. Every day, we are here to ensure that Illinois community bankers have a unique and dedicated voice in D.C.

COVID-19

Jerry Peck, Senior Vice President of Governmental Relations, six years with CBAI

If I had told you in January 2020 that you would be required to wear a mask in a bank lobby, I probably would have been laughed out of the room. By the fall, it was a government mandate. COVID-19 was different. Changes in banking usually require careful and deliberate consideration by bankers and regulators. In 2020, rules were changing by the day, and we all had to figure out how to adapt on the fly to keep vital financial services up and running.

A week before Governor JB Pritzker issued his lockdown order, CBAI met with a small group of bankers and regulators to discuss how to address the looming pandemic. David Loundy, president of Devon Bank, Chicago, asked a simple question. Could a bank offer a customer impacted by the crisis a loan modification without regulators considering it a troubled debt restructuring? Not surprisingly, the regulators said they would have to think about it, but that moment set the tone for the next year. Instead of being told how to react to the pandemic, bankers initiated innovative solutions and CBAI worked with regulators to be proactive. The new best practices were then quickly shared with the entire banking community.

Communication was the key to adapting to the new COVID-19 reality. CBAI's long-established forum networks proved to be the ideal conduit to keep vital information flowing. CEO, CFO, Senior Lender, Branch Managers, HR and Marketing Forums quickly moved to weekly virtual meetings. Three to four different forums met each day and the governmental relations team participated in almost every call. This proved to be the ideal network to gather real-time information about what was happening in banks and to share the latest insights we had with bankers. We also participated in information sharing with our community banking association partners around the country so the best ideas could be quickly adopted. We maintained daily contact with regulators and our insights and polling data were vital to their decision making. We worked collaboratively to identify policies and best practices that kept the banking system safe and strong.

PPP brought with it the newly created "interim final rule," a ridiculous and confusing way of moving the goalposts in the middle of the night. Bankers dealt with EIDL, lobby closures, split-staffing, remote loan closings and an army of scammers looking to take advantage of the confusion. Although it wasn't easy, CBAI and our member bankers weathered the storm together. Once again, we proved that community banks have a strong future when we work together through CBAI. ■



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CBAI's 50th Annual Convention & Expo

CELEBRATING 50 YEARS OF COMMUNITY BANKING



SEPTEMBER 19–21, 2024 • CROWNE PLAZA, SPRINGFIELD, IL

In 2024, the Community Bankers Association of Illinois (CBAI) is celebrating its 50th Anniversary. On February 27, 1974, five Independent Community Banks in Illinois (ICBI) committee members signed incorporation papers with the Office of the Secretary of State as the not-for-profit Independent Community Banks in Illinois Association, which is now known as CBAI. From a 400-square-foot office with one employee to a 13,200-square-foot headquarters with two training rooms and a staff of 22, CBAI has grown with the support of a tremendous group of community bankers.

During this year, as we reflect on the past, present and future, we must acknowledge the outstanding efforts of CBAI's chairmen/chairwomen, board members, staff and bankers devoted to preserving the mission of community banking. Without their incredible support, CBAI could not have become one of the largest banking associations in the country. CBAI is committed to offering quality education, effective political representation and essential products and services to community banks in Illinois.

CBAI is excited to celebrate this incredible milestone in community banking history. You don't want to miss CBAI's 50th Annual Convention & Exposition, September 19–21, 2024, in Springfield!

Opening Breakfast Speaker

CBAI is pleased to announce Colette Carlson, with her presentation "You Management: Strategies to Avoid Burnout, Boost Resilience and Accelerate Success," as this year's Opening Breakfast Speaker. Carlson, founder of Speak Your Truth, Inc., is a human behavior expert and keynote speaker who inspires individuals to connect and communicate in real and relevant ways. She is a Certified Speaking Professional (CSP), a designation held by fewer than 10% of the members belonging to the International Federation for Professional Speakers. In 2017, Carlson was inducted into the CPAE Speaker Hall Fame®, a lifetime award that honors professional speakers who have reached the top echelon of platform excellence.



Colette Carlson,
Founder of Speak Your Truth, Inc.

Regardless of their title and role, people experience everyday stressors while they are expected to stay agile through constant change. In today's world, people are required to exceed expectations and produce more in less time with fewer resources, all while staying positive and engaged with colleagues and customers. New challenges have collapsed the boundaries between work and home, leaving people juggling opposing demands for time, energy and attention. It's no surprise, even with the best of intentions, leaders and teams feel stressed out, disconnected and emotionally exhausted. Enough! It's time for "You Management!"

Join Carlson in this laugh-out-loud presentation as she shares practical yet powerful, science-based strategies to remain resilient and accelerate your success during the most challenging of circumstances.



Saturday Night Entertainment

The 8South Band is an exciting, high-energy dance band based out of Nashville, Tennessee. They are known for their non-stop, heavily choreographed shows that include a huge variety of music from Pop to Rock, Motown/Funk, Hip Hop and Country!

The musicians and singers of 8South have performed in Asia, Europe and throughout North America. They have been featured performers on the famous stages of downtown Nashville, plus countless corporate events, fundraisers and weddings across the United States. This talented group of performers promises a night of non-stop fun and incredible entertainment!

Make plans now to attend CBAI's 50th Annual Convention & Expo on September 19–21, 2024, in Springfield! This milestone convention promises top-notch speakers, pertinent and timely education, camaraderie and exciting social events! ■

For more information, and to take advantage of early-bird pricing, visit www.cbai.com.



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Andrew Black, Katie Ashworth, Joe Carty, Kim McKee, Chad Martin and Lesa Black take a selfie during the 2023 Call on Washington.

CBAI's **Grassroots Advocacy** Programs Grow Over the Decades

Jessie Schmidt, CBAI Governmental Relations Administrative Assistant, 16 years

In 1975, CBAI established a grassroots lobbying network. This early lobbying system was a phone-calling network comprised of member banks that would be utilized whenever crucial bank-related legislation came to the forefront of the legislature. The Internet has since replaced phone lists for direct advocacy. CBAI members are now called to action via email campaigns geared toward legislators.

In 1976, ICBPAC, later to be renamed Community BancPac, was formed to support independent banking. Although the name has changed, the purpose of the PAC has not. Community BancPac helps maintain the only independent voice exclusively representing the

interests of Illinois community banks in the Illinois General Assembly. Community BancPac functions on voluntary member contributions.

Community BancPac raises the bulk of its contributions through the annual FairShare Program. The FairShare Campaign begins each year in February and continues through June. During this time, all member banks are invoiced a suggested contribution according to asset size. Community BancPac established “Fair Share Guidelines” at the request of member banks looking for guidance on how much they should contribute.

In 1982, CBAI took its first group of bankers to Washington, D.C. Now



(L to R) Doug Parrott, Chad Martin, Phil Aderton and Steve Feith represent CBAI at a legislator's golf outing.



Bankers admire silent auction items at CBAI's 1996 convention.



Community Bankers gather at Busch Stadium to support CBAI FedPac in 2017.



Congressman Darin LaHood holds an in-district meeting with community bankers.

celebrating 42 years, CBAI's Call on Washington provides community bankers from across Illinois with up-to-the-minute briefings by expert staff in Washington and face-to-face meetings with legislators and regulators. Participants can educate legislators with first-hand knowledge of the pressing issues facing community banks and have the opportunity to be heard by those who can affect the process. CBAI's Call on Washington is now held in conjunction with ICBA's Capital Summit to add strength in numbers.

In 1984, CBAI held its first annual Capital Conference, which saw community bankers congregate in Springfield for a more "hands-on" lobbying effort. The event provided participants the opportunity to see lawmakers, regulators and fellow community bankers face-to-face, receive updates on key legislative issues and visit informally with legislators at the evening Legislative Reception.

The Community BancPac Silent Auction was held for the first time at CBAI's annual convention in 1993. In its inaugural year, the auction raised more than \$5,000. The well-received event was soon solidified as the "kick-off" of the annual convention. In 2008, a live auction component was added. Not only did the auctioneer and higher-end items add to the excitement, but they also increased participation. Since the inception of the live auction, the Community BancPac Live and Silent Auctions have continued to break its record for funds raised year after year. In 2023, the auctions raised an all-time high of more than \$26,000.

CBAI FedPac was established in 1994 to strengthen community banking's presence in Congress by supporting lawmakers who believe in the mission of community banks to compete fairly and to serve communities and customers. Federal law requires that contributions



Kraig Lounsberry gives a legislative update at the 2016 Capital Conference.

to CBAI FedPac be personal funds and not corporate funds. This makes raising FedPac funds a little more difficult than it is for CBAI BancPac, so CBAI has to be more creative in our fundraising. For example, beginning in 2010, CBAI FedPac had an annual skybox event at Busch Stadium for member bankers. Bankers come to enjoy baseball, food, drink and fellowship while supporting CBAI FedPac.

In 2019, CBAI began holding Legislative Roundtables throughout the state of Illinois to strengthen grassroots lobbying efforts in member-bank communities. Legislative Roundtables were created to bring lawmakers and community bankers together on their home turf to build personal relationships and advocate for community banks. Legislative Roundtables have been held throughout the state in local bars, wineries and restaurants, as well as at a racetrack and even a shooting range. ■



Community Bankers meet with U.S. Senator Paul Simon in Washington, D.C.



Bob Wingert and Dave Manning greet Senate President Emil Jones at CBAI's Capital Conference in 2002.



In 2020, COVID-19 briefly forced our legislative meetings to go virtual, but community bankers still found a way to share their message.



Community bankers meet with State Senator Andrew Chesney and House Republican Leader Tony McCombie at the Barnicopia Legislative Roundtable.



Megan Peck, Valerie Johnston and Jessie Schmidt meet with State Representative Amy Eltk at the Sparta roundtable/sporting clay shoot. (L to R: Peck, Eltk, Johnston and Schmidt.)



Nominations for the Excellence and Innovation FORVIS Award are Now Being Accepted!

Nominations are being taken for the 2024 Excellence & Innovation FORVIS Award, presented by CBAI and the accounting firm of FORVIS. The purpose of the award is to recognize banks with an outstanding, innovative product/service or program. Your bank does not need to be a FORVIS client to enter. Nominations are due at the CBAI headquarters no later than Friday, May 31, 2024.

Last year, the winner was Beardstown Savings, s.b. This year, your bank could be the winner! Enter your bank now!

You can find the nomination form at www.cbai.com or send an e-mail to the CBAI Department of Communications at valeriej@cbai.com. We hope to receive your nomination soon!

