



NEWS FROM THE FRONT

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

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The Illinois General Assembly is not in session this week. They are scheduled to return next week with a focus on the House committee deadline. That said, after the Senate Committee deadline two weeks ago they extended deadlines on 398 bills, so nothing is ever really off the table in Springfield. They met Wednesday through Friday of last week following Tuesday's primary election.

Public Banking Option

For the first time in more than a decade, no new legislation was filed in Illinois this year to create a state-owned bank. Instead, Rep Kevin Olickal (D-Chicago) introduced [HB 5503](#). The proposal mirrors a California proposal to have the state set up a public banking board that would take deposits and allow consumers to open accounts through the state. The main difference in this approach is that it calls for the state to then contract with a bank to perform the backroom functions of operating and servicing the account. In essence, instead of getting its own charter, the state would perform the functions of a bank by entering into a BAAS (banking as a service) agreement with a bank.

The House Financial Institutions Committee held a subject matter hearing on the legislation. Rep. Olickal agreed to not call the legislation for a vote so conversations could continue during the summer. CBAI pointed to FDIC studies that show unbanked populations are at an all-time low (4.5%). We highlighted the work being done with the Illinois BankOn Commission to successfully address unbanked and underbanked populations. We also pointed out that the state would fight to take deposits from

Looking ahead to the fall election, voter turnout will likely remain low, with little enthusiasm for presidential candidates and no U.S. Senate or statewide officials on the ballot. Fundraising will continue to be a challenge for Republicans, as the State remains strongly blue, particularly north of I-80. The make-up of the 104th General Assembly will remain largely unchanged, with Democrats expected to maintain super-majority status in both chambers next year. [Click here for CBAI's Primary Election Recap.](#)

State CRA Update

CBAI met with IDFPR to discuss further proposed changes to the Illinois CRA administrative rules. We focused on making sure there is parity with the rules for non-depository mortgage lenders and credit unions. During the last comment period on the draft, CBAI brought up concerns with the proposed fee structure. IDFPR says that they appreciate our concerns and are open to working on changes. We appreciate the collaborative approach they are taking as we enter our third year of negotiating the implementation of this program. Even though progress continues to be made, we are likely several months away from the passage of rules. Implementation of the program can't start until the rules are finalized. That said, several CBAI member banks are working with IDFPR on mock CRA exams to help train incoming examiners. We appreciate them stepping up to help shape the program to the benefit of all state-chartered banks.

community banks under this proposal. That would lead to negative consequences for consumers including higher interest rates on loans as the cost of funds increases. We also noted that this approach would circumvent the purpose of CRA. The state could funnel massive amounts of money out of communities without the bank's obligation to reinvest that money in the community.

Shared Appreciation Mortgages

CBAI met with IDFPFR last fall to discuss concerns with Shared Appreciation Mortgages (SAMs). Real estate companies offer consumers a one-time fee in return for a percentage of the value of their home at the time of sale. Some agreements also include a provision giving the company the right to handle the transaction and collect agent fees at the time of sale. A community bank complained to CBAI that the presence of a SAM agreement prevented them from assisting a customer in disposing of a property when the consumer fell into financial difficulty and ultimately forced the loan into foreclosure. In the end, the real estate company recovered no money, the consumer's credit was severely impacted, and the bank was forced into an expensive and time-consuming foreclosure. [HB 5231](#) (Croke, D-Chicago) and [SB 3551](#) (Feigenholtz, D-Chicago) both passed out of their respective Financial Institutions Committees with CBAI support. The legislation gives IDFPFR regulatory authority over real estate companies offering SAMs and requires consumer counseling before entering into an agreement. SAM's would not be prohibited but would be regulated and consumers would receive disclosure about potential consequences before entering into them. CBAI appreciates IDFPFR's efforts to work collaboratively with us to find a solution to this emerging concern.

State Mini-CFPB Legislation Reemerges

Last year, IDFPFR introduced legislation that would give the department new broad unilateral powers to regulate any financial-related service in Illinois. It was patterned after legislation in New York and California to recast their state regulators and consumer protection bureaus. This is part of a greater progressive effort to create mini-CFPBs in all 50 states as a backstop if the U.S. Supreme Court finds that the CFPB's funding is unconstitutional, invalidating the federal agency. A ruling is expected in June. IDFPFR's bill was soundly defeated by the General Assembly last year and we were told over the summer that they would not be re-filing the legislation. To our surprise, at the bill filing deadlines, they dropped [HB 5538](#)



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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CBAI Urges the CFPB to Withdraw their Flawed Proposal to Prohibit Nonexistent Fees for Instantaneously Declined Transactions

Earlier today, CBAI filed a comment letter with the Consumer Financial Protection Bureau (CFPB) regarding its proposal to prohibit fees that the Bureau admits are "almost never charged for transactions that are declined in real time." This led the CBAI to ask a very logical question - Is this rulemaking the best use of the Bureau's resources? The obvious answer to that question is - NO!

