



Community Bankers Association of Illinois
Department of Governmental Relations

NEWS FROM THE FRONT- 4/16/18

Last Friday was the deadline for House and Senate committees to approve bills in their chamber of origination. CBAI had a hand in crafting four legislative proposals this year and is glad to report that all four were approved unanimously by various committees. While the deadlines are intended to limit the number of bills currently under consideration, it's important to remember that no idea is ever truly off the table in Springfield. Legislative leaders have already extended deadlines for dozens of bills and language can always be amended onto other proposals down the road. The CBAI governmental relations team will remain vigilant in tracking all legislative proposals.

The House and Senate will now shift their attention to floor action for the next two weeks. The deadline for bills to pass out of their chamber of origin is April 27. The spring legislative session is scheduled to run through May 31.

Governor Rauner Announces Legislative Priorities

Governor Bruce Rauner is calling on the General Assembly to pass a full-year balanced budget without new taxes. The four top legislative leaders met with Governor Rauner this week, and a revenue estimate on which to base a FY19 budget is expected soon. His other priorities going into the November election include reducing taxes through pension reform, combatting the opioid epidemic, addressing school safety and mental health, implementing term limits, and providing sexual harassment victims with tools to proactively report instances.

Governor Rauner is on a trade mission this week traveling to Germany and Poland to encourage the countries to bring business opportunities to Illinois.

State of Illinois Near Junk Bond Status

Moody's Investors Service rated an upcoming Illinois bond sale one notch above junk status due to the state's unfunded pension liability and budget deficits. Illinois' first bond issuance of 2018 will sell \$500 million of bonds to fund capital and information technology projects. The rating of BAA3 could be downgraded to junk if the unpaid bill backlog increases, pension funding is reduced, or the state is unable to manage impacts from a future recession or reductions in federal funding, according to Moody's. Illinois is the lowest rated US state.

Unclaimed Property Bill Advances in the Senate

CBAI's top legislative priority this session is rolling back provisions of the Revised Uniform Unclaimed Property Act (RUUPA) enacted last year. The legislation was a last-minute addition to a budget package that was not properly negotiated with the financial industry. A coalition of associations representing financial institutions including the Community Bankers Association of Illinois, Illinois Credit Union League and Illinois Bankers Association have introduced [SB 3229](#) sponsored by Senator Don Harmon (D-Oak Park). The legislation addresses consumer protection concerns including automatic ACH transfers serving as an indication of interest, automatic renewal of CDs, linking accounts on a unified bank statement and restoring the presumptive abandonment period from three to five years. The legislation also seeks to protect customer privacy by including new confidentiality standards for third party auditors and an enhanced visitation standard.

While SB 3229 was approved unanimously (12-0) in the Senate Judicial Civil Committee, negotiations are continuing and further changes to the legislation are likely. To date, the main discussions on SB 3229 have been between the financial industry and the Treasurer's Office. Starting this week, the negotiations will be expanded to include other business groups and legislators from both chambers. Senate President John Cullerton (D-Chicago) has taken a personal interest in leading the discussions. It is a positive sign that legislative leaders have chosen to use the financial institutions coalition language as the vehicle for negotiations over other competing proposals that have been introduced.

Educating legislators on the impact of RUUPA will be a key component of this week's Capital Conference. Community bankers will converge on Springfield at an optimal time to educate lawmakers about the harm RUUPA will have on their constituents. A group of community bankers is scheduled to meet Wednesday afternoon with Senate President John Cullerton. This will be a key opportunity to have our concerns fresh in his mind as he prepares to convene larger negotiations scheduled for Thursday morning. CBAI also has a group scheduled to meet with Treasurer Mike Frerichs. These bankers will be charged with explaining to the Treasurer that the changes we are seeking to RUUPA are intended to strengthen consumer protections and correct errors in the current law.

Exempting Community Banks from the Installment Sales Contract Act

[SB 3392](#) (Koehler, R-Peoria) amends the Installment Sales Contract Act to exclude from the scope of the term "installment sales contract" a financing arrangement for the transfer of residential real estate that for religious or cultural reasons does not allow for the collection of interest. Some Illinois citizens are prohibited by religious practices from using financial services that collect interest payments. To accommodate these customers, community banks have developed alternative forms of financing that are not interest loans. This exemption is limited to only state and nationally chartered banks and credit unions. SB 3392 passed out of the Senate Financial Institutions Committee unanimously.

Updates to the State Banking Act

[SB 2885](#) (Nybo, R- Lombard) amends the Illinois Banking Act to make several changes. The legislation would allow banks with less than \$50 million in assets (up from the current \$20m) to have a minimum of 3 directors (instead of at least 5). Approval from the Secretary of the Illinois Department of Financial and Professional Regulation (IDFPR) would still be required. The bill also creates consistent language within a section regarding government obligations to treat direct investments in the bonds or securities of government agencies consistently with loans to an individual that are secured by those very same government agency bonds or securities. Finally, the legislation would allow the State Banking Board to request from the Division of Banking information about call report fees which would allow for greater transparency into the use of those funds.

IDFPR opposes the bill due to the application of the reduced number of directors and the mandated report of the accounting of bank fees to the State Banking Board. SB 2885 passed out of the Senate Financial Institutions Committee unanimously. However, CBAI will hold the bill to continue working with IDFPR on possible language that would remove their opposition.

