

Legislative Update

All eyes are on Washington D.C. as the House and Senate work towards a compromise on the Federal Financial Reform Legislation. Last Fall, the U.S. House of Representatives passed a sweeping financial reform bill over to the Senate. The Senate worked all spring on their version of the legislation and finally passed a bill in late May. Because of the differences between the two versions, a conference committee was appointed to negotiate a final bill that both chambers want to send to the President before the 4th of July Holiday. Illinois Congressman Luis Gutierrez (D-Chicago), Bobby Rush (D-Chicago) and Congresswomen Judy Biggert (R-Hinsdale) are all members of this important conference committee.

Although there are many positive reform measures included in both the House and Senate version, there are some glaring differences and problems that need to be addressed. Fortunately, both versions contain language to base the FDIC assessments on assets minus Tier 1 capital rather than on domestic deposits. This approach will require the giant banks to pay a larger and fairer proportion of the DIF fund and save \$4.5 billion over the next three years for community banks nationwide. The House version also included a \$150 billion special fund that would be paid by the largest 19 banks to resolve future large bank failures without triggering a taxpayer bailout. The Senate version did not contain the pre-fund language, but CBAI is working with ICBA and Congressman Gutierrez in an attempt to reinsert the pre-fund into the final package. This has been and will continue to be an uphill struggle because of the opposition from the giant banks and the Senate Republicans. The Senate version also contained harmful interchange language sponsored by Illinois Senator Richard Durbin and language that would subject state chartered banks to national single borrower lending limits. CBAI is working hard to remove or temper both of these harmful provisions although some version of interchange will likely end-up in the final version due to Senator Durbin's influence on this issue.

CBAI continues to work with the ICBA in Washington D.C. to make sure the voice of Illinois community banks is heard on these important issues.

In Springfield, the budget situation continues to grow worse everyday without much hope for relief any time soon. The General Assembly returned to Springfield the last week in May to finalize the spending plan for FY 2011 (or at least part of FY 2011). The budget did not really change much from the one that passed the Senate in early May, but the House passed a bill to allow the state to issue bonds (borrow) so the state could pay the \$3.8 billion pension payment for FY 2011. The Senate, however, did not have the 36 votes needed to pass the measure. The Senate could return sometime this summer if they are able to find enough votes to pass the measure. The approved FY 2011 spending plan contains \$26.1 billion for state operations in the form of "lump-sum" expenditures and gives Governor Quinn "emergency" budget-management powers to allow him to cut and spend for state operations as he sees fit. The plan gives Quinn the authority to designate contingency reserves, issue emergency rules, suspend the pension continuing appropriation, extend lapse-period spending four extra months, and allows for transfers out of special state funds.

On banking related issues, CBAI continued to fight off harmful banking legislation including numerous foreclosure measures and a last minute data match proposal by the Quinn administration that would have forced banks to become tax collectors for the state of Illinois. On the positive side, the General Assembly passed CBAI supported measures to reinstate the state banking board (SB 2581), expand Payable on Death Accounts Act (HB 5469), and codify into state law the 365/360 method of calculating interest on commercial loans (SB 1118). Although Governor Quinn is expected to sign SB 2581 and HB 5469, CBAI is still unsure what he will do with SB 1118 due to opposition by the plaintiff bar.

Although there is still a chance the Senate will return this summer to vote on the pension bonding bill, the General Assembly is not scheduled to return to Springfield until after the November elections.

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The Community Bankers School

July 11-16, 2010
Illinois Wesleyan University
Bloomington, IL

CDD Fall Meeting

October 27, 2010
I Hotel & Conference Center
Champaign, IL