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AN ICBA PODCAST

Inspired by countless conversations with community bankers, ICBA's Communities of Innovation podcast invites community bankers to share their stories, their experiences, and how innovation has shaped their journey.

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» Speak openly about the industry—it's future and evolution

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HEAR COMMUNITY BANKERS:

Independent Banker

SEPTEMBER 2022 independentbanker.org

How to reach customers with disabilities

Both online and in branch

Partners in ag lending

Why community banks are there for farmers

FALL LEGISLATIVE OUTLOOK

PAGE 40

ICBA National Community Bank
Service Awards 2022

Hawaii's helping hands



Ann Teranishi of Exceptional award winner **American Savings Bank** on *kahiau*: giving without expecting anything back

Plus:

Emerging winner
First Community Bank
of the Heartland

PAGE 42

REGTECH AND RISK

PAGE 32

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FEATURES

42

Leading by example

ICBA's 2022 National Community Bank Service Award winners are recognized for their extraordinary efforts in volunteerism and giving back

50

There through thick and thin

Community banks stand by their ag customers, providing support despite numerous industry challenges

56

Custom-made community banking

How three community banks tailor their products and services to all customers, not just their neighborhood demographics

Cover: Photo by Olivier Koning



SEPTEMBER 2022

IN EVERY ISSUE

7 Flourish 9 From the Top

CURRENCIES

- **Good Reads:** *Banking Compliance Insights* by Wolters Kluwer
- **History Lesson:** America's first ATM
- **The Ledger:** Compliance departments' talent challenge
- **Defining Finance:** What is "Insurtech"?



12



76

CONNECTIONS

66 Trailblazer

Woodforest National Bank takes several pathways to providing affordable housing in Texas

70 Community Spirit

Ledyard National Bank's video contest spotlights several local nonprofits making a difference

72 Member Benefits

Bank security resources are available from ICBA

74 Innovation Conversations

Giving the in-branch experience a virtual touch

76 Out of Office

Shon Myers catches waves as a longtime wake surfer



36

PORTFOLIO

18 Capitalizing on social payments

How can community banks optimize cashless and mobile transactions?

22 Erroneous transactions: a refresher

New regulations about false or fraudulent activity

24 Innovation Station

Targeting innovative market opportunities through agtech

26 How to keep good employees

Why a "people first" strategy can help retain talented team members

30 Leadership at All Levels

Lessons from an escape room

32 Regtech's role in risk management

How community banks can take advantage of emerging technology

34 Portfolio Management

The state of bond portfolio spreads

36 How to reach customers with disabilities

Better accessibility and employee engagement

40 Checks & Balances

ICBA's fall legislative outlook

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ICBA headquarters/editorial office

1615 L St. NW, Suite 900, Washington, DC 20036-5623
magazine@icba.org
866-THE-ICBA (866-843-4222)

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Executive editor Molly Bennett magazine@icba.org	Associate creative director Bret Ryan
Deputy editor Paul Sisolak	Senior art director Amy Armato
Associate editor Tiffany Lukk	Graphic designer Kelsey Hanscom
Project manager Maddie Silversson	Digital prepress Steve Mathewson Bill Sympson
Web team Ricky Hannigan Lauri Loveridge	Data coordinator LeeAnn Sunderman
Production manager Tim Dallum	Subscriptions coordinator Denise Olmscheid

Advertising

Publisher
Matthew Kusilek
(612) 336-9284 • matt@icbabanks.org

Custom Publishing

mSPC

953 Westgate Drive, Suite 107, St. Paul, MN 55114
mSPCagency.com • (612) 339-7571

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FLOURISH



Rebeca Romero Rainey
President and CEO, ICBA



“Community banks stand out in today’s financial services space because our business model depends on an ecosystem where the bank only benefits when customers do.”

This month’s *Independent Banker* focuses on budgeting issues with a special emphasis on the ICBA National Community Bank Service Awards. With that two-pronged concentration, I can’t help but consider the connection between our role of service and the impact regulation can have on our very ability to serve.

Inherent to our business model is a passion to support our communities, one that allows for flexibility to meet the individual needs of our customers. On the other end of the spectrum, rigidity is intrinsic to regulation. That pressurized relationship constantly needs calibration to ensure that our customers and communities remain the priority, and regulators and legislators need to understand that regulatory constraints often limit a community bank’s ability to support its customers.

For example, there’s a lot being discussed about the overdraft rules, how they will get written and what effect they will have on the communities we support. Overdraft is a service we provide to our customers—one that is clearly disclosed and articulated—and our customers choose to derive value

from it. Overzealous regulation will limit a product specifically designed to protect their interests.

Doing what’s right for our customers remains our chief priority and our guiding principle, and there’s certainly much we can do outside of our banking services to make that happen.

Just look at this year’s National Community Bank Service Award recipients. American Savings Bank in Honolulu runs the Kahiau Giving Campaign to benefit local nonprofits. First Community Bank of the Heartland in Clinton, Ky., started its Make a Difference Program with the goal of supporting foster children and has expanded it to not only enhance that vision but also to incorporate an added community service focus each month.

These honorees exemplify the spirit of community banking, one that we carry with us in our everyday actions

on behalf of our communities.

Community banks stand out in today’s financial services space because our business model depends on an ecosystem where the bank only benefits when customers do. That’s why ICBA focuses much of our work on telling those stories to legislators and regulators, making sure they understand how community banks show up for their communities. They need to see that we take care of those we serve.

That’s why I can say with confidence that no matter the regulatory pressures that come to bear, we will continue to thrive. And because we lead with a spirit of service and a focus on doing the right thing by our customers, our communities will flourish as well. ■

 **Connect with Rebeca @romerorainey**



Where I’ll be this month

I’ll be attending the Community Bankers of Georgia Annual Convention and continuing to advocate for community banks here in Washington, D.C.

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FROM THE TOP



Brad M. Bolton

Chairman, ICBA

Brad M. Bolton is president and CEO of Community Spirit Bank in Red Bay, Ala.

In today's intense regulatory landscape, compliance extends to every aspect of banking, so much so that no one person or team can be solely charged with managing a bank's compliance requirements. In fact, compliance has grown to become a massive responsibility that must be part of every employee's job. We're looking at the need for a full culture of compliance.

But what does it take to get to that point? It has to start at the top. When I was new to my CEO position, we were faced with the retirement of a seasoned compliance officer, and we transitioned that role by promoting a rising leader to the position. This individual is exceptionally bright, but we saw the writing on the wall: Compliance is far more than a silo within the bank. So, we made a commitment to her that we would walk beside her and support her in her compliance journey. Our senior

leadership team took that to heart, and it stuck with us, creating an environment in which compliance plays a significant role in everything from our strategic direction to our daily operations.

We didn't realize that we were creating a shift in our habits, but we have benefited from that decision. To this day, I share important regulatory and compliance articles with relevant team members, emphasizing hot-button issues or key notes along the way. I hope by exemplifying an emphasis on compliance, the rest of the organization recognizes its importance to our business.

Regulations are there to require

what we do every day as community bankers: protect our customers. That is probably why managing compliance is a role that community bankers take more seriously than any other segment of the financial services industry. We know the decisions we make and the manner in which we conduct business has an effect on our customers and communities.

Thankfully, everybody wins when compliance becomes a bank focal point. Employees gain a broader understanding of the "whys" behind decisions. Customers benefit from additional protections, disclosures and support. Regulators win when a bank's exam is simple and straightforward when compliance is a priority. Even shareholders receive an advantage, because a happy customer base is a referring customer base.

So, as you read this month's compliance issue, I hope you'll consider how to create or enhance your own culture of compliance. When you do, you strengthen your bank and the products and services you bring to your community. ■



"Managing compliance is a role that community bankers take more seriously than any other segment of the financial services industry."



My top three

Compliance discussions for every team

1. Reg E/Overdraft Programs and Representments
2. Fair Lending/Section 1071/TRID
3. Data/Third-Party Management/Cyber



Connect with Brad @BradMBolton



Dear _____ ,
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organization who _____
[verb]
on new technologies and
their clients' interests.

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CURRENCIES

Bite-sized information and inspiration for community bankers

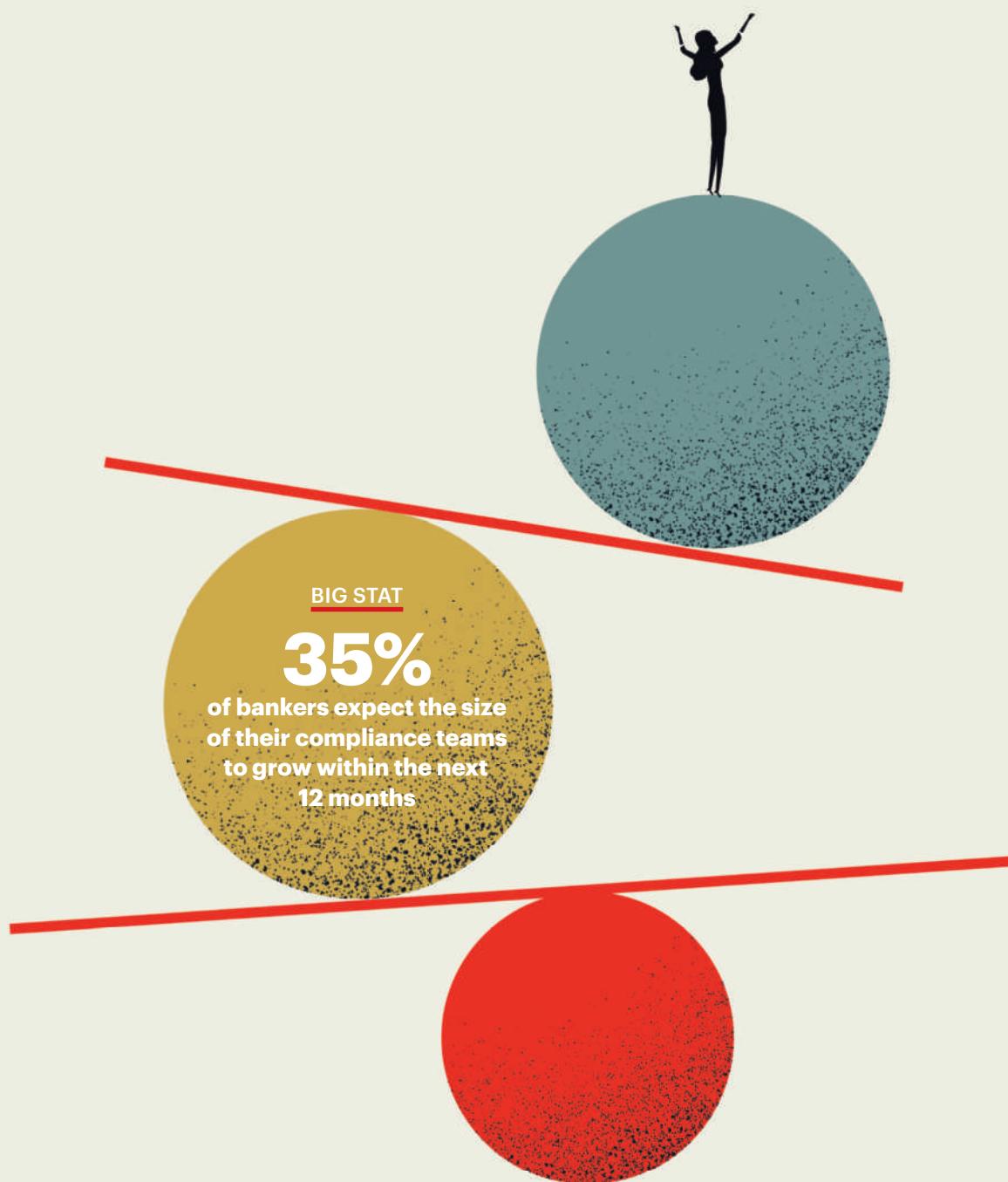


Photo: MJ Graphics/Shutterstock

Compliance teams are feeling the Great Resignation, too. Read more on page 14 >

NEWS

The return of Shred Fest



After a two-year pause due to the pandemic, First National Bank & Trust's popular Shred Fest community event returned to Iron Mountain, Mich., this year.

The event, held in May, marked 12 years since the \$430 million-asset community bank first offered free shredding services to community members after mail fraud and identity theft rates started rising.

Shred Fest aims to help organizations and community members protect their sensitive personal and financial information. Each patron was allowed five boxes of documents per vehicle, which were then shredded, ensuring the information would be safe from fraudsters.

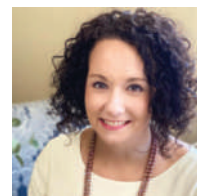
After Shred Fest's two-year hiatus, there was more anticipation than in years past, according to Mick Gayan, marketing director for First National Bank & Trust. "I would consider [the event] very successful," he says. "We filled up the truck; we destroyed over 11,220 pounds of documents. The parking lot was filled with cars."

During the event, the community bank also collected donations for Light at the Inn, a local organization that provides homeless and emergency shelters for those in need.

"Our slogan is 'Rooted in our community,' and it's not just a slogan. It's something that we actively practice," Gayan says. "It's embedded in our culture, and that's what we do. We cultivate and support the communities that we serve."

—Natalie Trimble

IN THIS ISSUE



"We try not to do what the status quo is doing; things that people will acknowledge. We want [the Make a Difference Program] to be intentional."

—Leah Bennett, First Community Bank of the Heartland

➔ Read more on page 42

GOOD READS



Navigating regulatory and risk environments

In its podcast *Banking Compliance Insights*, Wolters Kluwer sheds light on compliance trends and provides guidance on today's regulatory and risk environments. One of the latest episodes, "Electronic Lending and Participation in the Secondary Market," asserts that if an organization is to find success in digital loan transactions, it must learn the art of balancing speed and reliability.

DEFINING FINANCE

Insurtech

noun [in-shoor-tek]

A blend of insurance and technology, insurtech is the umbrella term for innovations that improve efficiency in the insurance industry.

Emerging around 2010, insurtech is often used in reference to the automation of functions like marketing, policy underwriting and the claims process. Insurtech can save customers money and improve their experience while increasing revenue for insurance providers and simplifying the management of business processes and policies.

Other examples of insurtech include apps that allow customers to compare rates and policies and buy insurance online, and using data analytics to help insurance companies track and customize products.

QUICK STAT

46%

The predicted global insurtech market compound annual growth rate between 2022 and 2030

Source: Straits Research

Photo: Bettmann/Getty Images

BANKER'S HOURS

BY CHRISTOPHER WEYANT



"The queen and the drones are fine. We're just not retaining entry- and mid-level worker bees."

HISTORY LESSON

America's first ATM

One day in 1968, engineer Donald Wetzel was waiting in line at a Dallas bank. "I was irritated," he told *The Dallas Morning News* in 2003. "My money is in this bank, and I should be able to get it."

Wetzel, who at the time was working for Docutel, a baggage handling equipment company, thought an automated teller machine could perform at least 90% of the transactions a human teller did. He convinced his bosses to give it a try, and in 1969, the Docuteller debuted at Chemical Bank in New York City. At first, it only dispensed cash, but in 1971, the company launched the Total Teller, the first fully functioning ATM in the U.S.

Now 93 years old, Wetzel is recognized by the Smithsonian National Museum of American History as the inventor of the networked ATM, a feat that laid the technological foundation for our current world of instant mobile deposits and withdrawals.

—Julie Kendrick



A woman makes use of an early model ATM at Surety National Bank in 1970.

THE LEDGER

Compliance's talent challenges

Thomson Reuters' Cost of Compliance 2022 global survey of financial institutions finds compliance departments grappling with a shortage of skilled professionals amid an increasingly sophisticated regulatory environment.