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CBAI

Legislative Accomplishments

- ▶ CBAI stopped an effort by IDFPR to remodel the department into a mini-CFPB. This is based on legislation recently passed in California and New York. CBAI strongly contends that IDFPR's role is as a regulator, not a consumer protection agency.
- ▶ CBAI stopped IDFPR initiatives to create new small business lending reporting standards and efforts to shield payments owed after a judicial finding like a foreclosure.
- ▶ CBAI blocked bills to create a state-owned bank, require banks to have armed guards, create a financial transaction tax, prohibit starter interrupt devices on vehicles and make payroll cards the default payment method in Illinois.
- ▶ CBAI worked closely with the Secretary of State's (SoS) Office on the drafting of administrative rules and implementation of the electronic notary and e-signature law.
- ▶ CBAI organizes legislative roundtables around the state. Governmental relations staff attend dozens of other legislative events statewide and we will continue to direct campaign contributions to lawmakers and candidates who support community banking this year.
- ▶ CBAI worked closely with ICBA to ensure that community banks are shielded from the impacts of the Silicon Valley Bank and Signature Bank NY failures. As a result of our combined advocacy, CBAI members will be exempt from additional assessments to replenish the FDIC deposit insurance fund.
- ▶ All three federal bank regulators are establishing check fraud reimbursement dispute resolution channels as a direct result of CBAI advocacy. CBAI is the leading bank trade association in the nation on this issue.
- ▶ CBAI joined with the Illinois Farm Bureau to author a joint letter to Congress in support of the Agriculture Creates Real Employment (ACRE) Act. This legislation will help level the playing field and bring more economic opportunities to rural communities.
- ▶ A joint CBAI/ICBA effort to reform TILA-RSPA Integrated Disclosure or TRID is moving forward with the CFPB approving a plan to test a revised disclosure form. This was an idea that was originated by CBAI community bankers and after several years of diligent effort, a revision process is coming to fruition.
- ▶ CBAI was one of the most active state trade associations in the nation in its advocacy effort in support of the Federal Home Loan Bank System during its Comprehensive Review by the FHFA. In addition to comment letters, CBAI testified twice before FHFA listening sessions that kicked off and concluded the System review.

- ▶ CBAI continues to oppose the CFPB and Biden administration’s attack on legitimate bank service charges and fees, which are fully disclosed and accepted by bank customers. Overdraft/NSF fees and late credit card payment charges are completely within the customers’ ability to avoid. CBAI will always oppose any attempt to malign community banks and we will continue to push back on this unfortunate and uninformed politically motivated rhetoric.

- ▶ CBAI is organizing face-to-face meetings between community bankers and members of Congress both in Washington, D.C. and around the state of Illinois. CBAI FedPac is making contributions to lawmakers and candidates who support community banking.

- ▶ CBAI successfully passed legislation that will require repair shops and garages that seek to impose fees in connection with the storage of a vehicle to provide written notice, by certified mail, to the lien holder of record prior to the assessment and accrual of the fees. This new law will also require these shops and garages to provide an opportunity to inspect the vehicle on the premises where the vehicle is stored and also provides that payment of the storage fees by the lien holder may be made by cash, cashier’s check, certified check or wire transfer at the option of the lien holder.

- ▶ CBAI successfully supported regulatory relief and pro-community measures in the 2015 Highway Bill. These measures include a longer exam cycle for CAMEL 1 and 2 banks with less than \$1 billion in assets; broader access to the “rural lender” designation for qualified mortgages; elimination of the annual privacy notice mailing when policies remain unchanged; and total restoration of Federal crop insurance cuts in the previous budget bill. CBAI also opposed the cut in the Federal Reserve stock dividend but supported the exemption from this cut for banks with assets of \$10 billion or less.

- ▶ CBAI successfully supported legislation to provide that a mortgage loan brokered, funded, originated, serviced or purchased by a party who is not licensed shall not be held to be invalid solely based on specified violations of the Act. This legislation was introduced to clarify the Illinois Residential Mortgage License Act in response to a recent Illinois Appellate Court decision, First Mortgage Company LLC v. Dina, holding that a mortgage securing a loan was void solely because it was originated by a lender that was not licensed under or exempt from the Act.

- ▶ CBAI successfully supported legislation to allow a state bank’s board of directors to authorize a savings promotion raffle as a promotional tool.

- ▶ CBAI successfully supported legislation requiring that at least one member of the Federal Reserve Board have experience as a community banker or a community bank supervisor. This new law ensures that community bankers have a continuous voice on the Board for generations to come.

- ▶ CBAI successfully supported legislation that will allow community banks and title companies to agree to use settlement funds other than wire transfers for transactions over \$50,000.

- ▶ CBAI successfully supported legislation to authorize the deposit of public funds into demand deposit accounts through an Insured Cash Sweep (ICS) demand option. The ICS option moves funds into FDIC-insured accounts at participating banks in amounts that do not exceed the FDIC insurance maximum, thereby eliminating the need to pledge collateral for these public funds. This legislation has resulted in more than \$2 billion in public funds being deposited in community bank ICS accounts in just the past two years.

- ▶ CBAI successfully eliminated the mandate that newly opened checking accounts beginning with the number 101 and must have the opening date (month and year) printed on the face of the check.

- ▶ CBAI successfully supported The Homeowner Flood Insurance Affordability Act, which prevents sharp flood insurance rate hikes while ensuring the actuarial soundness of the National Flood Insurance Program.

- ▶ CBAI successfully convinced federal banking regulators to rectify a Volcker Rule provision requiring banks to divest their holdings of collateralized debt obligations (CDOs) backed by trust-preferred securities (TruPS). This change helped many community banks avoid the dramatic market impact of revised accounting treatment and forced divestiture of these securities.

- ▶ CBAI successfully supported legislation to create an expedited foreclosure process for vacant and abandoned property.

- ▶ CBAI successfully advocated for community banks to pay lower fees for foreclosure filings than large banks.

- ▶ CBAI successfully clarified that a portion of the Conveyances Act is permissive, not mandatory, so it cannot be used to affect the validity or priority of a properly recorded mortgage by a trustee in bankruptcy.

- ▶ CBAI successfully supported changing the Federal Electronic Fund Transfer Act to remove the requirement to disclose fees on a physical sign on an ATM terminal.

- ▶ CBAI successfully supported provisions in the JOBS Act, which increased the SEC registration threshold from 500 to 2,000 and the deregistration threshold from 300 to 1,200.

- ▶ CBAI broadened the Illinois Trust and Payable on Death Accounts Act to allow the non-probate transfer of ownership of the account funds to an organization that is not a “natural person.”

- ▶ CBAI clarified into existing law that the annual interest rate for commercial loans may be lawfully computed based on a 360-day year (often called the “365/360” method).

- ▶ CBAI successfully supported a change in the FDIC assessment method from domestic deposits to assets minus Tier 1 capital. CBAI also successfully supported a permanent increase in deposit insurance coverage to \$250,000.

- ▶ CBAI successfully supported a two-year extension of the Transaction Account Guarantee program.

- ▶ CBAI successfully supported the preservation of Trust Preferred Securities as Tier 1 capital for banks under \$15 billion.

- ▶ CBAI successfully supported the continuation of regional Federal Reserve Bank examinations of state member banks and small-bank holding companies.

- ▶ CBAI successfully supported a three-year moratorium on new industrial loan companies (ILCs).

- ▶ CBAI successfully supported the community bank exemption from the Consumer Financial Protection Bureau examination and enforcement.

- ▶ CBAI successfully supported a \$30 billion Small Business Lending Fund as part of the Small Business Jobs Act.

- ▶ CBAI resolved the call report fee/fund sweep lawsuit against the Blagojevich administration.

- ▶ CBAI provided state-chartered banks with substantial call report fee refunds for overpayment of call report fees dating from December 2003 to December 2008.

- ▶ CBAI rolled back the 27.5% call report fee increase of December 2003 by 14%, prohibiting any increase in fees until 2011, and codified call report fees, so an increase will not be allowed by rule but must be accomplished through an act of the General Assembly.

- ▶ CBAI helped ensure FHLB stock ownership qualified as an exception to a state-chartered financial institution’s investment limits (20% of total capital).

- ▶ CBAI helped permit interstate de novo branching on a reciprocal basis.

- ▶ CBAI enabled financial institutions to hold deposits of a public agency and participate in programs such as CDARS (Certificate of Deposit Account Registry Service), provided that deposited funds are initiated at an Illinois bank and the funds are federally insured.

- ▶ CBAI helped increase lending limits for state-chartered financial institutions to 25%.

- ▶ CBAI provided bank directors and officers with liability protection for reliance on third-party advice or counsel.

- ▶ CBAI created penalties for misleading marketing solicitations that misuse the name of a bank.

- ▶ CBAI helped expand criminal penalties applicable to check fraud to other financial institutions.

- ▶ CBAI helped expand payable on-death accounts to include joint accounts and allow the designation of an additional beneficiary in the event both account holders were to die.

- ▶ CBAI assisted in the removal of annual independent audit requirements to bank trust departments and helped expand the rights of lien holders and mortgagees in cases of delinquent property taxes.

- ▶ CBAI successfully supported the Data Processing Services for Financial Institutions Act to require primary and secondary data processors to share information and helped enable Illinois banks to purchase products from a secondary vendor without interference.

- ▶ CBAI successfully supported the authorization of public treasurers to accept FHLB letters of credit as collateral to secure public funds above the FDIC insurance limitation.

- ▶ CBAI helped authorize Illinois banks to change their main address, with the OBRE Commissioner’s approval, without a shareholder’s meeting or charter amendment.

- ▶ CBAI helped eliminate the need to amend state bank charters to establish a limited liability to the bank or its shareholder(s) for breach of fiduciary duty by a director.

- ▶ CBAI assisted IFDA State Guarantees to become “full faith and credit” guarantees, allowing all Illinois banks (state and national) to utilize exceptions to lending limit statutes and helped expand the rights of lien holders and mortgagees in cases of delinquent property taxes.

- ▶ CBAI helped authorize parity between state-chartered banks and Federally-chartered savings banks and thrifts through the enactment of the so-called “Wild Card” provision.

- ▶ CBAI helped authorize lenders to perfect a security interest in a CD by possession and in an uncertified CD in the same manner as a deposit account, which enables the use of CDs as collateral to prevent customers from withdrawing CDs too early.

- ▶ CBAI clarified that a fiduciary is permitted to deposit beneficiary proceeds into a personal account (according to specific criteria) without committing a breach of obligation.

- ▶ CBAI simplified and reorganized ag lending by designating the Secretary of State as the exclusive, central filing officer for security interests in farm collateral, etc.

- ▶ CBAI assisted in the creation of liability protection for lenders who become victims of a fraudulent Power of Attorney.

- ▶ CBAI successfully supported reverse stock splits for bank holding companies, making it easier to take advantage of Sub-S tax benefits. CBAI also helped reduce the number of times a Call Report must be published (now only annually).

- ▶ CBAI successfully supported the repeal of the requirement that a notice of a special stockholders' meeting to vote on either a merger or a charter amendment be published.

- ▶ CBAI provided direction and clarity as to a bank's role when in receipt of an adverse claim to a deposit account.

- ▶ CBAI successfully amended the Illinois Insurance Code to clarify that financial institutions do not need to be licensed to enroll bank customers in group credit insurance policies.

- ▶ CBAI successfully amended the Data Processing Services for Financial Institutions Act to codify that if a financial institution makes data available to an independent data processing servicer, the data shall remain the property of the financial institution.

- ▶ CBAI also successfully repealed a provision in the Illinois Savings Bank Act that required an annual audit in addition to regular bank examinations. Savings banks no longer have to comply with unnecessary and costly audit requirements.

- ▶ CBAI successfully supported adding an exemption to the Installment Sales Contract Act, allowing state and nationally chartered banks to offer religious-based financial products without additional regulation from the attorney general's office.

