

STATE BANKING BOARD OF ILLINOIS
Meeting of Monday, October 21, 2013
1:00 p.m.

Illinois Department of Financial and Professional Regulation
Division of Banking
100 West Randolph, Suite 900
Chicago, IL 60601

AGENDA

- I. Call to Order
- II. Approval of the Minutes of the Meeting of May 14, 2012
- III. Approval of the Minutes of the Meeting of January 14, 2013
- IV. Old Business
- V. New Business:
 - Comments from the Acting Secretary of Financial and Professional Regulation
 - Legislative update
 - Legal update
 - Changes to Administrative Rules
 - Update on financial condition of Illinois Banks
 - Review of the Financial Statements of the Illinois Bank Examiners' Education Foundation as of September 30, 2013
 - Proposed Amendments to the Bylaws of the Illinois Bank Examiners' Education Foundation
 - Proposed Resolution 2013-01 Regarding Appointment of Agents of the Board
 - Meeting schedule for 2014
- VI. Report on the Community Banking in the 21st Century Conference
- VII. Open Comment period for members of the Board
- VIII. Open Comment Period for Members of the Public
- IX. Adjourn

MINUTES

**STATE BANKING BOARD OF ILLINOIS
Meeting of Monday, May 14, 2012
Via Video Conference**

**Illinois Department of Financial and Professional Regulation
Division of Banking
122 South Michigan Avenue, Suite 1900
Chicago, IL 60603**

and

**Illinois Department of Financial and Professional Regulation
Division of Banking
320 West Washington Street
Springfield, IL 62786**

MEMBERS PRESENT

Manuel Flores
Director of Banking
Department of Financial and Professional Regulation
Springfield, Illinois 62786

Joy French Becker
President
Farmers State Bank & Trust Company
Jacksonville, Illinois 61651-1127

Lisa M. Derezinski
Public Member
Chicago, Illinois 60604

Mark G. Field
President
The Farmers Bank of Liberty
Liberty, Illinois 62347-0196

Walter E. Grady
President
Seaway Bank and Trust Company
Chicago, Illinois 60619

James B. Jurgens
President
State Bank of Arthur
Arthur, Illinois 61911

Dory M. Rand
Public Member
Chicago, Illinois 60602

STAFF PRESENT

Scott D. Clarke, Assistant Director
Division of Banking

Belinda Daugherty, Administrative Assistant
Division of Banking

Chad Montgomery, Legal Counsel
Division of Banking

Chairman Flores called the meeting to order at 1:05 pm without the presence of a quorum. Chairman Flores further stated without the presence of a quorum they would delay on any matters requiring a vote, however they could engage in matters that do not require Board action.

Ms. Rand stated that she notice a grammatical error in the minutes of the meeting of March 5, 2012 that needed changing; the word purposed used throughout the document should be changed to proposed.

Mr. Field stated on page 3 of the minutes of March 5, 2012 under State of the Industry it states that the only bank failure prior to 2008 was in 1993. Mr. Field further stated that there were bank failures prior to 1993. Mr. Field suggest that the wording be changed to read "if you go back in history the most recent failure prior to 2008 was in 1993".

Chairman Flores stated that the agency would make note of the proposed corrections to the minutes of March 5, 2012.

Ms. Rand stated that in the packet there is a list of Illinois banks who received deposits from the Illinois Bank Examiners' Education Foundation (IBEEF). Ms. Rand stated that she searched the FDIC website to see what the CRA ratings were on the banks that had received deposits from IBEEF. Ms. Rand further stated that all of the banks listed had satisfactory ratings with the exception of Pan American Bank which had an outstanding rating. Ms. Rand suggest that this might be criteria for discussion along with the interest rates for receiving deposits.

Chairman Flores stated that the IDFPF website also list CRA ratings of the Illinois State Chartered Banks. Chairman Flores further stated that the agency also makes reference to the number of loans that these banks make to small businesses.

Ms. Rand asked; when request for certificate of deposit rate quotes are sent out to the banks do they go to all state chartered banks or is there some other selective list.

Mr. Clarke stated that the request for certificate of deposit rate quotes are sent to all Illinois State Chartered Banks and investment is limited to banks that have a composite "1" or "2" CAMELS rating, which is in accordance to the current investment guidelines of the Foundation.

May 14, 2012

State Banking Board of Illinois

Ms. Rand commented that it is almost impossible for a bank not to get a satisfactory CRA rating and that it might make sense to reward the banks that are going above and beyond who receive an outstanding CRA rating. Ms. Rand further stated that maybe we could add that criterion along with some other mixture such as small business lending which helps our economy grow and create jobs.

Ms. Becker stated that is very difficult for a small to medium size bank to get an outstanding CRA rating. Ms. Becker further stated that CRA is basically geared more towards the bigger banks.

Mr. Field stated that in his case Liberty bank had an outstanding CRA rating. Mr. Field further stated that at their next exam due to the random selection of loan files chosen for review and consideration, the selection did not include as many customers who fell in the lower income brackets, so it took them out of the running to get an outstanding rating even though their standards did not change at all. Mr. Field further stated that he agrees with Ms. Becker that smaller banks have a harder time of getting an outstanding CRA rating.

Mr. Jurgens asked how many banks responded to the agency's request for certificate of deposit rate quotes.

Mr. Clarke stated that for the first time since he has been involved in the Board's activities, which has been since 1985, the agency received no responses at all. Mr. Clarke further stated that actually we had one response but the bank recalled it. Mr. Clarke stated that this matter is on the agenda for discussion given that there was no demand for the money.

Ms. Rand asked why banks wouldn't be interested in deposits.

Mr. Clarke stated that he would let one of the banker member colleagues respond to that question. Mr. Clarke further stated that the solicitation was for \$1 Million in deposits.

Ms. Becker stated that you seek deposits when you can offset them in the lending community which is where you make your money. Ms. Becker further stated if you can't offset deposits into loans and have a decent margin then it is really counterproductive to seek deposits. Ms. Becker stated that right now loan demand is not there.

Mr. Field stated that reinvestment options are very limited at this point to obtain any kind of yield at all without taking on great risk. Mr. Field further stated that if you came to his bank wanting a \$250,000.00 certificate of deposit (CD) that would have a different impact than wanting a \$1 Million dollar CD. Mr. Field stated he would be more likely to respond to something that is FDIC insured and not requiring him to pledge securities to secure the deposit.

Ms. Rand asked is that something the Board can consider dividing the funds up into \$250,000.00 increments.

Ms. Derezinski stated in terms of getting the money out there in the community where it could be lent to small businesses, it make sense to split the funds up into \$250,000.00 increments for deposit.

Ms. Becker stated that it would make it easier for all banks to bid on the funds.

Mr. Clarke stated that the Foundation has two other CD's in the amount of \$100,000.00 each that are maturing and the agency has begun the process of seeking bids. Mr. Clarke further stated that only 2 state chartered banks out of 400 are interested. Mr. Clarke stated that the Foundation has a Money Market account and that the funds could be placed into that account but you would not have a high rate of interest.

Chairman Flores announced that Mr. Grady had just arrived for the meeting. Chairman Flores stated that with Mr. Grady's presence we do have a quorum.

Chairman Flores gave Mr. Grady an update on what the Board had been discussing before his arrival.

Chairman Flores stated that what he would like to do is go back to the agenda for the meeting.

Approval of Minutes

Chairman Flores stated that there were some minor edits to the minutes of March 5, 2012.

Chairman Flores made a motion to adopt the minor edits. Ms. Derezinski seconded the motion. *The motion was unanimously approved.*

Chairman Flores made a motion to approve the minutes of March 5, 2012. Ms. Rand seconded the motion. *The motion was unanimously approved.*

Old Business

Chairman Flores stated that there was no old business to discuss at this time.

New Business

Mr. Clarke stated that the agency solicited bids from all state chartered banks with a composite "1" or "2" CAMELS rating. Mr. Clarke further stated that the agency received no interest in the \$1 Million dollar deposit. Mr. Clarke stated that he is seeking the direction of the Board regarding what they would like to do. Mr. Clarke indicated that one option would be to place the funds in the Foundation's Money Market account and that the interest rate is currently 0.40%. Mr. Clarke further stated in earlier discussion one of the Board members suggested breaking the funds up into smaller increments. Mr. Clarke stated that his suggestion would be to split the funds up into \$200,000.00 increments because if placed at \$250,000.00 the interest earned would be over the FDIC insured limit and the banks would have to pledge securities.

Ms. Rand stated that based on earlier discussion her preference would be to invest the funds at \$200,000.00 increments so that it increases the possibility that more small businesses in Illinois could get funding.

Mr. Grady asked what would be the time span on the investments.

Mr. Clarke stated that in the bid solicitation the agency gave the banks the option of 1 year, 2 year or 3 year maturity.

Chairman Flores stated that his recommendation would be to not lock in the funds longer than one year. Chairman Flores further stated that this would give us the opportunity to capitalize on a better interest rate next year.

