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CBAI'S 47TH ANNUAL CONVENTION & EXPO

"We're Putting the Band Back Together!"

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LEGISLATIVE CONSULTANT

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901 Community Drive, Springfield, IL 62703-5184
Ph: 217/529-2265 • TF: 800/736-2224
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EDITOR
Valerie Johnston

MANAGERS
Caleb Tindal
Kayla Grams

LAYOUT & DESIGN
Haley Paulson

COPY EDITORS
Jessica Parrack

To submit editorial or request information — email cbaicom@cbai.com p. 217/529-2265

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How Can Community Banks Compete with Payment Apps?

Community banks are taking their customers and members back from new players in the payment app space with better payment solutions that keep users in their app.

Venmo's rise to power captured a significant share of millennials and Gen Z users, combining easy payments with social networking. However, fintechs caught on and offered safer and more secure payments, along with the integration of direct payments within an institution's app. Community banks have been bringing users back into their institution's digital platform. Fintech providers have many options for person-to-person payments, including in-house systems, partnered solutions like Zelle, and core-provided services. These options have enabled institutions to keep these payments where they belong, within your institution. Users appreciate having a one-stop shop for all things financial, but they need ease-of-use and speed, in addition to security. As community institutions spend more of their valuable time and resources making life easier for their users, they are seeing an uptick in loyalty and adoption of their digital platforms.

So how can a community financial institution get started with a better person-to-person payment solution? **We've identified three key initiatives that lead institutions to successful implementation and user and payments growth:**

1) Partner with Strategic Vendors

2) Prioritize Personalized Experiences

3) Strengthen Faster & Real-Time Payment Offerings

1) Partner with Strategic Vendors

So many digital adopters look for speed and security. Users trust whatever their friends and family use, and if their payments service doesn't keep up, they won't have a second thought about deleting it and starting with something else. However, if a community bank solves their problem with a service offered right on the app before they even leave, there is no additional need for searching. **Community financial institutions have found success in implementing technology that increases efficiency and reduces organizational challenges related to payments.** Payment companies, such as Zelle, exist to alleviate the strain on an institution, but still provide a best-in-class payment infrastructure that keeps users happy. A key benefit of partnering with a top vendor is the implementation of expert technology. Payment vendors focus exclusively on solving problems for payments, so your institution can stay focused on your community — not troubleshooting the payments technology.

77% **of users will abandon an app in the first two weeks if marketers fail to identify and proactively engage users.**

2) Prioritize Personalized Experiences

Financial institutions should ensure that their vendors and banking experience allow for individualization and that personalization is relevant to the user and the service. CleverTap's research on Mobile Payment Benchmarks found that 77% of users will abandon an app in the first two weeks if marketers fail to identify and proactively engage users. If an app isn't personalized for each user, it leads to a generic approach and feel that doesn't integrate with the user on their journey, and they are likely to abandon for another, easier service.

Paying close attention to User Experience (UX) and User Interface (UI) can reduce attrition rates and support further growth of payments technology. Payment services should be steps ahead of the user at every touchpoint. Welcoming the user with personally tailored messaging is only the beginning. Data capabilities can personalize the experience down to the location and spending trends. Simple personalization like remembering payees and frequent payments can expedite the payment process and make the institution a partner with the user journey, rather than a painful process.

3) Strengthen Faster & Real-Time Payment Offerings

Users believe their banks should move as fast as the rest of their transactional processes. New, real-time payment solutions enhance current digital banking services. Banks can strategically position themselves to support faster and real-time payments initiatives as they become available, aligning with what businesses need and what consumers expect. The Financial Brand reports that there are 40 real-time payment schemes in production, with more on the way. These schemes capitalize on the users who expect near-instant payment to anyone, at any time, using their smartphone. Institutions that stay ahead of the real-time payments trend will only serve to maintain their communities and generate growth of new customers and members. The real-time payments trend will not be going away, only becoming more popular with the rise of contactless payments and digital wallets.

Community financial institutions have long held the loyalty of their customers and members. While there are many more options for banking in the market today, community banks have the opportunity to provide new services, combined with the expertise they have across decades. Your financial institution can keep up with the new players, especially when it comes to payments technology. Invest in a smart solution and grow your community in loyalty and adoption. ■

Apiture is a CBSC Preferred Provider with a vision to create a better digital experience solution for financial institutions of all sizes. They currently serve hundreds of banks and credit unions across the US. Contact Alexis Marano at alexis.marano@apiture.com with questions.

"As community institutions spend more of their valuable time and resources making life easier for their users, they are seeing an uptick in loyalty and adoption of their digital platforms."

PROTECTING MONEY MACHINES *from Grab-N-Go*

Patti Tobin, Producer, Financial Practices Division
Community BancInsurance Services, A Gallagher Company
Springfield, IL

ATMs have become the latest HOT target for criminals during the pandemic. Travelers, a CBAI associate member and one of our endorsed insurer partners, has noted that attempts to break into ATMs have more than doubled in 2020 — a 220% increase in ATM "smash and grab" claims between 2019 and 2020.

In keeping with CDC guidelines, community banks continued operations during COVID-19 peaks via a remote workforce, appointments, and extended drive-thru hours. Bank customers were encouraged to use ATMs, which meant community banks were holding more cash exposure in each machine at any given time.

History has shown us similar peaks when unemployment has been high. During the 2009 recession, an increase in bank robberies was reported. Now, with limited access to the bank premises, the target has changed from the teller window to the ATM.

DID YOU KNOW?
There were 240 attempts to breach ATMs in 17 cities between late May and the end of June, about half of them in Chicago and Philadelphia.[1]

So, how can community banks protect themselves against this rising threat? Many have installed barriers or other means to make it difficult for thieves to access an ATM with construction equipment, heavy-duty trucks, etc. Anything making it difficult to get close enough to haul away the ATM reduces the risk. Making sure these barriers are in a well-lit area and include the installation of high-resolution security cameras also add to the deterrents for thieves.

Even old-fashioned dye packs designed to explode onto the cash are an effective internal control measure. Some can be made sensitive enough to activate from a violent jostling of the machine. A GPS device inside the ATM could also track its location in the event it is stolen. Several loss incidents have included damage not only to the machine itself, but also to the premises, so it's important to understand that the actual cash exposure may not be your only incident of the claim.

As we know, all federally insured community banks are required to have a Financial Institution Bond in effect for dishonesty, crime and fraud-related exposures. However, community banks are not REQUIRED to buy the ATM cash coverage! And, of course, remember those off-premises ATMs for which you may own and need to specifically insure.

ANY business that doesn't secure ATM coverage for their cash-dispensing devices will not be protected for money inside the machine, if it is stolen.

Cash is still king with crooks, as it's totally untraceable or erasable. Scammers tell targets to send hard currency wrapped in newspaper or tin foil to make it harder to spot via an overnight shipment. There's a clear hierarchy in how scammers want the public to pay them. Knowing their preferences should help make it easier to spot their schemes.

Wire transfers remain convenient to send funds to loved ones, business associates, etc. But criminals love them, too, and for good reason. There can be limited protections. Community bank customers need to be guided to never use these to pay a stranger. Rather, credit and debit cards, as well as checks, should remain a payment of choice for many community bank customers since these transactions are all tracked, monitored and recorded throughout the financial institution processes. Of course, the criminal element also wants to avoid having the national card companies coming after them.

In contrast, retailer gift cards are among the most preferred payment forms for scammers, as the gift card can be quickly redeemed to buy other gift cards. Once that's done, the money becomes untraceable. Scammers often sell the cards online at a discount to convert into cash.

If only this high level of intelligence were used for good, but I digress. ■

Patti Tobin, CIC, Insurance Advisor, Area Financial Institutions Director, Community BancInsurance Services, A Gallagher Company, the exclusively-endorsed insurance representative of CBAI/CBSC. 217/414-4485 or patti_tobin@ajg.com.

This article is provided for informational purposes only and is not necessarily the views of Arthur J. Gallagher & Co.

[1] Source: www.wsj.com/articles/thieves-target-atms-flush-with-cash-during-covid-19-11611838800

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Who Should Attend

Financial institutions' CEOs, CFOs, investment officers, board members, and those who are directly or indirectly responsible for financial management functions will benefit from this seminar. ***There is no cost for this seminar.***

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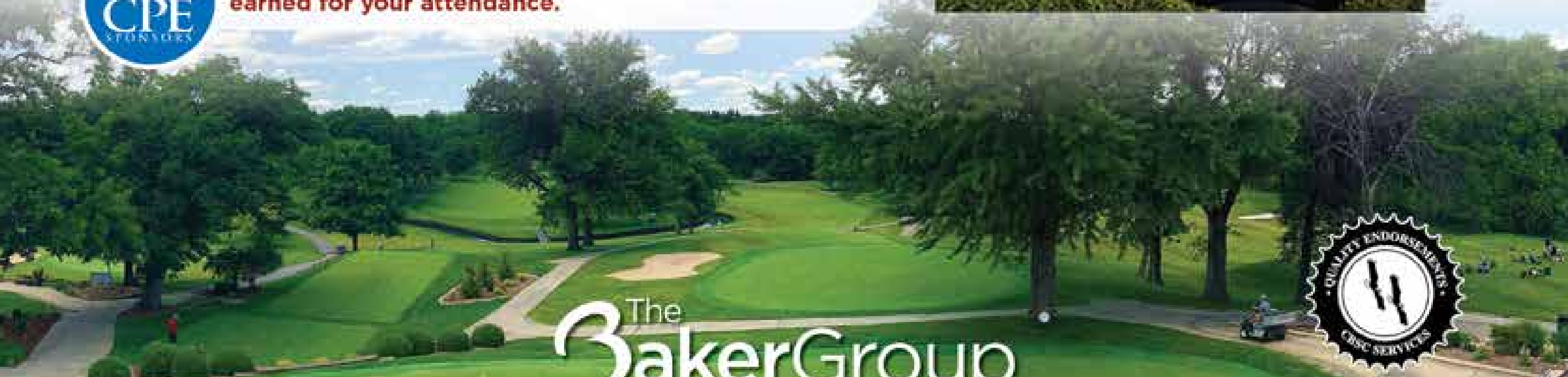
3 hours of Economics and Finance CPE credits will be earned for your attendance.

Agenda

Sunday, Aug. 1, 2021		Monday, Aug. 2, 2021	
Saputo's		Breakfast	7:30 am
Cocktails	6:00 pm	Seminar	8:30 am
Dinner	7:00 pm	Lunch	11:30 am
		Golf	12:30 pm

(Enjoy a round of golf on us)



Tips for Preparing for CECL

Katie Spain, Senior Vice President, Stratman Solutions
Brian Powers, CPA, Quality Control Partner, Honkamp, Krueger & Co, P.C.

Start now. CECL will go into effect in fiscal years beginning after December 15, 2022. Community banks should be in the middle of their implementation process — meaning they already should have somebody within the institution considering the relevant data necessary for the selected methodology. If institutions haven't started accumulating the necessary data, day one may be too late to ensure the relevant information is available.

Consider data integrity. Historically, the majority of financial institutions performed their calculations of allowance for loan loss in Excel. It can be prone to calculation error because of a mistyped formula resulting in an unintended result. If institutions plan to use Excel to support management's assertion that the allowance for loan loss is correct, every formula should be reviewed each time it is produced. This can be labor-intensive, especially when adopting a new CECL methodology.

