



Community Bankers Association of Illinois
Department of Governmental Relations

NEWS FROM THE FRONT- 2/20/18

The 2018 Legislative Session is in full swing with both the House and Senate holding committee hearings and taking up floor action. Governor Rauner presented his FY19 budget proposal to the General Assembly last week. Friday was the deadline to introduce new legislation in both chambers. Key bills of interest to community bankers are highlighted below. The Senate will convene in Springfield this week; Representatives will work in district until returning to the Capitol on February 27. The primary election is March 20 with early voting now open.

Governor Rauner Gives 2018 Budget Address

Governor Bruce Rauner presented his FY19 budget proposal to a joint session of the General Assembly, reiterating his belief that the state's economy will improve through job growth, which requires structural reforms to make Illinois competitive among other states in attracting businesses.

The proposed budget totals \$75 billion, of which \$37.6 billion is general revenue funds, \$8.5 billion from federal funds, and \$29.2 billion from other state funds. General revenue funds spending for state agencies totals \$34.4 billion with \$2.8 billion for debt service on outstanding bonds. Incoming revenues are based on \$20.1 billion from income taxes and \$8.1 billion from state sales taxes, plus \$3.7 billion from federal sources and \$3.6 billion from other state taxes and fees. The budget includes borrowing \$600 million from special state funds.

A significant piece of the Governor's budget proposal calls for changing the way the state manages pension costs and group health expenses through enacting comprehensive pension reform, having school districts pay a portion of teacher pension contributions, and having public universities absorb their pension costs phased in over four years, as well as health care costs. The administration estimates the pension shifts will save the state \$696 million in the first year. State government now pays 90 percent of premium costs for employees. Rauner wants to enact group health insurance changes similar to Massachusetts to save Illinois \$560 million this year.

The Governor reminded legislators that he vetoed the FY18 budget passed last year, but the General Assembly overturned his veto, while the state will ultimately spend \$1 billion more than the revenues available, even with an income tax increase.

Senate President John Cullerton (D-Chicago) responded to the Address, calling the Governor's budget proposal "deceptive" and his desire to roll back income taxes through saving \$1 billion an "election year statement," noting that any savings in any budget should be applied to the \$6 billion unpaid bill backlog. President Cullerton noted that his caucus attempted to work through pension reform last year, but the governor rejected those efforts. Furthermore, Republicans will not vote for shifting pension costs for schools which would ultimately increase local property taxes.

Revised Unclaimed Property Act

CBAI's top legislative priority in 2018 will be enacting changes to the Revised Unclaimed Property Act (RUUPA). In 2017, CBAI committed to working with the Treasurer's Office to negotiate changes to unclaimed property with the understanding that legislative consideration would be taken up in 2018. To our surprise, language re-writing the act was inserted into the 2017 budget bill just three hours before a vote was taken. This language was unilaterally written by the Treasurer's Office and was not negotiated or vetted by our industry or legislative hearings. Governor Rauner vetoed the entire proposal but was ultimately overridden by the general assembly and it took effect on January 1 of this year. A trailer bill was passed in the fall veto session that addressed a few concerns but many outstanding problems with the new law remain in place.

CBAI is working with a broad coalition of associations representing financial institutions including the Illinois Credit Union League, Illinois League of Financial Institutions and the Illinois Bankers Association to address these outstanding concerns. [SB 3229](#), sponsored by Sen. Don Harmon, was introduced last week and makes the following changes:

- Provides an exception for time deposits where the owner has agreed to an automatic renewal provision.
- Requires third party auditors to be paid flat fees instead of contingencies, strengthens the visitation standard and holds auditors to strict confidentiality standards.
- Clarifies that a recurring ACH transaction constitute an indication of owner interest.
- Reverts to a 5-year period for presumptive abandonment instead of the current 3-year period.
- Requires the Treasurer's office to pay interest to the owner of the property at the rate the property earned while in the possession of the financial institution.
- Reverts to a 5-year statute of limitations for actions involving unclaimed property.
- Addresses concerns with wages held on payroll cards.

Because RUUPA did not go through the normal negotiations and legislative process, many legislators are unaware of the impact of the changes or the hardships they will create for consumers if left uncorrected. CBAI asks all community bankers to leverage your relationships with members of the General Assembly to educate them about the negative impacts of this law.

The CBAI governmental relations staff will be happy to provide a detailed outline of our concerns and talking points for your outreach. This issue will be the main focus of this year's

CBAI Capital Conference. If there is ever a time we need your voice in Springfield spreading the word on critical legislation- this is the year!

CBAI Initiatives Filed

[SB 2885 \(Nybo\)](#) and [HB 4947 \(Manley\)](#) both amend the Illinois Banking Act to make several changes to the Act. The legislation would allow banks with less than \$50 million in assets (up from \$20 million in assets)- with approval from the Secretary of IDFP- to have a minimum of 3 directors (instead of at least 5). This standard hasn't been updated in about 30 years and has failed to keep up with inflation. These bills also create consistent language within a section regarding government obligations. This change treats 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.

[SB 3392 \(Koehler\)](#) and [HB 5301 \(Evans\)](#) 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. Many Illinois citizens are prohibited by religious practices from using financial services that collect interest payments. To accommodate these customers, many community banks offer 'Murabaha', a form of financing that is not an interest-bearing loan and complies with Islamic religious practices.