Ms. Becker made a motion that we put the funds into the Money Market Passbook account and send out another solicitation for certificate of deposit rate quotes for investing \$200,000.00 for one year, the winning bidders would be invited to take additional funds in increments of \$200,000.00 up to \$1,000,000.00. Ms. Rand seconded the motion. *The motion was unanimously approved.*

Mr. Clarke stated that the Foundation currently has two other certificates of deposit maturing, each in the amount of \$100,000.00. Mr. Clarke further stated that when the bids come in would the Board like to reconvene the meeting or would the Board authorize the agency to take the highest bid. Mr. Clarke stated that the agency has received two bids thus far but the bidding period has not ended.

Mr. Field made a motion to allow the agency to act on the bids without reconvening the Board as long as they follow the current investment guidelines; investment will be limited to Illinois state-chartered banks having a composite "1" or "2" CAMELS rating and at the Board's recommendation a CRA rating of satisfactory or better. Ms. Becker seconded the motion. *The motion was unanimously approved.*

Chairman Flores stated that the agency would notify all of the Board members electronically (via email) of their decision regarding investment prior to awarding funds to an institution.

Chairman Flores made a motion to add the electronic notification to all Board members prior to investment of funds as an amendment. Ms. Becker seconded the motion. *The motion was unanimously approved.*

Consideration of Board Resolution 2012-03

Mr. Clarke stated the most recent amendments of the Open Meetings Act provided that every public body must provide an open comment period for members of the public to address the Board. Mr. Clarke further stated that is generally suggested that each Board come up with an established criteria for how long a person could talk and that the topic be relevant to what the Board is considering. Mr. Clarke stated that the guidelines would need to be printed and developed beforehand. Mr. Clarke further stated that the agency has provided a draft resolution for the Boards consideration, which recognizes the public's right to participate. Mr. Clarke stated that Resolution 2012-03 provides a five (5) minute limit to each speaker unless otherwise approved by the Board and that comments have to be limited to subjects related to the Boards powers and duties. Mr. Clarke further stated the Board could limit at their own discretion comments from a speaker if they are deemed irrelevant, repetitious, or disruptive. Mr. Clarke stated that members of the public would be advised that their statements could be recorded and posted on the agency's website as part of the minutes.

Ms. Rand made a request to make change to the language under guidelines (second to last bullet point) to read "The Board in its own discretion may limit comments from a speaker if his or her comments are deemed irrelevant, repetitious, or disruptive".

Mr. Field made a motion to approve Resolution 2012-03 with the editorial change. Ms. Becker seconded the motion. *The motion was unanimously approved.*

Meeting Schedule for 2012

Mr. Clarke stated that the Board needs to establish its meeting schedule for the entire year so that the agency can post the schedule to the agency's website.

Ms. Becker suggested that the Board meet quarterly.

Chairman Flores stated that given the current environment his recommendation would be that the Board meets quarterly. Chairman Flores further stated that this would give the Board the opportunity to address any issues that may come up.

After some discussion the consensus of the Board was to meet on the second Monday of the first month of the quarter unless that day falls on a legal holiday, then the meeting would be moved to the subsequent Monday. This schedule would begin on September 10, 2012.

Mr. Clarke stated that Illinois Bank Examiners' Education Foundation has three certificates of deposit maturing on August 4, 2012. Mr. Clarke asked the Board would they want to follow the same procedure of soliciting bids and investing with the highest bidder; the agency would notify the Board via email of the agency's decision.

Ms. Becker made a motion that the agency follows this produce with the rest of the certificates of deposit coming due this year. Mr. Grady seconded the motion. *The motion was unanimously approved.*

Open Comment Period for Members of the Public

Chairman Flores stated at this time the meeting is open to any members of the public to address the Board. Chairman Flores asked Mr. Clarke if the agency received any notices. Mr. Clarke replied that the agency did not receive any notices.

There being no further business before the board, Chairman Flores made a motion to adjourn. Ms. Rand seconded the motion. *The motion was unanimously approved.* The meeting adjourned at 2 PM.

MINUTES

**STATE BANKING BOARD OF ILLINOIS
Meeting of Monday, January 14, 2013
Via Video Conference**

**Illinois Department of Financial and Professional Regulation
Division of Banking
122 South Michigan Avenue, Suite 1900
Chicago, IL 60603**

and

**Illinois Department of Financial and Professional Regulation
Division of Banking
320 West Washington Street
Springfield, IL 62786**

MEMBERS PRESENT

Manuel Flores
Acting Secretary
Department of Financial and Professional Regulation

Joy French Becker
President
Farmers State Bank & Trust Company
Jacksonville, Illinois 61651-1127

Lisa M. Derezinski
Public Member
Chicago, Illinois 60604

Mark G. Field
President
The Farmers Bank of Liberty
Liberty, Illinois 62347-0196

James B. Jurgens
President
State Bank of Arthur
Arthur, Illinois 61911

S. Michael Polanski
Chairman of the Board
Village Bank & Trust
Arlington Heights, IL 60004

Dory M. Rand
Public Member
Chicago, Illinois 60602

STAFF PRESENT

Elba Acevedo, Manager
Fiduciary Activities Section

Scott D. Clarke, Assistant Director
Division of Banking

Michael Diaz, Deputy General Counsel
Division of Banking

Belinda Daugherty, Administrative Assistant
Division of Banking

Marc A. Edwards, Manager
Bank and Thrift Supervision – Springfield

William Jones, Field Supervisor
Information Technology Section

Chad Montgomery, Legal Counsel
Division of Banking

Acting Secretary Flores called the meeting to order at 2:08 pm without the presence of a quorum and stated that without the presence of a quorum the board would delay on any matters requiring a vote. Acting Secretary Flores stated that the agency is making every effort to fill the vacancies on the State Banking Board that are outstanding.

Acting Secretary Flores stated that he would like to take a call of the members present for the record. Members of the board and staff introduced themselves.

Mr. Clarke reminded the Board that the meeting was being video and audio recorded for the purpose of transcribing minutes and could be made available to public.

Approval of Minutes

Acting Secretary Flores stated that the Board is unable to approve the minutes of May 14, 2012 without the presence of a quorum.

Old Business

Acting Secretary Flores stated that there was no old business to discuss at this time.

New Business

Acting Secretary Flores informed the Board that Governor Quinn appointed him Acting Secretary of the Illinois Department of Financial and Professional Regulation (IDFPR). Acting Secretary Flores further

stated that he is grateful to the Governor for the opportunity to lead IDFPR and to build on the good work of his predecessor Mr. Brent Adams.

Acting Secretary Flores stated IDFPR is the primary department that focuses on consumer protection, and regulating and insuring the integrity of a number of professions and industries that we supervise. Acting Secretary Flores further stated the agency also supervises the commercial banking sector. Acting Secretary Flores gave an overview of the state of affairs and the economy. He stated that in the area of banking the agency did not close as many banks as in the previous years. He further stated that initially there was an anticipation of closing 7 to 9 banks in the previous year, as of December 31, 2012 the agency had closed 5 banks. He stated that this is a representation that the economy is starting to improve.

Acting Secretary Flores stated that the state chartered banks and credit unions will receive communication from the agency regarding an information technology (IT) fraud alert and the need for protecting your IT systems. He further stated that state chartered banks should remain vigilant and to strengthen their systems to avoid sabotage and infiltration by cyber criminals. Acting Secretary Flores stated that the Federal government is placing a lot of attention on cyber criminals targeting financial institutions this is a national security concern.

Acting Secretary Flores stated that there is an investigation regarding a very complex scheme where individuals were approached and promised mortgage rescue services. He stated the scheme required the individuals to turn over the property to a fictitious company, paying a fee for the service and then lead to believe they were remaining current or working something out with their primary lender. He further stated that the victims principally include the borrower, and the financial institution. He further stated that in some instances had the scheme not have taken place that the borrower and the lender could have worked something out. Acting Secretary Flores stated that most of the banks involved are large lenders but it could happen to a community bank as well. Acting Secretary Flores further stated that the agency is making progress in uncovering these scams and are working hard to prevent them.

Ms. Rand stated that Secretary Flores had mentioned that the Board may have some type of roll to play regarding the Federal Reserve's monetary policies, as a new member how in the past has the state banking board taken a position on issues like that.

Acting Secretary Flores responded that sometimes the Federal Reserve will hold a public meeting locally and he would encourage the members of the board to individually and/or collectively write letters, comments or responses on regulation issues to the Federal Register. Acting Secretary Flores stated that he is open to new ideas of how the Board can become more active in engaging the Federal Reserve or other government agencies that are going to have an impact on our monetary policies or other policies that we believe will affect the work that we do.

Ms. Rand stated that recently the president of the Chicago Federal Reserve, Charles Evans was very influential in arguing that the Federal Reserve Board should be doing more to get us out of the high unemployment rates. Ms. Rand further stated that he convinced Ben Bernanke and others to adopt a new policy to hold interest rates low until a certain unemployment level is met. Ms. Rand stated that she thought that this was somewhat encouraging because unemployment is affecting our economy throughout the state. Ms. Rand further stated that the Board could write some kind of statement of support or encouragement to the Federal Reserve in support of their efforts to get employment down.