Garbage in equals garbage out. The importance of data inputs is key. An integrated solution that allows for automatic uploads of information into the calculation can help facilitate and remove some of the risks associated with the inputs. With a click of a button, a solution like Asset Quality Manager (AQM) from Stratman Solutions allows the loan portfolio to be updated and analyzed based on key factors. An integrated solution allows management to quickly understand what impacts the current estimate for the allowance for loan losses while saving input and calculation integrity time. While time savings are always welcome, institutions can use it where it counts, focusing on the accuracy of qualitative and other judgmental factors. The qualitative factors are a key element to bridging the gap between historical results and predicting the future.

Be strategic. At a high level, the accounting standards do not require or prescribe a specific methodology for calculating the allowance for loan losses. There are high-level definitions that will guide an institution through the estimation process but having different models is imperative for bank managers to decide which model is right for them. It's strategic.

Fit the model to your portfolio. At the end of the day, the management of a financial institution knows its portfolio the best. A great benefit of an integrated solution, like AQM, is the ability to run multiple models simultaneously to provide insight to management on whether each model is properly estimating based on the perceived risks within each portfolio pool. For example, AQM's four models are:

- **Vintage Model** creates comparable loss curves based on the time passed since the year of origination to identify the remaining expected losses in a current portfolio.
- **Snapshot Model** looks at the loans advanced at a particular point in time and follows the total charge off history of those loans over the total life of the pool. The loss rate is then applied to the current portfolio to forecast future losses.
- **Weighted Average Remaining Maturity (Warm+) Model** allows for an enhanced — but still simplistic — analysis of expected losses by projecting loss over the remaining life of your existing portfolios.
- **Loss Rate Model** uses historical loss experience by vintage and each vintage's originated balances to create loss rates. Then, it applies this loss rate against the current portfolio's originated balances to forecast expected future losses.

Management should select a model that is reflective of the risk associated with the pool being calculated. Community banks may default to selecting one model across the board; however, they should figure out which one is right for their loan product and inputs available. The chosen model(s) will likely be reviewed by regulators and/or external auditors. Financial institutions should be confident in their solution knowing it is calculating correctly and properly reflecting management's estimate. ■

If you want to talk through CECL preparation, reach out to Katie Spain (kspain@stratmansolutions.com) at Stratman Solutions to assist you with your responsibility for evaluating, selecting and retaining an integrated solution that is right for you. For a free checklist of steps to help you better prepare for CECL, visit www.stratmansolutions.com/CECLPreparation.

+ FACTS

Microsoft considered many other names before finally landing on Excel. Other serious considerations were "Mr. Spreadsheet" and "Master Plan", but the ultimately decided to name the program Microsoft Excel to hint to the many cells that make up the spreadsheets while declaring excellence in the program.

The Cost of Compliance in 2021

Michael Berman, Founder & CEO, Ncontracts

Compliance isn't cheap, but how much is it really costing the financial services industry and financial institutions like yours?

Nearly one-third (31.4 percent) of community banks expect to spend at least five percent more on compliance than they did in 2020, according to the 2021 Community Bank CEO Outlook survey. The other two-thirds expect to spend roughly the same in 2021 as they did in 2020. Just 1.8 percent expect compliance spending to decline at least five percent.

Another 15.9 percent said complying with regulations is one of their bank's greatest business challenges in 2021.

About a third (34 percent) of financial institutions used a portion of their budget to outsource compliance functionalities in 2020, up from 28 percent in 2019, according to the Thompson Reuters Cost of Compliance Report 2020. Reasons for outsourcing include the need for additional assurance on compliance processes (54 percent), cost (43 percent), and lack of in-house compliance skills (34 percent).

Breaking down the compliance budget

How much budget is allocated to compliance?

Compliance takes up a significant chunk (10.3 percent) of a financial institution's personnel expenses, including salary and benefits, according to Community Banking in the 21st Century 2020, sponsored by the Federal Reserve, Conference of State Bank Supervisors, and the Federal Deposit Insurance Corporation (FDIC).

It's also responsible for 42.3 percent of accounting and auditing spending, 38.2 percent consulting and advisory spending, 22.7 percent of legal spending, and 17.1 percent of data processing spending.

While these figures have held steady over the past few years, they are a substantial increase over pre-Dodd-Frank compliance spending. A recent analysis found an annual $64.5 billion increase in total non-interest expenses after 2010. Large banks spent an additional $12.4 billion per year on legal fees and $7 billion on data processing.

Source: Community Banking in the 21st Century 2020

Small banks spent almost $1 billion more per year on legal fees, $310 million on data processing, $70 million on auditing, and $110 million on consulting, according to Rice University's Baker Institute for Public Policy.

An S&P Global Market Intelligence survey of banks and credit unions found that 49 percent report compliance costs have risen 20 percent or more over the last 10 years.

Compliance and Mergers

It's no secret that many financial institutions are looking to acquire or be acquired. The cost of complying with regulations is a significant factor in these decisions (62.1 percent), according to the Community Banking in the 21st Century survey.

When deciding whether to seriously consider an acquisition offer, 38.9 percent of banks said the cost of regulatory compliance was "important" and another 22.2 percent said it was "very important".

The Cost of Non-Compliance

Does the cost of compliance seem high? It's a relative bargain compared to the cost of non-compliance.

Failing to comply with federal and state regulations is an expensive mistake that can lead to enforcement actions, civil money penalties, lawsuits, and consumer restitution. That's not even counting the cost of outside counsel to wage a defense and manage the reputational fallout.

From tens of thousands to millions of dollars, the cost of non-compliance can be painfully high. Below I've outlined just a handful of recent lending compliance fines and penalties over the past few years covering various areas.

Wells Fargo Settles Philadelphia Fair Lending Suit for $10 million

In December 2019, Wells Fargo settled a suit by the city of Philadelphia that alleged that banks steered minorities into high-cost, higher-risk mortgage loans. In its suit, the city of Philadelphia alleges that from 2004 through 2017, Wells Fargo violated the Fair Housing Act (FHA) by steering African-American and Latino borrowers into high-cost or high-risk loans even where those borrowers' credit permitted them to obtain better loans. It also wouldn't allow minority borrowers in these high-cost loans to refinance when their white counterparts could.

This was one of the first such suits since the Supreme Court ruled in May 2017 that cities could sue banks for discriminatory mortgage lending if they could prove direct harm.

Indiana Bank Settles a $1.72 Million Redlining Suit

In a June 2019 complaint and settlement agreement with the Justice Department, an Indiana bank agreed to invest $1.12 million into a loan subsidy fund and devote $500,00 towards advertising and education after allegations that from 2011 to at least 2017, the bank engaged in redlining by intentionally avoiding lending in African-American neighborhoods.

Mortgage Companies Fined $1 Million for Misleading Veterans

Two California mortgage companies will be paying combined civil money penalties of over $1 million after the CFPB issued a consent order for mailing U.S. military service members ads for VA-guaranteed mortgages. The ads contained

Continued on next page...

Flood Insurance Fines

Bank Size	Institution	Location	Penalty
$5 billion	Bank	PA	$105,000
$119 million	Bank	TN	$4,000
$1.4 billion	Bank	IL	$193,000
$200 billion	USAA	TX	$382,500
$1.8 billion	Bank	AR	$12,000
$16 billion	State Farm Bank	IL	$547,000
$120 billion	M&T Bank	NY	$546,000
$1.2 billion	Bank	WI	$12,800

false, misleading and inaccurate statements, the CFPB says. Additionally, they lacked required disclosures, in violation of the Consumer Financial Protection Act's (CFPA) prohibition against deceptive acts and practices, the Mortgage Acts and Practices — Advertising Rule (MAP Rule), and Regulation Z.

$11.8M UDAAP Settlement Between CFPB and Santander Consumer USA

In November 2018, Santander settled CFPB allegations that the company violated the Consumer Financial Protection Act of 2010 by not properly describing the benefits and limitations of an add-on to its auto loan products, implying the product would offer complete coverage in the event of a total loss when it was subject to a limit of 125 percent of the value of the vehicle at purchase. It also allegedly did not clearly and prominently disclose that the additional interest accrued during the extension period would be paid before any payments to the principal when the consumer resumed making payments.

CFPB Fines Bank $200,000 for HMDA Errors

The Consumer Financial Protection Bureau (CFPB) ordered a bank in Washington state to pay $200,000 in a settlement alleging the bank violated HMDA (implemented by Regulation C) and the Consumer Financial Protection Act of 2010 (CFPA) by submitting mortgage-loan data riddled with errors. The bank will also have to develop an HMDA compliance management system. An internal audit of the bank's 2016 HMDA Loan Application Register (LAR) identified 40 errors in the 100 files that were selected for testing. That is a 40 percent error rate! 2017 was not any better. The CFPB's review of 84 files in the bank's 2017 HMDA LAR found 27 files with 58 errors — a 32 percent sample error rate. Even when the bank resubmitted its 2017 HMDA LAR, there were still significant errors that exceeded thresholds. The CFPB reviewed 81 files and found 21 errors in 13 files — a 16 percent sample error rate.

USAA Suffers CRA Rating Downgrade and $85 Million Penalty

In October 2020, the Office of the Comptroller of the Currency (OCC) took the rare action of downgrading USAA's CRA rating to "Needs to Improve" after it uncovered evidence of discriminatory and illegal credit practices. The agency also cited failures in its compliance management program leading to the violations, which cost the bank an additional $85 million in civil money penalties. The OCC found evidence of 546 violations of the Servicemembers Civil Relief Act and 54 violations of the Military Lending Act.

FDIC Hits Bank with a $1.35 Million Penalty for RESPA Violations

In November 2019, the FDIC ordered a Seattle bank to pay a $1.35 million civil money penalty for violating RESPA. The bank had entered into co-marketing agreements and desk rental agreements that resulted in the payment of fees to real estate brokers and home builders that did not bear a reasonable relationship to the fair market value of marketing or rental costs. The bank has since discontinued its mortgage banking business.

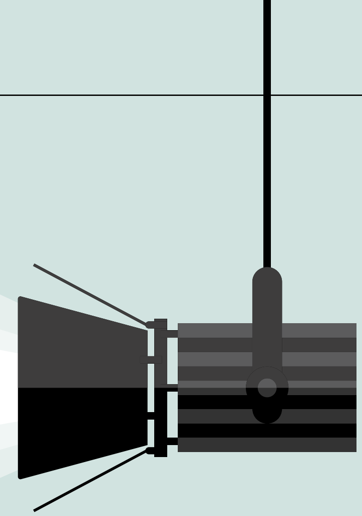
Flood

Flood insurance comes across as a simple regulation, yet every year it continues to be a significant source of civil money penalties — and those penalties can be expensive.

The statistics in the table above are just the past six months' worth of flood insurance fines.

These are just a handful of lending compliance actions taken against financial institutions over the past three years. When you weigh the cost of one of these violations against what it would have cost to implement a strong compliance management system, it's clear that investing in compliance offers a great return on investment. Make sure your institution is protecting itself from expensive compliance mistakes. ■

Michael Berman is the founder and CEO of Ncontracts, a CBSC Preferred Service Provider and a leading provider of risk management solutions. His extensive background in legal and regulatory matters has afforded him unique insights into solving operational risk management challenges and drives Ncontracts' mission to efficiently and effectively manage operational risk.