- ▶ CBAI successfully supported the establishment of electronic funds transfer systems requiring non-discriminatory sharing of off-premises terminals and nondiscriminatory pricing.

- ▶ CBAI successfully supported legislation for the creation of a bank-owned correspondent bank (banker's bank).

- ▶ CBAI helped authorize a bank to invest in its own certificates of deposit and savings accounts with a representative of a ward's estate.

- ▶ CBAI helped permit bank associations to create risk retention trusts to provide directors' and officers' liability and bankers' blanket bond insurance.

- ▶ CBAI led the charge to defeat the Farm Debt Mediation legislation that would have required mediation between lenders and financially distressed farmers.

- ▶ CBAI defeated legislative proposals to place an interest rate ceiling on revolving credit transactions.

- ▶ CBAI helped allow state-chartered banks to purchase stock in Farmer Mac.

- ▶ CBAI defeated Cash Station's proposal to eliminate mandatory sharing of ETF networks.

- ▶ CBAI helped increase the personal guarantee limit to 100%.

- ▶ CBAI codified a creditor's ability to enforce judgments beyond seven years.

- ▶ CBAI assisted in authorizing, but not requiring, the use of IFDA-guaranteed loans to secure public deposits as a way to coax public treasurers and bankers to utilize IFDA loans.

- ▶ CBAI helped expand the number of protected documents within the OBRE to protect both confidential customer information and proprietary bank information from public disclosure.

- ▶ CBAI successfully supported a "good faith" protection that provides a safe harbor for institutions to rely on the interpretation, rules, etc., of the OBRE to the Electronic Funds Transfer Act.

- ▶ CBAI helped provide parity for state-chartered banks with their federal counterparts.

- ▶ CBAI helped permit state-chartered thrifts, savings banks and their holding companies to acquire stock in a banker's bank (or banker's bank holding company).

- ▶ CBAI helped rewrite the Illinois Grain Code.

- ▶ CBAI helped remove the requirement to include unnecessary real estate descriptions in crop financing statements.

- ▶ CBAI helped define lender liability to a third party not in privity of contract with the lender under a credit agreement of clarity confusion around "interference torts."

- ▶ CBAI helped create an exemption for qualified holders of security interests from liability under the state Leaking Underground Storage Tank Program.

- ▶ CBAI helped provide director and officer liability protection from shareholders of an institution for losses attributed to loans, investments, etc.

- ▶ CBAI helped expand the "hostile takeover defense" to include banks not within a holding company.

- ▶ CBAI helped allow for the perfection of a security interest in a deposit account to occur within the scope of Article 9 of the UCC rather than become subject to the whims of common law rights of set-off.

- ▶ CBAI helped extend liability protection for financial institutions under the Illinois EPA Act by changing the definition of owner/operator to exclude financial institutions.

- ▶ Twice, CBAI helped increase the fees banks may charge for late payments of retail installment accounts.

- ▶ CBAI helped enable any travel agencies owned or operated by a bank prior to 7/1/91 to continue doing business as such. ■

Group Meeting Tour Set for 2024!

CBAI leaders and executive staff are visiting 11 locations on the 2024 Group Meeting Tour this spring. Bankers from nearly 200 banks participate in these enjoyable and informative events each year. Consisting of an informative, hot-topic presentation, as well as association reports, Group Meetings provide an excellent opportunity to get the latest information on key banking issues and catch up with friends and peers. See the schedule of Group Meetings that follows and make plans now to attend!

2024 GROUP MEETING SCHEDULE

DATE	GROUP(S)	LOCATION
May 6, 2024	10	Annbriar Golf Course, Waterloo
May 7, 2024	11*	Effingham Country Club
May 8, 2024	12	Kokopelli Golf Club, Marion
May 13, 2024	7*	Crestwicke Country Club, Bloomington
May 14, 2024	4	The Oaks at River's Edge, Pontiac
May 20, 2024	3*	Lake Carroll Golf Course, Lanark
May 21, 2024	5*	Soangetaha Country Club, Galesburg
June 10, 2024	9*	Jacksonville Country Club
June 17, 2024	6	Spring Lake Country Club, Quincy
June 24, 2024	8	Mattoon Country Club
TBD	1* & 2	TBD

**Odd-numbered CBAI Groups will hold an election for Group Director; the term of office is two years. The procedure for nominating Group Directors will be sent to all banks in each CBAI Group with the first mailing. Banks with multiple attendees must designate one person to vote.*

Group Meetings consist of an optional afternoon golf tournament at a local course and a dinner meeting. Enjoy an afternoon at the links while taking advantage of networking opportunities with your peers. The Group 1 & 2 Meeting will follow a different format.

Hot Topic Presentation

This year's presentation focuses on fraud and solutions for community banks. More information will be released soon.

Skins and Mulligans

The CBAI Career Development Division (CDD) will conduct the "skins" game and sell mulligans at each of the golf tournaments with the proceeds benefitting **Community BancPac**. You can join the fun by contributing so your foursome can participate in the skins game and perhaps win the pot at the end of the tournament. You may also purchase one or two mulligans, just in case you need that extra shot to improve your team's score. Remember, this is all in fun and to raise money for a great cause, your Community BancPac.



Annabriar Golf Course, Waterloo

Association Reports

The opening portion of each Group Meeting focuses on critical legislative and association issues. **CBAI President Kraig Lounsberry** provides updates on Association projects and community banking in general and **Senior Vice President of Governmental Relations Jerry Peck** offers an up-to-

the-minute report of banking-related legislative activities. As always, you can expect a candid assessment of current political campaigns and a perspective on those campaigns from the community-bank point of view.

Door Prizes

CBAI will also hold drawings throughout the evening. At the beginning of each Group Meeting, one banker's name will be drawn from the list of registered bankers

to receive \$100 cash. After each meeting, CBAI will draw nine more names. The first five selected will each receive \$50; the sixth and seventh individuals will receive \$100; the eighth person selected will receive \$250 cash. The final individual chosen will win \$500! **You must be present to win all prizes.**

Golf Prizes

One-hundred-dollar gift certificates from the pro shop will be awarded at the host course to first-place team members as well as \$50 gift certificates for the longest drive and longest putt at each Group Meeting. If more than 10 teams participate in a tournament, additional \$50 gift certificates will be awarded to second-place team members and one for closest-to-the-pin.

Group Meeting Schedule

If the meeting in your designated group does not work with your schedule, feel free to attend any of the other 10 meetings. Check out the schedule and find the date, location and topic that best fits your schedule! ■

The 2024 CBAI Compensation Survey is Now Online!

Results Are FREE for Members That Participate

Is your bank competing effectively with your peers to attract, reward and retain the top talent in today's job market? Create a culture that inspires engaged and loyal employees!

Complete the **2024 CBAI Compensation Survey** now and receive the results at no cost. National compensation experts BalancedComp have partnered with CBAI to:

1. Ease the process of participating — possible to complete in under 30 minutes;
2. Increase the survey's relevance to today's banking environment; and
3. Enhance the resulting data's usability.

Survey results remain confidential and free to CBAI member participants, thanks to sponsor **Risk Strategies | IZALE Financial Group**. Go to www.cbai.com to link to the survey. The deadline to participate is Monday, April 15, 2024. ■



6

Six Payment Trends Shaping Community Bank Priorities in 2024

Independent Community Bankers of America, Washington, D.C.

2023 swooped in and rocked a decades-long payments infrastructure with the perfect storm of fresh solutions, external pressures and market competition, but it also laid the groundwork for the year ahead filled with opportunity. The novel payment concepts and ideas that percolated are now primed for the next steps, positioning community banks for action in 2024.

To ease the regulatory and economic forces pressuring margins and embrace new payment opportunities, community banks should focus on six key trends this year to drive their payment plans and activities:

1. **Evolution of payments at the Point of Sale (POS)** — As open banking matures, Pay by Bank functionality accelerates — courtesy of megabank support — and instant payment uses expand, this trifecta of developments will drive the POS evolution. Expect to see these changes start to shift both the physical and e-commerce POS this year, with more dramatic transformation in the next decade. Community banks should begin evaluating their strategies as they relate to POS transactions.
2. **Deepened business relationships** — As a follow-up to their outsized roles as Paycheck Protection Program lenders, community banks can once again showcase the strength of their relationship-based business model. Solutions like instant payments offer attractive cash-flow benefits for small-business customers while simultaneously helping community banks grow their deposits. By diversifying products, community banks can increase the number of solutions their business customers utilize and, in turn, strengthen their ties to the bank.
3. **Increased revenue pressures** — With interchange under fire from merchant incentives to fee cap proposals, payment revenue could be facing a hit. In addition, as instant payments catch on, the potential for the payment mix to shift grows. Community banks should focus on diversifying their payment product offerings to help bolster their noninterest income in new ways.
4. **Expanded teen/family banking products** — Demand for teen banking apps that support checking accounts, savings accounts, debit cards, P2P payments (primarily with parents) and financial education has seen explosive growth. In fact, more than 6 million families already use the Greenlight solution, one of the market leaders in this space. While Gen Z doesn't currently represent a core customer base, establishing and nurturing these relationships could pay off in the long term. In 2024, community banks should place more emphasis on teen and family banking products with the long game in mind.
5. **Growth in instant payments** — The Fed closed out 2023 with more than 300 financial institution participants from 45 states utilizing FedNow — up from just 35 in July. Instant payments are on a growth trajectory and should become more of a priority for community banks in 2024 to ensure they embrace the future potential for more diverse product offerings.
6. **Heightened attention to the customer experience** — Some research indicates that customers want services from their primary bank, reporting that over half of consumers rate their primary bank as the most desirable provider for mobile/digital wallet app services. However, the experience must meet market expectations. That push-pull effect will incentivize community banks to place more emphasis on customer experiences and digital interfaces in 2024.

While the wheels were set in motion last year, we're going to see an acceleration of payment prioritization among community banks as they continue to ramp up. As they do, ICBA Payments will be there to provide strategic support, products and services to help community banks act on these opportunities and excel in 2024 and beyond. ■



CBSC and CSC Celebrate 20 Years of Providing UCC, Due Diligence, and Portfolio Management Services to CBAI Member Banks

While this year marks the 20th anniversary of CBSC's partnership with CSC, the roots of the relationship began in September 1996, when CBAI launched **Community Bankers Online**, the state's first dial-up network dedicated exclusively to community banks.

Using a six-disk software package and access to a 2,400-baud modem, bankers could share written messages across the network. Future enhancements included an online office products catalog and ordering solution and direct access to the secretary of state's (SOS) data system, which gave member bankers the ability to conduct Uniform Commercial Code (UCC) and corporate status searches in real-time and free of charge. Banker use of the SOS UCC system exploded.

By early 2002, access to broadband Internet was becoming more common. It was clear the dial-up system would soon become obsolete. At the same time, bankers wanted access to a more powerful due diligence tool that would enable them to conduct UCC searches and

filings but also monitor for expirations and continuations in Illinois as well as other states — and they wanted it to be done within seconds.

Enter Diligenz, a Mukilteo, Washington-based company that created an online corporate data search, filing, document retrieval and portfolio management service designed to provide the due diligence that community banks needed to support commercial lending (hence the name Diligenz). The service became popular among bankers who were more comfortable with new online technologies.