Ms. Rand stated that since the last meeting in May of 2012, she was appointed to the Consumer Financial Protection Bureau (CFPB) the first Consumer Advisory Board. Ms Rand further stated that the first meeting was in September, the next meeting is on February 20th and 21st in D.C.; Ms. Rand stated she would be happy to share the Illinois State Banking Boards opinions with the CFPB Consumer Advisory Board.

Acting Secretary Flores stated that he is familiar with that meeting. Acting Secretary Flores stated it was an opening meeting and that some of the staff from the agency had attended. Acting Secretary Flores stated the State Banking Board should use those experiences for advancing good policy and that this is the time for leadership.

Acting Secretary Flores reminded the Board of the process by which to communicate with one and another as not to violate the Open Meetings Act. Acting Secretary Flores encouraged the Board to communicate with him and other members but advised against including everyone at once on the same email because you could be potentially violating the Open Meetings Act. Acting Secretary Flores stated that they could communicate individually and still get to a collective understanding.

Legislative Update

Mr. Diaz directed the Board to documents included in the meeting packet and stated that he would like to highlight a few of the items listed starting with the Home Loans and Tax Refund Loans (Public Act 97-849). Mr. Diaz stated that what is important about this Act is it limits the prepayment penalties in connection with high risk home loans. Mr. Diaz further stated that the challenge with our Federal counter parts because of Dodd-Frank we're supposed to implement similar requirements that has not yet happened and will not happen until sometime next year. Mr. Diaz stated that House Bill (HB 5019) will extend the effective date of the Public Act until the Federal Agencies come out with their rules or statutes.

Mr. Diaz summarized the recent changes in laws relating to Elderly Exploitation (Public Act 97-865) by stating that it improves the criminal code, and provides that when an elderly person is defrauded in the amount of \$5,000 or greater; while the case is pending the court can freeze the assets of the alleged perpetrator. Mr. Diaz further stated that it allows the elderly person a way to recover what was taken from them.

Mr. Diaz discussed changes to provisions related to Power of Attorneys (Public Act 97-868). He indicated what was key if you are a financial institution is a durable power of attorney will trump all. Mr. Diaz further stated the previously established statutory revocation authority when exercised will not carry over to specified types of agreements; if it is a durable power of attorney you don't have to worry about that. Mr. Diaz further stated you would not have the customer or representative of that person come in, generally this happens when the individual granting the power of attorney is incapacitated.

Mr. Diaz stated the Illinois Service Member Civil Relief Act was created as of January 1, 2013; it is similar to a federal law which grants certain privileges for those who served in the armed forces. Mr. Diaz further stated that what we have attempted to do here in the state of Illinois is provide the same kinds of assurance and protection afforded our national service members, to those who serve in the Illinois National Guard when they are called into duty. Mr. Diaz stated that an example of one of the things the Illinois Service Member Civil Relief Act provides is that when there is an eviction proceeding or something of that nature the state law grants the service member the right to suspend the eviction while

the service member is occupied in military service and for up to 90 days after their service ends. Mr. Diaz stated that these are the most important items.

Mr. Diaz gave the Board an opportunity to ask questions in which he responded.

Mr. Clarke stated as a follow-up regarding the financial exploitation of the elderly is that there is a new law which we talked about at the last meeting that requires that a financial institution employees to receive training (minimal of 30 minutes duration) once every three years. Mr. Clarke further stated that the training includes recognizing the indicators of financial exploitation and how to properly report it. Mr. Clarke stated that in the first reporting cycle which started July 1, 2012 there were about 35 thousand state bank employees that received training. Mr. Clarke further stated that this is something that is reviewed at every examination. Mr. Clarke stated that agency examination staff also completed the training.

Legal Update

Mr. Diaz gave a regulatory update on 2012 cases; a highlight of those cases was provided in the meeting packet.

Proposed Changes to Administrative Rules

Mr. Diaz stated that there is a rule pending with the Joint Committee on Administrative Rules (JCAR), this rule will authorize state chartered banks and state chartered savings banks to engage in derivative transactions and complies with Section 611 of the Dodd-Frank Act [12 USC 1828(y)] which prohibits state chartered banks from engaging in derivative transactions after January 21, 2013, unless otherwise authorized by the law of the state where the bank is chartered. Mr. Diaz further stated that we are in the first comment period, the Department of Commerce and Economic Opportunity may if it so chooses to determine if there is an impact on small business; the general public would have a right to comment as well. Mr. Diaz stated the first comment period would expire on February 4, 2013, once that's done we go into the second notice period, which JCAR would review the rule along with its legislative counterparts and determine whether or not the agency has the authority to issue the rule. Mr. Diaz further stated that JCAR would issue comments or amendments as they so choose; once that is done ideally it would be the end of the process. Mr. Diaz stated that if you read the lending limit section 32 of the Illinois Banking Act there is no clear authority for participating in derivative transactions, for that reason the Division has decided to go forth and adopt the rule.

Mr. Clarke stated that because Dodd-Frank had a deadline and the rule may not meet that deadline the agency has an alternative.

Mr. Diaz stated in the state of Illinois there is a National Wild Card provision in the Illinois Banking Act Section 5(11) under that section of the Act a state chartered bank can do whatever a National Bank is authorized to do. Mr. Diaz further stated that in the coming days the Division will issue a letter explaining how that works and how a bank that chooses to engage in derivative transactions may do so by utilizing the National Wild Card provision of the Act.

Update on Financial Condition of Illinois Banks

Mr. Clarke stated we still have an overwhelming percentage nearly 75% of our banks in Illinois that are rated in the two highest rating categories which are a composite "1" or "2" but when you analyze where those banks are located, you will notice in the Chicago metropolitan area 54% have a composite rating of "3, 4 or 5" compared to 13.54% downstate in the same category. Mr. Clarke further stated that the chart enclosed in their packet list the number of failed institutions in the last year. Mr. Clarke stated of the 5 listed the majority of them where in the Chicago metropolitan area and 1 downstate.

Mr. Edward's gave an overview on the financial condition of the downstate banks highlighting concerns regarding the concentration of lending in one area, such as the agricultural industry which could cause a risk to the bank. Mr. Edward further stated that with the increase in farmland prices there is a concern that there's a bubble there and with all bubbles it can burst.

The consensus of the Board was that farmland has doubled in price in 5 to 7 years and is still going up.

Mr. Clarke stated that he had heard in Iowa there was farmland going for \$20,000 an acre. Mr. Clarke further stated that anything that increases in value 3 times in 4 or 5 years is a significant concern to watch for.

Mr. Clarke stated that a trend we are seeing downstate is a merger and consolidation trend. Mr. Clarke further stated in the past quarter there were 10 institutions that merged out of existence and the department has been advised of a couple more this year and could equally project another 10 or 15 to merge out of existence with stronger, healthier institutions by the end of the year.

Update on Information Technology Risk

Mr. Jones stated that one of the newest trends out there is the ability to do banking transactions with a mobile device; a few years ago only a few of the large banks were using this technology. Mr. Jones further stated now you are starting to see more community banks using the technology. Mr. Jones stated that we are reviewing the risks associated with virtual servers. Mr. Jones further stated that the issue with virtual servers is they have the same risk as a physical server; you can have one server with 10 to 20 virtual servers on it and basically you are multiplying your risk by that amount. Mr. Jones stated that there are some new products coming out that will help with managing that. Mr. Jones further stated it is just a matter of getting the word out to banks and making sure that they are aware of the problem.

Mr. Clarke stated that something he has seen for business is remote deposit capture, he ask Mr. Jones if he could provide some information regarding it.

Mr. Jones stated that the good thing about remote deposit capture is that he hasn't seen a situation where anyone has abused that feature yet. Mr. Jones further stated that a business that receives a lot of checks can use a PC and scanner to scan the checks to the bank or bank data center and it will be deposited into their account. Mr. Jones stated that also with the mobile devices an individual can take a picture of a check and deposit it into their account. Mr. Jones stated that an individual might be at more risk, because of the nature of cell phones which could be lost. Mr. Jones further stated the remote deposit capture for businesses have been going quite well. Mr. Jones stated that businesses have very good scanning equipment that prints a stamp across the face of the check to indicate that the check has been cashed; the

term for this is called Franking. Mr. Jones further stated this procedure makes it difficult for anyone to take that check somewhere else to try and cash it.

Ms. Derezinski stated that in her office she has not seen any fraud with remote deposit capture, but she has seen so much fraud hit their account with people taking images and depositing those images off the banking information they have on their accounts. Ms Derezinski further stated that through their systems she can catch the transaction and deny it through deposit pay acceptations; she sees at least a dozen of these fraud transactions a week.

Mr. Clarke mentioned that Target stores had a recently published scandal of 40 million credit card numbers stolen and the person who stole them never stepped foot in the institution. Mr. Clarke stated that this person was able to get a sniffer and was able to electronically capture the information that was being transmitted from the checkout lane to the service desk and to the home office. Mr. Clarke further stated that with technology comes higher risk. Mr. Clarke stated that we see banks that have their entire balance sheets on wireless LANS which pushes our IT staff to always be constant and up to speed with the latest and greatest technology.

