



# NEWS FROM THE FRONT

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

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The Illinois State Senate was out the last two weeks for spring break. The House took off the week before Easter but returned to Springfield last week. Friday was the deadline to pass House bills out of House committees. That said, deadline extensions are common, so nothing is ever really off the table. Both chambers return to Springfield this week where the focus will shift from committee work to floor debate as legislators look to advance legislation to the other chamber.

## **CBAI Releases New Check Fraud Survey Data**

CBAI surveyed its community bank members about fraudulent returns and check fraud and shared this information with the federal banking regulators along with revised recommendations urging their increased involvement in addressing this growing and serious problem. CBAI's member survey results revealed the following in 2023:

- Ninety percent have experienced the problem of fraudulent check returns;
- Seventy-two percent had difficulty being reimbursed by the largest financial institutions (up from 60% the previous year);
- The top three offending large banks that were the most difficult to work with were Chase Bank, Bank of America, and Wells Fargo (same top three as last year, just change in the order); and
- The average total fraud loss was \$47,000 (up from \$30,000 the prior year).

In a letter to the federal banking regulators, CBAI renewed its call for them to promptly issue Joint Supervisory Guidance directed at the largest financial institutions to ensure they can detect and deter the opening of fraudulent accounts and to increase their

between the two laws. CBAI has created a working group to review these changes and will work with the IBA, the bill sponsor, and the Illinois Department of Financial and Professional Regulation (IDFPR) on an amendment to the bill to ensure all the necessary changes have been reviewed and vetted. The bill passed out of the House Financial Institutions Committee with a vote of 7-1-3. The sponsor indicated that she intends to hold the bill on the second reading so that there is a proper review of the bill.

**HB 5503** (Olickal) - Creates the Illinois Public Banking Option Act and establishes the Illinois Bank Account Board. Provides that the Board shall establish the Illinois Bank Account Program, including establishing the mechanisms by which an account holder may deposit funds into an Illinois Bank Account for no fee, establishing a mechanism for direct deposits, selecting a program administrator, and establishing other terms, policies and rules. The House Financial Institutions Committee held a subject matter-only hearing on the bill, and CBAI testified to voice opposition to the idea of a public bank.

involvement in resolving fraudulent returns. CBAI also urged the regulators to promptly embrace their examination and enforcement responsibility concerning the largest financial institutions and check fraud.

[Read CBAI's Letter to the OCC, Federal Reserve and FDIC \(including the completed 2024 member survey results\).](#)

## IDFPR Issues New Draft of Proposed State CRA Rules

Last week, IDFPR issued a new draft of state CRA rules for banks, credit unions and non-depository mortgage lenders. After three years of negotiations, these are likely the final versions for consideration. The rules are on the Joint Committee for Administrative Rules (JCAR) agenda for their April 16 meeting. The legislative body could take the rules up for approval now or hold off until their May meeting. Either way, it is expected that the rules will be approved, setting the clock in motion for the implementation of the program.

CBAI issued a formal letter objecting to two major remaining concerns with the rules – conformity with federal CRA rules and the fee structure. The state CRA law requires the program to largely conform with federal CRA standards and the state rules are mostly based on the current federal standards. CBAI's concern is that when the new proposed federal CRA rules are implemented, state-chartered banks will be left straddling two different sets of standards. In response, IDFPR assured us that they intend to open a new round of negotiations to update the state CRA rules in the coming year to begin working on conformity with the proposed federal rules with the goal of being able to switch over standards at the same time.

While the Department was sympathetic to our concern about the large jumps in the fee structure based on asset size, they declined to revise the proposed fee structure. They promise that it could also be revisited in future rulemaking. CBAI is also concerned with the potential overcollection of fees. The Department shouldn't collect any more fees than necessary to administer the program. In response, the Department previously agreed to include a credit-back provision for unused fees.

Approval of the rules starts the clock on implementation. For banks with more than \$391 million in assets, exams would start no sooner than nine months after approval. Banks under \$391 million wouldn't see exams for at least 15 months. IDFPR has



Governor JB Pritzker recently signed a proclamation declaring April 7-13, 2024, as Community Banking Week in Illinois, in recognition of the contributions of community banks to the economic vitality of the State of Illinois and their continuing dedication to fulfilling the credit needs of citizens throughout the state.

## On the Federal Side

### CBAI Joins the ICBA's Check Fraud Task Force

The Community Bankers Association of Illinois (CBAI) has joined the Independent Community Bankers of America's (ICBA) Check Fraud Task Force. CBAI now becomes part of a group representing diverse geographies and varied strategic and operational experiences seeking to address this significant problem. The objectives of the ICBA Task Force include sharing knowledge and experience to help inform members' strategies; developing a list of best practices for preventing, detecting and mitigating check fraud; and providing ongoing feedback to inform future advocacy efforts.

CBAI has been engaged in addressing the problem of check fraud for the past 18 months. During that time, we surveyed our members and written to the regulators with our observations and recommendations. We also provided [guidance to our](#)

stated that its intention is to conduct joint exams with FDIC on FDIC's exam schedule. Essentially, an IDFPF examiner would join FDIC for the exam but would issue a separate report.

The new rules also include relief for very small banks. A bank with under \$25 million in assets, or under \$100 million that has made less than 50 residential mortgage loans in the past year, could choose to use the new Very Small Bank examination procedure which would allow them to forgo a traditional exam and essentially self-report their CRA data to the Department.