The top 5 compliance challenges of 2022

- 1 Volume and implementation of regulatory change
- 2 Lack of budget and resources
- 3 **Availability of skilled people**
- 4 Need for effective compliance monitoring
- 5 Cyber resilience

For some, outsourcing is the answer:

30%

of respondents outsource some or all of their compliance functionality

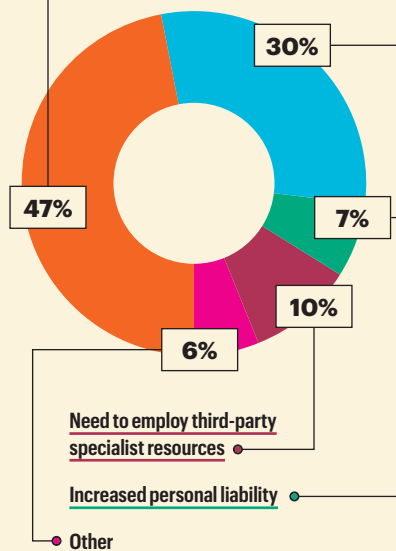


Personnel costs are rising

Reasons why cost of senior compliance staff is expected to increase over the next 12 months

Demand for skilled staff and knowledge

Additional senior staff required to cope with volumes of regulatory requirements



The ideal compliance officer has...



Subject matter expertise



Attention to detail



Communication skills



Digital/technology understanding



Interpersonal/stakeholder management skills



1890

Travelers begins to offer Financial Institutions coverage



1964

Travelers becomes one of the first domestic markets to write Directors & Officers Liability insurance



1999

Travelers brings its Identity Fraud Expense Reimbursement coverage to market



2011

Travelers CyberRisk coverage is introduced to the market



2021

Travelers distributes more than \$4 million to ICBA members participating in the policyholder dividend program

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SOCIAL NETWORK

What community bankers are posting about



Security Bank & Trust Co.
@bankwithsbtc



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@legence_bank

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BFC in your community! Big thanks to Matt Grove and Susan Voelkerding for rocking the BFC table at the Firecracker Run – 10k, 5k & 1 Mile Fun Run. And a special shout out to the [@OFallonChamber](#) for another amazing event! [#communitybank](#) [#BFCofallon](#) [#ofallonmo](#) [#ofallonchamber](#)



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Kayley and Brit celebrated with young readers at the Francesville Public Library yesterday during their Summer Reading Celebration. [#banklocally](#) [#MyAllianceBank](#) [#communitybank](#) [#francesville](#)

PORTFOLIO

Deep dives into topics that matter to community banks



Andrew Pyles, Eclipse Bank president and CEO, believes making team members feel valued is important for employee retention.



“We have promoted from within for a number of [positions]. I think that path for upward mobility has been, and continues to be, a big factor in retaining some of our best people.”

—ANDREW PYLES, ECLIPSE BANK

A people-first approach helps community banks keep talented associates. Read more on page 26 ➔

Photo: Chris Cone

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independentbanker.org ■ 17

FOCUS PAYMENTS

Capitalizing on social payments

Social payments methods like Venmo and Cash App continue to grow in popularity, and the data is there to prove it, creating an opportunity to give customers what they want: 24/7 access to cashless, P2P and mobile transactions. So how do social payments fit in community banks' long-term future? By Colleen Morrison



Social payments have taken today's digital environment by storm. A recent Mercator Advisory Group survey found that 69% of respondents have used PayPal in the past year, and a full 10% reported using Facebook Pay. In addition, reports indicate that Twitter may seek to expand its payments offerings.

These facts demonstrate how social channels are now woven into the tapestry of consumer and business behavior. Even after some slow starts from products like Facebook's Libra, social payments, which constitute any transaction that occurs on a big tech or social platform, have taken hold.

"PayPal was the first company to offer this service, but with the explosion of social media, Facebook, Zelle, Square Cash App, Venmo, Apple Pay, Google Wallet and Twitter all support the feature today," sums up ICBA Bancard president and CEO Tina Giorgio.

The widespread use of these apps has opened them up to becoming default accounts, making them home to standing balances. In fact, a 2020 NerdWallet survey found that 68% of consumers have maintained a balance in their mobile payment app, and on average, those who use them have allowed up to \$287 to accrue before they transfer it to their bank. Those behaviors may pose a real threat to community banks.

"Super apps like PayPal have about \$3 billion stored in their digital wallet, and Cash App by Square has well over \$1.5 billion," says Giorgio. "That means that those deposits are no longer in insured bank accounts, disintermediating banks from the customer relationship."

The community bank opportunity

But among these competitive concerns, possibilities emerge

Illustration by Filo/istock

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for community banks.

“Fifty-eight percent of those aged 13 to 37 are interested in purchasing items directly from their [social media] feeds,” said Tede Forman, vice president of payment solutions at service provider Jack Henry & Associates. “It really creates the opportunity for financial institutions to retain their customers and keep them within the financial services space by offering integration for social payment capabilities.”

Solutions including Zelle, a bank-based, closed-loop digital payments network, and CHUCK, an open network for instant payments from a consortium of banks, bring with them a frictionless payments experience emanating from the bank’s digital banking app. While Zelle is account-to-account, CHUCK is receiver-platform agnostic, allowing the recipient to take in a payment via the app of their choosing.

“Customers needed to be able to send money on these networks,” says DJ Seeterlin, chief information officer at \$1.3 billion-asset Chesapeake Bank in Kilmarnock, Va., which offers Zelle and is in the process of launching CHUCK. “We know customers want to be able to do these things with low friction, but they are also worried about the risks of dealing with a nonbank company, so we provide them with the safety and security of their bank, while still giving them the ability to make the payments easily.”

Security is all

Safety and security repeatedly arise as key factors in customer decisioning. In fact, a 2020 Deloitte study found that more than 75% of consumers consider banks and credit card companies to be the best positioned to offer a financial superstore app, compared with technology companies or social media platforms. These



“We know customers want to be able to do these things with low friction, but they are also worried about the risks of dealing with a nonbank company, so we provide them with the safety and security of their bank, while still giving them the ability to make the payments easily.”

—DJ SEETERLIN, CHESAPEAKE BANK

findings point to security as a key differentiator for community banks in the realm of social payments.

“The opportunity for banks is to create a safer environment, a safer process,” shares Mickey Goldwasser, vice president of marketing and chief of staff at payments provider Payrailz, the white-label P2P solution that powers CHUCK.

“You’re not going to replace Venmo, but enough people trust the bank that they would use the product. So, now more and more folks can engage in a social payment.”

Putting customers first

As community banks consider the right approach for creating a digital payment experience within their institution, how they assess their customers’ needs matters. Whatever strategy they employ should align with customer behaviors.

Starting by analyzing existing data may lead them on the path to identifying the appropriate solution for their banks.

“I recommend monitoring the transaction trends to determine which social apps your customers

are sending or receiving transactions from and what the growth rate on the various apps is to determine what education and product offerings they can provide,” advises Giorgio.

Seeterlin concurs: “We can’t overlook the importance of understanding where the customer needs to be. We need to try to understand what their needs are, really identifying what problem they are trying to solve and implementing on that.”

In factoring in all these variables, community banks will land on solutions that not only respond to customer expectations around social payments, but also solidify their connection with their customers and deepen the overall banking relationship.

“As community banks continue to offer services that support consumer behavior in payments,” says Forman, “you’ll see a shift in folks either wanting to continue to stay with financial institutions, or potentially bringing them back.” ■

Colleen Morrison is a writer in Maryland.

Help Visa and FinEd50 bring financial education to everyone.

Visa recently launched FinEd50 in partnership with the Council for Economic Education, a nationwide coalition of nonprofits, community leaders, and corporate partners dedicated to **improving access to quality financial education through:**

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- ✓ **Curriculum that meets national standards** and are culturally relevant to students' lives.
- ✓ **Providing teachers with access** to professional development.
- ✓ **A measurement mechanism to track access** and ensure equitable reach.

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FOCUS COMPLIANCE

Erroneous transactions: a refresher

Community banks can get up to speed on current legislation and regulations to both protect their customers from unauthorized or false deposit account transactions and to prevent them from happening in the future. By Mary Thorson Wright

Mistakes, system glitches and fraud happen. Direct deposit or bill pay failures, transaction input errors or operating system malfunctions could show up on a consumer's deposit account statement. Unauthorized transactions may also appear on the statement. What should a community bank

do about erroneous, fraudulent or unauthorized transactions reported on a consumer's deposit account?

Many transaction issues on deposit accounts are the result of electronic funds transfers that are erroneous or unauthorized. The primary resource for deposit account error resolution is Regulation E—the Electronic

Funds Transfer Act (EFTA). It covers the basic rights, liabilities and responsibilities of consumers who use electronic fund transfer (EFT) services and of financial institutions or other persons that offer the services.

“Electronic fund transfer” means any transfer of funds initiated through an electronic terminal, telephone, computer or magnetic tape to order, instruct or authorize a financial institution to debit or credit a consumer's account. The consumer could preauthorize it to occur once or on a continuing basis. Debit card purchases and purchases for which the merchant scans the magnetic ink character recognition (MICR) on a customer's check at the point of sale are typical EFTs. Funds usually come from a deposit account.

The road to resolution

Section 1005.11 of Regulation E specifies the timing and steps banks must take to investigate and resolve EFT errors consumers allege. It is important for a community bank to create and implement detailed procedures on how to handle EFT error investigations. The procedures should include a description of errors that trigger the EFT error resolution process; how bank staff should conduct an investigation; and what bank staff should do upon completion of the investigation. In support of a robust error resolution process, the bank should confirm its own internal practices through monitoring and audits, monitor those of third-party service providers and provide staff training. The bank should maintain thorough documentation.

Other federal laws, regulations and rules may also dictate bank actions to resolve errors on consumer deposit accounts, including the following.

- **Regulation CC.** This implements the Expedited Funds Availability Act

(EFAA) and the Check Clearing Act (Check 21). It requires financial institutions to make funds deposited into transaction accounts available consistent with specific time schedules and to disclose their funds availability policies to customers. It includes rules to facilitate collection and return of checks and electronic checks and describes requirements that affect banks that create or receive substitute checks, including requirements related to consumer disclosures and expedited recredit procedures. The regulation specifies availability schedules, exceptions, payment of interest and bank liability for noncompliance. It also states rules for expeditiously returning checks, the responsibilities of paying and returning banks and more guidance.

- **Regulation DD**—Truth in Savings Act (TISA). When consumer complaints about errors lead to deposit account disclosures, fees and the payment of interest, this regulation may apply. TISA requires banks to use uniform disclosures to aid comparison shopping by informing consumers about the fees, annual percentage yield, interest rate and other terms for



In support of a robust error resolution process, the bank should confirm its own internal practices through monitoring and audits, monitor those of third-party service providers and provide staff training.

deposit accounts. The regulation also includes requirements on the payment of interest, the methods of calculating the balance on which interest is paid, the calculation of the annual-percentage yield, the content of periodic statements and advertising.

UDAAP considerations

No discussion of bank compliance would be complete without mention of the Unfair, Deceptive or Abusive Acts or Practices (UDAAP) Act. UDAAP is the “shape shifter” of regulatory rules. While there are federal examination procedures for UDAAP, it broadly defines prohibited abusive acts or practices and does not conform to an objective checklist. So, while consumers may bring an issue to the bank’s attention that is not founded in a specific violation of consumer protection such as TISA or EFTA, any information that is misleading, inaccurate, inconsistent or omitted might be categorized as an unfair, deceptive or abusive act or practice as defined in UDAAP.

It is important to note that, in March 2021, the CFPB rescinded a policy statement that restrained the agency’s enforcement against “abusive” acts and practices. CFPB

stated that UDAAP broadly defines four types of prohibited abusive acts or practices: materially interfering with someone’s ability to understand a product or service; taking unreasonable advantage of someone’s lack of understanding; someone who cannot protect themselves; or who reasonably relies on a company to act in their interests.

Additional sources may be needed to resolve reports of account errors, such as the Garnishment Rule issued by the Department of the Treasury, Social Security Administration, Department of Veterans Affairs, Railroad Retirement Board and the Office of Personnel Management; the Dodd-Frank remittance transfers rules; or CFPB rules to provide comprehensive consumer protections on prepaid accounts. State laws or banking rules may also come into play.

Mistakes and glitches happen. Fraud and unauthorized use happen. Community banks should arm themselves with solid procedures for an effective, efficient process to resolve deposit account issues quickly for the benefit of consumers and the bank. ■

Mary Thorson Wright is a writer in Virginia.

BIG STAT

127 million

The number of Americans who have had a fraudulent transaction

Source: Security.org

Agtech's innovation opportunities

By Charles Potts, ICBA



The COVID-19 pandemic placed unprecedented stress on food supply chains, with bottlenecks in farm labor, processing, transport and logistics, according to the Organization for Economic Cooperation and Development, and these challenges show no signs of letting up. Against this backdrop, agtech—the application of technology to every aspect of the food production process, from farm to table—is growing in importance to the mission of ICBA and community banks.

As ICBA reported in March of this year, community banks with less than \$10 billion in assets provide 80% of all ag financing and are often the catalysts for new and expanded business opportunities within their communities. In fact, community banks provide about \$155 billion in agriculture loans.

Despite the demand, the loan process in the agricultural sector remains predominantly manual. This presents an opportunity to apply

advances achieved in other lending areas, especially commercial lending, to transform ag lending.

For example, by applying artificial intelligence (AI) to analyze data and create standardized processes that include benchmarking and lending risk assessments, community banks can enhance the effectiveness and efficiency of the loan process for the agricultural community. Innovations like these, applied to the farming industry, can accelerate the lending process for farmers, saving them time and money.

Often, community banks sit in the middle of the ecosystem, providing point solutions to various participants in the agricultural process—from the farmer and grower to the processing and transportation sides. The opportunity to create a cohesive end-to-end supply chain and enterprise resource planning system, where community banks can be the facilitators of moving money, removing friction and improving cash

flow, becomes a natural by-product.

Farmers and Merchants Bank in Milligan, Neb., serves as an example. Just before the pandemic, the \$130 million-asset bank implemented remote signatures, empowering farmers to e-sign loan documents and return them electronically to the bank. About six months ago, the bank also hired a remote loan officer who makes “farm calls.” The loan officer takes the paperwork to the farmer and reviews it before scanning and submitting the documents via secure email. The bank is also considering a video chat-based app that will allow it to host secure virtual meetings.

As opportunities in agtech ripen, ICBA is exploring innovations targeting this market segment. To that end, ICBA is asking its community bank members to help identify potential agtech applicants for its 2023 ThinkTECH Accelerator Program.

Start by talking to your agricultural customers to identify areas of friction, pain points and opportunities to improve the speed and efficiency of the lending process. Then, share that information with ICBA so we can find and source potential solutions and providers.

No technology barrier should preclude a farmer and lender from improving the speed, efficiency and effectiveness of the lending process. The demand is evident. Finding innovative ways to harness what we know to provide more efficient and effective approaches to addressing the needs of everybody involved in the agricultural ecosystem is the shining light of opportunity. ■



Charles Potts (charles.potts@icba.org) is ICBA executive vice president and chief innovation officer

Photo by: Enigma Images/Stock



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From left: Heather Kelley, Jan Button-Minton, Andrew Pyles and Ro Byrd of Eclipse Bank in Louisville, Ky., create a team-centric focus as part of the bank's company culture.

FOCUS PEOPLE

How to keep good employees

When it comes to hiring, everyone's been feeling the pinch. But don't forget to take care of the folks you already have. Here, we look at how a people-first cultural approach is key to both preserving talent and preventing another Great Resignation. By William Atkinson

Over the past two years, much ink has been spilled about the Great Resignation and what employers need to do to fill empty positions, from higher hourly wages to student loan assistance. But equally important is what they should be doing to keep the talented employees that they

already have, both to avoid a short-term staffing crisis and to keep the pipeline of leadership full.

"Job seekers are in the driver's seat across most industries, including community banking," says Lindsay LaNore, group executive vice president and chief learning

and experience officer for ICBA.

"However, community banks have a big opportunity to stand out from the crowd of potential employers."

LaNore believes the rules have changed. "What worked prior to the pandemic needs to be revisited by business leaders going forward," she says. "Business growth hinges on employee engagement and creating an inviting culture at the bank."

Put people first

LaNore says many community banks have found that by humanizing the future of work, they can not only attract new employees but also reduce turnover and create a more productive and engaged workforce.

"A major component of a people-first approach is recognizing your employees' the potential," she says, noting that this can be done through professional development and



“We have tried to create a team environment here. You won’t hear us use the terms ‘employee’ or ‘boss.’ We are all team members, and we have team leads. We try to enforce this through our culture.”