Mr. Jones stated that the credit card companies are putting computer chips in credit cards so that customers can pass the card in front of a store scanner in order to pay without handing over there credit card to a cashier. Mr. Jones further stated with this technology a radio signal is transmitted and anyone in proximity can probably get your confidential information. Mr. Jones stated this technology will grow because there are always people who want the latest and greatest technology, but people should know that there is risk that comes along with it.

Update from the Corporate Fiduciary Department

Ms. Acevedo stated that people are happy that amendments to the tax code passed. Ms. Acevedo further stated that the new tax code increased the amount that you do not have to pay tax on, which is now \$5.25 million.

Mr. Clarke stated that in Ms. Acevedo's area the agency supervises about \$6 trillion in trust assets. Mr. Clarke further stated that this is other people's assets that the bank is managing.

Review of Financial Statements of the Illinois Bank Examiners' Education Foundation as of December 31, 2012

Mr. Clarke stated that a copy of the financial statement and a copy of the most recent 990 tax return for the Illinois Bank Examiners' Education Foundation are included in the meeting packet for review.

Proposed Resolution 2013-01

Acting Secretary Flores stated that they would defer on the proposed Resolution 2013-01.

Open Comment Period for Members of the Public

Acting Secretary Flores stated at this time the meeting is open for comments from members of the public; there were no public members present.

Adjournment

Acting Secretary Flores thank the members of the board for their continued service and stated with there being no further business before the board the meeting is adjourned. The meeting adjourned at 3:30 pm.

State Banking Board of Illinois
2013 Legislative Update

The following is a summary of significant banking related legislation enacted by the Illinois General Assembly and subsequently approved by Governor Quinn. Complete copies of the state legislation are available from the Illinois General Assembly web site at www.ilga.gov. This summary is provided for your general reference. For specific guidance concerning the applicability or effect of legislation on your institution, you should seek the advice of your legal counsel.

Foreclosure Counseling Regulations (Public Act 98-20; Effective June 11, 2013) This Public Act amends the Illinois Housing Development Act by capping the amount the Illinois Housing Development Authority (IHDA) can recover at 4% of annual appropriation for administrative expenses. Also, IHDA has full authority to determine which jurisdiction would get appropriated foreclosure counseling funds. Section 15-1504.1 creates a circuit court clerk administrative fund to retain 2% of each foreclosure filing fee that a plaintiff/mortgagee pays when filing a foreclosure complaint.

Good Funds for Title Closings (Public Act 98-387; Effective June 16, 2013) Public Act 98-387 amends the Title Insurance Act to reinstate the use of cashier's checks as "good funds" for purposes of title closings (as long as the title insurer or agent and the financial institution issuing the cashier's check are known to each other and agree to the use of a cashier's check as good funds). The qualification of cashier's check as "good funds" is set to expire on January 1, 2015

ATM Signage (Public Act 98-415; Effective June 16, 2013) This act amends the Illinois' Electronic Fund Transfer Act by and eliminates the requirement for a physical ATM surcharge sign on the exterior of an ATM if the surcharge is disclosed electronically on the ATM terminal screen and the user has an opportunity to cancel the transaction prior to incurring the fee/surcharge.

Monetary Floor of Unclaimed Property (Public Act 98-495; Effective June 16, 2013) The Act amends section 11(b) of the Illinois' Uniform Disposition of Unclaimed Property Act to lower the monetary value floor of unclaimed property that must be reported and remitted to the State Treasurer from \$25 to \$5.

Tenant Rights Under a Bona Fide Lease (Public Act 98-514; Effective November 19, 2013) This act amends Articles IX and XV of the Civil code to provide tenants in bona fide leases rights in cases of foreclosure. The lease of a bona fide leaseholder may only be terminated at the end of the lease *so long as* a 90 day advance written notice of termination has been provided to the bona fide lease holder. If the subsequent owner of a foreclosed on property will occupy the real estate as his or her primary residence, then it is only necessary to provide the bona fide lease holder with a 90 day advance written notice (the leaseholder does not necessarily have the right to live out the duration of the lease). Entries of foreclosure and orders of possession do not affect bona fide lease holders even if they were named as parties in the foreclosure action.

Promissory Notes Issued to Counties (Public Act 98-525; Effective August 23, 2013) Counties are now allowed to directly borrow using promissory notes for any corporate purpose from any financial institution provided that the loan is to be repaid within two years. The county's repayment obligation represents a direct general obligation of the county payable from the general funds of the county and such other sources of payment as are otherwise lawfully available.

Banks Can Prohibit Firearms (Public Act 98-0063; Effective July 9, 2013 with realistic projections that State Police will not be prepared to begin issuing licenses until early 2014) Permits any business proprietor (e.g. a bank) to prohibit firearms on the premises of the business if the proprietor posts a sign outside the bank. The sign must conform to the yet to be provided guidelines by the State Police.

The following is a summary of Federal guidelines enacted during 2013:

Risk-Based Capital Final Rule Applicable to Community Banks

Community banks will continue to use current risk weights for residential mortgages when calculating risk-based capital. The possibility of using eight separate risk buckets as previously proposed will not be implemented. Another change from the original proposal is that Trust preferred securities (TruPS) will continue to be permanently included in Tier 1 capital (TruPS issued prior to May 19, 2010 for banking organizations that had less than \$15 billion in assets as of Dec. 31, 2009, or that were in mutual form as of May 19, 2010) instead of phased out over time as proposed. These rules apply to all banks and savings associations; all bank holding companies with more than \$500 million in assets; and all savings and loan companies. For financial institutions with total consolidated assets of less than \$250 billion, the final rule does not apply until Jan.1, 2015. Additionally, a 2.5 percent capital buffer is to be applied to the common equity Tier 1 capital, the Tier 1 capital ratio, and the total capital ratio. This heightened standard of capital buffer must be met with common equity capital. If an institution fails to meet the additional capital buffer there will be a limit on capital payouts and discretionary executive bonuses.

Final Rules amending the Ability-to-Repay and Qualified Mortgage Rules under Regulation Z

Overall, the rules create three categories of loans with different protections: (1) loans not deemed "qualified mortgages (QM)" that must therefore satisfy the "ability-to-pay" requirements; (2) loans deemed QM that receive safe harbor legal protection because they are not higher interest mortgage loans; and (3) loans deemed QM that receive a rebuttable presumption of legal compliance (a lesser legal protection) because they are higher interest loans. Understanding the general requirements for QMs is necessary to sufficiently differentiate between the three loan categories. Dodd-Frank sets certain feature prerequisites and affordability underwriting requirements for QMs and gives discretion to the Consumer Financial Protection Bureau (CFPB)

to decide whether additional underwriting or other requirements should apply. The final rule, being issued on January 10, 2014 by the CFPB, generally prohibits loans with negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years from being QMs. “No-doc” loans where the creditor does not verify income or assets are also precluded from being QMs. Finally, a loan usually is not a QM if the points and fees paid by the consumer exceed three percent of the total loan amount. More information regarding QM criteria can be found within the rule.

1. Loans Not Deemed QM that Must Satisfy Ability-to-Pay Requirements

At a minimum, Creditors must consider these following eight underwriting factors when dealing with a loan not deemed to be a QM: (1) Current or reasonable expected income or assets (other than value of the collateral). The creditor may consider assets alone; (2) Consumer’s current employment status if the creditor relies on income from their employment; (3) Monthly payment on the covered transaction. Payments on adjustable rate mortgages (ARMs) must reflect use of the “fully indexed rate” or any introductory rate, whichever is greater; (4) The monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made. This includes any loan covered by these rules, or any HELOC that will be secured by the same property as the loan at issue and that is made at, before, or after consummation of the loan; (5) The monthly payment for mortgage-related obligations such as property taxes, insurance, condominium assessments, etc.; (6) Current debt obligations, alimony, and child support; (7) The monthly debt-to-income (DTI) ratio or residual income. Creditors must make a reasonable and good faith determination of consumer’s ability to repay; (8) Credit history. Creditors are not required to obtain or consider a consolidated credit score. Creditors may look to nontraditional credit references, such as rental payment history or utility payments.

2. Loans Deemed QM that Receive “Safe Harbor” Legal Protection

A QM receives a “safe harbor” status if it has an annual percentage rate (APR) less than 1.5 percentage points above the average prime offer rate (APOR). “Safe Harbor” loans receive a presumption of compliance by the lender and this presumption is conclusive and not rebuttable.

3. Loans Deemed QM that Receive a Rebuttable Presumption of Legal Compliance

A QM receives a “safe harbor” status if it has an APR that is less than 3.5 percentage points above the APOR. This standard allows for a consumer to “rebut the presumption of compliance” for a QM loan if they showed that despite having made a QM, the creditor did not make a reasonable and good faith determination of their ability to repay the loan.

