



Community Bankers Association of Illinois
Department of Governmental Relations

NEWS FROM THE FRONT- 4/30/18

Last Friday was the General Assembly's deadline to pass substantive legislation out of its original chamber. Legislation will now head to the opposite chamber for consideration. There will also be some deadline extensions. The Senate returns to Springfield tomorrow, while the House is off this week. The House will return to session on Tuesday, May 8th. After this week, both chambers will meet almost continuously throughout May as they reach the scheduled adjournment date of May 31.

FY 2019 Budget Negotiations

Work on crafting the FY 19 budget continues. Committees in both the House and the Senate continue to review agency level budget requests and needs for the current and upcoming fiscal years. Negotiators from the four legislative caucuses and the Governor's Office of Management and Budget continue to meet and discuss a Fiscal Year 18 supplemental appropriation as well as the development of the Fiscal Year 19 budget. Illinois House Republican Leader Jim Durkin and Illinois Senate Republican Leader Bill Brady filed resolutions to adopt a revenue estimate to begin the budgeting process for fiscal year 2019. The identical resolutions, [HJR124](#) and [SJR69](#), adopt a revenue estimate of \$37.672 billion for fiscal year 2019, based on the estimate provided by the Commission on Government Forecasting and Accountability . There is still no bipartisan agreement on available revenue for the FY 19 budget.

Illinois Spends over \$1 Billion on Late Payment Charges on Bill Backlog

Comptroller Mendoza issued a report indicating that Illinois has spent more in the last two years on late payment charges than it had in the previous 18 years. According to the report, Illinois has accumulated \$1.14 billion in late fees since mid-2015 which is \$100 million more than in the previous 18 years combined. Illinois is required to pay 12 percent annual interest on bills not paid within 90 days. The backlog grew to \$16 billion last summer after a two-year budget stalemate between first-term Republican Governor Bruce Rauner and the Democratically-controlled General Assembly.

Election News

State Senator Sam McCann (R), has joined the race for Governor running as a third-party candidate under the "Conservative Party". McCann has had a tumultuous relationship with Governor Rauner over the past four years, often breaking with the Governor and republican party on key votes. Rauner spent over \$4 million on an unsuccessful attempt to defeat McCann

in a 2016 primary election. Many insiders see McCann's bid as an attempt to siphon conservative votes away from the incumbent governor and swing the election in Democrat J.B. Pritzker's favor. McCann will have to gather 25,000 valid signatures by June 25 to qualify for a spot on the November ballot.

Speaker Michael Madigan won his sixth consecutive election as Chairman of the state Democratic party. A major part of his platform for the party is supporting JB Pritzker's agenda of moving Illinois from its current flat income tax for all taxpayers to a graduated tax rate based on income

CBAI Initiatives Pass out of their Respected Chambers

[SB 3392 \(Koehler/Evans\)](#) amends the Installment Sales Contract Act and excludes a financing arrangement for the transfer of residential real estate that for religious or cultural reasons does not allow for the collection of interest from the scope of the term "installment sales contract". 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 unanimously 53-0-0 and was sent to the House.

[SB 2885 \(Nybo\)](#) 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 accounting information on 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 45-0-0, however, CBAI will hold the bill to continue working with IDFPR on possible language that would remove their opposition.

[HB 4589 \(McCombie/Anderson\)](#) 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 with a vote of 90-20-0 and has been assigned to the Senate Financial Institutions Committee.

Revised Uniform Unclaimed Property Act (RUUPA) Discussion Continues

Correcting serious flaws in the recently enacted Revised Uniform Unclaimed Property Act (RUUPA) continues to be CBAI's top legislative priority this session. For several months, a

coalition of groups representing the financial industry including CBAI, the Illinois Credit Union League and the Illinois Bankers Association has been meeting with the Treasurer's Office negotiating needed changes to the law including the length of presumptive abandonment periods, ACH transactions serving as indication of interest, allowing auto renewal of CDs and strong confidentiality and visitation standards. Our coalition language is contained in [SB 3229](#) sponsored by Senator Don Harmon. Several other proposals have also been filed to make changes to RUUPA. Senate President John Cullerton has taken a personal interest in the legislation and called a meeting of all stakeholders to discuss negotiations going forward. We are pleased that President Cullerton has chosen the financial industry coalition language as the basis for ongoing discussions. This means that our concerns continue to drive the discussion moving forward.

Correcting RUUPA was the main focus of community bankers as they visited with legislators during the 34th Annual CBAI Capital Conference on April 18. In addition to meeting with individual legislators, community bankers also met directly with Senate President Cullerton and Treasurer Mike Frerichs. There is no doubt that these visits have paid immediate dividends as legislators now have a greater understanding of our concerns and have heard directly from community bankers in their districts about the necessary changes CBAI is proposing.

Statutory Fee Restraint Legislation Advances

CBAI opposes several bills that would prohibit fees on rebate cards and surcharges on credit card transactions. CBAI holds firm the belief that statutory fee restraints on financial services and products always generate unintended and negative consequences and will continue to oppose.