—ANDREW PYLES, ECLIPSE BANK

learning. (See sidebar, right.)

“Drive engagement through learning,” she says. “Do this early and often. Providing all levels of employees with opportunities to learn and grow has profound benefits for a bank.”

LaNore notes that in addition to increased productivity and performance, it also drives employee engagement and satisfaction, lowers attrition and absentee rates, and create a healthier workplace. “Often, innovation and creativity soar when we allow employees to be curious and explore new ways of thinking.”

One bright idea for community banks to consider is equipping team members with “power skills.” Examples include, but are not limited to, teambuilding, critical thinking, strategic thinking, problem-solving, and new communication and presentation strategies. “This is one way to future-proof your bank,” says LaNore. “Power skills allow bank teams to add value beyond any automated or intelligence system, operate in a digital environment and continually adapt to new ways of working and new technologies.”

Finally, LaNore suggests, another important way to demonstrate bank leadership’s commitment to continuous learning is by linking

learning and performance goals.

“And,” she says, “always remember to make learning fun.”

Malvern Bank’s personal touch

One community bank that has found success in retaining its best employees is \$180 million-asset Malvern Bank in Malvern, Iowa. “Here at Malvern Bank, we try not to focus on ‘talent retention,’” says Katelin George, human resources and marketing manager. “Yes, we tend to retain top talent, but we do this because we are focused on the individual and not their title. We care about our people, we are flexible when needed, and to be honest, we do have some truly awesome ‘extras.’”

The bank offers the more commonplace birthday lunches and gym memberships, but it also takes care of its employees in some unconventional ways, such as paying for monthly manicures or pedicures for all staff at the local salon. “We group up our team members and send them out of the office quarterly to have fun together, such as golfing and bowling, which enhances cross-departmental relationships, teamwork and collaboration,” George says. Malvern Bank also hosts quarterly happy hours after work with food,

Five ways to develop a people-first culture

1

Schedule check-ins to identify interests and developmental needs.

2

Provide skills-based training opportunities.

3

Create “stretch” assignments in the form of short-term projects that fall outside an employee’s typical role and job function.

4

Embrace new ways to collaborate and share knowledge and skills across departments.

5

Nurture leadership by providing a mix of technical and power skills training.

Source: ICBA Community Banker University

drinks and teambuilding games.

“It is also not uncommon for our bank president to announce that we’re ordering ice cream on a sunny Thursday afternoon, or that ‘lunch is on me’ on a hectic Monday morning,” says George.

Furthermore, in a more meaningful way, management does its best to listen to the heartbeat of its team. “If anyone on the leadership team feels there is something preventing a department from excelling, we take the time to talk to our team members to determine how we can better support them or coach them through their roadblocks,” says George. “This takes precious time and energy, but we find it is always worth it in the end and pays out overwhelmingly via employee engagement.”

Eclipse Bank: Team members first

Another community bank with successful initiatives in retaining its employees is \$370 million-asset Eclipse Bank in Louisville, Ky.

“We’ve roughly doubled in size during the last three years, which has created several new positions,” says Andrew Pyles, president and CEO. “We have promoted from within for a number of those. I think that path for upward mobility has been, and continues to be, a big factor in retaining some of our best people.”

In addition, he believes, while it

When it comes to employee retention, think about improving managerial skills

According to Cyndi Mergele, senior director of capital consulting at tax, audit and consulting firm RSM US, there are a number of reasons good employees will leave organizations, including lack of training, compensation/benefits, culture, burnout, lack of career growth opportunities and poor management/bosses.

Mergele believes employers should pay special attention to the last one. “Employees leave their managers, not their companies,” she says. In fact, according to Mergele, managers account for at least 70% of variance in employee engagement scores, and, at some points in their careers, 50% of adults have left a job to get away from a manager to improve their overall life.

The reasons for the inadequacies of some managers? According to Mergele, employees are often promoted into managerial roles based on their individual performance but are not trained on how to be effective leaders. In addition, many employer systems reward individual managers’ performance and results, but not their ability to grow and retain talent. Also, managers do not always have the tools and insights they need to coach and develop others.

For these reasons, it is critical that senior bank management spend the time selecting the right people for management positions, and then provide the proper training, feedback and support.

may sound simple, just appreciating your team makes all the difference in the world. “Respect and appreciation are ingrained in our culture and are even part of our mission statement,” he says.

In terms of retaining mid-level employees, Pyles believes pay is important. “However, while you need to be market competitive, not everyone is driven primarily by salary,” he says. “We have tried to create a team environment here. You won’t hear us use the terms ‘employee’ or ‘boss.’ We are all team members, and we have team leads. We try to enforce this through our culture.” According to Pyles, many people are friends both inside and outside the

bank, and everyone genuinely cheers one another’s successes.

“We also try to be flexible,” he says. “For example, many team members are allowed to work from home one day per week, we have eliminated Saturday hours, we have team-building days and gatherings after hours and we allow paid time off to volunteer in the community.”

As these banks show, building a culture of respect, achievement and fun is something that should be embedded in day-to-day operations. That way, the next time a Great Resignation comes around, you’ll be less likely to feel the effects. ■

William Atkinson is a writer in Illinois.

BIG STAT

50%

of adults have left a job to get away from a manager as a way to improve their overall life.

Source: Gallup, “State of the American Manager” report

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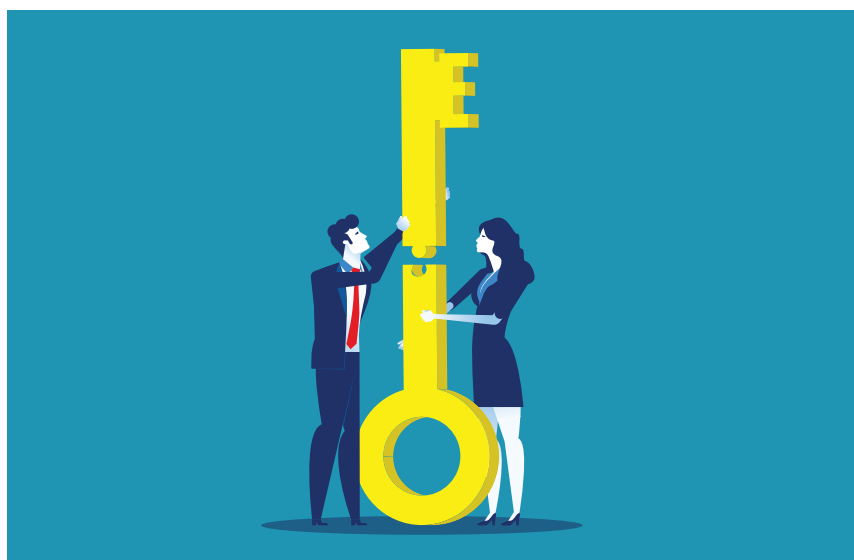
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Lessons from an escape room

By Lindsay LaNore, ICBA



As teams, how well do we work under pressure? The ICBA Community Banker University team recently had a chance to think about that when, at our annual strategy and teambuilding meeting, we found ourselves locked in an escape room.

Whether you've done one or not, we all know the premise of escape rooms. A group is locked into a space—real or virtual—and, against the clock, its members solve clues and puzzles to get out. While on its face that may sound like a fun activity, our escape room experience also turned out to be a great learning opportunity. The morning after we successfully managed to escape, we spent time debriefing—and learned a lot about ourselves in the process.

So, what were our main takeaways?

1. Most importantly, we were stronger together. The object of the exercise was clearly articulated from the outset, and we had to collaborate to accomplish our goal. That meant leaning into each other's strengths. One teammate, for example, was better at deciphering Morse code, while another excelled at scouring the space for physical clues.

2. We also had to trust each other. Our escape room had two adjoining sections, and some of the puzzles required team members to be in separate sections, communicating with each other to solve a riddle. When one told another to “crank the handle faster,” the other had to trust them and crank faster.

3. It helped to be methodical.

That meant doing things in order and slowing down when things got tricky. As we progressed, we realized it was important to take notes, so we assigned a notetaker to document the important clues and steps we needed to accomplish.

Taking the time early on to assess our surroundings helped us better understand what we were up against. We quickly discovered it was easy to get discouraged, and it took us almost 22 minutes (out of the allotted 60) to gain traction. But when we stopped to review, explore the room and talk things through, we were able to proceed on more solid footing.

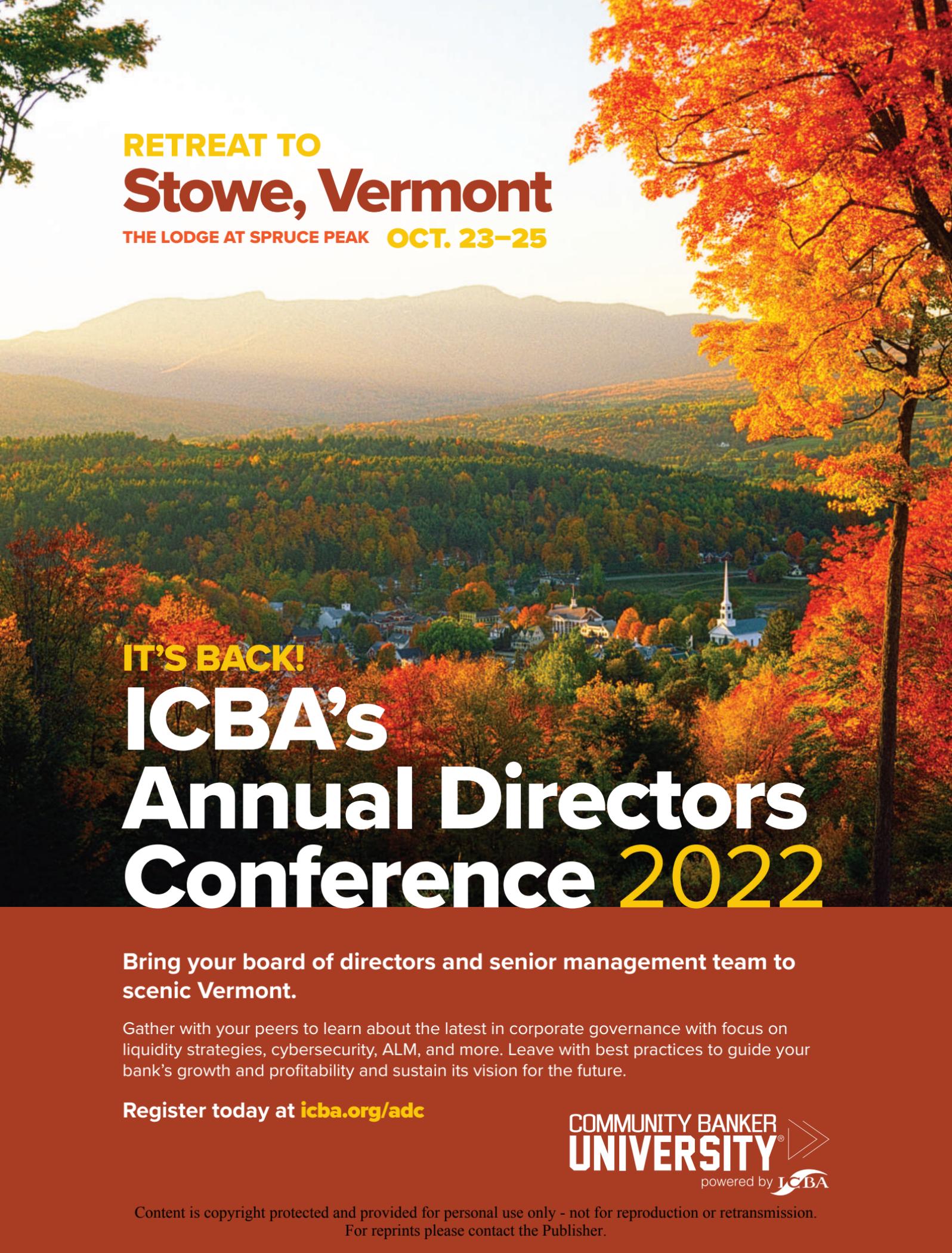
Before we started, the game master had said that we could ask for hints, but we didn't ask for help until 30 minutes had elapsed. In hindsight, we should have admitted our limitations and asked for a hint sooner.

4. Thinking outside the box turned out to be critical. One puzzle asked us to link rings together to remove a key from a tiny hole—something that didn't seem logical—but someone's outside-the-box thinking helped solve it.

We made it out of our escape room with only minutes to spare! But that didn't stop us from cheering each other on and celebrating our success. Life is too short not to celebrate the wins—especially when the whole team contributed to its success. And perhaps that was the most important lesson of all. ■



Lindsay LaNore (lindsay.lanore@icba.org) is ICBA's group executive vice president and chief learning and experience officer



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FOCUS RISK MANAGEMENT

Regtech's role in risk management

From data automation to merger prep, regtech can provide myriad ways to aid risk management. Two community banks tell us how they're taking advantage of this technology. By Elizabeth Judd

As Charter Bank in Eau Claire, Wis., prepared for its August merger with Nicolet National Bank, chief information officer Erik LeMay discovered yet another upside to regtech: having all his vendor contracts in a single place for another bank to peruse.

In the busy stages of merger prep, regtech proved to be a lifesaver, LeMay says, noting that he could

grant Nicolet access to all live third-party contracts, rather than approaching employees individually and asking them to list the contracts they had signed off on.

Naturally, this future merger was not part of the calculus in 2017, when the \$1.1 billion-asset community bank began using Ncontracts for vendor management. "The driver was risk management and making

sure we understand who our vendors are, what data they have of ours and what services they provide, and then who *their* vendors are," LeMay says. "Fourth-party vendors were a key component."

For community banks everywhere, vendor management is only one of many risk-management tasks where regtech is providing an assist. Bank Secrecy Act (BSA) and anti-money laundering (AML) compliance, data protection and cybersecurity, fraud monitoring, and data automation and aggregation for reporting are other challenges spurring bankers to seek regtech partnerships.

Many of the latest regtech solutions, says Neil Katkov, a director with research and advisory firm Celent's risk practice, were "created in response to the demands of smaller institutions like community banks."

Not only are there more regtech solutions out there today, but the price tag isn't always a dealbreaker anymore. Katkov points out that regtech is more affordable now that banks don't need to use on-premise software solutions but can instead take advantage of new software as a service (SaaS) models.

Addressing a changing landscape

Robert Johnston, CEO at Adlumin, which helps companies secure sensitive data while achieving compliance objectives, points out that community banks are facing mounting challenges around risk management from a regulatory standpoint.

"Community banks are sometimes regulated at the local level, the state level, the national level and often by insurers, too," he says. "The world from a fraud or cybersecurity perspective is not getting any safer."

Another challenge for which regtech provides some relief is the hiring dilemma community banks face in the current tough job market.

“Regulatory compliance is very expensive and takes a lot of expertise and manpower,” observes Thomas Ko, senior vice president and general counsel at \$9.8 billion-asset Columbia Bank in Fair Lawn, N.J.

“The great promise of regtech solutions—if not necessarily always the reality—is that they provide us with a way to leverage fewer but more sophisticated staff,” he says.

Shawn O’Brien, president at solutions vendor QwickRate, agrees that the talent pipeline is a growing preoccupation for regulators and community bankers. “In a number of communities, replacement talent is much more difficult to find,” he says. “Many banks are not going to be able to find homegrown talent, and so they’ll have to look to regtech.”

One more reason community banks love regtech is that when new compliance challenges arise, vendors quickly innovate.

For instance, as community banks scramble to meet the

“You can outsource the work or the tasking side of things, but you can’t outsource the responsibility for vendor management and all of the pieces that go into it.”

—ERIK LEMAY, CHARTER BANK

year-end deadline to report expected credit losses as part of new CECL compliance, QwickRate added CECLSolver to its suite of QwickAnalytics offerings. As of June, says O’Brien, more than 350 community banks were using the tool to “measure and anticipate credit losses for the future.”

“It makes the process of trying to estimate those reserve levels much easier for the bank,” he explains.

“CECL is coming fast—and we’ve built something to help the community banks address this.”

Appreciating regtech’s promise

Succeeding with regtech hinges on an understanding of what regtech tools can and cannot accomplish.

Charter Bank’s LeMay takes time to make sure leaders “don’t have a false sense of security that vendor management is handled, and so we don’t have to worry about it.”