Joint Committee on Administrative Rules

ADMINISTRATIVE CODE

TITLE 38: FINANCIAL INSTITUTIONS
CHAPTER II: DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
PART 330 LENDING LIMITS
SECTION 330.230 CREDIT EXPOSURE ARISING FROM DERIVATIVE
TRANSACTIONS

Section 330.230 Credit Exposure Arising from Derivative Transactions

- a) **Scope.** This Section sets forth the standards for calculating the credit exposure arising from a derivative transaction entered into by a state bank for purposes of determining the bank's lending limit pursuant to Section 32 of the Act, Section 6013 of the Savings Bank Act or, as applicable, this Part.
- b) **Derivative Transactions**
- 1) **Non-Credit Derivatives**
 Subject to subsections (b)(2) and (b)(3), a state bank shall calculate the non-credit derivative exposure (e.g., a contract regarding performance at a point in time unrelated to specific credit risk, such as, but not limited to, interest rates or future delivery, such as forwards, futures, options, caps or floors) to a counterparty arising from a derivative transaction by one of the methods described in this subsection (b)(1). Subject to subsection (b)(3), a state bank shall use the same method for calculating counterparty credit exposure arising from all of its derivative transactions.

Conversion Factor Matrix Method

The credit exposure arising from a derivative transaction under the Conversion Factor Matrix Method shall equal and remain fixed at the potential future credit exposure of the derivative transaction as determined at the execution of the transaction by reference to the following table, which is based on the following formula:

$$\text{Credit exposure} = (\text{notional amount}) \times (\text{conversion factor})$$

CONVERSION FACTOR MATRIX FOR CALCULATING POTENTIAL FUTURE CREDIT EXPOSURE*

Original Maturity **	Interest Rate	Foreign Exchange Rate and Gold	Equity	Other*** (includes commodities and precious metals except gold)
1 year or less	.015	.015	.20	.06
Over 1 to 3 years	.03	.03	.20	.18
Over 3 to 5 years	.06	.06	.20	.30
Over 5 to 10 years	.12	.12	.20	.60
Over 10 years	.30	.30	.20	1.00

2) Credit Derivatives

- A) A state bank shall calculate the counterparty credit exposure arising from credit derivatives entered by the bank or savings association by adding the net notional value of all protection purchased from the counterparty on each reference entity.
- B) A state bank shall calculate the credit exposure to a reference entity arising from credit derivatives entered by the bank by adding the notional value of all protection sold on the reference entity. However, the bank may reduce its exposure to a reference entity by the amount of any eligible credit derivative purchased on that reference entity from an eligible protection provider.

3) Mandatory Use of a Certain Method

- A) Upon request by a state bank, the Department may allow a state bank to use any method the Department deems appropriate to calculate the credit exposure of derivative transactions if the Department finds that the method is necessary to promote the safety and soundness of the bank.
- B) A state bank may elect to determine credit exposure on the basis of such other method of determining credit exposure as may be permitted by 12 CFR 32.9 (June 12, 2012) for national banks by the Office of the Comptroller of Currency.

* For an OTC derivative contract with multiple exchanges of principal, the conversion factor is multiplied by the number of remaining payments in the derivative contract.

** For an OTC derivative contract that is structured so that, on specified dates, any outstanding exposure is settled and the terms are reset so that the market value of the contract is zero, the remaining maturity equals the time until the next reset date. For an interest rate derivative contract with a remaining maturity of greater than one year that meets these criteria, the minimum conversion factor is 0.005.

*** Transactions not explicitly covered by any other column in the Table are to be treated as "Other".

(Source: Added at 37 Ill. Reg. 5807, effective April 22, 2013)

**ILLINOIS BANK EXAMINERS' EDUCATION FOUNDATION
BALANCE SHEET (As of September 30, 2013)**

ASSETS:	Money Market Passbook	191,577.49
	Certificates of Deposit	3,075,000.00
	Checking	2,948.30
	Accrued Interest Receivable	3,300.08
	Total Assets	<u>3,272,825.87</u>
LIABILITIES:	Accounts Payable	0.00
FUND EQUITY:	Retained Earnings As of 6/30/13	3,263,951.17
	Income less Expenses for 7/1/13 - 9/30/13	8,874.70
	Total Liabilities and Fund Equity	<u>3,272,825.87</u>

**FISCAL YEAR 2014 STATEMENT OF REVENUES AND EXPENSES
July 1, 2013 Through September 30, 2013**

REVENUES:	Interest from Investments	8,874.70	
	Contributions	0.00	
	Total Revenues		8,874.70
EXPENSES:	Training Programs	0.00	
	Fund Transfer	0.00	
	Miscellaneous	0.00	
	Total Expenses		<u>0.00</u>
NET INCOME:			<u>8,874.70</u>

**ILLINOIS BANK EXAMINERS' EDUCATION FUND ACTIVITY
July 1, 2013 Through September 30, 2013**

BEGINNING BALANCE, JULY 1, 2013		3,260,646.44
ADDITIONS:	FY13 Interest Received in FY14	3,304.73
	FY14 Interest Received	5,574.62
	FY14 Contributions	0.00
	Total Additions	8,879.35
REDUCTIONS:	FY13 Training Programs Paid in FY14	0.00
	FY14 Training Programs	0.00
	FY13 Fund Transfer Paid in FY14	0.00
	FY14 Fund Transfer	0.00
	FY13 Miscellaneous Paid in FY14	0.00
	FY14 Miscellaneous	0.00
	Total Reductions	<u>0.00</u>
ENDING BALANCE, September 30, 2013		<u>3,269,525.79</u>

ILLINOIS BANK EXAMINERS' EDUCATION FOUNDATION

Investment Summary

September 30, 2013

BANK NAME	COUNTY	INVESTMENT AMOUNT	TERM	RATE	DATE OF MATURITY
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	36 Months	1.75%	2/28/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	36 Months	1.75%	2/28/2014
Marshall County State Bank 510 Main Street Varna, IL 61375	Varna	\$100,000.00	36 Months	2.00%	3/1/2014
Bank of Belleville 720 W. Main St., Suite 100 Belleville, IL 62220	St. Clair	\$75,000.00	12 Months	0.50%	3/1/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$1,000,000.00	36 Months	1.75%	5/24/2014
State Bank of Toulon 102 West Main Street P.O. Box 609 Toulon, IL 61483	Stark	\$200,000.00	12 Months	0.40%	6/5/2014
Goodfield State Bank 201 S. Eureka Street Goodfield, IL 61742	Woodford	\$200,000.00	12 Months	0.40%	6/11/2014
Milledgeville State Bank 451 N. Main Ave. P.O. Box 789 Milledgeville, IL 61051	Carroll	\$200,000.00	12 Months	0.45%	6/12/2014
Middletown State Bank P.O. Box 50 Middletown, IL 62666	Logan	\$200,000.00	12 Months	0.40%	6/12/2014
State Bank of Toulon 102 West Main Street P.O. Box 609 Toulon, IL 61483	Stark	\$200,000.00	12 Months	0.40%	6/17/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	24 Months	0.70%	8/6/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	24 Months	0.70%	8/7/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	24 Months	0.70%	8/7/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	36 Months	1.56%	9/15/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	36 Months	1.56%	9/16/2014
State Bank of Nauvoo 1205 Mullholland P.O. Box 218 Nauvoo, IL 62354	Nauvoo	\$100,000.00	36 Months	1.05%	5/18/2015
State Bank of Nauvoo 1205 Mullholland P.O. Box 218 Nauvoo, IL 62354	Nauvoo	\$100,000.00	36 Months	1.05%	5/18/2015

ILLINOIS BANK EXAMINERS' EDUCATION FOUNDATION**Investment Summary****September 30, 2013**

BANK NAME	COUNTY	INVESTMENT AMOUNT	TERM	RATE	DATE OF MATURITY
SUBTOTAL		\$3,075,000.00			
Marine Bank 3050 West Wabash Springfield, IL 62701	Sangamon	\$191,577.49		A.P.Y. 0.20%	
Marine Bank 3050 West Wabash Springfield, IL 62701	Sangamon	\$2,948.30		N/A	
TOTAL		\$3,269,525.79			

Illinois Bank Examiners' Education Foundaton
Funds Reinvested Since Prior Meeting of May 14, 2012

Name	County	Investment Amount	Term	Rate	Date of Maturity
Central State Bank 101 W. Main Street Clayton, IL 62324	Adams	\$200,000.00	12 Months	0.60%	6/5/2013
Tompkins State Bank 102 S. Main Street Avon, IL 61415	Avon	\$200,000.00	12 Months	0.51%	6/5/2013
State Bank of Toulon 102 West Main Street P.O. Box 609 Toulon, IL 61483	Stark	\$200,000.00	12 Months	0.45%	6/5/2013
State Street Bank & Trust Co 801 State Street Quincy, IL 62301	Adams	\$200,000.00	12 Months	0.45%	6/5/2013
Wemple State Bank 197 W. State P.O. Box 105 Waverly, IL 62692-0105	Morgan	\$200,000.00	12 Months	0.65%	6/5/2013
Bank of Belleville 720 W. Main St., Suite 100 Belleville, IL 62220	St. Clair	\$75,000.00	12 Months	0.50%	3/1/2014
State Bank of Toulon 102 West Main Street P.O. Box 609 Toulon, IL 61483	Stark	\$200,000.00	12 Months	0.40%	6/5/2014
Goodfield State Bank 201 S. Eureka Street Goodfield, IL 61742	Woodford	\$200,000.00	12 Months	0.40%	6/11/2014
Milledgeville State Bank 451 N. Main Ave. P.O. Box 789 Milledgeville, IL 61051	Carroll	\$200,000.00	12 Months	0.45%	6/12/2014
Middletown State Bank P.O. Box 50 Middletown, IL 62666	Logan	\$200,000.00	12 Months	0.40%	6/12/2014
State Bank of Toulon 102 West Main Street P.O. Box 609 Toulon, IL 61483	Stark	\$200,000.00	12 Months	0.40%	6/17/2014