[SB 3102 \(Castro\)](#) amends the Consumer Fraud and Deceptive Business Practices Act to prohibit charging dormancy fees or other post-issuance fees on rebate cards that are offered to consumers at retail. CBAI, along with the Illinois Credit Union League and the Illinois Bankers Association oppose the bill. SB 3102 passed the Senate 35-17-0 and will be sent to the House. An identical bill, [HB 4922 \(Mah\)](#), passed the House 67-44-0 and was sent to the Senate.

Another bill, [SB 2657 \(Jones\)](#) amends the Consumer Fraud and Deceptive Business Practices Act to prohibit a person from violating a merchant agreement between a merchant and a credit card service provider. The bill also prohibits imposing a surcharge to a debit or credit card or prepaid card purchase if those charges are prohibited by the merchant agreement. CBAI, along with the Illinois Retail Merchants Association, the Illinois Credit Union League and the Illinois Bankers Association oppose the bill. SB 2657 passed out of the Senate Judiciary Committee, 9-0-2.

Retainage Cap Legislation Passes out of Senate

[SB 3052 \(Mulroe\)](#) amends the Contractor Prompt Payment Act to provide that a retainage of 10% of the payment may be withheld from a payment under a construction contract prior to the completion of 50% of the contract, and that after 50% of the contract is completed, the amount of retainage for any subsequent payment may not exceed 5%. This legislation, if passed

would be effective immediately. CBAI, along with the Illinois Bankers Association, the Illinois REALTORS, and the Illinois Credit Union League oppose this bill as it could disrupt commercial practices and override contract provision between private parties in construction projects. We believe the government should refrain from intervening in agreements between sophisticated commercial participants. SB 3052 passed out of the Senate, 37-16-1, and was sent to the House.

Other Bills of Interest:

Debt Collection

Six separate legislative measures have been introduced in the House this year dealing with post judgement debt collection. Several of the bills seek to expand limits on property subject to collection including wage garnishment, increasing the personal property exemption from \$1,500 to \$7,500 and increasing the homestead exemption from \$15,000 to \$150,000 (\$300,000 for a married couple). The other measures call for lowering the post judgement interest rate from 9% to 2%, limiting the revival of judgements and increasing notice requirements of debtors' rights. CBAI met with the individual bill sponsors to let them know that we would oppose all the bills if they were considered individually but would consider negotiating one combined debt collection measure. CBAI is opposed to any changes to wage garnishments or the personal property exemption. We would consider increasing the homestead exemption to keep pace with the consumer price index which would put it around \$20,000. There is discussion about potential changes to the post judgement interest rate and limiting the revival of judgements. If an agreement is reached, it will be filed as an amendment to [HB 5484](#).

Presumptively Void Transfers to Caregivers

CBAI was able to negotiate important protections for financial institutions in a legislative measure seeking to limit a caregiver's ability to fraudulently deceive elderly customers. [HB 5047 \(Welch\)](#) creates a rebuttable presumption that a transfer instrument is void if the transferee is a caregiver and the value of the transfer is over \$20,000. The initial proposal created a potential hazard for financial institutions who may make a lawful transfer to a caregiver before a legal challenge is filed and could then be held liable for the amount of the transfer. Under new provisions negotiated by CBAI, the financial institution would only be liable for transfers made after they were given proper notification of a pending legal challenge.

College Student Credit Card Marketing and Debt Task Force

[HB 4710 \(Scherer\)](#) as amended by House Amendment #1, amends the Credit Card Marketing Act of 2009 to create the College Student Credit Card Marketing and Debt Task Force. The legislation requires the task force to conduct a study on student credit card debt. The Department of Financial and Professional Regulation is tasked with providing the technical and administrative support and other assistance and shall be responsible for administering its operations and ensuring that the requirements of the provisions are met. The task force shall report the findings of the study conducted and any recommendations to the General Assembly on or before December 14, 2018.

HB 4710, as introduced repealed the Credit Card Marketing Act of 2009 and prohibited the Board of Trustees of a public university or community college district in this State from entering into an agreement or allow any person or group affiliated with the university or district to enter into an agreement with a credit card issuer to allow the credit card issuer to market credit cards to students. CBAI and other financial services trade groups opposed this legislation, as we all believe it would have unintended consequences. We met with the sponsor several times to discuss our opposition- which ultimately led her to scratch her original bill and create the task force instead.

While CBAI doesn't oppose the task force, we do have some concerns that the information requested in the legislation may not be obtainable. IDFRP opposes. HB 4710 narrowly passed out of the House 62-42-0.

[HR 826 \(D'Amico\)](#) urges the Illinois Secretary of State to implement a statewide electronic lien and title system. In 2000, the Illinois General Assembly passed legislation to authorize the implementation of a statewide electronic lien and title system. Earlier this year, CBAI and the other financial services trade groups met with the Secretary of State's office to express our desire that this system finally be implemented. Currently, 24 other states offer an electronic lien and title system, and CBAI fully supports this resolution. HR 826 passed out of the House Transportation Committee unanimously and was placed on the Calendar of Resolutions.

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