For this reason and because of other deficiencies in the rationale that underpins the Bureau's argument for what it is proposing, CBAI urged the Bureau to withdraw this flawed and unnecessary proposal. [Read CBAI's comment letter to the CFPB](#)

CBAI Leadership Bankers Meet with Congressman Darin LaHood (R-16th)

In a private in-district meeting, community bankers thanked Congressman LaHood for being the first in the Illinois congressional delegation to cosponsor the [ACRE Act \(H.R. 3139\)](#) which is legislation to provide much-needed relief to community bank agricultural borrowers. Important priorities in the upcoming Farm bill were highlighted including higher loan limits on USDA-guaranteed farm loans and quicker turnaround time for USDA Express loan approvals. The bankers urged Congressman LaHood to oppose an expansion

(Walker, D-Arlington Heights) and [SB 3550](#) (Feigenholtz, D-Chicago) which on its face appeared to simply clean up language in the Illinois Financial Institutions Act. Credit unions, pawn brokers and money transmitters are regulated under the act. Banks and mortgage brokers fall under the Division of Banking Act.

Upon review of the bills, we discovered language that would give the director of the Division of Financial Institutions broad, unilateral powers similar to the mini-CFPB bill, including powers that would impact financial service companies outside the Division of Financial Institutions. After pointing the offensive language out to the House and Senate sponsors, they agreed that it was inappropriate. We then worked with IDFP on amendments to strip out offending sections of the bill, and the language that remains is the less concerning technical clean-up version.

Medical Debt Reporting

Legislation that would prohibit the reporting of medical debt to consumer reporting agencies has been amended after CBAI met with the sponsor to express our opposition. [SB 2933](#) (Stadelman, D-Rockford) 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 is used solely for the purchase of health care services would not be allowed to be reported. The main concern is that the effectiveness of credit reports for lending purposes would be diminished if debt is not included, as a credit score serves as an important risk indicator. CBAI is now neutral on the amendment. The bill passed out of the Senate Judiciary Committee and is on the third reading in the Senate.

State Senate Honors FWB During Women's History Month

[Senate Resolution 844](#) (Feigenholtz, D-Chicago) recognizes CBAI member The First Women's Bank during Women's History Month for their advocacy for women and dedication to supporting women and minority-owned businesses. The First Women's Bank was established in 2021 and became the first financial institution formed in the country with a mission "to close the gender gap in lending and grow commercial financing options for women-owned and women-led businesses."

Primary Election Recap

of the Farm Credit System and their exemption from the Dodd-Frank Section 1071, which is the small business data collection rule. The bankers also thanked LaHood for cosponsoring the [Main Street Tax Certainty Act \(H.R. 4721\)](#) which is legislation to make permanent the tax deductions for qualified business income which are expiring at year-end 2025. In the meeting, CBAI Past Chairman Doug Parrott, president and CEO of State Bank of Toulon, Central Illinois Regional Vice Chairman Chad Martin, president and CEO of Goodfield State Bank, Group Director Kim McKee, president and CEO of North Central Bank in Ladd, and David Schroeder, CBAI's SVP of Federal Governmental Relations, met with Illinois Congressman Darin LaHood (R-16th) and District Director Katherine Coyle to discuss community bank issues and opportunities.



Notes From Springfield

Governor JB Pritzker is spending several days in California, promoting Illinois to business and film leaders for economic development opportunities, but also raising funds for Chicago's Democrat National Convention and abortion rights ballot initiatives in Arizona and Nevada.

Former Senator Cristina Pacione-Zayas, now deputy chief of staff for Chicago Mayor Brandon Johnson, is being promoted to Chief of Staff on April 1.

Divisions in both political parties were on display in last week's primary election. Progressive challenges to the democratic establishment in the House and Senate had mixed results, while downstate Republican incumbents held off right-wing populist opponents. In Chicago, the surprise of the night was the failure of progressive Chicago Mayor Brandon Johnson's "Bring Chicago Home" tax increase ballot referendum. In addition, Representative Mary Flowers, dean of the Illinois House, suffered a stunning defeat orchestrated by House Speaker Chris Welch. In an age of safe, gerrymandered districts, primary battles have become more ideological, and both parties will need to work to mend fences from within before the November General Election.

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.

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