He continues: “You can outsource the work or the tasking side of things, but you can’t outsource the responsibility for vendor management and all of the pieces that go into it.”

Columbia’s Ko agrees: “I cringe at the idea of a super lean and mean bank where there’s a couple of bankers using regtech to eliminate the need for intelligent management of infrastructure.”

Both LeMay and Ko emphasize the importance of educating the entire bank on both the possibilities and the limitations of regtech.

“Regtech is a set of tools,” Ko says. “They can’t magically spit out decisions, but they can let you leverage your people’s capabilities better.” ■

Selecting the right vendor

Deciding to embrace regtech is one thing. But choosing a vendor? That’s a different challenge altogether.

Neil Katkov, a director at solutions vendor Celent, notes that determining the right solution is complicated by the number of regtech vendors popping up, even though he has found that “only a handful have significant traction in terms of client bases.” Whenever possible, he advises, community banks should opt for vendors that have a solid customer base of clients using the latest iteration of whichever solution is on offer.

Thomas Ko, senior vice president and general counsel at Columbia Bank in Fair Lawn, N.J., advises bankers to listen critically when a vendor is pitching a solution, making sure that what’s promised can actually be delivered. “Regtech products are getting more sophisticated,” he says, “but sometimes the ambition is a little bit greater than the delivery.”

Elizabeth Judd is a writer in Maryland.

Buying time (maybe)

A sell-off in 2022 isn't following previous bear markets.

By Jim Reber, ICBA Securities

OK, so you've got unrealized losses in your bond portfolio. Community bank investment managers have collectively responded in a number of ways, including these strategies:

- Doing nothing differently
- Reclassifying some bonds from Available-for-Sale (AFS) to Held-to-Maturity (HTM)
- Buying shorter or adjustable-rate bonds (to limit price volatility)
- Buying longer bonds (to lock in yield and lessen reinvestment risk)

Each of these tactics can make sense to a given institution, accounting for risk tolerances and exposures. They've been covered in this space, and plenty of others, since 2020. But one subplot that I've not seen over-reported is this phenomenon: Yield spreads have *widened* this year, in spite of benchmark Treasury yields spiking higher. What gives?

Spreads revisited

"Spread" in the context of this column means the incremental yield that attaches to a bond with some kind of risk that's over and above a risk-free alternative. Credit risk is assumed to be nonexistent in bonds guaranteed by the federal government—namely, treasuries.

The remaining risks for our purposes are price, liquidity and optionality. Price risk, or the possibility that the value of an investment will decline if interest rates rise, is the only one that cannot be avoided completely. The others, liquidity and optionality,

are present and visible in almost every bond which a community bank owns. That's why most portfolios have few treasury bonds: Their superior quality causes them to yield less than "risky" variations. The return of a given bond owned by your community bank, and of your collection of bonds in aggregate, is a permutation of the risks embedded.

If rates rise, it's usually the result of an improving economy (which, as we've seen, can bring inflation with it). As general financial health

improves, so does credit quality, at least in theory. Something else in play is that optionality, or "call" risk, declines as rates increase, since the borrowers/issuers of your bonds have less financial incentive to refinance their debt early. All these conspire to cause spreads to shrink as rates rise. Usually, that is.

Not this time

Fast forward to 2022. Even as the Fed has pushed through a multitude of rate hikes this year, it's also quit



Photo by hallojule/Stock



Even as the Fed has pushed through a multitude of rate hikes this year, it's also quit buying bonds completely, so a large buyer has left the building (which is not an obtuse reference to Elvis Presley).

buying bonds completely, so a large buyer has left the building (which is not an obtuse reference to Elvis Presley). Higher interest rates have caused some sectors, in particular mortgage-backed securities (MBS), to extend their average lives, where investors expect more spread to compensate for greater price risk.

A separate but related consequence of rising rates is that the municipal bond sector has been in a bit of disarray lately. Munis are often the longest maturities in a community bank's investment portfolio, and therefore will lose more market value than other varieties. What's interesting is a majority of the entire \$4 trillion muni market is owned not by institutional investors such as banks but by individuals either in the form of individual small blocks or mutual funds. There has been a noticeable net outflow in muni bond funds this year, again removing a large investor group from that market. I'm pleased to report that there has been no noticeable decline in the credit quality of the sector in this cycle, at least not yet.

This combination of rate hikes by the Fed, and the disappearance of buyers for treasuries, MBS and munis, have caused spreads to widen

when normally they've held steady or shrunk. This is part of the reason bank portfolios are so far underwater.

To put a pencil to it, a very simple MBS at the start of 2022 would have had a spread over the Treasury curve of about 15 puny basis points (0.15%); today, a similar bond can be found at about 65 basis points, or incremental yield of a full 0.50%. In the municipal sector, a high-quality 10-year muni has seen its spreads increase by a similar amount.

What happens next

When will spreads return to normal?

A lot of variables are at play here, and some of the answer is predicated on how softly the Federal Open Market Committee can bring this economy down to the runway. If inflation (and therefore rates) remains high, it's possible buyers will reappear to snap up attractive yields, causing spreads to narrow. If a worse-than-expected recession emerges and rates start to fall, spreads could remain wide as credit and call risk start being priced in again.

And then there's the chance we have both high rates and a recession. That's clearly the worst outcome. But if yield spreads remain wide, a case can be made that there's relative value in the type of high-quality bonds community banks own. Time to buy? Maybe. ■



Jim Reber, CPA, CFA (jreber@icbasecurities.com), is president and CEO of ICBA Securities, ICBA's institutional, fixed-income broker-dealer for community banks



Education on Tap

2022 webinar series continues

ICBA Securities and its exclusive broker Stifel Financial resume the 2022 Community Banking Matters webinar series on Sept. 13 at 10 a.m. Central. The topic is "Municipal Market Update: Investment Strategies and Credit." To register, visit icbasecurities.com

Bank strategies webinar this month

Stifel will host its 3rd quarter Bank Management and Consulting webinar on Sept. 22 at 10 a.m. Central. The presenters will be Marty Mosby and David Kantor. Contact your Stifel rep for more information and to register.

How to reach customers with disabilities

Some people living with disabilities eschew banking services because they feel financially underserved or physically barred. Through sensitive customer service, affordable products and ADA-compliant accessibility, community banks can make them feel welcomed and accommodated. By Katie Kuehner-Hebert



Many people with disabilities don't have any banking relationships, but that's not because they don't want to have them. Many feel like they can't access needed services—or they just don't feel welcome.

Community banks can work harder to make both physical branches and digital channels more accessible and ensure employees understand how to interact with people with disabilities so their financial needs can be met with dignity. (See sidebar on page 39.)

In the FDIC's "How America Banks" survey, 16.2% of people with disabilities in the U.S. were unbanked, compared with 4.5% of those with no disability. Additionally, the study found that only 49.2% of people with disabilities used a bank credit product (credit card or personal loan) in the past year, compared with 76.5% of those without disabilities.

One explanation why they may be unbanked is that many have little or no income, says Barry A. Whaley, project director at the Southeast ADA Center—Burton Blatt Institute at Syracuse University. Indeed, 63% of people with disabilities who do not have bank accounts say "the reason they do not have a bank account is because they don't have enough money keep in the account," Whaley says, citing FDIC data. Other common reasons are not trusting banks, having privacy concerns or believing that account fees are too high or unpredictable.

"As for getting bank credit, low-income people tend to have lower credit scores or thin credit, making them ineligible for affordable loans," Whaley says. "There are several income and disability-related reasons people may have low credit

Photo by Ijubaphoto/Stock

that have to do with ... the way credit scores are calculated.”

Another barrier is that some people with disabilities may feel stigmatized when entering a bank branch, according to Southeast ADA Center research. Comments from the study’s participants include: “The banker spoke to my dad instead of talking to me. It was like I wasn’t even there. I was a nobody.” “They talk over me while I am in my wheelchair. They literally do not address me.” “I have a learning disability that affects math ability. I often feel like people in the banking industry think I’m stupid.”

“In order to address the needs of people with disabilities and ensure they have the opportunity to benefit from the valuable services banks provide, says Whaley, “banks need to address the affordability of their services and their disability access—both physical and attitudinal.”

Feeling welcome

David Whalen, founder of Disability Awareness Training in Williamsville, N.Y., covers all disabilities in his employee etiquette training—sensory, physical, cognitive, intellectual and developmental disabilities, traumatic brain injury, ADHD/learning disabilities and mental health disorders.

“Everyone needs disability awareness training, because discrimination against people with disabilities—ableism—is rampant, however unintentional it may be,” Whalen says. “First and foremost, respect a person for who they are, not for what they are. That starts with using proper language: People-first language should be incorporated when interacting, except in the cases where identity-first language supersedes it.”

Much of the etiquette is disability-specific, he says. For someone who uses a wheelchair, be at eye level. Have patience with a person who has a speech disability.

“If a person with a disability becomes inhibited, they may get flustered and lose concentration,” Whalen says. “They may have come in to apply for a loan, but then they become more concerned with how the bank staff is interacting with them.”

His training also includes dispelling the misconception that people with disabilities can’t do something independently, so they should have an aide to help them.

“Misconception of a disability is generally negative, when, in fact, it is a natural part of human existence: They must not be able to work, so how can they pay back any loan? That’s ableism at its worst, as many people with disabilities live independently and work successfully,” Whalen says.

The role of disability awareness training

Given that one in four U.S. adults has a disability, disability awareness training can benefit frontline bank employees, says Leslie Wilson, executive vice president, Global Workplace Initiatives, Disability:IN in Alexandria, Va. “As a customer, imagine how refreshing it would

BIG STAT

16.2%

of Americans living with disabilities are unbanked

Source: FDIC



SEPTEMBER 15
3 ET / 2 CT

How Bank Marketing Creates Mortgage Origination Growth



Speaker:
James White
*Industry Principal,
Banking & Credit Union
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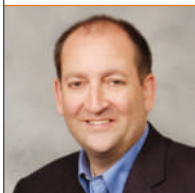
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WEBINAR

SEPTEMBER 27
3 ET / 2 CT

How to Build a Recession-Resilient Lending Portfolio with Automated Decisioning



Featuring:
Cal Steinhoff

VP of Sales
StreetShares®,
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VP and Head of Credit
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PORTFOLIO



**“There are several income and
disability-related reasons people may
have low credit that have to do with ...
the way credit scores are calculated.”**

—BARRY A. WHALEY, SOUTHEAST ADA CENTER—BURTON BLATT INSTITUTE

be if the person responding to a customer service call from a [customer with a disability] knew who to direct the customer to who could help them with their specific accommodation,” Wilson says.

She notes that it’s also critical that employees understand the importance of ensuring that the bank’s physical sites, as well as the digital technologies and resources used at those sites, including ATMs and digital platforms, such as kiosks, are accessible.

“When unsure,” Wilson says, “instruct employees to ask how they can meet the needs of someone [with a disability]. Individuals with disabilities are the best judges of what they need.”

The importance of accessibility

If a bank wants to serve people with disabilities, physical and digital accessibility is key, says Thomas Foley, executive director at the National Disability Institute in Washington, D.C.

Physical access can include a ramp to the front door rather than stairs or an auxiliary entrance through a loading dock or back room, doors and hallways wide enough for a wheelchair to maneuver, electronic door-opening mechanisms, lowered

counters and ATMs that a wheelchair can comfortably access. “Access to sign language interpreters, TTY lines and telecommunications relay services for those who are deaf or hard of hearing [is also important],” says Foley.

He notes that digital accessibility allows blind and visually impaired people to use a screen reader to vocalize a bank’s website or mobile applications.

Use of headings, alt text, labeling of buttons, form field descriptions and closed captioning are other necessary equal-access considerations, according to the World Wide Web Consortium’s Web Accessibility Initiative.

Community banks should also work with people with disabilities to design marketing and outreach campaigns “that speak to them,” and develop products and services that are specifically responsive, Foley says.

“Many forward-thinking banks have recognized that inclusion is good business,” he says, “and that people with disabilities are a significant portion of the low- and middle-income community.” ■

Katie Kuehner-Hebert is a writer in California.

Tips for disability etiquette

Cut out and keep these guidelines from consultancy Disability:IN

General dos and don'ts

- ▶ Ask before you provide assistance
- ▶ Offering assistance in broad terms, such as "Let me know if you need anything," opens the door without assumptions of inability

Individuals with mobility disabilities

- ▶ Do not touch a person's mobility equipment
- ▶ Be sensitive about physical contact in consideration of possible pain, balance, or post-traumatic stress issues
- ▶ Always direct your conversation that is meant for the person with a disability to them and not to their personal assistant, interpreter, companion or colleague

Individuals who are blind or low vision

- ▶ Identify yourself when approaching the person or entering an ongoing conversation; announce when you leave the conversation or the room
- ▶ When serving as a sighted guide, offer your arm or shoulder rather than grabbing the person's arm or pushing the person from the back
- ▶ Resist the temptation to pet or talk to a guide or service animal; ask the person if there is a time when you can interact with the animal

Individuals who are deaf or hard of hearing

- ▶ Gain the person's attention (e.g., tap the person gently on the shoulder or arm or make a hand signal)
- ▶ If the individual uses a sign language interpreter, speak directly to the person, not the interpreter; keep your eyes on the individual, especially when the interpreter is voicing for them
- ▶ Face the person and speak in normal tones

Individuals with speech disabilities

- ▶ If you do not understand what the person is saying, ask them to repeat what they said and then repeat it back to ensure you understood
- ▶ Do not speak for the person or finish their sentences
- ▶ If the conversation is not working, ask if you can try with writing (electronic communication devices, paper and pencil, etc.)

Individuals who have non-apparent disabilities

Help to accommodate mental health disabilities, learning disabilities, autism spectrum, ADD/ADHD and post-traumatic stress, etc.:

- ▶ Moving to a quiet area
- ▶ Rephrasing what you said
- ▶ Changing the pace of the conversation

Source: Disability:IN



SEPTEMBER 22
3 ET / 2 CT

IT Asset Management for Community Banks



Speakers:

Keith Kleit

*Solutions Development
Executive
Iron Mountain*



Brody West

*Implementation
& Program Manager
Iron Mountain*

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ICBA's fall legislative outlook

Legislation addressing everything from farm lending to credit union overreach is set to go before Congress this autumn. Now's the time to make your voice heard on the issues that affect community banks and their customers. By Aaron Stetter, ICBA



August recess is over, Congress is back at work and ICBA remains focused on advocating for a full docket of legislative issues. With midterm elections around the corner, limiting the window of opportunity, ICBA took full advantage of the summer to engage with key members of the House and Senate and encourage community bankers to meet with legislators in their home districts.

As Congress goes back in session, here is a rundown of the progress ICBA has made on key community bank advocacy issues and where things look heading into the fall.

Cannabis banking. In July, Senate Democrats introduced sweeping legislation to end federal cannabis prohibitions. While that bill is unlikely to pass in its current form, it adds momentum to the SAFE Banking Act (H.R. 1595), the ICBA-advocated cannabis banking safe harbor. The act has passed the House seven times, most recently in a defense authorization bill. ICBA will work diligently with our affiliated state banking associations and grassroots advocates to advance the SAFE Banking Act in the Senate.

Stablecoin. The House Financial Services Committee (HFSC) is expected to mark up a stablecoin bill after releasing a proposed framework earlier this year. ICBA is urging the committee to hold hearings so that community banks and the financial industry can weigh in on the impact of these unregulated digital assets. As we wrote in a letter to the committee this summer that was covered by the *Wall Street Journal*, *Politico* and Reuters, ICBA is concerned that the proposed framework won't fully address the risk stablecoin poses to consumers, the financial system and the broader economy. Thoughtful regulation and oversight are needed.

Photo by sborisov/iStock

Closing the ILC loophole. The HFSC voted to advance the ICBA-backed Close the ILC Loophole Act (H.R. 5912) in June. The legislation would amend the Bank Holding Company Act to permanently close the loophole, which allows industrial loan companies (ILCs) and their parent companies to skirt regulatory oversight. ICBA is working to move the bill through the House and secure a Senate cosponsor.