CBAI RECOGNITION PROGRAMS

It is a privilege to honor the careers of member bankers who have left a significant footprint on the community banking profession and their own communities with their tireless efforts, dedication and hard work. One such recognition bestowed by CBAI is the Distinguished Member Award.

Distinguished Members have contributed to community banking with an extraordinary expenditure of time, money and/or effort. They have acted as "ambassadors" for community banking, ultimately making a positive impact on the profession.

Nominees for the Distinguished Member designation must be retired or otherwise uninvolved in the day-to-day operations of a bank; have worked for a bank or other entity related to the financial services profession for a minimum of 20 years; and, if they worked for banks, those banks must be active members of CBAI at the time of induction. Candidates must be approved by the CBAI Board of Directors.

CBAI's Recognition Program also acknowledges the achievements of member banks and bankers through its 50 Years in Banking Award, Spotlight on Directors, and Patron of Community Banking designation.

50 Years in Banking

If your bank has a director or employee whose professional ties to banking span 50 years, he or she is eligible for recognition with a handsome award. If the 50th anniversary has already passed, an award may be purchased from the association for $200. In addition to the award, individuals celebrating a 50th anniversary will receive coverage in *Banknotes*, CBAI's bi-monthly magazine, and at the CBAI Annual Convention.

Spotlight on Directors

CBAI's bi-monthly magazine, *Banknotes*, regularly features stories about inside or outside directors who have an interesting story to share. The story may center on a hobby or avocation, how the person came to join the board, or how he/she approaches board duties.

Patron of Community Banking

Some member banks have a history of advocacy for CBAI by supporting it through specific, measured involvement in all association departments and events. The "Patron of Community Banking" award has been created to recognize these banks.

Criteria for this special designation:

- Bank is a member in good standing, having paid its most recent dues assessment;
- Bank has been represented at three of the past five CBAI Annual Conventions;
- Bank has been represented at Capital Conferences and/or Call on Washington for three of the five most recent years;
- Bank has been represented at three of the five most recent Group Meetings;
- A representative of the bank has sponsored at least one new CBAI member or associate member;
- Through corporate donations, personal donations, or a combination of the two, the bank has contributed a combined annual total of at least $750 to Community BancPac and/or FedPac during the three previous years;
- A bank representative has served on the board of directors of the CBAI corporate family or one of its standing committees at least one year in the previous five years;
- Bank has earned at least 12 education-related credits in the previous year. Credits are awarded in varying amounts for seminars, forums, schools, webinars and the Career Development Division (CDD);
- Bank has utilized at least six services of CBSC;
- Bank has pledged/donated a minimum of $500 to the CBAI Foundation for Community Banking. ■

Do you know someone at your bank who is deserving of one of these recognitions? Contact Valerie Johnston at CBAI at 800/736-2224 or by e-mail at cbaicom@cbai.com today! We want to acknowledge the achievements of our member banks and bankers!

CBAI Finds New Ways to Connect
with Federal Lawmakers During the Pandemic

Again this year, CBAI's annual Call on Washington was impacted by the COVID-19 pandemic's travel and meeting restrictions. We sincerely hope these restrictions will finally be lifted and we can return to our usual and effective way of advocating with our legislators and regulators. For now, however, like many Illinois community bankers have experienced — it is what it is, and we will make the most of it.

The ICBA's spring Capital Summit, which CBAI members attend as part of the CBAI Call on Washington, was held virtually this year. Featured speakers included ICBA President and CEO Rebecca Romero Rainey, U.S. Senate Banking Committee Chairman Sherrod Brown (D-OH), and Senator Joe Manchin (D-WV). In addition, CBAI senior legislative and regulatory staff gave an informative update.

The ICBA rolled out its spring legislative priorities which included closing the Industrial Loan Company (ILC) regulatory loophole, supporting a safe harbor for legal cannabis banking (SAFE Banking Act – H.R. 1996/S. 910), supporting tax fairness to promote rural prosperity (ECORA Act – H.R. 1977), and supporting Congressional review of the tax-exempt status of credit unions. CBAI is advocating aggressively on all these issues with the entire Illinois Congressional Delegation.

Given the importance of communicating our observations and recommendations with Illinois' members of Congress, and the absence of opportunities for face-to-face meetings in D.C., CBAI quickly pivoted and began a program on the federal level, as a companion to the state-level program counterpart, titled U.S. Capital Conversations. These virtual meetings enable CBAI members to meet with elected federal legislators. On the bright side, a long-term positive impact of this new program, which we will continue even when we can return to face-to-face meetings, will be more frequent opportunities to meet with federal legislators, and perhaps regulators, throughout the year.

The first of these virtual conversations was with Illinois Congressman Bill Foster (D-11th). Congressman Foster is the senior Illinois member on the important House Financial Services

ICBA's Rebeca Romero Rainey (left), Karen Thomas (center), and Paul Merski (right)

Continued on next page...

Committee. He also serves on the Investor Protection, Entrepreneurship, and Capital Markets Subcommittees and the Consumer Protection and Financial Institutions Subcommittee. The format of these conversations allowed for introductions and opening remarks, discussions on legislative priorities, and for banker/member Q&A. Other recent meetings included constructive conversations with Congressmen Mike Bost (R-12th) and Rodney Davis (R-13th). CBAI encourages Illinois community bankers to participate in these virtual meetings. Your grassroots involvement does make a difference!

In advance of these U.S. Capital Conversations, CBAI shared its 2021 Federal Policy Priorities with each member of the Illinois Congressional Delegation. These priorities support fair competition for financial services, tiered regulations, the separation of banking and commerce, the dual banking system/charter choice, and financial innovation. We oppose discrimination favoring certain financial service providers, banking industry consolidation, and systemic risk.

ICBA's Rebeca Romero Rainey and U.S. Senator Joe Manchin (D-WV)

The specific legislative and regulatory priorities included:

Support the Community Bank Response to the COVID-19 Pandemic

Support the Independent Community Bankers of America's (ICBA) Agenda for the 117th Congress — an Opportunity for Enduring and Bipartisan Support

Support Additional Meaningful Regulatory Relief for Community Banks

Support the Community Bank Position on Credit Unions and Oppose Their Expanded Powers

Support the Community Bank Position on the Farm Credit System and Oppose its Expanded Powers

Support Closing the Industrial Loan Company (ILC) Regulatory Loophole

Support the Federal Reserve's Role in Payments System Improvement (FedNow Service)

Support Modernizing the Community Reinvestment Act (CRA)

Support a Safe Harbor for Banking Cannabis-Related Businesses

Support De Novo Community Bank Formation, the Dual Banking System, and Charter Choice

Support Sound Principles for Housing Government Sponsored Entity (GSE) Reform

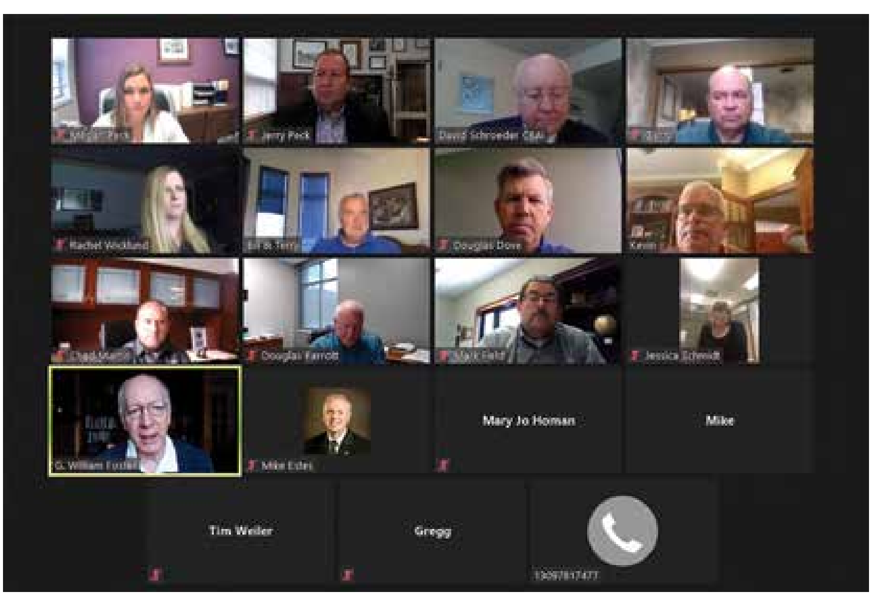
Support the Federal Home Loan Banks (FHLBs)

Support Agriculture and Rural America

Support Enhanced Data, Cyber and Payment Card Security (Data Security)

Support Consumer Financial Protection Bureau (CFPB) Reform and Meaningful Exemptions for Community Banks

Support the Community Bank Positions on Emerging Issues



U.S. Capital Conversation with Congressman Bill Foster (D-11th)

U.S. Capital Conversation with Congressman Mike Bost (R-12th)

- Fintechs and Special Purpose Fintech National Bank Charters (OCC)
- Postal Banking (Congress)
- Current Expected Credit Loss Model (FASB)
- Customer Data Sharing (CFPB)
- Small Business Data Collection (CFPB)
- Reporting Beneficial Ownership Information (FinCEN)
- Financial Transaction Tax (Congress)

Finally, address the risks of too-big-to-fail banks and financial firms to protect our financial system, the economy, and American taxpayers from future bailouts.

CBAI looks forward to community bankers being able to visit face-to-face with their members of Congress, and community bankers from around the country, at next year's 40th Annual Call on Washington and the ICBA Capital Summit. ■

U.S. Capital Conversation with Congressman Rodney Davis (D-13th)

CBAI extends a special thanks to the generous sponsors of our spring U.S. Capital Conversations.

Community BancService Corporation

Federal Home Loan Bank of Chicago

College Avenue

Independent Community Bankers of America

The Future of Advocacy is In-Person

Jerry Peck, Senior Vice President of Governmental Relations, CBAI

It's late May as I write this article and the Illinois General Assembly is in the final hours of the spring legislative session. The end of session is always a blur of activity as the pressure of a deadline forces lawmakers to act on hundreds of issues in the closing days. Foremost is crafting a budget, drawing new legislative maps, a massive renewable energy bill, ethics reform, and a myriad of other personal priorities.

By the time you are reading this, it's my hope that future Jerry is out visiting bankers, playing golf with legislators, and crisscrossing the state hosting legislative roundtables. For now, I'm in my office, testifying before committees via Zoom and lobbying legislators primarily by cell phone and text. Access to the Capitol is still limited and meaningful in-person meetings remain few and far between. It's the "new normal" of the moment, and while we've been fairly successful at it, I hope it comes to an end soon and we never have to do the job this way again.

CBAI is made up of nearly 300 member banks that serve every community in every legislative district in the state. Legislators know who you are and the important role you play in building and maintaining strong communities. That said, every once in a while, they need a friendly reminder of how the policies they craft in Springfield impact your communities and your customers. That's why the CBAI Capital Conference is so important. Once a year, community bankers gather at the Capitol and break through the noise and clutter of the legislative session to remind their representatives that we all share a common goal of building stronger communities.