Eliminating Redundant Audit Provision from the Savings Bank Act

[HB 4589](#) (McCombie, R-Savanna) amends the Savings Bank Act to delete the requirement that savings banks conduct a yearly audit in addition to the normal bank examinations conducted by state regulators. Under this bill, savings banks would be examined in a manner consistent with financial institutions regulated under the State Banking Act, at least once every 18 months. HB 4589 passed out of the House Financial Institutions Committee and is on 3rd reading.

IDFPR State Banking Act Legislation Passes Out of Committee

[HB 5569](#) (Davidsmeyer, R-Jacksonville) and identical bill, [SB 3182](#) (Schimpf, R- Murphysboro) are initiatives of the IL Department of Financial and Professional Regulation. The legislation amends the Illinois Banking Act to add a provision in the change of control requirements to allow the Department to analyze the future prospects of the bank seeking control in determining whether to approve the change of control. In addition, this proposal will permit the Department to waive a change of control filing in situations where a holding company is acquiring an institution that will merge into another subsidiary bank shortly after the change of control. There was no opposition to this bill, as introduced.

Additionally, a banking friendly amendment was filed to allow banks to be reimbursed for costs that are “reasonably necessary and that have been directly incurred in searching for, reproducing, or transporting books, papers, records, or other data required or requested to be produced pursuant to a lawful subpoena, summons, warrant, citation to discover assets, or court order.” Currently the law only covers reimbursements from customers who request such documents. This amendment opens it up to anyone seeking financial documents held by the bank. HB 5569, as amended passed out of the House Financial Institutions committee unanimously. SB 3182 also passed out of the Senate Financial Institutions committee. Amendment #1 to SB 3182 has not yet been assigned to committee. CBAI along with the Illinois Bankers Association support this positive change.

Other Bills of Interest that Passed Committees This Week

[HB 4922](#) (Mah, D-Chicago) Consumer Fraud Rebate Stored Value Cards; Amends the Consumer Fraud and Deceptive Business Practices Act. Provides that it is an unlawful practice to offer to consumers at retail a rebate made on a stored-value card that charges dormancy fees or other post-issuance fees.

[HB 5553](#) (Zalewski, D-Riverside) Blockchain; Creates the Blockchain Technology Act. Provides for the permitted uses of blockchain technology in transactions and proceedings. Provides limitations to the use of blockchain technology. Prohibits units of local government from implementing specified restrictions on the use of blockchain technology.

[HB 5676](#) (D'Amico, D-Chicago) Towing Service Failed Payment; Amends the Illinois Vehicle Code, the Labor and Storage Lien Act, and the Labor and Storage Lien (Small Account) Act. Provides that if a towing service is induced by a payment to release a vehicle and the payment subsequently fails and remains unsatisfied for 30 calendar days after sending certified mail notice to the person or entity having made the failed payment and the registered owner, then the person having made the failed payment and the registered owner shall be jointly and severally liable to the towing service for the amount of the failed payment plus a reasonable failed payment fee and collection costs.

[SB 2521](#) (Stadelman, D-Rockford) Consumer Fraud Starter Interrupt Devices; Amends the Consumer Fraud and Deceptive Business Practices Act. Provides that a dealer or other creditor shall not use electronic tracking technology or starter interrupt technology in connection with the credit sale, loan, or lease of a motor vehicle unless the technology is used solely to verify and maintain the operational status of the tracking technology, to locate the vehicle for repossession, to repossess the vehicle, or to locate the vehicle to service the account or keep the account current.

[SB 2661](#) (Collins, D-Chicago) Treasurer Deposit of State Money; Amends the Deposit of State Moneys Act. Modifies a Section concerning agreements entered into by the State Treasurer with any bank or savings and loan association relating to the deposit of securities. Provides that such agreements may authorize the holding of securities in any bank or a depository trust company in the United States (rather than New York City). Adds to the classes of securities that the State Treasurer may accept as collateral for deposits not insured by an agency of the federal government. Adds to and modifies the investments in which the State Treasurer may invest or reinvest on behalf of the State.

Treasurer's Office to Announce New Community Uplift Program Eligibility Standards

For the past several months, CBAI has been working with the Illinois Treasurer's Office to revisit eligibility requirements for banks participating in the Community Uplift Program (CUP). CUP provides banks serving economically depressed areas a potential source of capital from the Treasurer's Office at lower interest rates. The money is ultimately intended to be used to spur development in the community. CBAI has worked with the Treasurer's office to expand the

number of banks eligible to participate in the program. Changes include raising the limit on capital from \$300 million to \$350 million. It would also eliminate the limit on the number of branches an eligible bank can have, currently 5. Banks would continue to be eligible if they are located in an Enterprise Zone but the new requirement would also expand eligibility to banks located in Opportunity Zones and Low Income Communities. Finally, a bank with more than \$350 million in assets could be eligible for the program if they are the only financial institution located in a particular city or town. The CUP eligibility changes are expected to take effect in coming weeks. CBAI will provide updates after the changes are officially announced.

For more information, or if you have any questions or comments, please contact [Jerry Peck](#) or [Megan Peck](#) at 800/736-2224.