CSC, the largest document services company in the U.S., acquired Diligenz in 2004. CSC offered additional enhanced search services including real property, which provides ownership, flood and tax verification. It also offered judgment and bankruptcy verification. Best of all, CSC agreed to honor the CBAI member group discounts, which resulted in significant savings for our member banks.

In 2007, the Illinois Secretary of State announced it would charge member banks \$1,200 per year to conduct UCC

and business-related searches through the CBAI Community Bankers *Online* Network. CBAI leadership concluded the SOS Program and recommended members use CSC for business services, document search, filing and retrieval services.

Last year, nearly 100 member banks utilized CSC for UCC search, filing, retrieval and the portfolio management program through their membership with CBAI. That is quite a legacy of success and commitment to community banking.

CSCFinancialOnlineSM, the industry's largest online, UCC database, provides more UCC search records and delivers faster results than any other UCC filing service, requiring no contract, no capital investment, no downloading and no significant ramp-up time. Bankers benefit from tapping into the latest and most accurate information available through its real-time searching, filing and portfolio management services. ■

Please contact Russell Lash, CSC financial account manager, at 773/451-9804 or russ.lash@cscglobal.com for more information on UCC services from CSC.

Property Insurers Calling for Increased Building Valuations

Ryan Hillestad, Insurance Advisor,
Financial Institutions Specialist, CBIS, A Gallagher Company

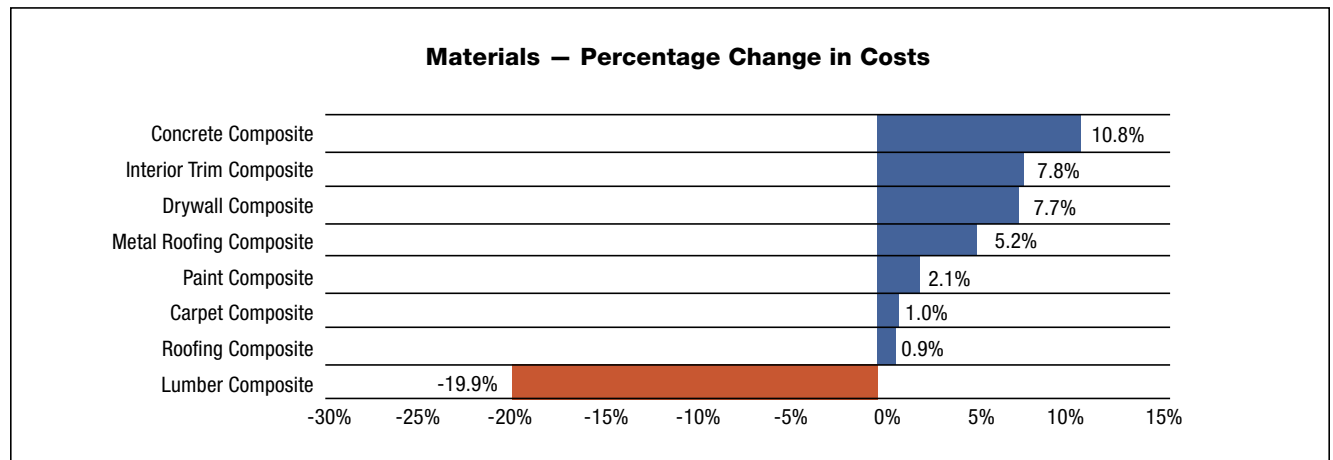
We have all felt the increased cost of insurance over the last several years, but what is driving rates and costs up? Many factors contribute to these increased costs, and this article will address the property market and how higher construction and labor costs affect your property premiums.

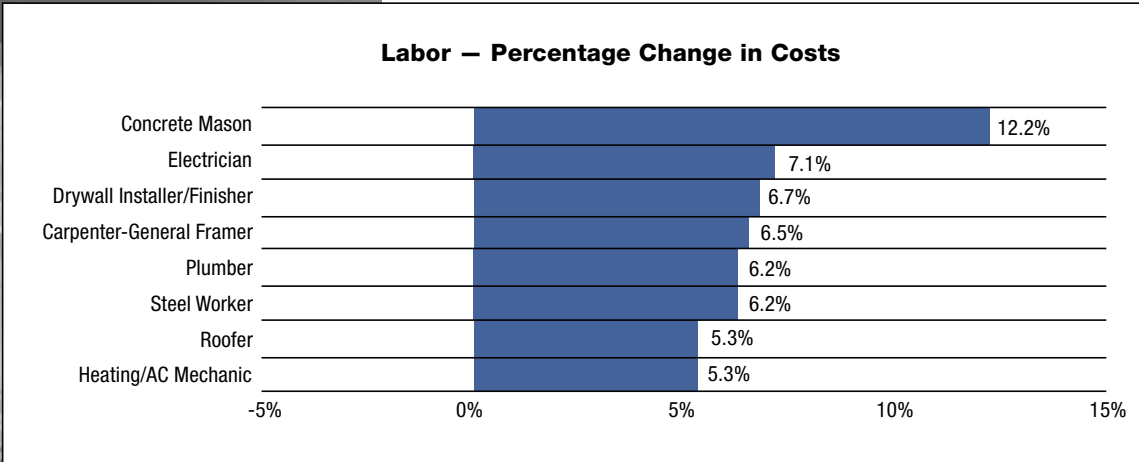
If your property insurance is up for renewal this year, your current building valuations may be challenged by your insurer. The insurer may request to increase your replacement cost limit (valuation) to what is considered “standard” in the market. These replacement cost valuations can be computed through programs such as Marshal & Swift, which is utilized by the CBIS team. For a standard community bank branch, we have seen valuations range from \$150–\$400-plus per square foot depending on location and building type. Due to the rapid increase in costs, your standard 5% inflation guard on many policies just simply isn’t enough. Even though construction costs seem to be plateauing, the insurance industry is still trying to catch up with the market.

The total reconstruction costs, including materials and retail labor, increased 5.1% from October 2022 to October 2023. This uptick follows the 4.3% increase from July 2022 to July 2023. Quarterly reconstruction costs increased by 1.7%, a slight shift from the 1.0% increase last quarter. For material costs, lumber continued on a negative streak, decreasing nearly 19% in October 2023. Meanwhile, concrete composite became the leading driver for material costs, rising 10.8% this quarter. Drywall and interior trim followed closely, each increasing around 7%. Drywall was next at 7.7%. Paint, carpet and roofing composites all increased 2% or less.

Every state saw higher commercial reconstruction costs. Utah had the largest increase at 10.8%, followed by Rhode Island at 9.8%. Iowa moved to last, with costs increasing 4.4%. Illinois comes in at 6.5%. Commercial costs, in total, increased 6.3% from October 2022 to October 2023 and 1.6% from July 2023 to October 2023.

Combined costs for material composites increased 0.4% from October 2022 to October 2023 — up from the 1.6% decrease recorded July 2022 to July 2023. Quarterly material costs increased 2.9% from July 2023 to October 2023. Lumber costs declined consistently over the last 18 months. This continues to stand as the only negative composite this quarter at 19.9%.





Recent natural hazard events across the country, including wild-fires and hurricanes, have started to influence reconstruction costs, especially labor prices. Combined hourly retail labor costs increased 7.6% from October 2022 to October 2023, slightly below the 8.6% increase recorded in the prior two quarters. Labor costs over the past quarter, July 2023 to October 2023, increased 1.2%. Labor has remained on a steady incline for the past few years.

Concrete mason continued to increase the most at 12.2%. Electrician (7.1%), drywall installer/finisher (6.7%) and carpenter-general framer (6.5%) costs followed. Roofer and heating/AC mechanic trailed at 5.3%.

The market expectations for reconstruction costs increased 1.3% from October 2023 to April 2024. The most significant indicator was drywall, increasing by 4.3%.

All of these statistics represent the increased cost of rebuilding in today's environment. Insurers are trying to forecast how these costs will affect property claim payouts accurately. If your bank doesn't adjust the underlying property valuations within your blanket limit, your insurer could impose co-insurance (if applicable) or other penalties as defined by your property policy.

The CBIS team is here to help you review your building valuations. Please reach out early to begin a discussion if you see this as a potential issue. ■

Source:

Verisk; 360Value Quarterly Reconstruction Cost Analysis Q4 20123

For more information on this subject, please contact Ryan Hillestad, Insurance Advisor, Financial Institutions Specialist, Community BancInsurance Services (CBIS), A Gallagher Company, at 217/891-3445 or ryan_hillestad@ajg.com.

BANKING WITH PURPOSE:

Beardstown Savings, s.b., Champions Community Commitment

Joe Carty, Territory General Manager, IRONCORE, Inc.



State Rep. Randy Freese provides a legislative update at a Beardstown Savings initiative.

In the heart of Cass County, Illinois, Beardstown Savings, s.b., stands as a testament to unwavering community commitment. Established in 1880, Beardstown Savings is not just a bank; it's a cornerstone of the tri-county area, embodying the spirit of service and philanthropy. Rich Eckert, the president of Beardstown Savings, emphasizes the bank's profound heritage as one of the oldest banks in Cass County. However, their commitment to community service isn't just a tradition — it's a way of life. The mutual ownership structure of Beardstown Savings is a

key factor in fostering a purpose-driven approach to banking. By prioritizing the needs of customers and communities over shareholder returns, the bank establishes a model of banking with a purpose: to truly “Bank Different.”

Beardstown Savings prides itself on the belief that community support is not just an opportunity but a responsibility. As President Rich Eckert notes, “Our goal is to continue to support the local communities through service and philanthropic efforts to improve the quality of life for everyone.”

Quarterly Series of Expertise: A Model for Community Empowerment

Beardstown Savings is not merely a financial institution but a catalyst for positive change within the communities it serves. In the ever-evolving landscape of community banking, Beardstown stands out as a beacon of innovation, community commitment and cybersecurity leadership. To that end, the decision to establish a quarterly series of expert sessions featuring industry leaders like cybersecurity professionals IRONCORE, Inc. demonstrates a commitment to ongoing education and empowerment. Leveraging relationships within the Community Bankers Association of Illinois (CBAI) and other banking industry colleagues provides invaluable knowledge to small businesses and community members.

Building Bridges with State Leadership: A Town Hall Event

The bank's commitment to community engagement extends beyond cybersecurity education. A recent Town Hall event featuring local representatives Senator Jil Tracy and Representative Randy Frese provided a platform for a legislative update and a direct interaction with the concerns of the community. This initiative not only fosters a sense of transparency but also establishes a vital link between the bank and state leadership on issues impacting the communities of Cass, Schuyler and Brown Counties. The CBAI Community BancPAC provided an additional opportunity for community members and bank employees to network with state legislators by hosting a reception in conjunction with the Town Hall.



“Our goal is to continue to support the local communities through service and philanthropic efforts to improve the quality of life for everyone.”

— Rich Eckert, president of Beardstown Savings

Cybersecurity: A Cornerstone of Community Resilience

Beardstown Savings, s.b., has taken a proactive stance in addressing the growing need for cybersecurity awareness in the tri-county area. In response to rumblings heard regarding examiners inquiring about cybersecurity insurance policies for commercial loan clients, the bank, in collaboration with the Beardstown Chamber of Commerce, hosted a small business workshop on cybersecurity and basic IT safety. This event, held at the Beardstown Elks Club, featured IRONCORE cybersecurity specialists Andy Minneker and Joe Carty, who traveled from Onalaska, Wisconsin, to share their expertise with the local community.