Capital Conference is like a shot of adrenaline for the governmental relations team. It refocuses legislators on our message. It pushes community banking forward in their consciousness, which is important when hundreds of other groups are vying for their attention. Not being able to hold a true, in-person Capital Conference, complete with a statehouse visit, for the past two years has certainly been a setback to our normal lobbying program. We had plans for a 2021 Capital Conference ready to go if we somehow got an early break in the COVID-19 shutdown. Believe me, the team put in a lot of work trying to coordinate an in-person event in the middle of a pandemic. We fully intended to hold the event, if at all possible. Unfortunately, the recovery period lasted longer than we hoped, our window closed, and we had to postpone the event for a second time. I hope we can add canceling Capital Conference to our growing list of things we never need to do again.

We did hold Capital Conversations, an attempt to recreate a portion of

our normal Capital Conference where community bankers had the opportunity to interact directly with legislative leaders via Zoom. They were important conversations that helped to highlight our priorities, but let's be honest, we've all learned that virtual events are a poor substitute for in-person advocacy. Limited virtual events will continue to be part of our playbook, but one that we will use sparingly. The most effective means of advocacy remains face-to-face personal interactions.

There is light at the end of the tunnel. As of this writing, Illinois had entered the Bridge Phase to reopening with increased capacity at most businesses. The governor updated the statewide mask order to incorporate CDC guidelines allowing those who are vaccinated to forgo masks in many situations. Over the past few weeks, I've met with bankers at six Group Meetings and more than a dozen CEO, CFO and Sr. Lender Forums. In all, I've been face to face with more than 400 community bankers with many more in-person events on the calendar. Legislators are finally feeling comfortable going to dinner with lobbyists. Megan Peck, vice president of governmental relations, and I have taken full advantage, hosting dozens of legislators over the past few weeks. In many cases, we are entertaining freshman legislators who we're meeting face to face for the first time. Those personal connections make the subsequent texts and cell calls even more impactful.

Community bankers have been very generous over the past year with Community BancPac contributions. We hope you will join us this summer and fall as we deploy those resources to assist legislators who support community banking. Please let us know if you would like to join us or represent CBAI at legislators' golf outings and campaign events. Every interaction helps to strengthen our reputation and message.

We're currently planning legislative roundtables across the state. These are casual opportunities for bankers to interact directly with lawmakers from their area. Unfortunately, you were unable to come to Springfield for Capital Conference this year, so our plan is to come to your communities this summer. We hope these events will also support community bank customers who suffered because of the pandemic. If you have a winery, bar or other venue that you think would work well for a networking event, please let us know. We are always looking for new venues and additional dates on the calendar.

In-person, grassroots advocacy is the bedrock of the CBAI governmental relations program. Our nine-person government relations (GR) team has a strong impact that is magnified by the direct grassroots lobbying efforts of thousands of community bankers. It's a formula that has built CBAI into one of the leading trade associations in Illinois for decades.

Present-day Jerry is writing this knowing that we're headed into a seemingly endless Memorial Day end-of-session weekend. While most people will be enjoying cookouts and parades, the GR team be at our posts, on dozens of frantic last-minute Zoom negotiations and hundreds of texts and phone calls trying to shore up roll calls on key votes. I'm bolstered by the thoughts of future Jerry stopping by your bank to say hello while on my way to golf outings, fundraisers and legislative roundtables. It will be great to get back to doing what we do best, direct face-to-face advocacy that builds and strengthens communities across Illinois. ■

Jerry Peck is senior vice president of governmental relations at CBAI. He can be reached via e-mail at jerryp@cbai.com.

A NEW MINDSET

ASSUME BREACH

Joe Carty, Illinois Territory GM, Ironcore, Inc.

This year, I attended nearly every CBAI Group Meeting and had the opportunity to sponsor the "Happy Gilmore" long-drive contest. People even started referring to me as the "Happy Gilmore" guy. While we had a lot of fun, it also gave me the chance to visit with bankers about their technology concerns. I learned that if there is one "technology" topic that remains front and center with bankers, it is cybersecurity. Maybe that is because almost every week there is a new story of a ransomware attack, and it seems like no organization, private or public, is immune.

Frequently, I was asked, "How can I make sure my bank will never become the victim of a cyberattack?"

The short answer is — you can't.

Given the nature of today's cyber-threat landscape, including Ransomware-as-a-Service and third-party supply chain attacks, it is impossible to reach 100 percent protection against all existing and future cyber-attacks.

The Growth of Ransomware-as-a-Service (RaaS)
Ransomware has been around for years, but cybercriminals have added a new twist that poses an even bigger threat for community banks, Ransomware-as-a-Service. Under the RaaS model, cybercriminals provide a malicious "kit" capable of launching a ransomware attack. This subscription-based model enables even novice cybercriminals to launch ransomware attacks without difficulty, as they become an "affiliate" of an established Ransomware-as-a-Service developer.

Under this franchise-like model, cybercriminals write ransomware code and sell/rent it under an affiliate program to other cybercriminals who have the intent of launching an attack. The ransomware developers provide technical support and step-by-step instructions on how to launch an attack, just like a legitimate business. Some have even gone as far as providing real-time dashboards to display the status of an attack, and once successful, the ransom is divided between the ransomware provider and attacker. During the past year, Ransomware-as-a-Service has become the prevailing business model for cyber incidents. In fact, this model is becoming so popular you can now find RaaS providers advertising on the dark web. The Colonial Pipeline breach was a Ransomware-as-a-Service attack with the malicious code authored by DarkSide. The attack targeted Colonial Pipeline's business side of the organization rather than operations, suggesting that from the beginning, the attack was motivated by money and not geopolitics.

This symbiotic model allows ransomware authors to earn quick money by scaling the number of ransomware occurrences while also providing attackers with zero programming and coding experience access to the ransomware "market." As Ransomware-as-a-Service gains momentum, other malware authors will begin offering their malicious code as a service, creating an even larger threat landscape. More ransomware attacks mean even small- and medium-sized financial institutions become targets.

Assume Breach Mentality

Ransomware-as-a-Service, supply chain attacks, and more sophisticated social engineering techniques are why banks should adopt an "assume breach" mentality. The traditional approach to cybersecurity has been for banks to focus mainly on preventative controls, generally thought of as perimeter defenses. This mindset focuses security efforts on network security, firewalls and anti-virus solutions, all designed to prevent an attacker from breaking into your systems. While these traditional defenses are still mandatory, and every bank must have good security controls in place, a "preventative breach" approach remains essential.

However, an "assume breach" mentality means that you have accepted an attack will eventually succeed, no matter what. It is not a question of if, but when. You have realized that a determined attacker or unlucky zero-day event will get through your initial line of defense. This simple shift in mindset transitions the bank's defensive strategy from passive to active. Once you have assumed a breach will occur, you begin to plan ways to better mitigate the impact of an incident on your bank. For instance, you can role play/tabletop a simulated incident, ensuring your response teams have the IR plan down cold with clear procedures on what actions need to be taken. This should be teamed with defined roles, strong communication, and management oversight. After all, in an "assume breach" world, it's not if the incidence response plan will be implemented, but when, and how well it will be executed. No matter how well you prepare, you cannot train for every scenario, but practice will increase confidence in your system when an actual cyber incident happens.

If it is inevitable an attacker will make it inside the network, then collecting, managing and analyzing audit logs looking for real-time deviations will help you quickly discover an attack and effectively contain the damage. Additionally, gathering evidence is essential for understanding the attack and is the best way to proceed with the recovery. If we know precisely where the attacker has been within our network, it will save us from having to perform a complete data restore, which could take days or weeks.

"Assume breach" is a mindset that guides technology investment, network design and operational security practices. There is no "silver bullet" and no impenetrable network. Cybersecurity must be approached with the awareness and assumption that someone will compromise your environment if it hasn't already happened. Does it feel overwhelming? It will likely feel much worse if you are not prepared. ■

Joe Carty is the Illinois territory GM for Ironcore, Inc. Ironcore is the managed IT and cybersecurity preferred service provider of the Community BancService Corporation (CBSC), a for-profit subsidiary of CBAI. As such, Ironcore works with community banks to combine its expertise of technology and the banking industry with community banks' specific business model, risk profile, mission and strategic vision. Inquiries about Ironcore and its services should be directed to: Joe Carty joe.carty@ironcore-inc.com, 608/799-3701

Is Opportunity Cost Hurting Our Bottom Line?

Greg Tomaszewicz, Senior Financial Strategist, The Baker Group

As the U.S. economy continues to work its way out of the recession brought on by the COVID-19 pandemic, many economists debate what the future will hold. With inflation, asset bubbles, rising rates, and the effect of fiscal spending being hot topics during board and ALCO discussions, the question becomes this: What should we do to prepare our balance sheet for what may come? However, for all these discussions about potential future challenges to earnings, seldom do boards and ALCOs discuss the earnings lost due to opportunity cost.

Opportunity cost lurks as a silent killer of margins, especially given the current abundance of liquidity in financial institutions. While tax returns and stimulus checks continue to add to the excess of liquidity, the earnings on those dollars remain at near zero. With all the uncertainty in the economy, many financial institutions fall victim to sitting on the sidelines waiting for a clearer picture to emerge and are missing out on the current opportunity the market is giving them.

While the official start of the current recession was February 2020, the downturn in economic activity began much earlier with the Fed acting quickly to soften the blow and lower rates. The drop in short-term rates was quick and the 10-year treasury followed suit, dropping from 1.60% at the start of the recession to a low of 0.55% by August of 2020. Following that low, the 10-year started moving higher and currently sits around 1.60% at the time of this writing, a level that is significant given the behavior of past recessions.

Upon the beginning of the recovery following the previous two recessions, the 10-year regained its pre-recession levels and saw very little gains from that point, while short-term rates continued to either decline or remain lower for a prolonged period. The early 2000s recession, known for the dot-com bubble, saw the 10-year at 5.00%, and eight months later hit 4.90% at the official end of the recession. During the Great Recession, which lasted more than twice as long, the 10-year entered the recession at 3.90% and hit around 3.60% at the beginning of the next recovery.

In both those cases, the 10-year saw most of its gains in that initial jump to start the recovery, with very little if any increase beyond that. While the current recession is still considered to be ongoing, the 10-year has already reached its pre-recession levels. With the Federal Reserve pledging to continue keeping rates low, the opportunity for financial institutions to recoup lost margins is now.

The best way we can tackle both the pressures of future economic uncertainty as well as opportunity costs is to actively manage the risks to our balance sheet through sound asset liability management. While many will claim they already do this, the fact remains that a large number of financial institutions only manage parts of their balance sheet, leaving others on autopilot. The best-performing institutions take advantage of all the tools available to them to ensure that these risks are properly managed regardless of what the economy and interest rates are doing.

Stabilizing Funding

One of the biggest fears that examiners have put into financial institutions is the idea that without warning we may be faced with a large run-off in our deposit portfolios. All too often, this fear causes many institutions to overcompensate by holding on to more

3-Month UST vs. 10-Year UST

Source: Board of Governors of the Federal Reserve System (US)/FRED

liquidity than is necessary. Looking at current call report data as deposits soar to record levels once again, many institutions find themselves questioning whether this liquidity is here to stay or is on the way out as quickly as it came.

Maintaining excess levels of cash to have sufficient liquidity is not only inadequate risk management, it is also the most expensive method from an opportunity cost standpoint. Proper liquidity management means having sufficient cash flows as well as contingent liquidity sources to meet any loan demand or deposit withdrawals.