Leveling the credit union playing field. In July, ICBA leadership banker Quentin Leighty, CFO and president of First National Bank of Las Animas, Colo., went before the House Financial Services Subcommittee on Consumer Protection and Financial Institutions to testify why Congress should require credit unions to comply with the Community Reinvestment Act (CRA). ICBA is asking for hearings on the credit union tax exemption and acquisitions of taxpaying community banks.

Farm credit system lenders. ICBA is pushing back against the Farm Credit Administration Independent Authority Act (H.R. 7768), which was introduced in May and would exempt the tax-advantaged Farm Credit System (FCS) from Consumer Financial Protection Bureau (CFPB) regulation and the Equal Credit Opportunity Act (ECOA). This summer, ICBA sent a letter to the House and Senate agriculture and finance committees explaining our objections. We want to stop the bill in the House and prevent a companion bill from being introduced in the Senate.

ICBA continues to urge representatives and senators to cosponsor the ECORA Act (H.R. 1977/S. 2202), which would create a tax exclusion for interest on loans secured by agricultural land and residential mortgages in rural

How you can help

ICBA makes it easy to weigh in with lawmakers with ICBA's Be Heard grassroots resource center. It's filled with tools—everything from talking points and sample letters to contact resources and automated emails—to help you reach out and speak out. Visit icba.quorum.us/campaign/S910 to learn more.

Together, ICBA and its member banks can make a meaningful difference in passing legislation to strengthen our institutions and our communities.



As ICBA's exemplary legislative affairs team actively lobbies for these issues, community bankers are needed to help get items across the finish line.

communities and is actively seeking more cosponsors.

Tax increases. ICBA is carefully monitoring any proposed tax increases in the budget reconciliation bill. ICBA is opposed to any tax increases and any provisions that would require community banks to report customer financial data to the IRS. ICBA sent a letter to both House and Senate leadership in July outlining the reasons these provisions are ill-advised.

SBA direct lending. ICBA continues to add cosponsors to the Protecting Access to Credit for Small Businesses Act (H.R. 6037/S. 3382), which would prohibit Small

Business Administration (SBA) direct lending. ICBA banker Robert J. Barnes, president and CEO of PriorityOne Bank in Magee, Miss., outlined why SBA direct lending is ill-conceived and would jeopardize small business access to capital in testimony before the House Small Business Committee's Subcommittee on Oversight, Investigations, and Regulations in March.

Advocacy is everything

This is just a sampling of the major issues on ICBA's legislative agenda for the rest of the year. As ICBA's exemplary legislative affairs team actively lobbies for these issues, community bankers are needed to help get items across the finish line.

There is no substitute for grassroots advocacy. Legislators want to hear from their constituents. As summer turns to fall, now is the time to reach out to members of Congress and their staff and help move ICBA-backed legislation forward. ■



Aaron Stetter (aaron.stetter@icba.org) is ICBA's executive vice president of advocacy and strategic engagement.



This year's winners and honorable mentions

Clockwise from top left:

- Emerging Community Bank Service Award (honorable mention)—Ulster Savings Bank, Kingston, N.Y.;
- Emerging Community Bank Service Award—First Community Bank of the Heartland, Clinton, Ky.;
- Exceptional Community Bank Service Award—American Savings Bank, Honolulu;
- Exceptional Community Bank Service Award (honorable mention)—Columbia Bank, Fair Lawn, N.J.

ICBA National Community Bank Service Awards 2022

Leading ★ by ★ example



It's no secret that community banks have built plenty of social capital due to their charitable work and community involvement. But they're not in it for the PR. What sets their approach apart from a standard corporate CSR strategy is that community banks tailor their giving to local needs, just as they provide banking services tailored to their customers. The winners of ICBA's National Community Bank Service Awards, which recognize member banks for their extraordinary efforts during the past year, are **shining examples of the community bank difference.**



Exceptional Community Bank Service Award

★ Awarded to a bank that developed its service program three or more years ago

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Ann Teranishi of American Savings Bank, whose Kahiau Giving Campaign has raised nearly \$3 million in funds.

Giving from the heart

By Roshan McArthur

There's a word in Hawaiian—*kahiau*—that means to give generously without expecting anything in return, and American Savings Bank (ASB), a financial institution with an almost century-long history of community support in Hawaii, exemplifies that spirit perfectly.

With roots stretching back to 1925 and 38 branches across the Hawaiian

Islands, ASB is one of the state's leading financial institutions. Yet the Honolulu-based bank's focus, says president and CEO Ann Teranishi, is firmly on its community.

Recognized as one of the best places to work by *Hawaii Business Magazine* for over a decade now, ASB has also been lauded by *Fortune* for its inclusivity, and it has a deep commitment to community service. "We understand that bringing real impact to our community means more than just giving financially," Teranishi explains. "It also requires year-round commitment of our time, 'sweat equity,' best ideas and leadership to support our focus areas."

American Savings Bank

Asset size: \$9.2 billion

Location: Honolulu, Hawaii

asbhawaii.com

These areas are improving education, strengthening communities and underserved families, promoting economic vitality by fostering innovation and entrepreneurship, and increasing access to affordable housing. In recent years, another major goal of the community bank has been the revitalization of 'A'ala Park in Kalihi-Palama, the neighborhood that's home to the ASB Campus, an 11-story office space that has served as the bank's homebase since 2019.

► Supporting the underserved

To fund these goals, ASB initiated the Kahiau Giving Campaign in 2011, an employee workplace giving program named after that concept of selfless generosity. As Teranishi explains, "We decided we wanted to support more organizations in a meaningful way and get teammates more engaged in bringing real impact to our community. Rather than holding a handful of small fundraisers throughout the year, we decided to do one big splash effort."

The program helps underserved communities through five nonprofit partners: Child & Family Service, Kapiolani Health Foundation, Kupu, Partners in Development Foundation, and United Way Chapters throughout Hawaii. "We specifically selected these five Kahiau partners because their mission and values are aligned with our own," Teranishi says, "and because the support they provide to our community is critical to improving the health and well-being of our state."

Each year, ASB invites all 1,100 of its employees to donate, and it matches those donations up to \$150,000. Since it was first set up, the program has collected nearly \$3 million in donations for the community. In 2021 alone, it raised more than \$360,000.

"We begin each annual campaign with a fun celebration," says Teranishi, "starting with our executive leadership team decked out in

costumes greeting teammates as they arrive to work, followed by silly videos and posters of our leaders, snacks, photo booths, a virtual donor's wall of fame and certificates for participants.

"Our teammates love a bit of friendly competition, so we turn our Kahiau Giving Campaign into a fun challenge by dividing teammates into four teams to see who will be the first to reach 100% participation," she adds. "By engaging everyone in fun and meaningful ways and having our leadership team be the champions of this program, we've seen a dramatic increase in participation, from 46% to 97%."

Throughout the year, employees are encouraged to support the same partners through the bank's Seeds of Service program, which is where the sweat equity comes in. The ASB team has clocked up nearly 100,000 volunteer hours to date on projects that include landscaping, painting, meal preparation and teaching financial literacy at schools.

The community bank's Community Advancement team keeps up with its partners to make sure it's aware of new programs and initiatives—a fact that helped ASB scale up its efforts when the pandemic hit. In 2020, it donated \$25,000 to local food banks, partnered with Child & Family Service to give out PPE supplies, groceries and hot meals to more than 400 families in Chinatown, and collaborated with Pint Size Hawaii and Mauna Loa Macadamia Nuts to distribute ice cream to healthcare workers. The following year, the community bank gave out cash prizes as part of Hawaii's vaccination drive and partnered with a local healthcare provider to host free vaccination clinics for the underserved.

► A focus on conservation

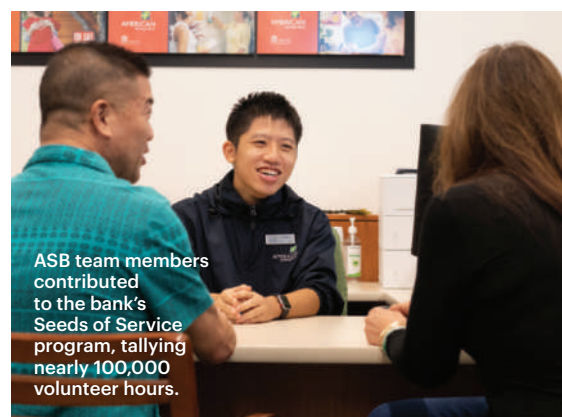
One of ASB's key partners is Kupu, a nonprofit founded in 2007 to empower local youth to serve their communities and conserve the environment. Since its inception, Kupu has worked with more than 5,000 young adults, planted a million native plants and removed

more than 100,000 acres of invasive species. It also set up a culinary program, teaching food preparation using sustainable resources.

ASB has worked with Kupu for a decade. In 2021, it helped the nonprofit secure a Federal Home Loan Bank of Des Moines' Strong Communities Award for \$15,000 to address the effects of the pandemic on the local economy. ASB also partnered with Kupu to set up a food truck in Honolulu from which culinary students serve healthy food using locally grown produce. The bank most recently donated \$5,000 to Kupu's 2022 Environmental Fair, an annual event that promotes community engagement and career opportunities for youth and young adults.

Kepa Barrett, a Kupu alumnus who now serves as its external affairs officer, remembers sitting on Moa'ula Iki, the second highest peak on the island of Kaho'olawe, during Kupu's Hawaii Youth Conservation Corps summer program in 2011. "I'll never forget what I saw that day: a 180-degree view of Oahu, Molokai, Maui, Lanai and Hawaii Island scattered across a 200-mile expanse of the Pacific," Barrett says.

"I could feel my *kupuna* speaking over me that day," he says, referring to the spirit of an honored elder, "telling me it was my *kuleana* [responsibility or privilege] to protect and preserve our land—our *'āina*. The support that American Savings Bank gives to Kupu provides opportunities like this for other youth and young adults to gain a



ASB team members contributed to the bank's Seeds of Service program, tallying nearly 100,000 volunteer hours.

different perspective on how they can give back to their community here in Hawaii. We could not serve Hawaii's community the way we do without the support of ASB, and we are deeply honored to partner with them."

Teranishi believes that involvement with nonprofits like Kupu also empowers the bank's employees, giving them leadership opportunities, encouraging teamwork and allowing them to forge connections at work and within the community.

"As much as we are grateful for the opportunities to support our community in various ways," she says, "we gain just as much in return. Giving is truly a win-win situation for everyone, and we are so proud of our teammates' commitment to take care of our customers, community and each other."

Roshan McArthur is a writer in California.

Emerging Community Bank Service Program

★ Awarded to a bank that developed its service program less than three years ago

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FCB's Melanie Hamrick and Bruce Kimbell review the bank's calendar of community initiatives.

Community involvement, year round

By Paul Sisolak

In 2014, First Community Bank of Western Kentucky rebranded as First Community Bank of the Heartland (FCB) to reflect its expanded footprint outside of its home state. Five years later, in late 2019, it decided it wanted to do something big to give back to its coverage areas in Kentucky and Tennessee.

First Community Bank of the Heartland

Asset size: \$370 million
Location: Clinton, Ky.
fcbheartland.com

Team members initially launched an adopt-a-highway campaign, and while several bank associates followed through with a volunteer trash pickup along some local roads, bank leaders knew the stand-alone effort wasn't broad enough for what they envisioned.

Then, Melanie Hamrick, FCB's marketing director, and other branch managers attended a conference where they heard from another community bank that donated teddy bears to children entering foster care.

"We all came back from that and decided to come up with a community service purpose," recalls Hamrick. "The first thing we decided all together was opportunities in

local child service centers."

From there, FCB's Make a Difference Program was born. The goal was to assemble duffel bags with necessities such as toothbrushes, toothpaste, shampoo, washcloths, diapers, lotion, deodorant, diaper wipes and other comfort items for families entering emergency shelters and child service centers, often in the middle of the night with whatever they could hurriedly take in garbage bags.

► Diversifying the Make a Difference Program

Like the trash cleanup before it, the duffel bag project was only a stepping stone for more community initiatives, though it continues to this day. When pandemic lockdowns went into effect, FCB embarked on another community endeavor.

"It started with COVID in 2020," says Hamrick. "You heard all these stories about people in nursing homes not allowed visitors. It was a sad situation. One of the first things we did was put together goodie bags to be delivered to elder communities. We would knock on the doors and leave [the bags] there, and they would wave at us. They enjoyed seeing people because they weren't able to get out. I know how people to this day say how special it was."

After the success of the senior center project, Hamrick, along with FCB president and CEO Bruce Kimbell and other bank leaders, considered the possibility that the Make a Difference Program could evolve and expand into other diverse areas.

And so, in 2021, with the mindset that volunteerism is needed all year, not just on special occasions, FCB crafted a monthly calendar of other Make a Difference initiatives that continue to be honored companywide.

► Creative community service

Each month's Make a Difference initiative is tailored to the needs of the community and influenced by what's important to FCB associates.

In January, for example, the

bank celebrated Law Enforcement Appreciation month by bringing meals to local police and emergency agencies. April is Thank a Lineman month, with breakfast and treats for local electric companies during storm season. In August, FCB hosted several back-to-school bashes, taking goodies and handwritten notes of appreciation to teachers. Bank team members also purchased school supplies to donate to area schools.

“Some of our efforts are guided by where the hearts of our employees lie,” says Leah Bennett, FCB’s branch and marketing manager. Bennett gives an example of an employee whose son, a lineman, served as inspiration for April’s event. “We saw a need, and they’re not recognized enough. We see all [their] hard work and dedication and wanted to show that appreciation.”

Bennett, a former blood recipient, was also one of the associates behind establishing a bank blood drive in June.

That’s been part of the Make a Difference Program’s success: FCB employees are encouraged to propose additions to the calendar that they’re personally interested and invested in. “We try not to do what the status quo is doing; things that people will acknowledge. We want to be intentional,” says Bennett.

According to Hamrick, FCB asks all 108 employees to participate in the Make a Difference Friday initiative each month and encourages them to propose activities and participate in as many as they like. “We really encourage the branches to look at other opportunities,” she says. “To allow them to do what they’re interested in, you get better participation.”

Different branches can undertake different initiatives; Ballard County branch employees observed World Down Syndrome Awareness Day on March 21 by wearing fun socks.

► **Service is inherent in staff**

FCB employees are well acquainted with service to others, with many serving as members of Rotary, Kiwanis and Lions



Team members from First Community Bank of the Heartland collect canned goods and teddy bears for duffel bags used in some of the community bank’s monthly Make a Difference volunteer programs. Bottom photo, from left: FCB’s Leah Bennett, Courtney Morris, Daniel Kimbell, Amy Walters and Greta Purvis.

Clubs, school boards and elder abuse committees. They also volunteer at senior centers and school and teacher appreciation efforts throughout the year.

Then there are the impromptu rescue efforts. In December 2021, when the bank’s own chief operating officer lost her home in a tornado that ravaged parts of Kentucky and Tennessee, members of the Clinton branch joined forces to salvage, wash and clean her china, dishes and crystal.

The following day, three Tennessee branches handed out sandwiches to everyone in town when the power was still out. That same month, one employee took off a week from work and logged 67 hours volunteering with emergency management following the tornado.

In 2021, FCB logged a total of nearly 1,658 volunteer hours for fewer than 100 employees, and according to Hamrick, the community bank is already tracking to be 30% ahead of that number for 2022.

The Make a Difference campaign illustrates how community service and helping others is more than just a choice for FCB employees. It’s a need.

“It’s a sign of the good folks we have on our team,” says Kimbell. “You hear of all these events, and being a rural community bank, our folks are attached to the community. Most of these communities are home to these folks for most of their lives. They are going to constantly be looking for ways to serve.”

Paul Sisolak is deputy editor of *Independent Banker*.

Honorable Mention: Exceptional Community Bank Service Award

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Columbia Bank's Team Columbia volunteers participated in a recent food drive.

Columbia Bank's ever-growing giving

Columbia Bank is always ready to lend a helping hand through its Team Columbia volunteer program, which started small and is now a major part of its program of community involvement. Thomas J. Kemly, president and CEO, discusses the community bank's efforts in its local communities.

Q: How did Team Columbia start, and how has it evolved over time?