Audit Provisions for Savings Banks

State Representative Tony McCombie (R-Savanna) reached out to CBAI for help drafting language to remove provisions included in the Savings Bank Act requiring a yearly audit in addition to the normal bank examinations conducted by state regulators. Under the revisions outlined in [HB 4589](#), savings banks would be examined in a manner consistent with financial institutions regulated under the State Banking Act. CBAI appreciates Rep. McCombie's efforts to bring regulatory relief for savings banks and for turning to our association as a partner in drafting legislative language.

Legislation to Address Arch Bay Decision Passes out of Senate Committee

[SB 2432 \(Mulroe\)](#) removes the uncertainty over service of summons that is the result of the 2nd District Appellate Court's decision in *Arch Bay v Perez* from 2015, when counsel sought to vacate a foreclosure alleging that the form of the summons was defective because the defendant's name did not appear on the first page, but instead appeared on the second page that was stapled to the first page. The bill states that a summons that otherwise complies with Supreme Court Rules and is properly served is not invalidated and the court's jurisdiction is not affected by an error in format. It further states that a summons is not defective if the named defendant is listed on a document attached to the summons. Additionally, the bill criminalizes the act of those promoting such litigation for their own financial benefit. There will be an amendment filed to narrow the scope, as requested by the Attorney General's office. *SB 2432*

passed out of the Senate Judiciary Committee with a vote of 9-0-0 and is on 2nd reading in the Senate.

Wage Lien Legislation Meeting

Last week, CBAI met with Representative Welch (D-Chicago) and proponents from the Raise the Floor Alliance on [HB 4324 \(Welch\)](#) which would create the Wage Lien Act to provide that a lien exists on an employer's property for the amount of unpaid wages owed to an employee. It is an attempt to address fly-by-night businesses that do not end up paying their employees. However, there are several major concerns, as this bill creates a pre-judgement lien without adjudication on the merits. CBAI is part of a business coalition, consisting of other financial trade groups, the Illinois Retail Merchants Association and the Illinois Manufacturers' Association who all oppose the bill as introduced.

Meeting with Secretary of State's Office

CBAI met with the Secretary of State's (SOS) Office on a variety of issues including implementation of Electronic Lien and Title (ELT). The General Assembly has approved ELT and the SOS recognizes that it will need to be implemented in time but has so far failed to take steps to implement the program. ELT would simplify processes for lenders and end the need to store and file paper titles. SOS says that because of other priorities they do not intend to pursue ELT for at least two more years. CBAI will support a resolution filed in the House urging the SOS to move ELT up their priority list.

The conversation moved to fraudulent lien release letters with an agreement to work on a potential legislative remedy. The SOS is also proposing legislation, [SB 2470 \(Castro, D-Elgin\)](#) that would require loan expiration dates to be printed on vehicle titles with liens being automatically released two years after the expiration date unless the lender takes action, including additional fees, to extend the expiration date. CBAI is opposed to the unnecessary administrative and financial burden of loan expiration dates on titles. Ironically, we noted during the discussion that the SOS concerns could easily be addressed by the implementation of ELT.

Bills of Interest

[HB 4330 \(Yingling\)](#) amends the Biometric Information Privacy Act to provide that except to the extent necessary for an employer to conduct background checks or implement employee security protocols, a private entity may not require a person or customer to provide his or her biometric identifier or biometric information as a condition for the provision of goods or services. Provides that the new provisions do not apply to: (i) companies that provide medical services; (ii) law enforcement agencies; or (iii) governmental entities. ***CBAI monitoring.***

[HB 4397 \(Lang\)](#) amends the Student Loan Servicing Rights Act to provide that, as used in the Act, "student loan servicer" does not include a law firm or licensed attorney that is collecting post-default debt. ***CBAI supports.***

[HB 4570 \(Welch\)](#) amends the Deposit of State Moneys Act and Disqualifies banks and savings and loan associations that have not achieved a federal Community Reinvestment Act rating ("CRA rating") of "outstanding record of meeting community credit needs" from serving as a depository of State moneys upon their failure to establish, within 365 days after the effective date of the amendatory Act and each year thereafter, in each low-income and moderate-income geography that is located in those portions of their assessment areas that are in the State, at least one more automated teller machine ("ATM") or branch than they operated in that geography on the first day of the preceding calendar year and to maintain those facilities. ***CBAI opposes.***

[SB 2487 \(Collins\)](#) amends the Public Funds Investment Act, the Illinois Banking Act, the Savings Bank Act, and the Illinois Credit Union Act to require any financial institution or other entity receiving public funds, State bank, savings bank, and credit union with assets of at least \$100,000,000 to submit an annual report on its voluntary supplier diversity program to the Department of Financial and Professional Regulation. ***CBAI opposes.***

[SB 2894 \(Collins\)](#) amends the Mortgage Foreclosure Article of the Code of Civil Procedure in relation to short sales of property. The bill provides that, if an offer to purchase either a mortgage or residential property is made by an entity with a tax-exempt filing status under Section 501(c)(3) of the Internal Revenue Code or an entity that controls, is controlled by, or is under common control with an entity with such tax-exempt filing status, no mortgagee may require, as a condition of sale or transfer to any such entity, any affidavit, statement, agreement, or addendum limiting ownership or occupancy of the residential property by the mortgagor and, if obtained, the affidavit, statement, agreement, or addendum does not provide a basis to avoid a sale or transfer nor is it enforceable against the acquiring entity or any real estate broker, mortgagor, or settlement agent named in the affidavit, statement, or addendum. ***CBAI opposes.***

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