The better performing institutions tend to make use of the opportunities in wholesale funding from a source such as the Federal Home Loan Bank. With borrowing rates remaining low, the opportunity exists to make a positive spread on loans. So rather than waiting for loan demand to make use of our excess cash, we can deploy those funds now to avoid lost income due to opportunity cost. In the worst case, if we are short on funds when loan demand comes in, we can borrow and still maintain positive margins.

Managing and Diversifying Loans

In a similar way to deposits, loans often fall victim to an autopilot style of management where loan demand ebbs and flows based both on volume and the types of loans, with seemingly little we can do about it. In reality, the loan portfolio can be diversified and managed similarly to the investment portfolio through the use of loan participations. Selling loans can help us to manage excess flows in a particular loan type, alleviating concentration risk while also generating some off-balance sheet revenue through servicing income.

Purchasing loan participations can help fill the gaps in the loan portfolio where retail demand falls short, allowing us to diversify the loan portfolio and potentially hedge against prepayment or geographic risks. The relevant example is the large amount of refinancing recently seen in the mortgage market, which caused institutions that were mortgage heavy to experience faster than expected turn-over in their loan portfolios, resulting in a loss of income.

Investment Portfolio Management

Perhaps the biggest victim of opportunity cost is the investment portfolio, especially during times of rising rates and the effect of falling market values. Oftentimes boards and ALCOs will put these unrealized losses on investments under a microscope and will pause on purchasing more investments while they seek to understand what has happened. In reality, we tend to ignore the fact that the drop in valuation also affects our loans, a big part of interest rate risk, but more importantly that this is generally a good thing for the balance sheet as a whole.

Lower market values on our investments mean there is an opportunity for maturing investments to move into higher rates, allowing our portfolio income to grow and cash to be invested at a higher spread. The current investments will continue to generate income for us and, unless we choose to sell them prior to maturity, that loss will eventually disappear as the investment matures.

No one can predict exactly where the economy will go from here and waiting to get a clear direction will only cause us to fall victim to opportunity cost. The only way to properly address these uncertainties is to have strong asset liability management and to take advantage of all the tools available to help cultivate a balance sheet that is well-diversified and actively managed across deposits, loans and investments. In this way, we ensure that we manage our institutions to the risks we know as opposed to the unknowns. ■

Greg Tomaszewicz is a senior financial strategist with The Baker Group. Prior to joining the firm in 2018, Tomaszewicz spent 12 years working for a fixed income broker/dealer in New York, where he helped financial institutions across the country in evaluating their balance sheet risks and opportunities. In addition, he worked to develop new analytics to aid those clients in meeting the challenges of an ever-changing economic environment. Tomaszewicz holds a bachelor's degree in economics from Stony Brook University, NY. Contact: 800/937-2257, gregt@gobaker.com.

CBAI Members Celebrate Community Banking Week!

April 4-10, 2021, was the 31st Anniversary of Community Banking Week in Illinois. The theme this year was *Growing Stronger Communities*," said **CBAI Chairman Shawn Davis, president/CEO, CNB Bank & Trust, N.A., Carlinville.** "The Community Bankers Association of Illinois members statewide believe that Community Banking Week is the perfect opportunity to spotlight the importance of community banks. Community banks are committed to helping customers who have been financially impacted by the COVID-19 crisis or any economic hardship. They play a vital role in the success of individuals and businesses alike. As community bankers, we are always looking for new ways to help nurture and grow our communities and make a positive impact."

During the past year, community banks made 60% of all PPP loans, supporting the retention of 33.7 million employees. Community banks were responsible for 72.6% of PPP loans to minority-owned small businesses, 71.5% of PPP loans to women-owned small businesses, and 63.4% of PPP loans to veteran-owned small businesses. This is a perfect example of how this year's theme held true more than ever. The goal of community banks is always "Growing Stronger Communities." Community Banking Week was an ideal time to remind customers that community banks will be there for them, during the COVID-19 crisis, in the aftermath of the crisis, and always. Even though the pandemic may have affected how we honored this special week, our member banks found great ways to celebrate this year!

Germantown Trust & Savings Bank

For Community Banking Week, Germantown Trust & Savings Bank purchased 86 $20 gift cards from local businesses around the community. They invited the public and customers to stop by and register for a chance to win one of these gift cards to a local establishment.

Beardstown Savings Bank

Beardstown Savings Bank staff was "paying it forward" to help out community members.

Beardstown Savings Bank celebrated all week long with various giveaways and informational posts on social media. The staff also held a "spirit week" with themed dress-up days which included onesies, '80s and '90s attire, dress like mom or dad, dress as a character or cartoon, and support your favorite team. All week long, the bank staff was also "Paying It Forward." They randomly found opportunities to help their community members with a gift for them to use on their needs or continue to pay it forward by offering it to someone else.

Northwest Bank of Rockford

Northwest Bank of Rockford received incredible media coverage during Community Banking Week. On Sunday, their letter to the editor was featured in the Rockford Register Star newspaper. On Monday, WREX (NBC Affiliate) and WIFR (CBS affiliate) did an interview with Bank President Tom

Walsh. WIFR posted the story on their Facebook page, as well.

Casey State Bank

Casey State Bank presents a check to Backpack Blessings.

Casey State Bank celebrated community banking the entire month of April with “30 Days of Giving”. They selected 30 non-profit organizations located in their different market areas and gave them each $100. Their plan going forward with this celebration is to increase the dollar amount donated to each of these 30 non-profit organizations.

Legence Bank, Eldorado

Legence Bank celebrated Community Banking Week with their educational program called Go!Learn. They created new financial literacy curriculum for all ages and bank staff went out into the community to help schools, as well as teachers and students working virtually.

Goodfield State Bank

Goodfield State Bank brought gift baskets to local high schools.

In honor of Community Banking Week, Goodfield State Bank recognized a different group of local essential workers with gift baskets every day, including medical staff, teachers, first responders, grocery store workers, and more. They also held a pet adoption day in conjunction with their local animal shelter.

CNB Bank & Trust, N.A., Carlinville

CNB Bank & Trust, N.A., Carlinville sponsored a special Community Banking Week contest which asked individuals to post their favorite thing about the community in which they live. Participants were entered to win a gift card.

Farmers National Bank of Griggsville

Farmers National Bank of Griggsville (FNBG) held a fun prize contest incorporating staff baby pictures for Community Banking Week. Each day, FNBG featured a photo of an employee from their childhood.

To enter for a chance to win a daily prize, participants guessed the employee in the photo. The correct answer was revealed the next day, along with the daily prize winner.

State Bank of Toulon

State Bank of Toulon staff members helped clean up the local community.

State Bank of Toulon planned a month full of activities to celebrate. Highlights included Facebook contests, coloring contests, and collections for the local humane societies and food pantries. They also gave away a $25 gift card every day of the month. Their themed weeks included Shred Week, Teach Kids to Save Week, and Shop Local Week. Employees also got out of the bank to clean up the community.

German-American State Bank, German Valley

German-American State Bank wanted to hear from its customers on what they think makes a true community bank. To enter to win a prize, participants liked and commented on the bank’s post answering that question. Five winners each received either a Pecatonica, Winnebago, Belvidere, Seward, or German Valley basket full of local restaurant gift cards worth $50 each.

Princeville State Bank

Princeville State Bank (PSB) hosted a scavenger hunt on Facebook with clues about their website. Individuals who posted their answers in the Facebook comments were entered into a daily drawing for PSB merchandise. On Instagram, the bank hosted a community “hotspots” submission contest, also with daily winners. Participants posted a picture of their favorite hotspots in their communities to be entered to win. On LinkedIn, PSB posted information on why small businesses benefit from banking with community financial institutions. Thursday and Friday, the bank gave away cookies from a local bakery decorated to match this year’s Community Banking Week theme.

Farmers State Bank, Elmwood

Farmers State Bank, Elmwood presented a check to the local K-9 unit.

Farmers State Bank, Elmwood, had several events planned to celebrate. They gave away free basic car washes and hosted a local mobile coffee shop in front of the bank. SAMS Rescue, the local animal shelter, shared information on how to adopt and was provided a $100 donation from the bank. They arranged a clean-up day with the local Girl Scouts and provided them with a $150 donation. The bank also gave staff members the option to wear jeans in exchange for a donation to the local K-9 unit.

These are just a few of the many examples of the wonderful ways our members celebrated Community Banking Week in 2021. We commend you for finding such creative ways to showcase what community banking is all about this year. During the pandemic, it has become more evident than ever that community banks are "Growing Stronger Communities!"

We look forward to next year's celebrations! Community Banking Week is scheduled for **April 3-9, 2022.** Complimentary marketing materials will be available from CBAI in January of 2022! ■

CDD SPOTLIGHT

QUESTIONNAIRE

Shellie Astin

CDD Group Director & Lending Compliance Officer/Loan Quality Specialist, First State Bank of Campbell Hill

What do you find the most challenging about your job?
The most challenging things about my job are the constant regulatory changes and keeping employees informed of the changes coming ahead. We all learn in different ways, so you have to be willing to train each employee in a way they can learn and understand.

What do you find the most rewarding about your job?
The most rewarding aspect of my job is working for a community bank and working with a tight-knit group of people who are always there for you and willing to help out even if it may not be their job.

What quote most inspires you and why?
"Life imposes things on you that you can't control, but you still have the choice of how you're going to live through this." — Celine Dion (This quote helped us to cope with the loss of our son, who passed away in January 2016 at three months due to SIDS.)

How did you get involved with CBAI?
First State Bank of Campbell Hill has been a member of CBAI for 43 years. So, when I started working for the bank in 2004, I started attending seminars and have continued to be involved with CBAI since then. In 2011, I approached the bank about attending CBAI's Community Bankers School and I graduated from it in 2012. I highly recommend the school to bankers; it was a great experience, and I made a lot of friends who I am still in contact with to this day. After that, I got involved with CDD and have since become a group director.

What is something most people don't know about you?
During my sophomore year of high school, I was on the girl's golf team. (I am not a very good golfer. I was on the team so my school would have enough for a complete girls' team.) For regionals that year, I did not come in last out of all the individual golfers only because a girl had to disqualify herself due to illness. Hey, what the heck, at least I wasn't last.

What is your favorite initiative that your bank has implemented to support your community?
The bank holds an annual youth firearm deer contest each October in conjunction with the Illinois Youth Firearm Shotgun Season. The contest is free to enter and is not a big buck or doe contest; the size of the deer does not matter. Every deer that is checked in is eligible for the prize drawing.

If you weren't in banking, what would you be doing, and why?
I would have liked to become a meteorologist. I am terrified of storms and tornadoes, so if I was a meteorologist, I could always be prepared for severe weather events. ■

CBAI's Career Development Division

Spring Meeting

The annual Spring Meeting of CBAI's Career Development Division (CDD) was held May 17 & 18, 2021, at the Wyndham City Centre in Springfield. The meeting attracted nearly 40 CDD members. The conference kicked off with a night of networking and fun where participants competed against their fellow CDD members at Skyzone Trampoline Park. Multiple team-building activities occurred and fun was had by all!

The morning of the 18th began with **Greg Ohlendorf,** president & CEO of First Community Bank and Trust, Beecher, IL, and **Daniel Schutte,** managing director, Accelerator Programs, Venture Center, Little Rock, AR, with their session "Fintech & the Future."