The CBAI governmental relations and education teams are already working with IDFPF on efforts to educate bankers about the new state CRA program standards and requirements. In the coming months, we plan to create a webinar to educate compliance officers and bankers about the new program and answer implementation questions. Several CBAI member banks have already been working voluntarily with IDFPF to conduct mock exams to help train the new state CRA examiners. We hope that their efforts to educate the new examiners will lead help to smooth out implementation of the program for all community banks. [Read the proposed state CRA rules.](#)

## Bill Status Report on State Legislation of Interest

**SB 2234** (Belt) - Creates the Consumer Protections for Small Business Act and sets forth provisions concerning licensure requirements for persons providing commercial financing. Banks, trust companies and any subsidiaries or affiliates are excluded from the licensure requirements. With that exemption, CBAI remains neutral on the bill. The bill passed out of the Senate Financial Institutions Committee with a vote of 5-2.

**SB 2919** (Martwick) – As amended by Senate Amendment #1, the Code of Civil Procedure to allow the mortgagee to request in a foreclosure judicial sale, that the judge, sheriff or other person conduct the sale either in person, if available, or online or both. SA#1 is currently in Senate Assignments.

**SB 2933** (Stadelman) - Addresses medical debt reporting to consumer reporting agencies and was amended to state that debt charged to a credit card to pay medical bills would still be allowed to be reported, however, an open-end or closed-end extension of credit made by a financial institution to a borrower that

**members** for elevating the problem of check fraud to the federal regulators, as they supervise the largest banks that are the ones primarily responsible for enabling this problem in the banking industry.

## CBAI Urges the CFPB to Withdraw Its Flawed Overdraft Lending Proposal

In an April 1, 2024, comment letter to the Consumer Financial Protection Bureau (CFPB), CBAI responded to the Bureau's flawed proposal regarding overdraft lending. This proposal is regulatory overreach because the Bureau is trying to reimagine paying overdrafts and charging fees as an extension of credit or a loan, which it is not. If the Bureau succeeds in this rulemaking, the practice of banks paying overdrafts and charging a fee would then be subject to all lending rules and regulations. The term "overdraft lending" in the title of this proposal is an oxymoron.

Another flaw in the proposal is that the CFPB ignores the consumers' responsibility to maintain a positive actual account balance and not overdraw their accounts. Also, the Bureau is setting the asset exemption threshold at \$10 billion, which includes far too many community banks. No bank should be subject to this proposal, but if it is to advance, the Bureau should use its exemption authority to increase the asset threshold to \$50 or \$75 billion. Due to its many flaws, CBAI strongly urges the Bureau to withdraw this proposal.

[Read CBAI's Comment Letter to the CFPB](#)

## Illinois Community Bankers Lead State Push for Rural Lending Relief

The Community Bankers Association of Illinois led a coalition of the state's agricultural organizations to urge Congress to pass legislation to support lending in rural communities. Introduced by Sens. Jerry Moran (R-Kansas) and Angus King (I-Maine) and Reps. Randy Feenstra (R-Iowa) and Wiley Nickel (D-N.C.), the Access to Credit for our Rural Economy (ACRE) Act (**H.R. 3139/S. 2371**) would make interest income on farm real estate and rural mortgage loans tax-exempt. The Illinois Farm Bureau, Illinois Corn Growers Association, Illinois Soybean Growers, and Grain and Feed Association of Illinois joined CBAI in urging support for the bipartisan bill to promote access to credit and reduce borrowing costs for rural citizens.

[Read the Joint Trades letter.](#)

is used solely for the purchase of health care services would not be allowed to be reported. The bill passed out of the Senate Judiciary Committee and is on the third reading in the Senate.

**SB 3551** (Feigenholtz) - Amends the Residential Mortgage License Act of 1987 and requires borrowers to take specified counseling prior to taking any legally binding action on a shared appreciation agreement. The bill defines "shared appreciation agreement" as writing evidencing a transaction or any option, future or any other derivative between a person and a consumer in which the consumer receives money or any other item of value in exchange for interest or future interest in a dwelling or residential real estate or a future obligation to repay a sum on the occurrence of an event, such as (i) the transfer of ownership, (ii) a repayment maturity date, (iii) the death of the consumer, or (iv) any other event contemplated by the writing. CBAI supported this bill, and the bill passed out of the Senate Judiciary Committee unanimously.

**SB 3617** (Feigenholtz) - Allows the Department of Revenue to design and implement a data match system under which the Department of Revenue can enter into agreements with financial institutions doing business in this state to identify accounts of delinquent taxpayers. Provides that no financial institution is required to enter into a data match agreement with the Department of Revenue. Because it is voluntary, CBAI is neutral on the bill. It passed out of the Senate Revenue Committee 9-0.

**HB 4891** (Croke) – Prohibits dentists from arranging open-end credit or loan extended by a third party for a patient without first providing notice to the patient. The Illinois Dental Society opposed it and is working with the sponsor on an agreed amendment. The bill passed out of the House Financial Institutions Committee with a vote of 7-3-1.

**HB 5428** (Avelar) – Amends the Illinois Banking Act and the Savings Bank Act and makes several changes to the Acts. This is an IBA initiative to modernize and clarify existing law as well as resolve inconsistencies



## Registration is Open for CBAI's Call on Washington

Registration is now open for CBAI's 42nd Annual Call on Washington which will be held on April 28 - May 1, 2024. Please plan to join us for this event to let your voice be heard. Celebrating its 42nd year, CBAI bankers from across Illinois will be traveling to Washington, D.C., to call on their members of Congress and banking regulators to support issues of importance to Illinois community banks.

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Thank you to the sponsors of Call on Washington.



## CBAI Members Have Free Access to the Capitol Fax Blog

Want more insight into Illinois politics? The Capitol Fax Blog offers a daily insider perspective. It's a subscription service, but CBAI offers community bankers access for free in the Members Only section of [cbai.com](#). Need a members-only password? Just reach out to [Stacy Workman](#) and she will assist you.

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