In an email to CBAI President Kraig Lounsberry and CBSC President Mike Kelly, Eckert highlighted the impact of IRONCORE's presentation in Beardstown, noting that businesses immediately sought cybersecurity insurance policies after the session. This success underscores the significance of community-driven initiatives that enhance cybersecurity resilience among small businesses, a sentiment echoed by the positive feedback from attendees.

Philanthropy Woven into the Fabric of Beardstown Savings

Beyond technological advancements and legislative updates, Beardstown Savings, s.b., continues to exemplify the essence of community banking through its philanthropic endeavors. The bank and its employees have generously served numerous organizations, including Beardstown CONNECT, Cass County Food Pantry, Mount Sterling YMCA and more. This commitment reflects a belief that giving back is an opportunity and a responsibility, contributing to an improved quality of life for everyone in the tri-county area.

A Visionary Approach to Community Banking

Beardstown Savings, s.b., sets an inspiring example of community banking that goes beyond traditional financial services. Through cybersecurity education, legislative engagement, philanthropy and embracing modern banking solutions, the bank is paving the way for a resilient and empowered community. As the quarterly series of expertise becomes a cornerstone of community enrichment, Beardstown Savings continues to redefine the role of a community bank, proving that “banking different” is not just a slogan but a commitment to building a stronger, more secure and connected community. ■

FUN FACT

Beardstown Savings, s.b., was founded in 1880, making us one of the oldest banks within Cass County. www.beardstownsavings.com

CDD SPOTLIGHT

▶ **QUESTIONNAIRE**



Tonya Swingle

*AVP of Lending/Corporate Secretary
Beardstown Savings, s.b.*

“The most rewarding aspect of my work is experiencing the positive impact our financial services have on clients’ lives.”

What do you find most challenging about your job?

Navigating the challenges of overseeing consumer, mortgage and commercial loans in a small bank with just two loan officers requires a focus on organizational skills and a strong underwriting process. This wouldn’t be possible without the assistance and support of our dedicated loan operations staff. They play a crucial role in making our operations run smoothly.

What do you find most rewarding about your job?

The most rewarding aspect of my work is experiencing the positive impact our financial services have on clients’ lives, whether it’s helping them achieve homeownership, fund a business venture or meet their financial goals. The fulfillment derived from assisting individuals who have overcome hardships and worked diligently to achieve their goals is unparalleled. It’s a gratifying experience to contribute to their success and growth.

What is the best advice you have ever received?

The best advice given to me not only for work but also in life is the “24-hour rule.” Taking a step back and giving yourself a day to reflect before making important decisions can lead to more thoughtful and well-balanced choices.

How did you get involved with CBAI?

In 2004, my initial involvement began when I started as a bank teller, attending various courses that were provided. As I transitioned to a loan officer four years ago, CBAI continued to play a pivotal role, offering valuable lending courses that enhanced my training and deepened my understanding of my role.

I am grateful for the opportunity provided by Beardstown Savings to attend the Community Bankers School. The connections and friendships cultivated through CBAI and CDD have been instrumental in shaping my current position and achievements.

What are the biggest challenges your community bank faces today and what are you doing to combat these challenges?

Addressing and mitigating fraud and scams is a persistent challenge for many community banks. Implementing robust security measures, educating staff and customers about potential risks, and staying updated on the latest fraud tactics are the ways we have continued to combat this ongoing threat. Adapting to the dynamic tactics of scammers is a constant challenge.

What is your favorite initiative that your bank has implemented to support your community?

Beardstown Savings is actively involved in supporting the community, particularly the youth, through financial literacy classes. Providing valuable insights on various loan types and the application process and emphasizing the significance of credit scores and interest rates demonstrates a commitment to empowering the next generation with crucial financial knowledge. This initiative contributes significantly to financial education and future decision-making. ■

CBAI Past Chairman Spotlight



Jim Shafer
*Board Chairman,
The First National
Bank in Tremont*

When did you serve as chair of CBAI?

I was honored and privileged to serve as the 22nd “president,” now known as chairman, of CBAI (previously known as ICBI) from October 1995 to September 1996.

What was your position and bank at that time?

At that time, I was in my 21st year of employment with The First National Bank in Tremont, serving as its president and CEO.

How long have you been in community banking?

I began my banking career in 1970 as a part-time student drive-up teller. In 1972, after graduation from Illinois State University, Bloomington, I was employed full-time at the Bank of Illinois in Normal. After gaining considerable operations experience, I then moved in 1974 to The First National Bank in Tremont, where I served in numerous capacities until my retirement 43 years later, serving 31 years as president and CEO. I currently remain with the bank as chairman of the board.

How/why did you become involved with CBAI and the CBAI Board?

As early as the mid-70s, I was fortunate to be working at a community bank that fully supported the formation and activities of the ICBI, now CBAI. I first served as Group 8 director around 1984, then became the Central Illinois regional director. I moved up the chairs to second and first vice chairman and then finally to chairman in 1995.

What did you enjoy the most about serving as chair?

I truly enjoyed the opportunity afforded to me to network with and learn from my fellow community bankers and to meet with influential state and federal politicians and federal regulators. I especially enjoyed the support and mentorship of past CBAI chairs, a group we fondly referred to as “HBs” or has-beens, and the valuable interactions with a dedicated and professional staff that truly believed in our mission.

What are the most memorable events or accomplishments from your tenure?

Probably my most memorable and impactful accomplishment was the introduction of the “Real Community Bank” image and marketing campaign to provide our members with an affordable, professional advertising resource. Also notable was the formation of the CBAI Foundation for Community Banking and the establishment of its endowment to continue to fund future scholarships.

How has CBAI and community banking changed since your chairmanship?

There have been tremendous changes to community banking and CBAI since 1996. At my inauguration convention in 1995, CBAI represented 505 active member banks, 58% of all Illinois banks, and hosted 700 participants and 80 vendors. While the number of eligible and member banks has decreased, what hasn’t changed is the fact that CBAI remains the premier community banking association in the country. While serving in a leadership capacity, up to this day, I have witnessed an organization that reflects the ultimate in volunteerism, commitment and involvement from not only our member bankers but especially our capable and professional staff.

What are your expectations for the future of community banking and the association?

There will always be a place for community banks, despite regulatory and legislative pressures and changes, economic ups and downs, mergers, acquisitions and large bank failures. Community banks will continue to adapt, innovate and thrive while being supported by our association, through excellent education offerings, vetted vendor access and affordable and professional financial services.

What are you doing now?

I am currently not doing anything, but I get that done in the morning, so my afternoons are free. ■

Community Banks Can Satisfy New CRA Requirements by Collaborating with Minority Deposit Institutions

Federal bank regulatory agencies jointly issued a final rule to strengthen and modernize regulations implementing the Community Reinvestment Act (CRA) in October of 2023. The CRA law was instituted almost 50 years ago to encourage banks to help meet the credit needs of their entire communities, especially in low- and moderate-income (LMI) neighborhoods, safely and soundly. Most of the rule's requirements will be applicable beginning January 1, 2026. The remaining requirements, including the data reporting requirements, will be applicable on January 1, 2027.

Among the key goals, the final rule updates on the CRA regulations work to achieve the following:

- **Encourage banks to expand access to credit, investment and banking services in LMI communities.** Under the final rule, the agencies will evaluate bank performance across the varied activities they conduct and communities in which they operate so that the CRA continues to be a strong and effective tool to address inequities in access to credit and financial services. It promotes financial inclusion by supporting bank activities with Minority Depository Institutions (MDI) and Community Development Financial Institutions in Native Land Areas, rural areas, persistent poverty areas and other high-need areas.

In other words, the FDIC acknowledges that MDIs play an integral role in helping the minority areas in which they operate and help bring in the unbanked population, and they are making a concerted effort to assist MDI banks and help ensure their success by promoting collaboration with non-MDI banks. According to the FDIC provision, an MDI can accept money from a financial institution that is completely out of the market, even out of state. These community banks that are not MDIs receive something of great value in return — CRA credit.

To qualify as an MDI bank, either (1) 51% or more of the voting stock is owned by minority individuals, or (2) a majority of the board of directors is a minority, and the community that the institution serves is predominantly minority. There are currently five MDI banks in Illinois with which your bank can collaborate: Citizens Bank of Chatsworth; GN Bank, Chicago; Millennium Bank, Des Plaines; American Metro Bank, Chicago; and International Bank of Chicago.

The International Bank of Chicago started in 1992 and has grown to nearly \$1 billion in total assets. Over the years, the bank has stayed close to its roots by servicing primarily the newly immigrated and the Asian, Eastern European and Middle Eastern communities in the Chicago area. The bank has five Chicago area branches and one in Port Jervis, New York. It has helped many new immigrants open their first checking and savings accounts as well as establish credit and gain a credit score. The bank has also assisted numerous small business owners and countless first-time home buyers to create personal wealth. The bank's staff collectively speaks more than 20 foreign languages and its forward-looking management team is eager to tackle banking topics such as electronic payments, land trusts and self-directed IRAs, and programs sponsored by the U.S. Citizenship and Immigration Services (USCIS) such as the EB-5 program.

American Metro Bank, Chicago, was founded in 1997 to serve the financial needs of Chicago's growing Asian population. The greater Chicago area is home to nearly 100,000 people of Chinese descent. In 1990, approximately 10,000 lived in the business district known as Chinatown. Recognizing that language and culture can be a barrier to accessing financial services, community leaders met and discussed forming a bank. They agreed that just another commercial bank would not serve the unique needs of their community, so they chose a Minority Depository Financial Institution (MDFI) designation.

Did You Know?

CRA is designed to encourage banks to help rebuild and revitalize communities through sound lending and good business judgment that benefits the banks and the communities they serve. www.federalreserve.gov

EXCERPTS FROM FDIC FIL-64-20017

- Insured depository institutions, whether an MDI or non-MDI, may realize business and regulatory benefits from partnering and forming collaborative relationships with MDIs.
- Collaboration among MDIs or between MDIs and non-MDIs can provide viable options for sound and profitable lending and investments that meet the needs of underserved communities.
- Non-MDIs or other MDIs may place deposits directly with an MDI, make a direct capital investment in an MDI or participate in a fund that makes direct investments in an MDI.
- Institutions engaging in collaborative activities and partnerships with MDIs may receive Community Reinvestment Act (CRA) consideration for such activities.
- Minority depository institutions (MDIs) play a vital role in the U.S. economy by providing responsive banking services to those who might not otherwise have access to a financial institution.
- There are a variety of activities regarding which non-MDIs and other MDIs may collaborate with an MDI. These activities could include, but are not limited to, the following:
 - Direct investment in an MDI;
 - Loan participations, other lending arrangements and sharing of loan servicing;
 - Sharing of bank staff and other resources; and
 - Information networking.