The Business Meeting Luncheon was kicked off by CDD chairman **Bob Stachowski** with The First National Bank of Sandoval. First introduced was Valerie Johnston, CBAI senior vice president of communications, who spoke about the Foundation for Community Banking's 25th anniversary. Members were then given the status of CDD regarding membership and finances. CDD Secretary/Treasurer **Cameron Ohlendorf,** First Community Bank & Trust, Beecher, reported that dues from the nearly 200 members remain the largest source of income; however, the Fall and Spring Meetings also contribute significantly to the bottom line. He also emphasized that CDD board members have controlled expenses and made contributions to the strength of CBAI. **Katie Ashworth,** CNB Bank & Trust, N.A., Carlinville, also reported that the recruitment of members continues throughout the year and that CDD had picked up nine new members prior to the Spring Meeting.

The final general session was with **David Kemp,** president and founder of Bankers Management, Inc., College Park, GA, titled "Efficient, Effective Teamwork Results in a High-Performing Bank." CDD raised $65 by conducting a "dress-down" day which benefitted Community BancPac.

A special thank you goes out to the **Federal Home Loan Bank of Chicago** for their exclusive sponsorship of the conference.

New Members of the CBAI Career Development Division:

- Terri Combs – Eureka Savings Bank
- Heidi Ehm – Eureka Savings Bank
- Stanley Gordio – The Fisher National Bank
- Katlynn Grandadam – Ottawa Savings Bank
- Sydney Gregory – Ottawa Savings Bank
- Kila Harris – CNB Bank & Trust, N.A., Carlinville
- Ben Johnson – Alliance Community Bank, Petersburg
- Abby Simmons – Alliance Community Bank, Petersburg
- Quade Wood – Outsourced Banking Solutions ■

Welcome New Members

Adlumin, Inc.
1701 Rhode Island Avenue NW
Washington, D.C. 20036
Robert Johnston, Founder and CEO
202/352-8001
www.adlumin.com
demo@adlumin.com
Cybersecurity Software and Compliance Automation

Anders CPAs + Advisors
800 Market Street, Suite #500
St. Louis, MO 63101
Mark H. Cummings, CPA, Partner
314/474-0718
www.anderscpa.com
mcummings@anderscpa.com
CPA and Advisory Firm Specializing in Serving Regional Banks, Credit Unions and Community Banks with Focus on Audit, Tax, Regulatory Compliance, Mergers & Acquisitions, Internal Audit, Loan Review, Consulting, Cyber-Security, Technology and Valuation

Charles Vincent George Architects
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Naperville, IL 60563
Jeff Lietz, Vice President
630/357-2023
www.cvgarchitects.com
admin@cvgarchitects.com
Architects

ProcessMaker
212 West Main Street, Suite #307
Durham, NC 27701
Matthieu McClintock, Director of Marketing
561/914-6075
www.processmaker.com
matt.mcclintock@processmaker.com
Commercial Account Opening Software for Community Banks

Stratman Solutions
Katie Spain, Senior Vice President
100 East Kimberly Road
Davenport, IA
563/388-2543
www.stratmansolutions.com
kspain@stratmansolutions.com
Bank Software

2021 CBAI Community Bank Marketing Conference

CBAI held its annual Community Bank Marketing Conference on May 26 at the Northfield Inn & Conference Center in Springfield. The Conference was designed to help community bank marketing professionals learn the art of word-of-mouth advertising; establish a social media plan incorporating owned, earned and paid media; effectively communicate during a crisis; learn the basics of advertising compliance; unleash the leader within themselves; and more. Community bank marketing professionals from across the state benefitted from expert speakers, pertinent and informative topics, and peer networking. A mini exposition featuring seven firms with the latest products and services benefitting the community bank and its marketing efforts enhanced the experience.

The keynote speaker was Dave "The Shef" Sheffield. Sheffield opened the conference with "Blabvertising: The Art of Word-of-Mouth Marketing," which explored how to stand out in a sea of sameness; how to embrace change, not fight it; and how to become an excellent connector for your customers.

Next on the agenda was "Social Media: Paid, Owned, Earned" with Patrick Dix of SHAZAM, who walked bankers through a unique process of developing a social media marketing strategy to help their bank develop connections and advocacy efforts. Utilizing a mix of owned, earned and paid social media increases engagement, raises awareness of your brand, and ultimately improves your bottom line.

Starting the afternoon session, Dix returned to present "Communicating During a Crisis," which makes the case that developing relationships with local media and saying "yes" when they call for your help, pays off for your reputation, your business and your bottom line.

Bill Elliott of Young & Associates, Inc. spoke next on "Advertising Compliance," which reviewed the basic requirements of the advertising rules, complete with examples. Attendees learned to navigate the regulations to assure compliance when developing marketing plans and advertisements.

Continued on next page...

Closing out the conference was "Unleashing the Leader Within You!" with Dave "The Shef" Sheffield, who shared how to inspire and grow the quality of your team and become a beacon for excellence.

Back by popular demand was the marketing roundtable discussion, providing participants an opportunity to interact and learn from each other while discussing specific marketing topics. Attendees were able to pre-select discussions from topics including advertising/website compliance, digital marketing, hot products/technology, and social media.

"Dave and Patrick presented useful, pertinent information in a way that caught and kept my attention," said Laura Mitchell of First National Bank in Taylorville. "This is one of the best conferences I've been to – interesting topics and excellent presentations."

Keynote speaker Dave "The Shef" Sheffield connects with Ryan Mercier of National Bank in St. Anne.

EXHIBITING FIRMS:

CBAI's Foundation for Community Banking
901 Community Drive
Springfield, IL 62703
Endows the Association's Annual Scholarships for High School Seniors, Children and Grandchildren of Community Bankers, and Community Bankers School Students
Valerie Johnston
217/529-2265

Community BancService Corporation (CBSC)
901 Community Drive
Springfield, IL 62703
Access to Top Quality Products and Services
Mike Duke
217/529-2265

***Harland Clarke**
23-126 Lake Carroll Boulevard
Lake Carroll, IL 61046
Marketing Solutions
Lauren Sarkisian
Michael Pluta
815/493-8763

LKCS
4130 Plank Road
Peru, IL 61354
Web Development, Design, Printing & Other Marketing Services
Sid Haas
815/220-3904

Leap Strategic Marketing
N27 W23957 Paul Road, Suite #200
Pewaukee, WI 53072
Marketing & Advertising Services
John Verre
262/436-4080

***Regency360**
917 First Street
Sherman, IL 62684
Office Supplies, Printed Products, Inventory Management
John Bybee
217/653-4028

SomerCor
601 South LaSalle Street, Suite #510
Chicago, IL 60605
Specializes in the SBA 504 Loan Program and is Illinois' only CDC offering SBA 7A Community Advantage Loans
Manny Flores

**CBAI or CBSC PREFERRED SERVICE PROVIDER*

Attendees gain valuable insights from marketing peers from across the state in the roundtable session.

THANK YOU ALSO TO THE CBAI MARKETING SUB-COMMITTEE MEMBERS:

Tracy Bedeker, Chairperson, First Federal Savings Bank, Ottawa

Amy Christopher, First National Bank in Taylorville

Amy Golightly, North Central Bank, Hennepin (Ladd)

Stacey Huls, The Gifford State Bank

Hilary Patterson, Prairie State Bank & Trust, Springfield

Stephanie Pearson, Northwest Bank, Rockford (Loves Park) ■

Conference attendees learn useful strategies they can implement when they return to the bank.

A CULTURE OF Innovation

Charles Potts, Senior Vice President and Chief Innovation Officer, ICBA

Innovation is a high priority for many community bank leaders, so it's critical that we have a foundational definition of innovation. Innovation is often viewed as combining two things that exist in a new way to create new outcomes. Most of us know it when we see it, but we need to recognize that it isn't always about technology. Innovation can be a cultural behavior that leaders can cultivate across their organizations.

It starts with asking *why.* Why should we invest in innovation? It is the job of every good leader to shine the light on the "why" in relation to the bank's vision and value proposition, making sure it is defined and communicated throughout the organization.

Once a clear direction has been established, it's time to consider the how. We can start by taking a page from successful startups, most of which had a structured and formal approach to product development and implementation that included prescribed practices and processes.

In *The Lean Startup*, Eric Ries details a three-step feedback loop to get new products and services to market quickly: build, measure and learn. "The fundamental activity of a startup is to turn ideas into products, measure how customers respond, and learn whether to pivot or persevere," he writes. The same could apply to community banks.

As an industry, we need to respond faster to dynamic changes. One way to do this is to lean on others' expertise. This includes taking ideas and iterating more quickly, refining what we're doing, and making course corrections when necessary. If a community bank is thinking about new products and services or improving the efficiency of existing ones, *The Lean Startup* method is an excellent foundation.

When we're talking about building an innovative culture, it's worth pointing out that the generation coming into the industry is open to new approaches and technologies, sometimes more than their predecessors. The challenge for community bank leaders is to blend the digital native with the digital migrant around a shared vision, direction and outcomes.

We must also acknowledge that not everyone in our organizations has creative skills often found in innovators. Leaders must clearly define roles and responsibilities across the community bank and build cross-functional, cross-organizational skills. With defined structures and processes in place, we eliminate uncertainty.

If you're ready to take the next step in building an innovative culture, look to ICBA. Our member relations officers have access to expertise and resources to help you and your team grow.

We live in a rapidly evolving industry. Innovation must be deeply embedded in the culture of all community banks. It should be as instinctive and natural as opening a new account. By asking the right questions and implementing a process to develop, analyze and refine your approach, you can build a culture of innovation that produces measurable results. ■

QUOTE

"If you're ready to take the next step in building an innovative culture, look to ICBA. Our member relations officers have access to expertise and resources to help you and your team grow."

Charles Potts is the ICBA's senior vice president and chief innovation officer and can be reached via e-mail at charles.potts@icba.org.

CBAI's 47th Annual Convention and Expo

"We're Putting the Band Back Together"

CBAI is excited to announce, "We're Putting the Band Back Together!" 2020 is behind us and we are ready to live, breathe and jump again! CBAI is on a mission to reunite in "Sweet Home Chicago" on September 23-25, 2021, at the Marriott Marquis Chicago. Everybody needs somebody — and we need you to make this convention a success!

Golf Outing

CBAI is pleased to announce the Golf Outing at CBAI's 47th Annual Convention & Expo on September 23 will be held at Flossmoor Golf Club (FGC) in Flossmoor. Founded in 1899, Flossmoor Golf Club was one of the first clubs established in the Midwest. It is a classic parkland course that evokes memories of days gone by. Challenging for Bobby Jones, Chick Evans and Frances Ouimet, it remains a true test of golf today. FGC boasts 14 original hole corridors from 1899 and has had a recent full-scale restoration, providing strategic challenges for golfers of all abilities. Its layout and design have stood the test of time. It's classic, it's challenging, and it's a load of fun!