A: Years ago, we did volunteer events like build days with Habitat for Humanity. We did these as big team events and had a great experience and great success. So we asked ourselves, "Why don't we do more volunteering?" Today, our company has been volunteering for more than 30 years. It started as volunteering once per month and eventually twice a month. We decided to double it again and now we are doing over 100 events per year.

Q: How does the team make time for all that volunteering?

A: Columbia Bank makes time available for employees to volunteer during the work week. Sometimes we do volunteer on weekends, but most of the time it is during the work day. We help our team find volunteer opportunities and encourage them to participate.

Q: What are a few of the charities you've partnered with?

A: We have a lot of great charities that we've had long-term relationships with. CUMAC is a food pantry in Paterson, N.J., and we volunteer there often. Eva's Village provides meals and is a homeless shelter, also in Paterson, the city right next door to our headquarters located in Fair Lawn. We've had a long relationship with Habitat for Humanity, and March of Dimes has been a consistent charity we've worked with for years.

We also do a Week of Giving in November. We started that four years ago. The whole bank volunteers for an entire week. We put together 50 to 60 events—we sign everybody in the bank and have teams volunteer all over the state.

Q: Which initiatives have had the largest impact on your community?

A: We think every group we do work with is doing something important. There's a special group, The Phoenix Center, which is a school for [special needs] children, and we go each year when the school is on break and paint some part of the school, whether it's a hallway, a lunchroom or a gymnasium. They have been a longtime partner.

We also do the March of Dimes walkathon every year. It's a big corporate event where we invite employees and their families to donate money and support the walkathon. It becomes Columbia Bank, extended.

Q: How has the community responded to these volunteering efforts?

A: The community is very appreciative. A lot of times, these events help support incoming business relationships. The companies we volunteer for will often say, "We'd love to bank with you." We have a great nonprofit product that we offer called Columbia Cares. And when we do our Week of Giving, it's a corporate-wide, statewide event. We get nice remarks from so many people out in the public, because we're all over the state that week and we touch a lot of lives and people in our communities.

—Rachel Hatcher

Columbia Bank
Assets: \$9.9 billion
Location: Fair Lawn, N.J.
columbiabankonline.com

Honorable Mention: Emerging Community Bank Service Award

SPONSORED BY



Ulster Savings Bank employees drop off donated pet supplies to the local Ulster County ASPCA.

Planning makes perfect

Throughout its 170-year history, Ulster Savings Bank has successfully managed difficult and unexpected financial situations by prioritizing the needs of community members. Bill Calderara, president, tells us how—and why they put this experience to work during the pandemic.

Q: How did Ulster Savings Bank's history of navigating depressions and recessions prepare it to navigate the pandemic?

A: We triggered our pandemic plan very early in January 2020. We pulled it out hoping, at that point, that we were just going through an exercise and we wouldn't need it. But we pulled out the plan and made sure it was updated, ordered PPE, cleaning supplies and laptops ... having had some history of going through this in the past. That way, when things really started to heat up [in March] and the governor [of New York] started to close a lot of operations, we were able to operate without missing a beat.

Q: What were some of the ways you engaged with your community during this time?

A: We started delivering finances to local food pantries because we knew that the demand would be greater. There wasn't government lending coming in immediately. We already give a lot to the community, but we upped it tremendously in 2020. We did the more proactive thing, walking out with a check and handing them to organizations that needed them or might not survive. We also started to buy meals for the local hospital workers and have them delivered, because we knew they were on the front lines. It also helped a lot of our local restaurants.

Q: How did you help your customers during this time?

A: We immediately put an announcement on our website that our customers could request loan deferment if they needed it. We granted more than 2,500 loan deferments, about \$278 million

[total]. We waived all our ATM fees for almost five months, knowing that many people might not be able to get to their own banks. We also waived our overdraft and NFS charges for about six months. When PPP [Paycheck Protection Program] came around ... 58% of all the PPP loans that we did were \$30,000 or less, 90% were \$50,000 or less, so we were helping small businesses, and we could open up [PPP loans] to customers and noncustomers to help in a way national banks couldn't. We knew that we could be one of the pillars of strength in the community, and we tried to project a calming effect.

Q: How did the community respond to your efforts?

A: The growth that we went through during that period was phenomenal, because we ended up opening more accounts for people. So, they not only appreciated our efforts, but they also came through as new customers because of what we'd done for them and the community. We had business customers who to this day tell us we were the reason that they're able to stay in business. We had personal customers and people on our residential side with the closings we were able to do when they couldn't get them done anywhere else. They knew we were swamped, but they kept saying how friendly we were ... people [didn't feel] like we were too busy for them. To this day, we've gotten thousands and thousands of letters, notes and emails from customers. One of my favorites was a tweet from one of our customers: "[I] love it when a bank goes all George Bailey in a time of crisis." —Sofia Haan ■

Ulster Savings Bank

Assets: \$1.3 billion

Location: Kingston, N.Y.

ulstersavings.com




THERE THROUGH THICK & THIN

Community banks provide unflinching support to farm customers in a competitive banking landscape, shrinking market and challenging regulation. Despite the obstacles, these ag lenders have found ways to plant seeds of growth for their clients.

— BY BETH MATTSON-TEIG —

Photo by Victor Bordera



ohn Hays is proud of his roots as a fifth-generation cattle rancher. He understands the realities farmers and ranchers face, whether it's dealing with extreme weather, rising operating costs or finding workers. These days, he puts that knowledge to work at Plumas Bank as a senior vice president and ag loan officer working with customers in California, Nevada and Oregon.

"I learned the importance of relationships firsthand from my banker [when I was a rancher], who would sit down at the table with me and go through my financial statement and help me build my balance sheet and budget," says Hays, senior vice president and ag loan officer at \$1.6 billion-asset Plumas Bank.

Now, Hays does the same thing with his clients. He also goes out to visit them on their ranches and farms to communicate with them and see their operations. "Most of the ag lenders here at Plumas have been ranchers or farmers and really identify with the ranching and farming community that we serve," he says.

Hays' story is a common one at community banks across the country. Many ag lenders grew up on the family farm or in a farming community and have a passion for helping producers to not only survive but thrive in a challenging industry.



“If you get into financial difficulty, it’s difficult to tell how [a nonbank lender] might work through that process, whereas community banks do a good job of trying to educate their customer on where fundamentals are at.”

—Dennis Busta, MBT Bank

Community banks play a critical role in supporting the agriculture industry and rural America, all while battling stiff competition, a burdensome regulatory environment and a shrinking base of ag customers.

FIGHTING TO SURVIVE

Farmers and ranchers in the U.S. face a variety of hurdles, ranging from rising operating costs to uncertain market prices, that make it tough to survive. High equipment and land costs also create significant cost barriers for new entrants. The result is a steady decline in the number of farms across the country. According to the USDA, there were 2.01 million U.S. farms in 2021, down from 2.2 million in 2007, with the average farm size at 445 acres.

“It is a shrinking sector,” says Michael C. Mudd, president and CEO of \$92 million-asset Silex Banking Company in Silex, Mo. “More times than not, we’re seeing an older generation who has farmed all their life who are retiring or passing on, and the new generation starting or taking over a farming operation has supplemental, off-the-farm income, or a job to help stabilize the operation.

“It’s still a big chunk of what we do here, but other parts of the lending portfolio are growing more rapidly than the ag sector.”

Community banks not only support ag producers with lines of credit and loans to finance equipment and land purchases; they also provide needed guidance and support for financial success.

“We think it is really important to help people make informed decisions to support sustainable profitability for the family farm,” says Brandon Baller, chief lending officer and branch president at \$310 million-asset Security Bank in Laurel, Neb. “Our goal is to provide resources and tools to local ag producers ... and maybe take some of the emotions out of the

big decisions they have to make.”

For example, Security Bank offers analysis tools that provide cash flow projections to help farmers develop a game plan for their operation. If someone wants to buy the neighboring farm or is expand their operation over the next three to five years, the community bank’s ag lenders help put a plan together to do that.

Like many community banks, Security Bank applies sound farm financing principles to loan decisions, such as calculating projections based on historical yields and average prices to put some numbers behind whether a decision will or won’t work.

Baller has seen a number of examples where a farmer has decided to expand for the wrong reasons. If the lender isn’t looking out for that, it may be putting the farmer in a position to fail. “We help customers answer two questions: ‘Can I get the loan, and is this something that I should do?’” says Baller. For some producers, it might not be the right time for that loan, he adds.

LENDERS COMPETE FOR BUSINESS

Community bankers have plenty of anecdotes of providing financing for farmers who have been told “no” by other lenders. Oftentimes, they dig deeper to understand the story beyond what’s written on a loan application. Yet there is plenty of competition and capital available for creditworthy borrowers. Community banks are competing with the Farm Credit System (FCS), credit unions and other nonbank capital sources to win business, and one of the common frustrations for banks is the uneven playing field.

“The banking industry is highly regulated, and we’re seeing all of these different players coming with private capital and other sources of capital outside of regulated entities,” says Dennis Busta, president and CEO of MBT Bank in Forest City, Iowa.

The \$700 million-asset bank serves customers in northern Iowa and southern Minnesota.

The crowded market creates added competition for banks and raises concerns about predatory lending practices. “They’re always touting a convenient way to access credit, and that can be concerning, because you may be dealing with an untrusted partner,” says Busta. “If you get into financial difficulty, it’s difficult to tell how they might work through that process, whereas community banks do a good job of educating their customer on where fundamentals are at.”

Baller concurs. “Sometimes we’ll see some aggressive pursuit by creditors to acquire new customers by offering a low rate but not backing it up with service that will continue during the challenging times, too,” he says. “It’s easy to offer a low rate in the good times, but the key is to have the service and support to get through the challenge, and also to help customers avoid those challenges.”

Given the pressure on rising operating costs, a number of customers are pinching pennies and shopping loans on rate, notes Mudd. In some cases, Silex Bank does bend on pricing to remain competitive. “If you identify a quality loan, a quality customer or a new relationship that you’re targeting, you may have to go outside your lending guidelines a bit to price the loan to make it more attractive to the borrower, such as a matching offer,” he says.

Another key differentiator community banks offer is personal service. The ag lenders at Silex Bank—who hail from local ag backgrounds—try to make the application process as easy as possible for customers with quick turnarounds made in-house by a voting loan committee or board of directors. In addition, customers like to know that they can walk into the office and speak to an available lender or even the

Photo by Linkes Photography

Terry L. Bunnell (center), president/CEO of The Peoples Bank, forged a solid partnership with Doug and Genelle Jones of Legacy Dairy.



Customer Story

LEGACY DAIRY, HISEVILLE, KY.

The Joneses are a fourth-generation farm family with big ideas for the family dairy in Hiseville, Ky. Their vision was to not just produce milk, but to process, bottle and sell direct to the local community in northern Barren County. Doug and Genelle Jones believed that a specialty dairy would resonate with customers who wanted to support local farmers and know where their products were coming from.

The Joneses needed financing for the bottling equipment and facility for Legacy Dairy. After being turned down by three other banks, they turned to \$114 million-asset The Peoples Bank in Glasgow, Ky. “The other banks were really closed-minded and didn’t really want to hear what we had to say,” says Doug Jones.

The Peoples Bank, led by chairman, president and CEO Terry L. Bunnell, not only listened to the Joneses’ business plan; they asked for more information that gave them the confidence to approve the loan.

Legacy Dairy began selling its milk in March 2020. Today, the dairy is producing 100 gallons of milk per day and selling every drop with sales that are exceeding their original expectations by more than 25%. The Jones family is now looking at expansion options with different milk products, such as ice cream and agritourism. “We have many other things that we want to do,” says Jones.

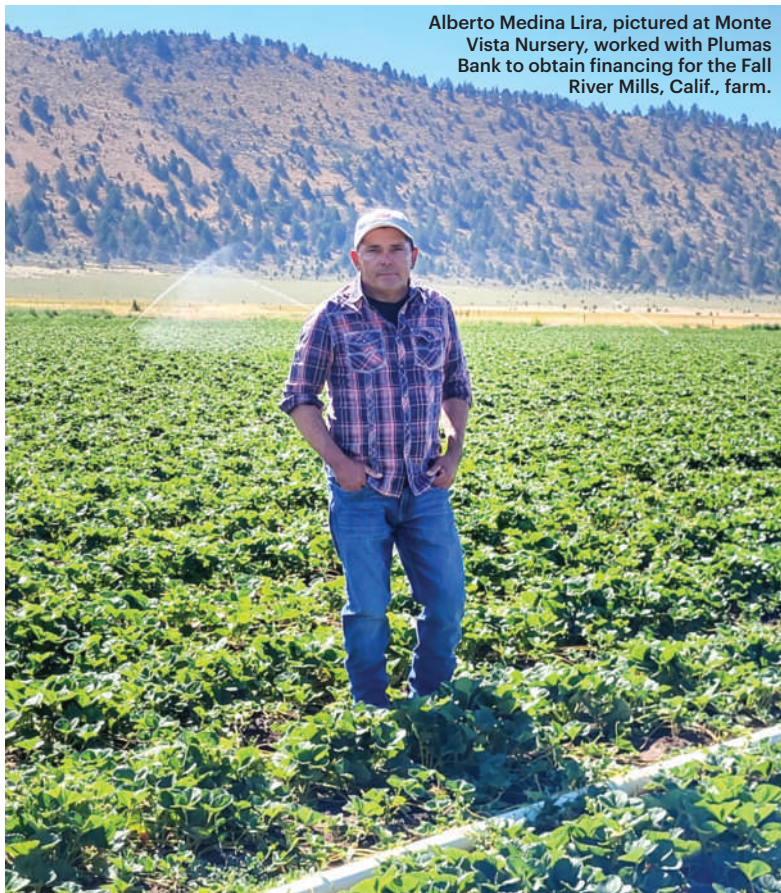
Customer story

MONTE VISTA NURSERY, LLC, FALL RIVER MILLS, CALIF.

Alberto Medina Lira exemplifies the American dream. Originally from Mexico, he moved up the ladder from farm worker at Albaugh Ranch to business partner of Monte Vista Nursery, LLC, which specializes in growing strawberry stock plants, and is now its sole owner.

Lira and his business partners had been customers at the Fall River Mills branch of Plumas Bank for more than a decade. However, in 2022, Lira bought out his partners and became sole proprietor of the business. For the first time, he was approaching the community bank as the sole applicant on a loan. Whereas other banks might have declined the application, Plumas Bank's ag lender, John Hays, took the time to dig deeper, explaining information that was missing on the loan app so it was detailed and better positioned for approval.

"John did more than look at the numbers," says Lira. The two talked in detail about the operation, as well as Lira's life and how he worked his way up to owning the business. Hays also visited the farm, looked at his equipment and walked the fields. "He cares for his job, and he cares for people," says Lira. "He really lined up all the information that he needed from me to do the best for me and for everybody."



Alberto Medina Lira, pictured at Monte Vista Nursery, worked with Plumas Bank to obtain financing for the Fall River Mills, Calif., farm.

president of the bank if they have a question or a problem, adds Mudd.

LEVELING THE PLAYING FIELD

One of the common frustrations for community bankers is that they're playing on an uneven field; banks carry a regulatory and compliance burden that FCS, credit unions and other nonbank lenders simply don't have. As a government-sponsored enterprise and cooperative, FCS also has other advantages, such as lower cost of funds and tax-free earnings. That gives it a huge pricing advantage on rural loans, making it difficult for banks to compete.

"That becomes a pretty big competitive advantage for them," notes Busta. "Their mission is to serve all the farm applicants out there, but they seem to try to get the strongest, most financially fit farmers that are in the area."

ICBA is advocating for a number of changes that could help level the playing field for community banks, benefiting rural America in turn. Passing the bipartisan Enhancing Credit Opportunities for Rural America Act (ECORA Act) would give community banks tax benefits like those the FCS and credit unions receive. ICBA also supports increases to farm, housing and rural development guaranteed loan programs, including increasing guaranteed farm operating and ownership programs to a threshold of at least \$2.5 million versus the current \$1.825 million limit. This would provide enough capital for family, young, beginning, small, minority and socially disadvantaged farmers to start or expand farming operations.

In addition, part of the solution for supporting rural America lies in removing the impediments for community banks, notably burdensome and costly regulation. "Increasing regulation is almost suffocating some community banks,"

says Mark Scanlan, ICBA's senior vice president of agriculture and rural policy. "It requires community banks to devote resources to complying with regulations and filling out forms that could otherwise be spent working with all types of customers."