Ninety-five percent of American Metro Bank's stock is owned by Asians or other minorities. The two largest stakeholders, both of whom are of Asian descent, reside on the five-member board. American Metro Bank operates in two minority areas in Chicago, with a main location in Uptown and a branch location in Chinatown. The predominantly Asian community the bank serves is also a mainly low-to-moderate income area.

In learning there was not only a need but a desire in the marketplace, American Metro Bank, through their affiliation with the FDIC, developed a certificate of

deposit product wherein non-MDI banks can purchase a negotiable interest rate 12-month CD with a \$245,000 minimum balance requirement.

When deposits are received from outside financial institutions, MDIs can do more for the community. This is especially true for American Metro Bank, which has a 98% loan-to-deposit ratio. "For every deposit that comes in, we can deploy it in the low-to-moderate income areas we serve. We continue to have a strong loan demand in our communities. Deposit support from other community banks helps us continue our mission of serving our communities while providing valuable CRA credit to the partnering bank," said Patrick McShane, president of AMB.

"Our MDI CRA CD product has become very popular. It provides an extremely safe and secure method for banks to obtain valuable CRA credit," continued McShane.

Another way non-MDI banks can receive CRA credit is by working collaboratively with an MDI. For example, McShane described how Citibank collaborated with American Metro Bank to provide their ATM network to American Metro Bank customers with no surcharge fees.

There are several other opportunities for non-MDIs to work with MDIs, including loan participations, shared marketing staff and investment opportunities for larger non-MDI banks to invest in an MDI via a shareholder. The complete FDIC FIL-64-2017 offers other collaborative examples.

If your bank is interested in finding out more information on the opportunities available to collaborate for CRA credit, contact a member of CBAI's GR team. CBAI is happy to connect you with an Illinois MDI. ■



Celebrate Community Banking Week in Illinois!

Community Banking Week in Illinois is coming up on April 7–13, 2024, and April is National Community Banking Month. This is a perfect opportunity to spotlight the importance of community banks. Help us celebrate the invaluable contributions community banks make to their local economies. Community bankers regularly assist customers who are facing unforeseen economic hardships. Whether it's a pandemic, layoff, strike or other unexpected personal economic emergency, community bankers will always work with their customers, be it individuals, small businesses, farmers or local governments, to find ways to weather the storm together. The theme of this year's Community Banking Week in Illinois is "Your Success is Our Success." Community banks are committed to their communities and play a vital role in the success of individuals and businesses alike. When our communities thrive, we all thrive. Community banks measure their success by the strength and growth of their local economy.

There are many ways to celebrate. Below are some ideas your bank may be able to use to promote Community Banking Week in Illinois successfully. The Community Bankers Association of Illinois wishes to thank you in advance for any visibility your bank can afford this important event.

Jean Days (or Dress-Down Days)

Every Friday in April, allow your staff to wear jeans (or dress down) for a small fee (i.e., \$5 per person per Friday). Then, give funds to local charity(ies) and/or make a tax-deductible donation to the CBAI Foundation for Community Banking, which endows all of CBAI's annual scholarships.

Facebook Contests

Hold contests on Facebook and offer prizes to the winners. Facebook contest ideas include:

- What is your favorite thing about our community?
- How many pennies are in the piggy bank pictured?
- April is National Humor Month. Ask customers to send in their favorite jokes and post the winners on social media.

Support Local Business Customers

Send the winners of your Facebook contest a gift card to a local restaurant or shop. This is a great way to support local establishments and your business customers. Order lunch or bakery items

from a local restaurant and treat your community's hospital staff, emergency responders, teachers, etc. This not only thanks a very deserving group of individuals but also helps your small business customers. Highlight a different business customer on Facebook every day to give them a free promotion.

Get Kids Involved

Visit your local schools and provide a financial literacy session for students. For younger grade levels, have bank employees come into the classroom and read to the students.

Hold a contest where kids are asked to draw a picture of your bank or create a banking-related poster. Have them bring in pictures of their completed project and share the winners (or all submissions) on your Facebook page and/or website. Award a savings bond a day.

News Releases

Community Banking Week is a perfect time to send out a news release on how your bank supports individuals and businesses. Inform the media that the main goal of a community bank is to help ensure a strong and prosperous local economy. Let's blanket the media with encouraging news stories with a positive focus on community banks!

Customer Communications

Use Community Banking Week artwork in communications with customers. Utilize your bank newsletter and social media to promote your activities, contests and/or giveaways for the week. Share your plans with your local media, as well.

Community Banking Week is the perfect time to remind customers of why community banks are important to the survival of the local economy. Send a customer email and/or a letter to the editor explaining the importance of community banking.

Open House Events

Invite customers to an open house at your bank and provide treats from a local bakery or restaurant. Offer a drawing for a free product or service purchased by the bank from a local small business customer, such as a lawn care service, florist, nursery, car wash, bowling alley, pet groomer or hair salon. Hold a blood drive or offer free blood pressure checks at the bank with the help of your local hospital or Red Cross. Hand out giveaways such as bank-logoed stress balls, pens, mugs or other bank logo items.

Special Products/Services

Now is an excellent time to piggyback on the momentum of Community Banking Week with the introduction of a new product or service. You may wish to offer a special package for new accounts; you may want to tie in with special services for small businesses; you may even want to offer a special rate for loans or savings instruments during this period only. This is a great time to promote your online and mobile banking services. Encourage your customers to take advantage of these options or to sign up now if they haven't already. Your bank may also wish to take advantage of Community Banking Week as an opportunity to emphasize safety and soundness again or to elaborate on a special feature of your bank.

Small-Business Accounts

Get your officer-call program in high gear with targeted accounts. The point is, while community banks are in the spotlight, you have an excellent opportunity also to develop business relationships.

April is also:

- Keep America Beautiful Month & Lawn and Garden Month (Arbor Day in Illinois is always the last Friday in April; Earth Day is always April 22. Give away flower or vegetable seed packets at your drive-up; have a drawing for landscaping services; plant flowers or trees in a local park; or take flowers to the residents of a local nursing home with help from a local florist.)
- Poetry Month (hold a poetry contest).

- National Food Month (feature local restaurants; give away gift cards from local restaurants or grocery stores; hold a canned food drive to support a local pantry).
- Books to Brighten Young Minds Month & School Library Month (donate books or funds to your local school or community library/libraries).
- Community Spirit Month (show your community pride by wearing gear representing local schools and sports teams).
- Animal Cruelty Prevention Month & National Pet First Aid Month (hold an adopt-a-pet event).

For your FREE digital marketing kit, contact Cortni Bartolucci today at cortnib@cbai.com! Marketing resources include advertisements, lobby posters, social media graphics, PSAs, new releases, radio scripts, letters to the editor and more!

Let us know how your bank is celebrating! Email us with your plans! Tag us in your Facebook posts!

We want to share what your bank is doing with CBAI members statewide on social media and in *Banknotes* magazine. Look for a Community Banking Week wrap-up featuring member bank activities in the July edition of *Banknotes*! Contact Valerie Johnston at valeriej@cbai.com to share your plans! ■



FUN FACT

In April, celebrate the independent spirit and unwavering commitment of community banks that help consumers and small businesses achieve their financial goals and create communities of prosperity nationwide.



2024 Ag Lenders' Conference Featured Critical Topics and Ag Fintech Showcase

CBAI's annual Ag Lenders' Conference, held on January 30, helped participants develop the skills and tools to better understand the issues affecting the bank's farm and agribusiness customers and to meet their credit needs. There were awesome discussions held between the bankers and the speakers throughout the day. The on-demand recorded session is still available for purchase and allows your bank to train your ag lenders on their own time with unlimited views from unlimited computers for up to six months. Please contact Melinda at CBAI 800/736-2224 or via email at melindam@cbai.com for more details.

Topics covered in this one-day conference included a look at a variety of issues facing agricultural lenders. The conference kicked off with Eric Snodgrass, principal of atmospheric science, Nutrien Ag Solutions, Champaign, Illinois, with his session, "Weather Outlook & Forecasting

for 2024," followed by Dr. David Kohl, professor emeritus of agricultural and applied economics, Virginia Tech, Blacksburg, Virginia, who presented "Economic Shockwaves: Challenges, Opportunities & Mega Trends" and "Business & Financial Tools for Turbulent Times." After lunch, a CBAI and ICBA Ag Fintech Showcase featured the firms Cromptell, Suntell, and Holtmeyer & Monson. The demos were moderated by Kristina Morris, vice president of ICBA Innovation. The final session, "Disruptors in the World of Agriculture: What to Watch & What to Do," was presented by Doug Johnson, director of national legislation and policy development at Moody's Analytics.

CBAI thanks the members of our Ag Lenders' Subcommittee for their expertise and assistance in developing and promoting this year's Ag Lenders' Conference.

CBAI also thanks the CBSC Innovation Committee that vetted and recommended the ag fintech vendors.

AG LENDERS' SUBCOMMITTEE

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Farmers National Bank of Griggsville

Jennifer Beard
President,
Farmers State Bank, Elmwood

Doug Blunier
Senior Vice President,
State Bank of Toulon

Quint Harmon
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Ag Services Senior Lender,
Resource Bank, DeKalb

Kerry Hoops
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Gary Mueller
Vice President,
Havana National Bank

► CBAI also thanks the sponsors of the event:
Federal Home Loan Bank of Chicago and Farmer Mac. ■

Deposit Betas

Remain a Challenge in 2024

Andrea F. Pringle, Financial Strategist and MBS Analyst, The Baker Group, Oklahoma City, OK

We do not have to go back very far to remember a time when deposit betas were not even an agenda item in many Asset Liability Committee (ALCO) discussions. Today, the topic is front of mind for many, especially as the interest rate cycle is anticipated to turn over in 2024 and a new period of falling rates is expected to begin. In banking lingo, the term “beta” refers to the sensitivity of a bank’s deposit costs to changes in the short-term interest rate. In other words, how much of a move in the short-term rate (federal funds rate) a bank passes on to depositors.

The matter is front of mind because the rapid acceleration of betas was a major theme in 2023 for many banks. By and large, community bank betas increased rapidly every quarter from Q2 2022 through Q2 2023 and then began to moderate as Fed rate hikes ceased in July 2023. Despite the recent moderation, betas continue to present a challenge. Many expect betas to continue to rise, albeit at a slower pace, and then peak sometime in 2024. Pressure to pay more for deposits at a time when loan growth is also expected to slow alongside a slowing economy will be a challenge for many.

We ended 2023 with deposit costs rising faster than loan yields for many institutions. The rapid increase in interest rates since March 2022 as well as the impact of rising inflation on depositors’ purchasing power has had customers paying considerably more attention to what they earn on deposits. Unfortunately, this shift in consumers’ mindsets may have lasting implications, making it more difficult to bring down deposit costs when the rate cycle expectedly turns over this year. In previous cycles, one of the best defenses against shrinking margins has been the ability to aggressively cut the cost of funds. However, banks’ increased use of wholesale funding and the reawakening of so-called “sleepy” deposits may render this strategy ineffective this time around.

Slowing loan growth also poses a challenge for many in 2024. High borrowing costs and weakening economic conditions may be a headwind for loan demand this year. Many bankers

are also tightening lending practices in preparation for a less favorable economic environment. Recent bank lending surveys conducted by the Fed show that many banks have tightened credit standards across all product categories and show that they anticipate a deterioration in credit quality as well as collateral values in 2024.