Don't miss out! Not only does this year's convention feature fun-filled and exciting social events, it also offers an innovative exhibit center, countless networking opportunities, and hard-hitting educational topics. Expert speakers on the hottest community-banking issues fill an education agenda featuring 20 breakout sessions. Keynote speakers include Christine Cashen, author of *THE GOOD STUFF: Quips & Tips on Life, Love, Work and Happiness,* and Miracle on the Hudson passenger Vallie Smith Collins. For more information or to register, call Tracy McQuinn at 217/529-2265 or visit www.cbai.com today. ■


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One Mission. Community Banks
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CBAI Web Site Hosting Services provides your bank's web site with the latest technology and securities, reliability, scalability, and performing infrastructure, consistently satisfies and meet all securities and quality standards and regulatory requirements for banks.
Contact Jenny Dial at 800/736-2224 or jennyd@cbai.com


CBAI'S 47TH ANNUAL
CONVENTION & EXPO
Grab your Fedora,
fill up your gas tank
& head to Chicago,
because this year.....
"We're Putting the
Band Back Together!"
SEPTEMBER 23-25, 2021
MARRIOTT MARQUIS
CHICAGO, IL
For more information or to register visit www.cbai.com!

CBAI Foundation For Community Banking Scholarship Programs CBAI

2021 Annual Scholarship Program Winners Announced

The CBAI Foundation for Community Banking has selected its 2021 Annual Scholarship Program winners. The program offers $21,000 to high school seniors via an essay writing contest; $500 is also awarded to the first place winner's high school. This year, 82 CBAI member banks representing 238 students participated in the contest, which is a ***free CBAI member benefit.***

The first-place scholarship of $1,000 each year for up to four years of higher education was awarded to **Jacob Schleich,** sponsored by **Fairview State Banking Company, Fairview** *(his winning essay follows).* His high school, **Spoon River Valley Senior High School,** received a $500 award. He plans to attend Illinois State University, Normal, to study toward a career in agribusiness.

Judges, who had the ability to award an additional $1,000 in each of the remaining 11 CBAI groups which encompass the entire state, bestowed the following $1,000 first-place gifts: **Evan Rafol** (Town Center Bank, New Lenox — Frankfort branch); **William Nack** (First Community Bank, Galena —Apple River State Bank branch); **Karleigh Kietzman** (Bank of Gibson City); **Taytum Hahn** (North Central Bank, Hennepin); **Brady Reeg** (First Farmers Bank, branch of Bank of Pontiac); **Addison Musick** (Dewey Bank); **Melanie Buzzard** (Williamsville State Bank and Trust — Springfield branch); **Bryleigh Prest** (Old Exchange National Bank, Okawville); **Claire Kakac** (Fairfield National Bank); and **McKinnley Korte** (City National Bank of Metropolis).

In addition, the following students were awarded $500 as second-place finishers: **Sydney Minssen** (Community State Bank, Rock Falls); **Jameson Cluver** (Citizens State Bank of Milford); **Samantha Thompson** (Better Banks, Peoria); **Andrew VanderMaiden** (State Street Bank and Trust Co., Quincy); **Carson Vannier** (Gerber State Bank, Argenta); **Hannah Bland** (First Neighbor Bank, N.A., Toledo); **Anna Gallaher** (CNB Bank & Trust, N.A., Carlinville); **Allison Elias** (Germantown Trust & Savings Bank, Breese); **Jacquelynne Witteborg** (First State Bank of Beecher City); and **Jonathan Henley** (City National Bank of Metropolis).

Non-monetary Honorary Mentions were bestowed upon: **David Lyons** (German-American State Bank, German Valley); **Parker Meyer** (Citizens Bank of Chatsworth — Normal branch); **Abhi Neti** (Citizens Bank of Chatsworth — Normal branch); **Sadie Lenz** (Raritan State Bank); **Nicholas Seraphin** (First Federal Savings Bank of Champaign-Urbana); **Elyse Clayton** (First National Bank in Taylorville); **Madilyn Arnold** (Rochester State Bank); **Grace Busch** (State Bank, Waterloo); and **Lainy McKinney** (Fairfield National Bank).

The CBAI Foundation for Community Banking sincerely thanks all the students and bankers who participated. ■

Jacob Schleich Winning Essay

Sponsored By:
Fairview State Banking Company, Fairview

Why is a trusted partner such as a community bank so valuable to have during the global pandemic?

Have you ever felt like you were drowning and there was no one around to take your hand and help you up? Well, this global pandemic has had a lot of individuals and businesses feeling that panic financially. There's no money coming in but there are overwhelming bills and employees to pay regardless. Well, luckily there are trusted partners, such as local community banks, close to you in times of financial crisis.

Community banks stay invested in their members and their community. The money that is maintained by a bank is reinvested in the community through loans and other services. With community banks, their lenders are people who live in the community and take into account your reputation and past interactions instead of automatic rejections from bigger banks. As a small business, a community bank is dedicated to the success of your business and offers better opportunities to secure funding such as competitive interest rates, lower average fees, and sometimes, depending on situations, will waive overdraft fees. Community banks now offer mobile and online banking, the same as national banks, which makes access to banking and online bill paying much easier depending on individual needs.

The value of a community bank has greatly increased during the pandemic. When a customer looks toward a financial institution for help, the ability to call and speak to a real individual who knows and recognizes you by name is worth more than those voice-automated machines. Along with their exceptional customer service, the community banks become partners you can trust because of their local presence in the community. There is satisfaction knowing your trusted partner will be there and not shift their priorities and move to a different location. These two values ease minds in knowing the community banks stand strong and want their communities to thrive.

So, when you feel like you are drowning in financial worries as a business owner or as an individual, especially during this global pandemic, turn to a trusted partner such as your local community bank to lend a helping financial hand. ■

2021 CBAI Annual Scholarship Program:
Member Banks' Local Scholarships

The CBAI Foundation for Community Banking Scholarship Program complements your bank's local scholarship programs. One of the cornerstones of community banking is to contribute to the well being of the local area. Here is a concrete example of that effort, totaling **$174,350** awarded by CBAI members in their communities.

(Awards made by cash, check, or account deposit unless otherwise indicated)

- Apple River State Bank– Five $1,000 (cash) 140 $200 (account deposit) to every senior at each of the following schools: (Galena/River Ridge/Scales Mound/Warren/Southwestern)
- The Gerber State Bank, Argenta — $100
- Great Rivers Bank, Barry — $500 at each of the following schools: Western, Pittsfield, and Liberty
- The First National Bank of Beardstown — $2,000
- First Community Bank and Trust, Beecher — $1,250
- First State Bank of Beecher City — Five $750; $1,000 Lake Land College Scholarship
- The First National Bank of Brownstown — $500
- First State Bank of Campbell Hill — Three $500
- The Bank of Carbondale — Two $500
- MidAmerica National Bank, Canton — $500
- Buena Vista National Bank, Chester — $4,000 ($500 per semester over the course of four years); $1,000 (Decatur)
- The Frederick Community Bank, Cissna Park — Mr. & Mrs. D.A. Frederick Memorial Scholarship $4,000 ($500 per semester)
- Farmers State Bank, Elmwood — $500; $300; $200
- Fairfield National Bank — Five $1,000 (David Kinney Memorial Scholarship); $300 (CBAI Scholarship Award); $200 (CBAI Scholarship Award)
- Fisher National Bank — $1,000 Parkland College Student; $500 (local high school student)
- Flora Bank & Trust — $500
- Town Center Bank, Frankfort — Three $500
- German-American State Bank, German Valley — Six $1,000 (2-Forrestville Valley High School; 2-Pecatonica High School; 2-Winnebago High School)
- Goodfield State Bank — Three $500
- Bradford National Bank, Greenville — $8,000 (Two $1,000 at each of the following schools: Greenville, Highland, Mulberry Grove, and Troy/Marine)
- North Central Bank, Hennepin — Three $150
- Farmers State Bank of Hoffman — Two $500
- Farmers & Merchants Bank, Hutsonville — Three 500
- Jersey State Bank, Jerseyville — $1,000; $750; $500
- Lena State Bank — Three $500
- Prairie Community Bank, Marengo — $500
- Citizens State Bank of Milford — $125; $100; $75
- First National Bank of Okawville — Four $1,000 (Two Good Citizenship Scholarships; Two Kaskaskia College Scholarships)
- Old Exchange National Bank, Okawville — Five $500
- Federated Bank, Onarga — Four $2,000
- The Frederick Community Bank, Paxton — Mr. & Mrs. D.A. Frederick Memorial Scholarship $8,000 ($2,000 per year); Mrs. Nancy Frederick Sweet Memorial Scholarship $4,000 ($1,000 per year)
- First National Bank in Pinckneyville — Five $4,000
- Bank of Pontiac — $1,000 (Two Prairie Central High School; One Pontiac Township High School; Two Dwight Township High School); $500 (Coal City High School)
- Princeville State Bank — Two $250
- Bank of Rantoul — $1,000
- Rushville State Bank — Four $500
- First National Bank of Steeleville — Six $1,000 (In Memory of Arthur Werre Jr. Scholarship)
- State Bank of Toulon (Kewanee/Toulon/Galva) — $750; $500; $250
- Tuscola First Bank — $750
- Petefish, Skiles & Co. Bank, Virginia — Three $500 (One per high school/county: Cass, Mason, and Menard)
- State Bank, Waterloo — Three $6,000; Three $1,000 ■

Do you have a local scholarship that is not reflected here? Please contact Bobbi Watson, CBAI executive assistant, at bobbiw@cbai.com or 800/736-2224 to get on the list for the 2022 July issue of Banknotes *magazine.*

In Memoriam

Richard "Dick" Edward Farrell

Richard "Dick" Edward Farrell, 81, of Baileys Harbor, WI, and formerly of Ottawa and Elgin, IL, died peacefully at home on Friday, March 19, 2021. He was born May 7, 1939, in Chicago, the first of nine children to George and Eleanor Farrell.

When the family moved to Arlington Heights, IL, Dick attended St. James Catholic School and graduated from Evanston's St. George High School in 1957. In high school, Dick met his bride-to-be, Susan Jean Carberry. Dick briefly attended Marquette University in Milwaukee, WI, but returned home to marry Sue on January 17, 1959, at St. Paul Catholic Church in Park Ridge, IL. At 19 years old and with their first of six children on the way, Dick took a job as a teller at the **First National Bank of Elgin.** This choice began what would become an almost 60-year career in the field of finance and banking.

By 1962, Dick was head bookkeeper at First National Bank before being hired away to **Home Federal Savings and Loan** in Elgin. Dick earned his Associate Degree in Finance from Elgin Community College in 1964 and a Bachelor of Arts and Science from Northwestern University in 1965. He remained with Home Federal Savings until 1977. Dick is credited for introducing automation, real-time reporting, and standard procedures which allowed Home Federal the ability to grow and open multiple offices during his tenure.

Beginning in the late fall of 1977, Dick was hired as the third-ever president of **First Federal Savings of Ottawa,** a 100-year-old institution at that time. He would go on to serve as CEO, CFO and chairman of the board, respectively, and continued as a board member until the time of full retirement in 2015.

Richard is survived by his wife of 62 years, Susan (Carberry); their children, Cathy (Jerry), Kevin (Beth), Christopher (Mary), Justin (Jennifer), and Bridget (Dan); grandchildren, Catie (Brian), Emily, Margaret (Kyle), Tessa (Richard), Ellen (Lydia), George, Will, Greta, Miles and Ian; and great-grandchildren Lilly, Logan, Luther and Abigail. ■

W.B. "Bernie" Gray

W.B. "Bernie" Gray, 79, Hutsonville, died on May 29, 2021, at Arbor Rose in Robinson, IL, after battling the multiple effects of Lewy body disease for more than 10 years. Bernie was born in Vincennes, IN, on January 15, 1942, the son of Clifford C. Gray and Eileen (Crawford) Gray, both of whom preceded him in death. He married Carol R. Abel on September 8, 1962, in Bridgeport, IL.