2012 Approved Training
Funded By the Illinois Bank Examiners' Education Foundation
Approved by the State Banking Board of Illinois on March 5, 2012

Training/Conference/Seminar (*)	Proposed # of attendees (*)	Proposed Dates & Location	Total Proposed Cost (*)	Total Actual Cost	Unspent Approved Funding
ACAMS International Anti-Money Laundering Conference	1	3/19 - 3/21/12 Hollywood, FL	\$3,833.90		\$3,833.90
Advanced BSA/AML Specialists Conference	2	9/25 - 9/27/12 Arlington, VA	\$3,958.00		\$3,958.00
Advanced Cash Flow Concepts & Analysis: Beyond the Numbers	4	4/30 - 5/4/12 Arlington, VA	\$12,434.00		\$12,434.00
American Bankers and American Bar Association Money Laundering Enforcement Conference	2	11/11 - 11/13/12 Washington, D.C.	\$6,558.00	\$6,686.26	(\$128.26)
Annual Examiners' Conference	120	5/29 -5/31/12 Springfield, IL	\$30,000.00	\$1,310.00	\$28,690.00
CSBS District II Fall Meeting - Annual Meeting of Banking Commissioners	2	10/8 - 10/9/12	\$4,400.00	\$441.47	\$3,958.53
Asset Management Forum	3	5/15 - 5/17/12 Arlington, VA	\$6,079.50		\$6,079.50
Basel II University - Online	1	Online course TBD	\$450.00		\$450.00
Basic Administrative Duties of a Trustee	1	Online course TBD	\$300.00		\$300.00
Cannon Trust School I	1	10/14 - 10/20/12 Atlanta, GA	\$3,712.50	\$4,475.00	(\$762.50)
Cash Flow Construction & Analysis from Federal Tax Returns	2	7/10 - 7/12/12 Arlington, VA	\$3,817.00		\$3,817.00
CFA Institute Annual Conference	1	5/6 - 5/9/12 Chicago, IL	\$1,781.60	\$1,150.00	\$631.60
CSBS Senior School	2	6/25 - 6/29/12 Indianapolis, IN	\$5,485.00		\$5,485.00
Consumer Compliance Specialist Conference	1	10/30 - 11/1/12 Arlington, VA	\$2,109.00		\$2,109.00
Deputy Seminar	1	7/30 - 8/1/12 New Orleans, LA	\$2,102.50		\$2,102.50
Digital Forensics Tools & Techniques	3	5/7 - 5/8/12 Chicago, IL	\$2,839.50	\$2,100.00	\$739.50
Examiner Education Forum	1	Dates & Location TBD	\$2,102.50		\$2,102.50
Fiduciary & Investment Risk Management Conference	2	3/25 - 3/29/12 Fort Worth, TX	\$5,357.00		\$5,357.00
Fiduciary & Investment Risk Management Issues & Updates	3	8/27 - 8/28/12 Chicago, IL	\$6,793.50		\$6,793.50
General Accounting (Instructor-Led) Online	1	7/30 - 12/2/12 Online meet once weekly for 16 weeks;	\$625.00	\$625.00	\$0.00
Introduction to Public Finance (Municipal Bond Training)	90	Dates TBD Chicago & Springfield	\$48,960.00		\$48,960.00
Introduction to Trust Products and Services	1	Online course TBD	\$300.00		\$300.00
Information Technology Conference	2	8/7 - 8/9/12 Arlington, VA	\$4,181.00	\$4,691.57	(\$510.57)
North American Computer Audit, Control and Security (CACs)	1	5/7 - 5/10/12 Orlando, FL	\$3,505.50	\$3,324.12	\$181.38
Supervisory Updates and Emerging Issues	4	6/25 - 6/28/12 Arlington, VA	\$9,734.00		\$9,734.00
ABA Graduate Trust School (Level 1)		10/7 - 10/12/12 Atlanta, GA	\$0.00	\$4,212.00	(\$4,212.00)

Training/Conference/Seminar (*)	Proposed # of attendees (*)	Proposed Dates & Location	Total Proposed Cost (*)	Total Actual Cost	Unspent Approved Funding
Community Bankers Association, Annual Convention		10/20 - 10/21/12 St. Louis, MO	\$0.00	\$85.00	(\$85.00)
FDIC - Payment Systems Risk Conference		11/5 - 11/8/12	\$0.00	\$521.32	(\$521.32)
TOTAL			\$171,419.00	\$29,621.74	\$141,797.26

CSBS Prepaid Account					
Description		Date	Deposit	Expense	Balance
CSBS Special Education Assessment		5/3/2013	\$25,000.00		\$25,000.00
Scott Clarke, Travel Reimbursement, CSBS State-Federal Supervisory Form		6/12/2013		\$531.39	\$24,468.61
CSBS State-Federal Supervisory Form, Registration Fee		6/27/2013		\$995.00	\$23,473.61
Marc A. Edwards, Travel Reimbursement, CSBS State-Federal Supervisory Form		7/1/2013		\$497.46	\$22,976.15
CSBS Account Balance			\$25,000.00	\$2,023.85	\$22,976.15

Illinois Bank Examiners" Education Foundation		
Other Expense		
Description	Date	Amount
Secretary of State Annual Report Filing Fee	05/30/12	\$10.00
Marine Bank - Wire Transfer Fee	06/05/12	\$25.00
Allen Murphy, CPA - Prepared IBEEF Tax Return Form 990	11/14/13	\$747.00
Secretary of State Annual Report Filing Fee	06/30/13	\$10.00
TOTAL		\$792.00

RESOLUTION OF THE STATE BANKING BOARD OF ILLINOIS ACTING
AS THE BOARD OF TRUSTEES
ILLINOIS BANK EXAMINERS' EDUCATION FOUNDATION
2013-01

APPOINTMENT OF AGENTS

WHEREAS, pursuant to the authority provided under Article V of the Illinois Bank Examiners' Education Foundation (the "Foundation") By Laws, the Board of Trustees (the "Board") may authorize any officer or agent of the Foundation to enter into any contract or execute and deliver any instrument in the name of and behalf of the Foundation;

WHEREAS, all checks, drafts, vouchers, or orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Foundation shall be signed by such officer or officers, or any two agents of the Foundation and in such manner as shall from time to time be determined by resolution of the Board;

WHEREAS, the recent changes in personnel at the Illinois Department of Financial and Professional Regulation, ("IDFPR") have prompted the Board to seek changes in the appointed Agents.

NOW THEREFORE, BE IT RESOLVED, that the prior designation of Marc A. Goldstein, Thomas G. Kaufmann and Joseph N. Gomez as agents on behalf of the Board shall be and are hereby terminated.

FURTHER RESOLVED, that the Board authorizes the Chairman or his/her designee to remove any such authorized agents in the future based on the change in their employment status or such other reason as the Chairman may determine.

FURTHER RESOLVED, that the following employees of the Illinois Department of Financial and Professional Regulation, Division of Banking shall be and hereby are designated as agents of the Foundation until further action is taken by the Board or the Chairman:

Elba J. Acevedo, Manager, Fiduciary Activities, Division of Banking
Scott D. Clarke, Assistant Director, Division of Banking
Marc A. Edwards, Manager, Bank and Thrift Supervision
Manuel Flores, Acting Secretary
Bryan Martin, Chief Fiscal Officer
Soren Van Thah Melick, Budget Analyst
Martin J. Rockhold, Budget Analyst

**BY-LAWS
BOARD OF TRUSTEES OF
THE ILLINOIS BANK EXAMINERS' EDUCATION FOUNDATION**

Article I. Powers

Except as otherwise provided by the Articles of Incorporation or by these By-laws, the Illinois Bank Examiners' Education Foundation ("Foundation") shall have all powers which a not-for-profit corporation may have if organized under the Illinois General Not for Profit Corporation Act of 1986, as amended, and shall have such additional powers as are permitted by the Illinois Bank Examiners' Education Foundation Act, as amended ("IBEEF Act"), the Illinois Banking Act, as amended ("Banking Act"), and other applicable law.

Article II. Office and Agency

The Foundation shall have and continuously maintain in the State of Illinois a registered office at the principal offices of the Illinois Department of Financial and Professional Regulation in the City of Springfield, Sangamon County. The Foundation shall designate a registered agent whose business address is identical with such registered office.

Article III. Board of Trustees

Section 1. General Powers. The affairs of the Foundation will be managed by and under the direction of its Board of Trustees ("Board").

Section 2. Number, Tenure and Qualifications. The number of Trustees shall be ~~five (5)~~ twelve (12), consisting of the ~~Secretary of the Department of Financial and Professional Regulation ("Secretary"), and one Class A member and three Class B members from the State Banking Board of Illinois~~ members of the State Banking Board of Illinois, appointed by the Governor. The tenure of the Trustees of the Foundation who are members of the State Banking Board shall be co-extensive and concurrent with their term of appointment on the State Banking Board of Illinois. An appointment to fill a vacancy shall be for the unexpired term of the Trustee whose term is being filled.