The persistence of elevated deposit costs combined with slower lower growth would understandably challenge net interest income (NII). So, what can banks do to combat these pressures in 2024?

Ideas to Help Manage Deposit Betas

- Target certain rate advertisements, focus on the quality of service and products offered
- Revisit all deposit product tiers and manage tier pricing independently
- Focus on certain market demographics with lower deposit beta behavior
- Increase education of client relationships through education and incentives
- Enhance cross-selling efforts and customer loyalty programs

Ideas to Help Offset Slowing Loan Growth

- Supplement decreased loan activity with investments
- Avoid keeping investments in cash/short-end of the curve as those will be the first to fall when the Fed cuts rates
- Consider extending the duration to lock in higher asset yields for longer
- Be creative if liquidity is tight; consider bond swaps/borrowings to capture higher yields
- Pull forward investment purchases to secure higher yields by “pre-refunding” future cashflow that would otherwise mature

These broad themes will not impact every community bank the same way. Nor should every community bank approach its

beta analysis the same way. Variables like geography, competition, size and funding mix all weigh heavily on betas. There has been an important and necessary shift in focus on this topic, with many banks devoting more time and resources to proper analysis and projections. Prudent risk managers will also periodically stress the assumptions around deposit betas in their asset/liability models and establish worst-case scenarios to assess the impact of higher betas. This is a necessary step in today's environment, especially in preparation for a successful regulatory exam.

Also, remember there are many different reasons that customers choose to deposit their funds at a bank, which are not dependent on interest rates. Past studies have shown that consumers place higher value on service-related features like convenience, customer service, availability and technology over

deposit pricing. Those surveys may underestimate the rate impact now that many online banks are offering savings accounts that yield well over 4.0%. However, there is still much community banks can do to protect NII in 2024. ■



Andrea F. Pringle is a financial strategist and MBS analyst at The Baker Group. A native Oklahoman, she began her career in Washington, D.C., where she also earned her MBA from George Washington University. Pringle worked on the Capital Markets Sales and Trading Desk at Fannie Mae for five years before returning to Oklahoma to work in corporate finance. Before joining The Baker Group, Pringle was the supervisor of corporate finance at a publicly traded energy company. Since joining The Baker Group in 2020, Pringle's focus has been on mortgage products.

COMING ATTRACTIONS

APRIL 2024

- 2 What You Need to Know to Prepare for Your Next IT Exam** — Shazam Education Center, Springfield
- 2 Advanced Issues in Dormant Accounts, Unclaimed Property & Escheatment** 🗣️
- 3 Branch Manager Group B Meeting** — Grizzly Jack's Grand Bear Resort, Utica
- 3 HR Group C** — Grizzly Jack's Grand Bear Resort, Utica
- 3 Check Exceptions: Returns, Adjustments & Claims** 🗣️
- 4 HR Group F** — Chicago Marriott, Naperville
- 4 Maximizing Recoveries on Charged-Off Loans** 🗣️
- 4 ICBA Seminars: Bank Director Forum Session 1** — Livestream Event
- 5 HR Group A** — Shazam Education Center, Springfield
- 8–10 Residential Real Estate Lending Institute** — Northfield Center, Springfield
- 9 Creating the Right Enterprise Risk Management (ERM) Program** 🗣️
- 9 Call Report Lending Schedule Preparation** 🗣️
- 9 Branch Management for New Leaders** — Shazam Education Center, Springfield
- 9–11 ICBA Seminars: Fraud Seminar** — Livestream Event
- 10 Branch Manager Group A** — CBAI West Conference Room, Springfield
- 10 Group E** — Shazam Education Center, Springfield
- 10 Real Estate Escrow Accounts & Flood Insurance** 🗣️
- 11 HR Group D** — Drury Hotel, Mt. Vernon
- 11 Job-Specific BSA Training for the Frontline** 🗣️
- 12 HR Group B** — Shazam Education Center, Springfield
- 15 Marketing AI Seminar** — Shazam Education Center, Springfield
- 16 Marketing Groups A, B & C** — Shazam Education Center, Springfield
- 16 The New CRA Final Rules: Preparing Your Program, Systems & Staff** 🗣️
- 16 ICBA Seminars: Credit Analyst Institute** — Livestream Event
- 17 Red Flags for Money Laundering** 🗣️
- 18 Reducing Mortgage Delinquency: Being Proactive While Protecting the Bottom Line** 🗣️
- 23 Comparing Faster Payment Options: Same Day ACH, RTP & FedNow** 🗣️
- 23 ICBA Seminars: Commercial Loan Processor Seminar** — Livestream Event
- 23 ICBA Seminars: Loan Review Seminar** — Livestream Event
- 24 CECL: What Auditors & Regulators Will Be Expecting** 🗣️
- 25 Real Estate Construction Loans A-Z: Consumer & Commercial Challenges & Common Errors** 🗣️
- 25–26 ICBA Seminars: Advanced Loan Review** — Livestream Event
- 28–1 ICBA Capital Summit/CBAI Call on Washington**
- 30 3rd Quarterly CBC Program** — Crowne Plaza, Springfield
- 30 ICBA Seminars: Agricultural Credit Analysis Seminar** — Livestream Event





In Memoriam

Sandra Hilst, 76, passed away surrounded by her loving family on January 10. She leaves behind a legacy of kindness, love and an unshakeable spirit of entrepreneurship. Born into a nurturing family in Ohio, Sandra blossomed into a remarkable woman.

Sandra's journey as an entrepreneur began with her partnership with her husband, Larry, and later with her son, David Hilst. They turned a dream into a reality by establishing a chain of La-Z-Boy furniture franchises. For 45 years, she led this venture with unmatched passion and dedication, making it a symbol of comfort and reliability in the community. Sandra loved her business and working with her employees. Sandra's commitment to her family was unparalleled. She raised three incredible sons — Mathew, Michael and David — instilling in them values of kindness, resilience and love.

Sandra was a pillar in her community, known for her philanthropic efforts and unwavering support for local causes. She wholeheartedly enjoyed supporting the local food pantries, the Wounded Warrior Project and the Susan G. Komen Foundation. Sandra also served on the board of directors for the **Bank of Springfield** since 2011.

Sandra is preceded in death by Edward B. Bergen, her father, Virginia B. Bergen, her mother, Larry Hilst, her husband, and Matt Hilst, her son. Sandra is lovingly remembered by David and Michael Hilst, her sons, Stacey Hilst, daughter-in-law, and her brother, Edward Bergen. Her memory will be cherished as an inspiration to all who knew her.

Michael Lee "Mick" McGlasson, 72, of Springfield, passed away on December 31, 2023, at Memorial Medical Center. He was born on June 30, 1951, in Jacksonville, to Everett Lee and Shirley Ann Pogue McGlasson. Mick shared 50 special years of marriage with his wife, Linda Sellars McGlasson.

Born in Winchester and graduating from Eureka College in 1973, Mick embarked on a notable 45-year banking career. He joined Marine Bank in Springfield, later transitioning to Illinois National Bank before devoting his last 25 years to **Bank of Springfield**. In 2003, he took on the role of president and helped guide and oversee the bank's significant growth. Mick retired as president in 2018 and remained a member of the board until late 2023.

In retirement, Mick and Linda loved traveling and spent much of their time in Steamboat Springs, Colorado, where Mick enjoyed cycling and skiing.

Mick is survived by his wife, Linda; three children, Wesley (Rhonda) Hudson, Meggan (Luke) Bollinger, and Marcus (Lauryn) McGlasson; four grandchildren, Julia Denos, Lola Bollinger, and Everett and Garrett McGlasson; his mother, Shirley McGlasson; brother, Paul McGlasson and nieces Katie (Andrew) Kauffman and Laura (Derek) Voegel. He was preceded in death by his father, Everett Lee McGlasson, and his sister-in-law, Stephanie McGlasson.

Mick McGlasson touched the lives of many and his memory will live on in the hearts of all who were privileged to know him.

Dixie Darlene Walden, 87, passed away peacefully on December 24, 2023, at Sugar Creek Alzheimer's Care Center, where she had resided during her battle with Alzheimer's.

J. Wayne and Geneva Grant (Shewmaker) Rees welcomed their only child, Dixie, into this world on June 23, 1936, in Clinton. She was raised on the family farm just west of Clinton. Dixie graduated from Clinton High School in 1954 and was soon married to her high school sweetheart, Stanley C. Walden, on October 14, 1954.

Foundation Report

Dixie began and ended her professional career at **Dewitt Savings Bank**. Starting as a teller, she eventually became president of the bank, a position she held for 20 years until her retirement.

As a member of the Warner Hospital and Health Services Foundation board, Dixie served in many positions, including president. She was proud of her accomplishments in assisting the local hospital to obtain needed equipment and services.

Dixie enjoyed retirement with her husband, Stanley, spending hours on the golf course, traveling to Florida, and visiting their children, grandchildren and great-grandchildren.

Dixie is survived by her children, Bruce (Liz) Walden and Paula (Chuck) Nelson; three grandchildren, Jessica (Cory) Black, Jennifer (Matt) Horn and Tyler (Morgan) Walden; and six great-grandchildren, John Horn, Thomas Horn, Izabel Horn, William Black, Benjamin Black and Madelyn Walden. She was preceded in death by her devoted husband, Stanley, and her parents, J. Wayne and Geneva Grant Shewmaker Rees.

Robert M. Marshall, 88, of Tonica, passed away peacefully in his home on February 3, 2024, surrounded by his family.

Bob was born in Tonica on December 10, 1935, to Virgil and Esther (Maas) Marshall. He served with the United States Army, stationed in Germany. He married Evalyne Franklin on April 6, 1957.

Bob worked at Lowell Brickyards at a young age as an accountant. He later served as a clerk in 1971, and then president at **Illini State Bank** in Tonica until his retirement in 1998. He was a referee for basketball and umpire for baseball for many years. He served on the board of Liberty Village and was an active member of Tonica United Methodist Church. He was a member of Deer Park County Club and Tonica American Legion. Last year he was grand marshal of the Tonica Celebrations.

He is survived by his wife Evalyne of Tonica; one son Tom (Jayne) Marshall of Clinton; and one daughter Carol Gilmore of Toluca; four grandchildren, Layne (Jeremiah) Jones, Grayce Marshall, Logan Marshall and Taryn (Jason) List; four great-grandchildren, Maisy Jones, Willow Jones, Leo List and Tayden List; one brother Richard (Angela) Marshall of Fort Myers, Florida.

He was preceded in death by two sisters, Marilyn "Sally" Rowe and Betty Springstead; and one brother, Wendell "Wink" Marshall. ■

Jim and Janie Ashworth made a \$500 donation to the Foundation in memory of **James P. Ghiglieri**. **Andrea Cusick** donated \$100 to the Foundation in **Ghiglieri's** memory.

Kim McKee, North Central Bank, Hennepin, made a \$100 donation to the Foundation.

North Central Bank, Hennepin, contributed \$500 to the Foundation.