Despite the challenges, community banks are exploring different strategies to maintain and grow their ag lending business.

Some banks are looking to grow through acquisitions. For example,

other customers in the area that have gone elsewhere for credit in the past," says Busta.

Others are leaning into relationships they have developed and are focused on helping their ag producer customers maintain and grow their businesses. Security Bank partners with other professionals in the area to help put sound plans together so family farms can pass successfully from one generation to the next.

"We think it is really important to have sustainable family farming operations in our area, and we can play a role as a facilitator where the banker, accountant, attorney and the farm family all get together to really tap into everyone's area of expertise to make sure that all perspectives are taken into consideration," says Baller.

Scanlan adds, "A lot of the opportunities for community banks are generated by the nature of their business, meaning they are very high touch and have a lot of personal interaction with their customers."

Oftentimes, he notes, bankers are not just extending credit or

providing a loan but are providing valuable information to help guide farmers to financially sound decisions. "Community banks are working to keep their communities viable, because that's where they live," says Scanlan. "They want their customers to succeed, and they are willing to go the extra mile to help them." ■

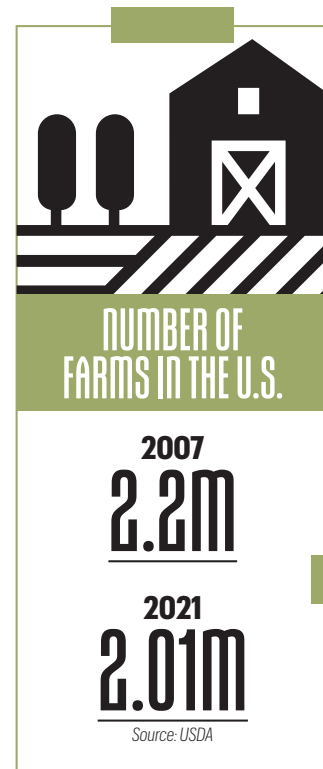
Beth Mattson-Teig is a writer in Minnesota.

"Our goal is to provide resources and tools to local ag producers ... and maybe take some of the emotions out of the big decisions they have to make."

Brandon Baller, Security Bank

MBT Bank closed on the acquisition of two Minnesota banks, Farmers & Merchants Bank in Blooming Prairie and Citizens Savings Bank of Hayfield, in September 2021, which added five new markets to the bank's footprint in southern Minnesota. All of those banks have ag lending services.

"Due to the size of those institutions, we can bring size and scale to some of the larger needs of the customers they serve, as well as





Angel Reyes, Centinel Bank's president and CEO, talks with longtime customer Moises Martinez, a Taos, N.M., businessman and real estate developer.



These community banks tailor their products and services not just to their neighborhood demographics but to everyone's needs, from bank accounts for gig economy workers to microloans for consumers. In short, they do what community banks do best.

Custom-made community banking

By Ed Avis • Photo by Amanda Powell

CENTINEL BANK OF TAOS, N.M.

The story of Centinel Bank's founding makes clear why the bank is committed to serving all residents of its diverse community. Eliu Romero, a military veteran, attorney and fourth-generation resident of Taos County, decided to open his own law practice in Taos. He asked the bank for a \$50 loan to buy furniture, but his application was rejected. He vowed to one day open a bank himself, and he eventually lived up to that promise when he launched Centinel Bank of Taos in 1969.

Today, the population of Taos County is about 56% Hispanic, according to the Census Bureau, and \$395 million-asset Centinel Bank serves that population with care.

"We remain a largely Hispanic population, and we have additional immigration of Hispanic [people], and we are evaluating different ways to serve them," says Angel Reyes, Centinel's president and CEO.

Reyes says the community bank's business is split about

evenly between consumer and business lending. On the business side, lending to sole proprietorships, partnerships and small family-owned businesses is the bank's core proficiency. Very few business clients have more than 20

"There are many stories where we've been able to do things differently and do things that are unique to our market that really have benefited the growth of the businesses."

**—Angel Reyes,
Centinel Bank of Taos**

employees. "In many cases, we were the initial loan for small [things] like a refrigerator or a desk ... to loans to develop their own storefront or to buy equipment to make their business more efficient," Reyes says. "There are many stories where we've been able to do things differently and do things that are unique to our market that really have benefited the growth of the businesses."

Real estate

lending comprises the largest portion of Centinel Bank's consumer lending. Reyes is chairman of the New Mexico Mortgage Finance Authority, which gives him a say in

making funding available for housing for those with low and moderate incomes.

In addition to current and former leaders playing important roles at the state and industry level, the bank also serves its community through volunteerism.

"We're active in supporting our nonprofits, often through direct involvement in that nonprofit, maybe serving as a board member or volunteering for particular events," Reyes says, adding that employees are encouraged and paid to volunteer during work hours. "We're part of the fabric of our community and we want to make sure that, as a community, we're progressing. As noted in our mission statement, we want to do our best to lead and make our community a better place to live and work."

PONCE BANK, NEW YORK CITY

Ponce Bank was born out of the ashes of civil unrest in the Bronx in the middle of the 20th century.

"Ponce Bank started 62 years ago in the South Bronx," says Carlos P. Naudon, the \$2.1 billion-asset bank's president and CEO. "When the South Bronx was burning and being deserted of businesses, including banks, a number of our local business leaders and Latino community advocates determined that they needed to have a source of funding. That's how they started the bank."

The focus on serving that community has not changed in the decades since. Four of Ponce Bank's 13 locations are in the Bronx, whose population is about 55% Hispanic, according to U.S. Census data.

Perhaps more indicative of Ponce Bank's character than the demographics of its community is the fact that the bank continues to serve businesses and residents who might not be well served by other financial institutions.

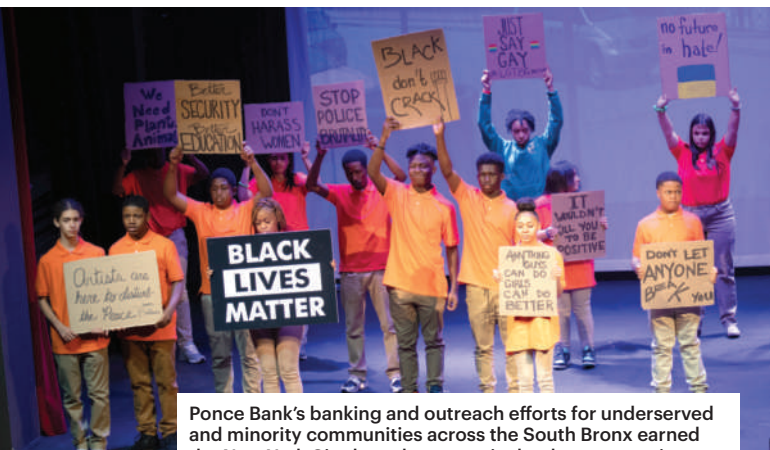
"For example, we do quite a bit of loans to taxi drivers and owners of vehicles who drive for Lyft and Uber," Naudon says. "Generally, they have difficulty [securing] bank accounts because of the nature of their business. We also do a lot of delis and mom-and-pop stores, and a lot of professionals. If you walk down the streets of the Bronx, you could see on the left and on the right side the kind of businesses we [bank]."

Ponce Bank judges the creditworthiness of these businesses based on their cash flow more so than on the credit score of the business owner, Naudon says. From Ponce Bank's perspective, for example, consistent credit card revenue is a good indicator of a business owner's ability to repay a loan.

Ponce Bank's ability to serve its community was given a lift in 2017 when



Centinel Bank of Taos specializes in consumer and business lending, with a focus on both real estate and small business loans. Pictured, center, is Angel Reyes, president and CEO, with staff and community members.



Ponce Bank's banking and outreach efforts for underserved and minority communities across the South Bronx earned the New York City-based community bank a community development financial institution (CDFI) designation five years ago. Below, at far right, president and CEO Carlos P. Naudon at a local community event.



the bank earned community development financial institution (CDFI) designation from the U.S. Department of the Treasury. CDFI designation means it is eligible to tap funds from government programs aimed at helping communities in need. The effort to get CDFI designation was led by Madeline V. Marquez, the bank's senior vice president and chief external affairs officer.

"When I joined the bank in 2015," says Naudon, "one of the things that we looked at was what governmental advocacy and support programs existed for banks that were like us. Madeline came in to help us go through the process. And essentially, we are an easy qualification,



The power of language

Being able to transact business in Spanish is a key customer service issue for many banks in areas with large Hispanic populations. Not only does it make it easier for customers who prefer that language, it also shows respect for that part of the community.

"We have Spanish speakers in the bank and we're evaluating what more we need to do, such as translating our website and other documents, so that we can continue to meet the needs of all who we serve, but with a particular emphasis on the Hispanic community and those who don't speak English," says Angel Reyes, president and CEO of Centinel Bank of Taos in Taos, N.M.

Likewise, Jose E. Cueto, president and CEO of International Finance Bank in Miami, notes the large number of his customers who prefer Spanish. "Most of our employees are bilingual, and I would say about 50% of face-to-face interactions are in Spanish," Cueto says.

Demographics are driving the need for banks to conduct business in Spanish. Nearly one in five people in the United States is Hispanic, according to U.S. Census data analyzed by Pew Research Center, and 70% of them speak Spanish at home. Nearly all immigrants from Mexico and other Latin American countries—94%—speak Spanish at home.

Those statistics mean banks located in areas with large Hispanic populations probably see many clients who are more comfortable speaking Spanish than English, and being able to converse with customers in their preferred language can only be good for business.

because all of our lending essentially meets the CDFI requirements.” He adds that today, about 86% of Ponce Bank’s lending is in low- and moderate-income communities.

In addition to its business lending, the community bank assists customers with several consumer lending products. For example, CDFIs can offer nonqualified mortgages, which serve some Ponce Bank customers who are self-employed and may not be able to demonstrate the ability to repay a loan in the conventional fashion.

The community bank also has an app that provides microloans to consumers. Launched in 2020, it has provided small loans to 60,000 individuals.

Because the app is not limited geographically, Ponce Bank created an advisory panel of 14 nonbank CDFIs across the country to act as a governance board that represents the target population of the app; the panel keeps

“We do quite a bit of loans to taxi drivers and owners of vehicles who drive for Lyft and Uber. ... We also do a lot of delis and mom-and-pop stores, and a lot of professionals. If you walk down the streets of the Bronx, you could see on the left and on the right side the kind of businesses we [bank].”

—Carlos P. Naudon, Ponce Bank

the bank in compliance with CDFI rules regarding the nature of the community being served.

The bank also serves its community through the Ponce de Leon Foundation, which it established in 2017 as part of its conversion from a mutual to a stock institution. The foundation owns some of the bank’s stock; so far, it has granted \$1.3 million to a variety of groups.

“It could be anything from a youth program that’s going to help a child do better in school, to a senior program that’s going to help them get acclimated to the new technology,” Marquez says.

Ponce Bank’s influence in its community is primed to grow. It received \$225 million from the Treasury Department’s Emergency Capital Investment Program in June, and that money, combined with funds raised by two rounds of IPO, has bumped up its capital from about \$80 million in 2016 to \$500 million today, Naudon says.

“The responsibility that we as the management team and the board of directors have is: How do you invest that capital and how do you deploy it to be impactful in the communities?” Naudon asks. “We think that it’s an obligation. We also have the fiduciary duty to ensure that we do so thoughtfully and with understanding that you still need a return to investors.”

INTERNATIONAL FINANCE BANK, MIAMI

The community that International Finance Bank serves stretches far beyond the borders of Miami, where it’s headquartered.

Let’s keep the money flowing

Some banks that serve minority and/or low-income communities can tap government sources of capital, ranging from the Bank Enterprise Fund to the Emergency Capital Investment Program (ECIP). The value of those funding sources has become especially clear over recently, notes Carlos P. Naudon, president and CEO of Ponce Bank in Bronx, N.Y.

“The value of minority banks and the value of CDFI entities was discovered as a result of the pandemic and some of the social injustices that were brought to light,” Naudon says. “[It would be a shame] if the funding that has been opened up because of this new discovery begins to dry up again, as the urgency of the pandemic and the urgency of the social injustice begins to wane.”

Madeline V. Marquez, Ponce Bank’s senior vice president and chief external affairs officer, explains that the mission-driven expertise of community banks has become essential to communities facing the challenges of the pandemic and its ramifications, such as workforce problems and inflation. Larger, better-capitalized banks do not always share the commitment to community, she notes.

“It’s a given fact that some of these community banks are really hands on, but they are the smaller of the industry,” Marquez says. “Therefore, funding sources and/or capital sources like the ECIP clearly need to be enhanced for another four or five years. Right now, we’re not in a normal pattern, and it’s going to take a lot more of these mission-driven banks to get our communities back on their feet. ECIP is a one-shot deal. We’re hoping that something else comes into play that allows us to take advantage of the opportunities that we can expand upon if additional funding were to come into play.”

60,000

**The number of microloans
Ponce Bank has
made since 2020**

56%

**The percentage of Hispanic
people in Taos County, N.M.,
which Centinel Bank serves**

50%

**of International Finance Bank's
face-to-face interactions
are bilingual**

The \$950 million-asset community bank, which is majority owned by a Spanish foreign national, serves clients in south and central Florida, New York City and throughout Latin America and Europe who desire a bank based in the United States for certain transactions.

“We have sister banks in Guatemala, Peru, Ecuador and other countries in Latin America, and there are always referrals from them and opportunities to work together,” says Jose E. Cueto, the bank’s president and CEO.

A large percentage of the domestic clients of International Finance Bank are also Hispanic. But that’s due more to the demographics of Miami—which is about 72% Hispanic, according to the United States Census Bureau—than to the fact that the bank is a minority depository institution (MDI), Cueto says.

“The Hispanic community is huge here, especially the Cuban community,” he says. “By default, if you’re in Miami, you’re going to have Hispanic clients.”

Over the past three years, the community bank has launched a wealth management division and an insurance subsidiary. These new products help keep more of their clients’ business in house and generate “sticky” income that’s not interest driven, Cueto notes.

But helping clients manage wealth is not the only way International Finance Bank serves its community, financially supporting Habitat for Humanity, Big Brothers Big Sisters of America and dozens of other community organizations.

“As a community bank, it’s in our roots to give back,” says Cueto, who is a Miami native of Cuban descent. “We’re out there all the time. Giving back is on top of our priority list.” ■

Ed Avis is a writer in Illinois.



Miami-based International Finance Bank is a minority depository institution (MDI), serving customers across south and central Florida as well as in New York City, Latin America and Europe. Above, staff members at a Habitat for Humanity build sponsored by the community bank.





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Ellen Winterod
Director of Commercial Payments

and compliance weigh heavy, and the customer experience often feels the greatest impact.

Today's community banks are challenged with a disproportionate regulatory compliance, recordkeeping and reporting burdens. Keeping up with multiple levels of compliance—like federal regulations, state audits, PCI compliance, network compliance and more—challenges their ability to serve their communities. Failure to maintain compliance can also lead to excessive man-hours and huge fines that can tarnish a bank's reputation.

According to an Independent Banker's Community Bank CEO outlook survey, nearly two-thirds of community bank executives plan to maintain their compliance budgets this year. Another 31.4% say their compliance budgets will go up 5% or more.

On top of that, community banks are trying to keep up with financial institutions in their ability to offer more sophisticated banking services. We've seen massive adoption of the digital cardholder journey in the past few

What sets community banks apart from larger banking institutions is their ability to build relationships, empower local businesses and directly serve their community. When customers walk into your community bank or open your banking app, they want a customer-first experience. Yet, in the background, regulatory burdens

years. Customers want to pay with virtual cards and take advantage of the convenience of electronic banking. But community banks must ensure they have the security features—and meet the compliance requirements—to deliver on all of their customers' needs for today and tomorrow.

A major obstacle community banks face is that many are plagued by poor data quality, which could otherwise be a competitive advantage for mitigating fraud and compliance fines. Payments One from FIS uses analytics as the foundation for a consolidated data experience to remove the complexities of aggregation, normalization, governance, privacy and compliance.