Section 3. Meetings. The Board shall meet at least once annually during each calendar year and upon the call of the ~~Secretary~~ Chairman or a majority of the board. The ~~Secretary~~ Chairman or a majority of the Board may call special or additional meetings as ~~he~~ the Chairman or they deem necessary or desirable.

Section 4. Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board, but if less than a majority of the Trustees is present at said meeting, a majority of the Trustees present may adjourn the meeting to another time without further notice.

Section 5. Manner of Acting. The act of a majority of the Trustees present at a meeting at which a quorum is present shall be the act of the Board unless the act of a greater number is required by law or by these By-laws, except that a vote of a majority of the whole Board shall be necessary for the approval of rules and regulations proposed for adoption by the ~~Secretary~~ Chairman under paragraph (1) of Section 6 of the IBEEF Act and shall also be necessary for recommendations made to the ~~Secretary~~ Director of Banking with regard to proposed amendments to the IBEEF Act or to the administrative practices under the IBEEF Act.

Section 6. Compensation. Trustees shall receive no compensation for service on the Board, but shall be reimbursed for all reasonable and necessary expenditures incurred in the performance of their official duties in accordance with the provisions of the Governor's Travel Control Board.

Section 7. Information Action by Trustees. Any action required by law to be taken at a meeting of the Board, or any action which may be taken at a meeting of the Board, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Trustees.

Section 8. Attendance by Telephone. Trustees may participate in and act at any meeting of the Board through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other as authorized by the Open Meetings Act. ~~Participation in such meeting shall constitute attendance and presence in person.~~

Section 9. Proxy Prohibited; Presumption of Assent. No Trustee may act by proxy. A Trustee who is present at a meeting of the Board at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless his or her dissent shall be entered into the minutes of the meeting or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof. Such right to dissent shall not apply to a Trustee who voted in favor of such action.

Section 10. Special Powers. The Board may authorize the transfer of funds from time to time from the Illinois Bank Examiners' Education Fund to the Bank and Trust Company Fund. Any amount so transferred shall be retransferred to the Illinois Bank Examiners' Education Fund from the Bank and Trust Company Fund within a period not to exceed 3 years.

Section 11. Educational Duties. The Board shall review and evaluate various courses, programs, curricula, and schools of continuing education and professional training that are available from within the United States for state banking department examination personnel and develop a program which shall be known as the Illinois Bank Examiners' Education Program. The Board shall determine which courses, programs, curricula, and schools will be included in the program to be funded by the Foundation.

Article IV. Officers

The officers of the Foundation shall be the Chairman, who shall be the Secretary Director of Banking, the Treasurer, the Corporate Secretary and such other officers as may be elected or appointed by the Board. The term of the Treasurer, the Corporate Secretary and such other officers as may be elected or appointed by the Board shall expire after a period of two years or upon the expiration of their respective Board term, whichever period of time is shorter. Officers whose authority and duties are not prescribed in these By-laws shall have the authority and perform the duties prescribed from time to time by the Board.

Article V. Contracts, Checks, Deposits and Funds

Section 1. Contracts. The Board may authorize any officer or agents of the Foundation, in addition to the officers so authorized by these By-laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Foundation, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc. All checks, drafts, vouchers, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Foundation shall be signed by such officer or officers, or any two agents of the Foundation and in such manner as shall from time to time be determined by resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the Secretary Chairman.

Section 3. Deposits. All funds of the Foundation shall be deposited either: 1) into the Treasury of the State of Illinois and shall be set apart in a special fund to be known as "The Illinois Bank Examiners' Education Fund" to be invested either by the State Treasurer in the Public Treasurers' Investment Pool or in any other investment he is authorized to make or by the Illinois State Board of Investment as the Board may direct; or 2) deposited into an account maintained in a commercial bank or corporate fiduciary in the name of the Foundation and invested pursuant to the order and direction of the Board. If the amount of Foundation funds deposited with a commercial bank or corporate fiduciary exceeds the amount of federal deposit insurance coverage, the Board shall require that a bond or pledged securities be obtained. Only the type of securities that the State Treasurer may, in his or her discretion, accept for amounts not insured by the Federal Deposit Insurance Corporation under Section 11 of the Deposit of State Moneys Act may be accepted as pledged securities. The market value of the bond or pledged securities shall at all times be equal to or greater than the uninsured portion of the deposit.

Section 4. Gifts. The Board may accept on behalf of the Foundation any voluntary contribution, gift, grant, bequest, devise or donation for the general purpose or for any special purpose of the Foundation.

Article VI. Reports

The Board shall issue an annual report to the Governor of the State of Illinois, the General Assembly and all state-chartered banks on the activities of the Foundation during the preceding year which shall include, but not be limited to, detailing the moneys generated and deposited into the Illinois Bank Examiners' Education Fund by the special education fee established under the Banking Act, voluntary contributions, and income from investments and the expenditures of said Fund.

Article VII. Books and Records

The Foundation shall keep correct and complete books and records of ~~account~~ accounts and shall also keep minutes of the proceedings of the Board. All books and records of the Foundation shall be kept at its principal office and shall be subject to the rights of inspection of any Trustees for any proper purpose at any reasonable time and in all other respects shall be treated as records of the ~~Secretary~~ Chairman are treated with the same rights of inspection and any restrictions upon disclosure incident thereto.

Article VIII. Fiscal Year

The fiscal year of the Foundation shall begin on the first day of July and end on the last day of June in the next succeeding calendar year.

Article IX. Seal

The Board shall provide a corporate seal, which shall be in the form of a circle and shall have inscribed thereon the name of the Foundation and the words "Corporate Seal Illinois Bank Examiners' Education Foundation." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced, provided that the affixing of the seal to an instrument shall not give the instrument additional force or effect or change the construction thereof and the use of the seal is not mandatory.

Article X. Notices

Section 1. Manner of Notice. Whenever notice is required to be given to any Trustee under the provisions of law, the Articles of Incorporation or these By-laws, it shall not be construed to require personal delivery. Such notice may be given in writing by depositing it in a sealed envelope in the United States mails, postage prepaid and addressed to such Trustee at his or her address as it appears on the books of the Foundation, and such notice shall be deemed to be given at the time when it is thus deposited in the United States mails; or such notice may be given in writing by any other means including telegram, ~~or~~ facsimile, or electronic mail and if given by such other means, shall be deemed given when received. Such requirement for notice shall be deemed satisfied if actual notice is received orally or in writing by the person entitled thereto as far in advance of the event with respect to which notice is given as the minimum notice period required by law, the Articles of Incorporation or these By-laws.

Section 2. Waiver of Notice. Whenever any notice is required to be given by law, by the Articles of Incorporation or by these By-laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance at any meeting for which notice is required to be given shall constitute a waiver of such notice.

Section 3. Notice of Special Meetings. Notice of any special meeting shall be given at least two days prior thereto by any means permitted by these By-laws. Neither the business to be transacted at nor the purpose of any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or these By-laws

Article XI. Liability for Official Acts or Omissions

Neither the ~~Secretary~~ Chairman nor any Trustee shall be subject to any civil liability or penalty, whether for damages or otherwise, on account of or for any action taken or omitted to be taken in their respective official capacities, except when such acts or omissions to act are corrupt or malicious or unless such action is taken or omitted to be taken not in good faith and without reasonable grounds.