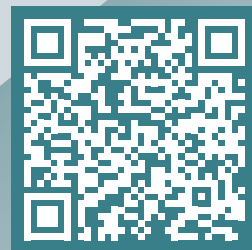
Board and committee members of the CBAI corporate family donating travel expenses to the Foundation are **Sheila Burcham, Bradford National Bank, Irvington; Will Coolley, Longview Capital Corporation, Newman; Dan Graham, Flora Bank and Trust; Rick Hiatt, Morton Community Bank; Mary Jo Homan, First National Bank in Pinckneyville; David Loundy, Devon Bank, Chicago; Chad Martin, Goodfield State Bank; John McCormick, Eureka Savings Bank, LaSalle; Ken Scott, Preferred Bank, Casey; Jason Semple, Dieterich Bank, Effingham; Alan Stremlau, Illini State Bank, Tonica; Dianna Torman, OSB Community Bank, Ottawa; and Julie Welborn, Fisher National Bank.**

The Foundation received \$170 from CBSC and CBAI board members as a result of the "dress-down" board meeting in December. ■

MISSED AN EDITION?

No worries!

Scan the QR code to catch back up.



Member News



Mark Field, Liberty Bank president, presents a 50-year award to Judy Chapman.

Judy Chapman, Liberty Bank, was recently honored with an award from CBAI for 50 Years in Community Banking. Chapman retired at the end of 2023.

Bradford National Bank recently announced that **Michelle Brown** would be joining the board of directors. Brown joined the bank in 2011 and became the accounting department supervisor in January 2014. She was promoted to assistant vice president in January 2016 and promoted to vice president in January 2019. Brown has served as the board secretary since October 2018. She currently serves as senior vice president and chief financial officer for Bradford National Bank and manages the day-to-day financial operations.

First State Bank recently announced that **Timothy J. McConville**, president/CEO of First State Bank, is transitioning to president/CEO of Tri-County Financial Group (TYFG), the holding company of First State Bank. The bank appointed **Kirk Ross**, formerly executive vice president, as president/CEO of First State Bank on January 10, 2024.

McConville started his career at First State Bank in 1978 as an agricultural representative. He was promoted several times throughout the years, becoming president/CEO on October 1, 1994. McConville has served as a director of FSB's bank board since 1991 and will continue to do so as president/CEO of Tri-County Financial. Under his leadership, the bank has grown from four branches and an asset size of \$30 million to 19 branches and \$1.5 billion through several acquisitions and new market growth. As president/CEO, he provided executive leadership throughout the company, along with leading the enhancement of the bank's operational infrastructure to support this tremendous growth for its employees and shareholders.

The FNB Community Bank recently announced the promotion of **Sydnie Schaal** to a junior loan officer.

Schaal started her career in banking in 2020 at Dieterich Bank in Effingham as a post-closing administrator. In February 2022, Schaal transitioned to a mortgage loan processor position.

The bank also announced the promotion of **Jacqueline Links** to the position of Greenville branch manager. Links became a member of The FNB Community Bank as a teller at the Vandalia Downtown Branch and has quickly evolved into a key member of the bank's team.

Byron Bank is pleased to announce that **Scott N. Mince-moyer**, current CFO of Byron Bank, will be stepping into the role of president. In conjunction with this transition, Byron Bank's current president, **Brent Baker**, will be moving into the role of executive vice president of commercial lending, allowing Baker to leverage his extensive experience and relationships to enhance the bank's commercial banking capabilities further.

Taylor Scott was recently named a mortgage loan officer for **Legence Bank** at their Evansville, Indiana, branch. Her new position will focus on strategy, growth and community development in the Evansville market.

After serving 26 years on the board of directors for **First State Bank of Campbell Hill**, **Jerry L. Ohlau** has retired from the board, effective December 1, 2023. To fill Mr. Ohlau's seat until the next annual stockholders meeting, the board has appointed **Mark K. Arbeiter**.

Rushville State Bank recently announced three retirements effective on December 31, 2023. **Cindy Henninger** joined Rushville State Bank on January 27, 1981, and most recently served customers in the drive-up. She has also performed back-room processing of wire transfers and automated clearing house transactions and has assisted the bank's data processing department. **Nancy Peak** joined the bank on September 4, 1987, and worked as a teller and, most recently, as a receptionist and an administrative assistant to management staff. **Janet Hall** started with the bank as a financial services associate in the Trust Department on June 10, 2008, and has been an important part of the success and growth of the department, processing transactions and performing general administrative services for the bank's trust clientele and the Schuyler County Community Foundation.

Kelly Greene has been promoted to president of **Rushville State Bank**. She will continue to serve the bank as CFO. **Gregg Roegge**, who previously held the position of president, will remain as the bank's CEO.



Arcola First Bank is celebrating its 150th anniversary this year. CBAI's Vice President of Member Services **Jeff Rabenort** recently presented President/CEO **Dale Boyer** with a plaque to commemorate this impressive milestone.

Anne Schutt recently became the newest member of the **Midwest Securities/CBAI MEP team**. As vice president of business development, Schutt will serve Illinois community banks from the Midwest Securities office located in East Peoria. She brings a wealth of experience and expertise in sales, training and leadership across multiple industries, including healthcare and finance. Her commitment to fostering strong client relationships and providing unparalleled service aligns perfectly with community banking values. For questions about partnering with Midwestern Securities for your Retail Wealth Management division, contact Schutt via email at aschutt@midwesternsecurities.com or telephone at 309/216-4887.

Ncontracts has added two new members to the Illinois team. In addition to **Dwayne Nelson**, lending compliance account executive who has served Illinois community banks for years, **Bria Ashby** and **Ellie Hulan** are now part of the team. A vice president and enterprise sales account executive, Ashby is an Illinois native and former Illinois community banker who

graduated from CBAI's Community Bankers School in 2016. She will support Ncontracts' suite of risk, compliance and audit management tools. An Nconnect sales account executive, Hulan is a graduate of the University of Tennessee, Knoxville. To schedule a meeting at your bank at your convenience, please contact Ashby at bria.ashby@ncontracts.com or at 618/316-4081 or Hulan at ellie.hulan@ncontracts.com or 901/687-0556. ■

Staff News



Shade and Lounsberry

Levette Shade, paralegal, recently celebrated 25 years with the association. Shade was presented with a diamond pin to commemorate the occasion by CBAI President/CEO Kraig Lounsberry. ■

Welcome Members

NEW ASSOCIATE MEMBERS

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Optimizing Retail Wealth Management is Not for the Faint of Heart

Anne Schutt, MBA, CFP®,
WMCP®, ChFC®, Vice President
of Business Development,
Midwestern Securities
Trading Company

One of the areas that we see having a negative health impact on retail wealth management divisions includes

A heart attack. That is often a pivotal event that brings clarity very quickly to someone that their lifestyle needs major changes. They know they need to get healthy, but where do they start? They could try and do it on their own, research diet and exercise programs, and put a plan in place to get healthy. Or, they can work with a coach who, as an expert, helps guide them and acts as their accountability partner to get healthy. Which way do you think is more successful? And wouldn't it have been better to partner with a health coach before the heart attack even happened?

As a community bank, you are the heart of your community. How can you be successful in an environment that is constantly pushing back at you from every direction and throwing up obstacles to your overall health? When faced with so many challenges to success, often it is the path of least resistance that gets chosen. Over time, this can put stress on your bank's overall health.

The pressures facing community banks today on their interest income, including wildly fluctuating interest rates, fewer and fewer sticky deposits draining out, limits on overdraft fees and modern tech

stack requirements to stay competitive, among other things, place even more importance on getting your non-interest income streams healthy. Just as personal health can deteriorate over time, eventually leading up to a heart attack, the health of your bank can diminish slowly over time and lead to a heart-attack level event that would cause major disruptions within your bank.

One area where you can make major health improvements for your bank is optimizing your retail wealth management division. This is an area that can provide long-term stability to your non-interest income — **IF** you invest in its success.

Let's be clear — this isn't just a check-the-box move. If you don't develop a well-thought-out division and partner with a broker/dealer who understands your business and will work alongside you to help increase your likelihood of success, it's not going to improve your bank's health, but it could certainly add more stress. Similarly, if a doctor or health coach provides detailed guidance on how a patient can get healthy, but the patient puts in minimum effort, they can't expect great results.

a lack of support from the bank team overall. Even though your financial advisor is part of a separate division, they should be considered an integral part of the bank's team. Including them in your privacy agreement and training all your bank staff on how to identify potential opportunities and make introductions and referrals to the advisor can help improve the health of the division. Your financial advisor should be managing your bank's retirement plan and board members should be actively involved in identifying community members who could benefit from meeting with your advisor. The stronger the relationship is with the overall bank team, the healthier the retail wealth management team will be, which not only increases non-interest income but can also help drive referrals back to other areas of the bank.

Another area that puts undue stress on the health of a retail wealth management program is not getting full compliance oversight support from your broker/dealer. If your team is saddled with having to be the Office of Supervisory Jurisdiction (OSJ) for your retail wealth management division, this is putting substantial unnecessary pressure and risk on your program. Your broker/

dealer has economies of scale of knowledge in this constantly evolving, highly regulated industry. There is absolutely no reason why your bank should have to absorb this risk instead of having full OSJ support from your broker/dealer. What about hiring and developing talent to grow your retail wealth management division? This is a major area that can have an impact on the health of your bank and be very challenging in the current workforce environment. It's hard to find and hire good talent, and it can be even harder to retain that talent.

Too often, we hear bank leaders who want to find a unicorn. They want to hire a Series 7 licensed, CERTIFIED FINANCIAL PLANNER™ with a \$50-million book of business to join their team. While there is a possibility that this unicorn could appear, the likelihood is very low. Banks that are putting the necessary things in place to build their long-term health understand that the best solution is to find the right person to fit with their bank culture and community

and then invest in their training and development. Some of the strongest advisors we have seen came from other careers where they were successful in sales. We helped get them trained and licensed and then coached them to become profitable. Your broker/dealer should be helping you recruit good talent and providing training and development support to retain that talent!

Once you find the right talent and have them producing at a strong level, you want to keep them healthy. This means making sure they have the administrative support they need and starting the search for the next financial advisor to add to your team. You want to keep asset levels per advisor at a manageable level so that you are providing a great, compliant customer experience.

It's also important to have a succession plan in place. How often has a bank had a great retail wealth management program, but then the advisor retires? If you aren't thinking about a succession

plan at least three to five years before your superstar advisor's retirement and starting to actively recruit another advisor, the health of your retail wealth management program can be at risk.

Serving your customers an overall healthier banking experience is great for your community and can help make dollars stick around your bank instead of flowing elsewhere. Partnering with a broker/dealer that can help provide the right plan, take regulatory pressure off your team, and be your accountability partner to drive success, can help keep your bank, the heart of your community, healthy! ■

Midwestern Securities is an independent broker/dealer and RIA focused on helping community banks grow their non-interest income through a compliant investment services division. For more information about Midwestern Securities, email Anne Schutt at aschutt@midwesternsecurities.com, call their team at 800/732-8601, or visit www.midwesternsecurities.com. Member FINRA/SIPC.

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Banknotes

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DEMOS AT THE DBE FORUM

NCR ITM: Client + Teller Perspective
GLR-100: Glory's Latest TCR Technology
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The Night Before: Networking Event

Spare Time in West Des Moines, IA
Tuesday, June 11th from 6:00 - 9:00 pm



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