Payments One is a connected ecosystem that houses robust protection solutions to help community banks manage fraud, compliance and disputes without the risk. FIS reduces risk by a quarterly gross fraud average of nearly 20% with industry-leading fraud, risk and compliance strategies that maximize business performance. The result is the ability to improve operations, reduce costs and deliver a personalized and differentiated customer experience.

As compliance regulations and requirements continue to change, community banks must stay proactive. Compliance hurdles will always be a factor but partnering with innovative technology that prioritizes compliance and removes complexities can allow community banks to focus on their top priority – serving their community.



Ellen Winterod

ellen.winterod@fisglobal.com / 877-776-3706
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CONNECTIONS

A meeting place for community bankers



Ledyard National Bank team members volunteer for food rescue nonprofit Willing Hands at a local apple orchard.



“The basis of [our founders’] vision was that we would be committed to the community and continually ... give back to the community as in many ways as we could.”

—KATHY UNDERWOOD, LEDYARD NATIONAL BANK

The bank’s recent outreach campaign bolstered 10 local community nonprofits. See page 70 for more [▶](#)



A bridge to affordable housing

When two executives at Woodforest National Bank noticed a dearth of affordable housing options in southeast Texas, they decided to do something about it, partnering with several housing and community groups to launch an innovative mortgage lending product aimed at underserved clients. By Aileen McDonough

Although Woodforest National Bank is not a mortgage lender, it's making an impact on affordable housing with award-winning, innovative programs that keep community needs front and center.

In February 2022, the \$9 billion-asset community bank in The Woodlands, Texas, established a collaboration with Housing Partnership Fund (HPF), a community development financial institution (CDFI) and the financing arm of the Housing Partnership Network (HPN) to combat the affordable housing crisis through a new loan program, HPF FlexCap.

This groundbreaking program accomplishes three objectives: it enhances borrower credit; enables HPF to provide high-leveraged bridge loans so members can access naturally occurring affordable housing (NOAH) properties; and buys time for project sponsors to establish these properties as sustainable, affordable housing, now and into the future.



The 183-unit Melrose Trail in Austin, Texas, is one of the properties backed by Woodforest National Bank.

A generational wealth builder

Fast urban growth often leads to neighborhood gentrification, often pricing out longtime residents and lower-income families. In these communities, affordable housing is therefore necessary to preserve the diversity and inclusivity of communities, while enabling families to build long-term economic stability.

"Generational wealth typically starts with home ownership," says Doug Schaeffer, Woodforest National Bank's executive vice president and executive director, CRA. "The largest purchase families make is typically their home."

Daniel Galindo, senior vice president and director for community development and strategy, adds, "The home becomes the asset that gets people to the next level in life, whether

it be education or funding a business. It supports many life endeavors."

Combating the affordable housing crisis has been a critical goal for Woodforest since 2015. "We worked with the Texas Department of Housing and Community Affairs to jumpstart its down payment assistance program," recalls Schaeffer. "We were able to keep them from having to raise higher cost debt through the bond markets, and they went from last in mortgage origination to first. Our first program generated 160 first-time homeowners, all in low- and moderate-income areas. When we saw banks joining us, we realized there are a lot of ways to solve this problem."

According to Galindo, the key was removing barriers to homeownership.

Name:
Woodforest National Bank

Assets:
\$9 billion

Location:
The Woodlands, Texas



“Generational wealth typically starts with home ownership. The largest purchase families make is typically their home.”

DOUG SCHAEFFER, WOODFOREST NATIONAL BANK

“We look at all the tools we have, and we approach this so we can get the tough things done to make a direct impact and a difference,” he says. “We work to identify what’s keeping people from becoming a homeowner, so they can start building some equity, especially with prices skyrocketing as we’ve seen in the past two to five years.”

Maximizing NOAH

This initiative is only one of the programs that reflect Woodforest’s ongoing commitment to affordable, inclusive housing. Earlier this year, the community bank was an anchor investor of patient capital in community housing access through the Austin Housing Conservancy Fund (AHC), a private equity fund owned and managed by the nonprofit Affordable Central Texas. The mission of AHC is to retain naturally occurring affordable housing (NOAH) for essential workers in Austin, Texas, an area that was recognized in May 2021 as the fastest-growing metropolitan area in the United States.

AHC ensures the availability of affordable housing, revitalizing properties for first responders, nurses, teachers and other middle-income workers who make up a crucial part of

the greater Austin community.

“Woodforest Bank was a catalytic investor in the Austin Housing Conservancy Fund that helped to bring the fund out of the pandemic and lead other banks to invest with us,” says David Steinwedell, CEO and founder of Affordable Central Texas. “The bank recognized the dramatically growing need for affordable housing in greater Austin and through its leadership, has helped the fund to more than double in size in six months.”

Affordable housing shouldn’t be siloed out. That’s why HPF FlexCap also supports another innovative solution: additional affordable housing and workforce housing stock by mission-based developers, which creates an opportunity not only for economically sustainable housing development but for true community building.

“We’re really proud of that program, because we can scale, and it acts as equity mezzanine debt,” Galindo says. “And we don’t know of any other bank that is currently doing it yet, but I think they will in the future, because there’s a huge opportunity there, not just from an economics perspective, but from an impact perspective.”

“We can’t stay separate,” he adds. “That’s not the intent. Mixed-income development creates a lot of power for homebuyers of every socioeconomic status, if you will, to blend into one community. It’s about bringing people from all walks of life together to coexist and thrive together.”

Affordable housing: Just the beginning

By looking at the needs of each community and seeing the patterns and trends, Woodforest National Bank is looking to solve the affordable housing crisis holistically. Its award-winning program, the Woodforest Foundry, connects entrepreneurs with mentors and resources to empower local businesses to actively participate in community revitalization.

“We’re looking at all the tools in our toolkit, from opportunity zones to job creation,” says Schaeffer. “We’ve got so many initiatives, but it is all community-centric, all local. It’s being responsive to the needs and taking the tools we built—and those we’ll continue to build—to help underinvested communities lift up.” ■

Aileen McDonough is a writer in Connecticut.

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Members of Ledyard National Bank lend a hand to Willing Hands, a nonprofit dedicated to feeding those in need.

Raising up nonprofits

For its 30th anniversary, Ledyard National Bank decided to ask 10 local nonprofits to enter a video about their work into a contest for the opportunity to win \$10,000 and expand their visibility. By Tiffany Lukk

When Ledyard National Bank in Hanover, N.H., was founded 31 years ago, it was during a time where many community banks were being purchased by larger banks. Decisions were being made by out-of-state folks, leaving the local community without support for or focus on lending, jobs and more. In response to that, a group of people came together to found Ledyard National Bank.

“The basis of their vision was that we would be committed to the

community and continually—as long as we were around—give back to the community as in many ways as we could,” says Kathy Underwood, CEO of the \$750 million-asset community bank. “It was the vision of our founders, and it remains a core of our values and our culture today.”

Over the past three decades, Ledyard has given back in many ways, including contests, giving employees paid time off to volunteer and donating to numerous local charities.

In honor of the community bank’s 30th anniversary last year, it created a contest for 10 local nonprofits. The participating organizations each made a short video based on the prompt, ‘What does community mean to you?’ Shared on Ledyard’s Facebook page, the videos served to highlight the work the nonprofits do and their significance to the community.

Community members could vote for their favorite video by reacting to it from Oct. 1–22.



“[Ledyard just loves] the community, and they want to support nonprofits however they can and that feeling really comes through. We love to work with them.”

DAVE CELONE, WEST CENTRAL BEHAVIORAL HEALTH

“It gave them the opportunity to ... use our power and our social media to get their message out there and let them tell their story of what they were doing in the community and why they were important,” Underwood says.

To further boost the nonprofits’ visibility, Ledyard National Bank promoted the videos in its branches, put ads in local newspapers and paid for spots for representatives of those organizations to be interviewed on the radio.

By the end of the contest, more than 2,300 votes were cast and the bank had awarded \$30,000 across the 10 nonprofits, with \$10,000 going to the first-place winner.

According to Underwood, people who saw the videos showed their support in more ways than just voting. She says, “[The nonprofits] were surprised at how many people in the community responded with not just voting but writing a check.”

A history of support

This wasn’t the first video contest that Ledyard National Bank has hosted. In the past, it’s used this tactic to support nonprofits that cater to low- and mid-income segments, for example.

And while deciding which nonprofits to invite to participate in this video contest, bank leaders assessed which sectors would benefit most.

“The thing about the 10 organizations is that each one of them is dedicated to supporting the low- to mid-income segments of our population,” says Jeff Marks, Ledyard’s senior vice president and chief marketing officer. “For this particular contest, we really wanted to focus on those organizations that were supporting people in the community who needed it the most from an economic standpoint.”

Participants included Dismas of Vermont, an organization dedicated to integrating formerly incarcerated people into society; Upper Valley Haven, which provides temporary shelter and educational programming to homeless families; and West Central Behavioral Health, which offers advanced counseling and treatment to the community.

The money will be spent at each of the organizations’ discretion. West Central Behavioral Health, for example, provides many of its services for free. Every year, it provides about \$600,000 worth of charitable care

that cannot be reimbursed.

“We offer mental health and substance use and crisis support services to people regardless of what they’re able to pay,” says Dave Celone, West Central’s director of development and community relations. “The monies that we receive from Ledyard ... will go to help people who can’t otherwise pay for mental health or substance use or crisis support services.”

Looking to the next anniversary

Celone says the contest reflects the bank’s commitment to service within the community. “They just love the community, and they want to support nonprofits however they can and that feeling really comes through,” he says. “We love to work with them.”

“I would suspect that for our 35th anniversary,” says Marks, “we’re going to have a lot of excellent conversations, and we could do something very similar, or we might do something entirely new. We know that we are committed to doing these types of things for the community.” ■

Tiffany Lukk is associate editor of *Independent Banker*.

Tighten up your community bank's security

ICBA's Bank Security Institute offers critical incident response strategies to keep your physical branch location safe.



The pandemic forced industries to accelerate their adoption of digital applications, and community banking was no exception. And as banking processes increasingly moved online, community bankers needed to fortify their online defenses against fraud and cybercrime. However, it's important not to let your community bank's physical security protocols lapse.

In August, ICBA hosted the

Bank Security Institute. Held in Bloomington, Minn., the three-day institute detailed everything community bankers need to know about keeping their banks safe and secure, from perceiving those around you and reading body language to conducting an investigation and talking to members of the media after an incident.

The first day of the institute covered the regulations community banks

are responsible for, observational skills, handling verbal and physical confrontations, social engineering, internal fraud, questioning documents, and media relations skills.

On day two, community bankers dove deeper into crime prevention and reaction by learning about critical incident response to events like robbery and kidnapping, how to prevent crime through environmental design, and what to do after a crime occurs.

Day three wrapped up with instructions on board reporting, important information about active shooters and how to work with cash-intensive businesses, like casinos or marijuana-related businesses.

At the end of the institute, attendees learned a multitude of ways to handle bank security including how to detect and react to incidents around you, how to prepare your bank in case of crime, and what steps need to be taken after a crime occurs.

Look out for the next Bank Security Institute, coming soon. ■

—Tiffany Lukk

Build your knowledge at CBU

Keep your eye on ICBA's Community Banker University for news of forthcoming Bank Security Institutes and other events. CBU also provides access to individual and bundled courses and webinars, including HAS/IRA basics, workplace compliance, the fintech landscape and more, many for CPE credits.

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Phil Suckow



Brian Otteman

The in-branch experience made virtual

During a digital reinvention, technology, customer experiences, employee expertise and business strategy all come into play. But a winning plan is within reach for community banks looking to embrace digital, according to two innovation-focused community bankers.

By Colleen Morrison

A digital transformation is no easy task, but the process is essential to keep pace in today's modern banking environment.

"The financial industry is under a lot of disruption, and there's a need for people to pay attention to the space," says Brian Otteman, chief experience officer at \$350 million-asset High Plains Bank in Longmont, Colo. "You've got to have a plan for how you're going to survive and get the right talent and leadership to propel you forward."

Phil Suckow, director of digital and innovation at \$1.7 billion-asset IncredibleBank in Wausau, Wis., concurs. "Transformation is about looking at the total experience. We try not only to explore how we can modernize the

customer side, but also the employee side. Because knowledgeable, helpful employees who have access to more are able to deliver an incredible customer experience."

While making that leap over the digital divide may seem daunting, Otteman and Suckow suggest viewing it from the vantage point of a core community bank strength: connection to customers.

Digital transformation is all about modernizing the customer relationship.

Phil Suckow: When you undertake digital transformation, you're fundamentally changing how you operate and deliver value to the customer. This includes examining how you've always done something and then re-engineering how it could be done with a more modern process or technology to meet new and future customer needs.

Brian Otteman: I totally agree. The one thing I would add is that there's also an opportunity to change the way you interact with the customer because of the advantage that you create. Customers have to figure out how to use this technology, and you have to teach them how to use it. As we become more proficient with these digital transformation tools, it allows community bankers to deepen our relationships with our customers. Now we're not focusing on the small transactions; we're focusing on the bigger rocks, the bigger issues that customers have, and we can spend more time on them.

Suckow: And it also allows you to upskill your employees into building deeper relationships with customers rather than processing basic tasks.

This evolution requires a big-picture approach to banking.

Ottoman: Just this past year, we introduced online account opening. That's a pretty big jump for community banks like ours, because we're rooted in risk management.

We had to do a lot of thinking about strategy, what it was we were trying to accomplish, and what it meant to be relevant as a financial institution today in order to make that jump.

Suckow: Then, once you know and understand your strategic vision, you have to have some hard conversations with vendors and partners. You really have to ensure that your strategic vision—how you want to deliver customer service, what you want to integrate and how open your providers are—is at the forefront of your journey, because that's going to drive how you're going to be innovative. You can have the

best ideas, but if you don't have the primary partner that's going to help you do it, it's just an idea that you're not able to bring to market.

Digital transformation demands enhanced communication and new skill sets.

Ottoman: As an industry, we were focusing a lot of energy on how to handle basic banking tasks, giving customers the ability to solve these problems on their own. When COVID hit, communication became much harder; less people came to the branches, and we needed to answer a greater volume of calls and secure online text conversations. Using technology to enhance communications was one of the biggest challenges of the past couple of years. I think there will be a lot of

innovation over the next few years as we discover how to enrich these communication channels in unique and interesting ways.

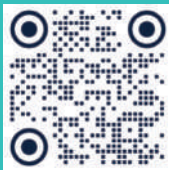
Suckow: Before, transformation was embedded into business lines, but now the industry has started to realize that there's a skill set for transformation and innovation that can help business lines accelerate and think outside of day-to-day operations. I think we'll see more people come into the field who are disruptors on the institutional level. This is a call to community banks to just get started. You might not be able to hire an innovation lead just yet, but don't keep waiting; begin the process of thinking differently. ■

Colleen Morrison is a writer in Maryland.



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Shon Myers: Surf's up

The president and CEO of \$265 million-asset Farmers & Merchants Bank in Miamisburg, Ohio, learned how to wake surf after years of lake activities like boating and wakeboarding. He's gone on to teach most of his family how to surf, as well as kids at summer camps.

I've taught most of my family how to wake surf. Most of them have wakeboarded or done some other water sport before ... It's just a huge smile the moment they figured out how to stay in that pocket and get rid of the rope. I mean, it's just so freeing. Once you're riding behind a boat with no rope, nothing attached to you and you're just staying up on that wave ... it's just kind of like a giant, 'Yes, I got it, finally!'

[My family and I] try to do a big lake trip down to Tennessee every year and get my family with my brother and sister and all their kids and get everybody together. You know, it just gets harder and harder to get people together anymore. That's just fun to be able to do it and share forever memories.



We've taken the boat down to summer camp, too. We had 30 kids this year and spent four days teaching them all to surf. We have five different boats, and one teaches them the kneeboard, one teaches wakeboarding. We actually had a boat to help teach barefoot skiing if they want to try that. And then I was the surfer who taught them how to surf.

The minute they finally get it, that light bulb goes off and the smile is just so huge. It's made it all worthwhile. We have to watch to see where the mistakes are so we can teach them proper coaching and help them reach their goal. The life lesson is to not give up and you can reach your goals.

—Tiffany Lukk

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