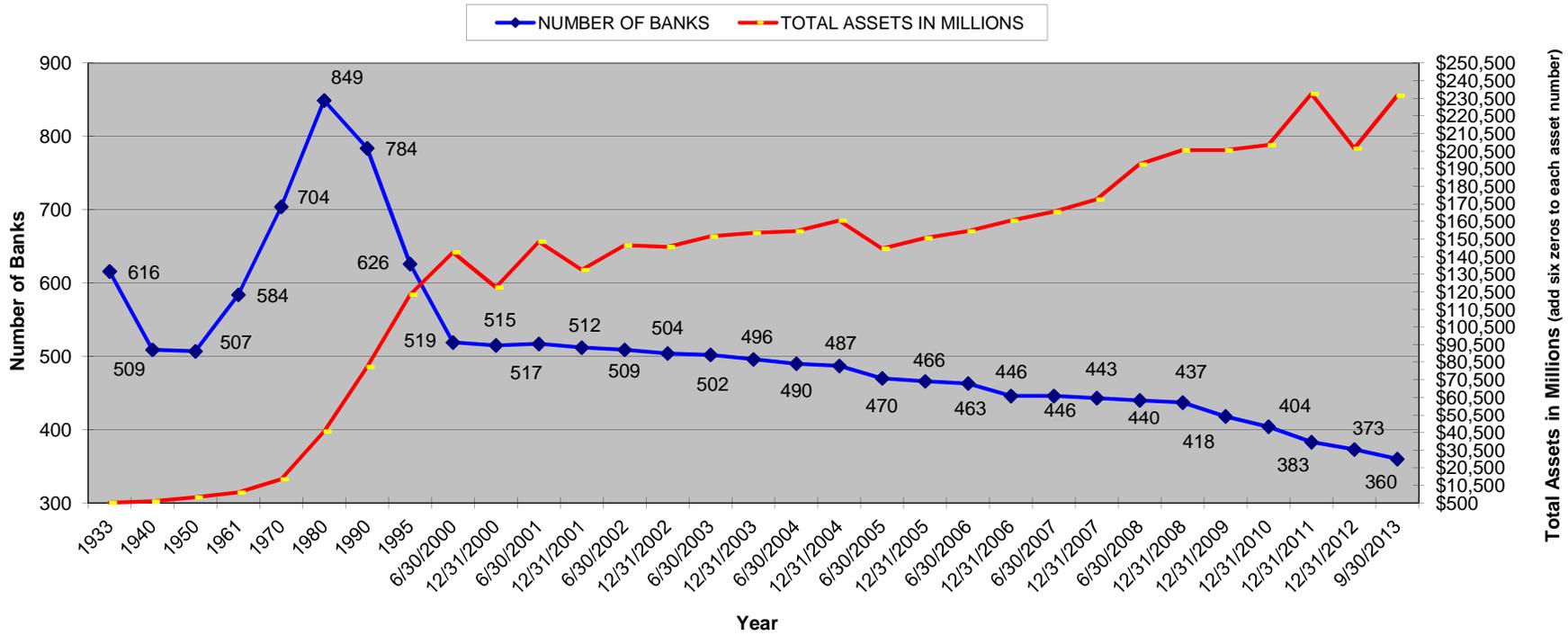
Article XII. Amendment

A majority of the Board at a meeting at which a quorum is present may alter, amend or repeal the By-laws or adopt new By-laws. Such action may be taken at a regular meeting or a special meeting for which written notice of the purpose has been given.

AMENDED: December 29, 2005

AMENDED: September 10, 2013

History of Illinois State Bank Charters and Assets



Illinois Department of Financial and Professional Regulation

Division of Banking

Bureau of Banks, Trust Companies, and Savings Institutions

Illinois State Chartered Banks and Thrifts – Composite CAMELS Rating

Date	Total # of Institutions	1	2	3	4	5	NR	Percentage of 3, 4 & 5	# of Failed Institutions
Cook, DuPage, Kane, Kendall, Lake, McHenry and Will County									
9/30/2013 *	111	8	52	23	16	12	0	45.95%	1
Downstate									
9/30/2013 *	284	106	147	17	10	4	0	10.92%	0
State Wide Totals									
9/30/2013 *	395	114	199	40	26	16	0	20.76%	1
12/31/2012 *	409	104	200	53	33	19	0	25.67%	5
12/31/2011 *	419	90	199	72	38	17	3	30.31%	8
12/31/2010 *	441	94	205	77	48	14	3	31.52%	14
12/31/2009	418	97	236	57	20	7	1	20.10%	16
12/31/2008	437	124	266	35	7	3	2	10.30%	1
12/31/2007	443	160	251	25	2	0	5	6.09%	0
12/31/2006	446	177	245	19	2	0	3	4.71%	0
12/31/2005	466	194	246	18	2	0	6	4.29%	0
12/31/2004	487	221	230	26	4	1	5	6.37%	0
12/31/2003	496	226	230	25	8	3	4	7.26%	0
12/31/2002	504	219	238	30	10	2	5	8.33%	0
12/31/2001	512	231	245	21	10	0	5	6.05%	0
12/31/2000	518	241	245	20	6	2	4	5.41%	0
12/31/1999	522	250	230	25	2	1	14	5.36%	0
12/31/1998	524	281	221	13	4	0	5	3.24%	0
12/31/1997	551	272	177	11	1	0	90	2.18%	0
12/31/1996	593	242	143	6	2	0	200	1.35%	0
12/31/1995	613	205	136	5	1	0	266	0.98%	0

* Includes Illinois State Chartered Banks and Savings Institutions

Federal Reserve/CSBS Community Banking Research Conference

St. Louis, Mo. | Oct. 2-3, 2013

<http://www.stlouisfed.org/banking/community-banking-conference/abstracts.cfm>

AGENDA

Wednesday, Oct. 2

Welcome and Overview of the Fed/CSBS Community Bank Research Conference Initiative

2 p.m. | **Julie Stackhouse**, senior vice president, Banking Supervision and Regulation, Federal Reserve Bank of St. Louis

Opening Remarks

2:10 p.m. | **John Ryan**, president and CEO, Conference of State Bank Supervisors

2:20 p.m. | **James Bullard**, president, Federal Reserve Bank of St. Louis

2:30 p.m. | **Ben Bernanke**, chairman, Federal Reserve

2:45 p.m. | **Break**

3 p.m.-4:15 p.m. | **Research Paper Presentation 1**

4:15 p.m.-4:30 p.m. | **Moderated Question and Answer Session**

The Role of Community Banks

Moderator: Scott E. Hein, Robert C. Brown Chair in Finance, Rawls College of Business, Texas Tech University and co-editor, *Journal of Financial Research*

Small Business Lending and Social Capital: Are Rural Relationships Different?

Robert DeYoung, University of Kansas; Dennis Glennon, Office of the Comptroller of the Currency; Peter Nigro, Bryant University, Smithfield, RI; Kenneth Spong, Federal Reserve Bank of Kansas City

Do Community Banks Play a Role in New Firm Survival?

Yan Y. Lee, Smith Williams
Federal Deposit Insurance Corporation

Equipment Lease Financing: The Role of Community Banks

Charles Kelly, Mohammed Khayum, Curtis Price
Romain College of Business, University of Southern Indiana

Bank Failure, Relationship Lending, and Local Economic Performance

John Kandrac, Federal Reserve Board of Governors

4:30 p.m. | **Meeting Adjourns**

5:30 p.m. | **Reception at the Hyatt Regency at the Arch**

6:15 p.m. | **Dinner**

7 p.m. – 8 p.m. | **Evening Keynote Address**

Keynote Speaker: Dorothy A. Savarese, chairman, president and CEO,
The Cape Cod Five Cents Savings Bank, Orleans, Mass.

Thursday, Oct. 3

8 a.m. | Breakfast

8:30 a.m. – 9:45 a.m. | Research Paper Presentation 2

9:45 a.m.-10 a.m. | Moderated Question and Answer Session

Community Bank Performance

Moderator: Richard A. Brown, chief economist and associate director for regional operations, FDIC

Financial Derivatives at Community Banks

Xuan (Shelly) Shen, Valentina Hartarska
Auburn University

Lessons From Community Banks that Recovered From Financial Distress

R. Alton Gilbert, Andrew P. Meyer and James W. Fuchs
Federal Reserve Bank of St. Louis

Performance of Community Banks in Good Times and Bad Times: Does Management Matter?

Dean F. Amel, Robin A. Prager
Federal Reserve Board of Governors

The Effect of Distance on Community Bank Performance Following Acquisitions and Reorganizations

Gary D. Ferrier, Timothy J. Yeager
University of Arkansas, Sam M. Walton College of Business

10 a.m. | Break

10:30 a.m.-11:45 a.m. | Research Paper Presentation 3

11:45 a.m.-Noon | Moderated Question and Answer Session

Supervision and Regulation

Moderator: Lamont Black, assistant professor of finance, Driehaus College of Business, DePaul University, Chicago, Ill.

Estimating Changes in Supervisory Standards and Their Economic Effects

William F. Bassett, Seung Jung Lee, Thomas W. Spiller
Federal Reserve Board of Governors, Division of Monetary Affairs

The Impact of Dodd-Frank on Community Banks

Tanya D. Marsh, Wake Forest University School of Law
Joseph W. Norman, attorney, K&L Gates LLP, Charlotte, NC.

Capital Regulation at Community Banks: Lessons from 400 Failures

Robert R. Moore, Michael A. Seamans
Federal Reserve Bank of Dallas

Policy Lessons from the Community Banking Experience: Reconstituting the U.S. Financial System along Market Principles

Harvey Rosenblum, Elizabeth Organ
Federal Reserve Bank of Dallas

11:30 p.m. | Break

Noon | Lunch

12:30 p.m. – 1:15 p.m. | Afternoon Keynote Address

1:15 p.m. – 1:30 p.m. | Question and Answer Session

Keynote Speaker: Federal Reserve Governor Jerome H. Powell

2 p.m. – 2:30 p.m. | Presentation of Results from 2013 Community Bank Town Hall Meetings

Presenter: Mike Stevens, senior executive vice president, Conference of State Bank Supervisors

2:30 p.m. – 4:30 p.m. | Panel Discussion: *Community Banking in the 21st Century: Opportunities, Challenges and Perspectives*

Moderator: Charles A. Vice, chairman, CSBS and commissioner, Kentucky Department of Financial Institutions.

Panelists: Bobby P. Martin, chairman of the board, The Peoples Bank, Ripley, Miss.; **Curt Hecker**, president and CEO, Panhandle State Bank, Sandpoint, Idaho; **Thomas E. Spitz**, chief executive officer, Settlers Bank, Windsor, Wis., and **Claire W. Tucker**, president and CEO, CapStar Bank, Nashville, Tenn.

4:30 p.m. | Wrap-up & Adjourn