Bernie was a 1960 graduate of Bridgeport Township High School, where he was an All-State high school basketball selection and captain of his team, which finished second in the state championship to Marshall of Chicago in 1960, when the tournament was still a single class. He also played baseball, advancing to the state tourney in 1960, as well. After graduating from Southern Illinois University-Carbondale in 1964, he accepted a position as a claims adjuster with State Farm Insurance Company in Mattoon, IL, then worked for First National Bank in Bridgeport, before moving to Hutsonville in 1970 to manage the **Farmers & Merchants Bank of Hutsonville.** Bernie served as CEO, president and chairman of the Farmers & Merchants Bank until his retirement and continued as chairman emeritus of the board of directors until his passing. He also served as the village president (mayor) of Hutsonville for 40 years, from 1973-2013, never accepting a salary and never afraid to personally contribute to keep the village clean by picking up trash and cans all over town. He was a member and past chairman of the board of the United Methodist Church in Hutsonville; member and past president of the Hutsonville Chamber of Commerce; organizer and original member of the **Community Bankers Association of Illinois;** former board member of the Merom Institute; former member and director of the Crawford County Development Association; former board member of the LTC Foundation; recipient of the Robinson Business & Professional Women's Employer of the Year Award in 2000; and a Crawford Memorial Hospital "50 in 50" honoree in 2011.

Bernie is survived by his wife of more than 58 years, Carol Gray, Hutsonville; children **Tina** (Bruce) **Callaway,** Hutsonville; Kim Gray, Hutsonville; Brett (Jennie) Gray, West York; and Brian (Jennifer) Gray, Hutsonville; grandchildren Blake (Emma) Callaway, Robinson; Brooke Callaway, Hutsonville; Ian Faulkner, St. Louis, MO; Grace Gray and Alex Gray, West York; and Ava Gray, Hutsonville; a sister, Glenda (Roy) Ralston, Bloomington, IL; brothers-in-law Bill (Betsy) Abel, Albuquerque, NM; and George (Charlene) Abel, Bridgeport, IL; sisters-in-law Ann Abel, Hutsonville; and Jacque Abel (Chris Robertson), Portland, OR; and many nieces, nephews and cousins. ■

JULY 2021

7 **Business Writing Boot Camp, Including Critique of Your Own Writing Sample**

8 **HR Group D** — Drury Hotel, Mt. Vernon
Avoiding the Top 10 HELOC Compliance Mistakes

9 **HR Group B** — Shazam Education Center, Springfield

11-16 **The Community Bankers School** — Illinois Wesleyan University, Bloomington

13-14 **Advanced BSA School** — Shazam Education Center, Springfield

13 **Navigating Compliance Issues for Promotions, Bonuses, Contests & Sweepstakes**

14 **CEO Forum Group VIII** — CBAI West Conference Room, Springfield
Legal Issues of Checks

15 **Capital Adequacy & Risk: Regulator Expectations for the Board**

16 **HR Group A** — Shazam Education Center, Springfield
CEO Forum Group VII — DoubleTree by Hilton, Lisle
Fair Credit Reporting Compliance

20 **Regulation E Compliance with ACH Payments**

21 **Branch Manager Group A** — Shazam Education Center, Springfield
Job-Specific BSA Training for Operations Staff

22 **CEO Forum Group I** — Shazam Education Center, Springfield
Chapter 7 & 13 Consumer Bankruptcies: Special Rules, Cramdowns & Risks

23 **Branch Manager Group B** — Grizzly Jack's Grand Bear Resort, Utica
HR Group C — Grizzly Jack's Grand Bear Resort, Utica

27-29 **Ag Lenders School** — Shazam Education Center, Springfield

27 **IRA Beneficiary Designations, Death Distributions & Required Minimum Distributions**

28 **Credit Fundamentals for the New Credit Analyst**

29 **CEO Forum Group III** — CBAI West Conference Room, Springfield

AUGUST 2021

3 **4th Quarterly Compliance Meeting** — Crowne Plaza Hotel, Springfield

4 **4th Quarterly Compliance Meeting** — DoubleTree by Hilton, Lisle
Regulatory Alphabet for Deposit Accounts

5 **CEO Forum Group IV** — Grizzly Jack's Grand Bear Resort, Utica
Comparing Regulation E with Visa & Mastercard Rules

9 **Senior Lender Forum Group V** — DoubleTree by Hilton, Lisle
New ACH Meaningful Modernization Rules Effective September 17, 2021

10 **Senior Lender Forum Group II** — Shazam Education Center, Springfield
Debt Service Coverage Calculations in Underwriting

11 **Senior Lender Forum Group I** — Shazam Education Center, Springfield
Handling POAs & Living Trust Documents on Deposit Accounts & Loans

12 **Senior Lender Forum Group III** — Shazam Education Center, Springfield
Record Retention: What to Keep & Why!

13 **Senior Lender Forum Group IV** — Shazam Education Center, Springfield
CEO Forum Group V — DoubleTree by Hilton, Lisle

17-18 **Compliance for New Lenders** — Shazam Education Center, Springfield

17 **Maximizing Cyber Security Soundness & Minimizing Incidents**

18 **Critical CIP & CDD Issues: Compliance, Beneficial Ownership & FAQs**

19 **Improving Call Report Efficiency: Documentation, Accuracy & Common Errors**

23 **Advanced Internal Auditing** — Shazam Education Center, Springfield
CFO Forum Group I — CBAI West Conference Room, Springfield
Credit Risk Management First Aid Kit

24 **Job-Specific BSA Training for the Frontline**

25 **Dealing with Difficult Customers: Five Foolproof Techniques**

26 **Operations/Technology Group D** — Drury Hotel, Mt. Vernon
Survey Says: The Top 10 Reasons Businesses Move Their Accounts

27 **CEO Forum Group VI** — Shazam Education Center, Springfield

31 **Marketing Group A** — Shazam Education Center, Springfield

31 **Loan Underwriting 101: Interviewing, Credit Reports, Debt Ratios & Regulation B**

CBAI Webinar

Member News


Bollinger

Matt Bollinger, president and CEO at **BankORION,** has accepted a position on the CBSC Board effective June 17, 2021. He will replace **Jim Dingman, BankORION,** who recently retired from the CBSC Board.

Millie Roseman of **Gifford State Bank** recently celebrated 70 years in banking. Three days after her 1951 graduation from Rantoul Township High School, the Gifford native took a job with the bank and she still serves on the bank board today.


Roseman

Farmers Merchants Bank of Illinois, Joy, is celebrating its 100th anniversary this year. **Bryan Hofmann,** president/CEO, and **Hugh Brown,** SVP/controller, were presented an anniversary plaque from CBAI at the Joy facility.

(L to R) Hofmann and Brown

Quad City Bank & Trust (QCBT) recently introduced a centralized management structure with the addition of three local branch managers. With more than 22 years in the financial industry, **Jim Noel** will join QCBT as assistant vice president, branch manager for the Moline and Brady Street locations. Also new to the QCBT team, **Becca Mueller** will serve as branch manager for the Bettendorf/Middle Road and West Davenport/Division Street locations. **Jenny Bemis,** who most recently held the position of lead account executive, retail banking officer, will be promoted to assistant branch manager and officer for the Utica Ridge location.

QCBT also recently announced that **John Nagle** will be promoted to the position of senior vice president, chief lending officer. The transition will be effective July 4 following the retirement of **Jeff Lockwood,** who has managed the commercial banking division for 15 years.

QCBT also welcomed **Nathan Kessler** to the role of vice president, commercial banking officer.

QCR Holdings, Inc. (QCRH) was recently named one of the Top 50 Best-Performing Community Banks of 2020 with assets between $3B and $10B by S&P Global Market Intelligence. QCR Holdings, Inc. is a multi-bank holding company which includes **Quad City Bank & Trust** in the Quad Cities.

SomerCor, a Chicago-based Certified Development Company (CDC) and CBAI associate member, is proud to announce it was awarded Accredited Lender Program (ALP) status by the U.S. Small Business Administration (SBA). ALP is a prestigious designation granted by the SBA to high performing, non-profit SBA 504 lending companies. To achieve ALP status, SomerCor underwent an extensive SBA qualification process that included the evaluation of staff expertise, as well as an assessment of performance metrics related to SomerCor's loan processing, portfolio growth and servicing, and compliance with SBA lending regulations.

Digital payment solution provider Spence Labs and cannabis banking platform provider **Shield Compliance** announced a partnership to deliver a bank-backed compliant digital payment solution to financial institutions serving cannabis-related businesses (CRBs).

Kevin Christensen, senior vice president of market intelligence and data analytics at **SHAZAM, Inc.,** was elected a second time to serve a three-year term as a member of the 2021 U.S. Faster Payments Council (FPC) board of directors. ■

Foundation Report (July 2021)

Contributors to the Foundation's 25th Anniversary Campaign

Individuals:

Sheila Burcham, Community Trust Bank, Irvington

Terry Griffin, CBAI

Rick Jameson, North Central Bank, Ladd

Jack Kuebel, CBAI

David Pirsein, First National Bank in Pinckneyville

Members:

College Ave Student Loans, Wilmington, DE
(attained bronze-level sponsorship)

First Neighbor Bank, N.A.
(attained bronze-level sponsorship)

Old Exchange National Bank, Okawville

Prairie Community Bank, Marengo (dress down days)

State Bank of Toulon (dress down days)

Board and committee members of the CBAI corporate family donating travel expenses to the Foundation are: **Dale Boyer, Arcola First Bank; Will Coolley, Longview Capital Corporation, Newman; Chris Gordon, Community State Bank, Galva; Mary Jo Homan, Chester National Bank; Chad Martin, Goodfield State Bank; Doug Parrott, State Bank of Toulon; David Pirsein, First National Bank in Pinckneyville; Ken Scott, Preferred Bank, Casey; Alan Stremlau, Illini State Bank, Tonica; and Jim Weast, Warren-Boynton State Bank, New Berlin.**

The Foundation received $120 from CBSC and CBAI board members as a result of the "dress-down" board meeting in April. ■

Chicago Ordinance Imposing Rent Control on Foreclosed-upon Property Thrown Out

Jerry Cavanaugh, CBAI General Counsel, Springfield, IL

In its opinion issued April 30, the Illinois Appellate Court for the First District (Cook County) ruled that a Chicago ordinance intended to protect renters of property that is sold at a judicial foreclosure sale from predatory increases in their rent payments was preempted by the Illinois Rent Control Prevention Act [50 ILCS825/1] ("the Act") which prevents home rule municipalities (e.g., Chicago) from regulating or controlling "the amount of rent charged for leasing private residential or commercial property." For foreclosed-upon property, Chicago's ordinance gave the new landlord (i.e., the purchaser at the judicial foreclosure sale) two alternatives: either 1) offer a lease extension that capped any increase in rent to at an amount not more than 102% of the previous year's rent; or 2) pay the tenant a "relocation" stipend of $10,600. The stated purpose of the ordinance was to prevent predatory rent increases that would cause the rental property to be abandoned and thus become subject to disrepair, creating hazardous conditions and lowering neighborhood property values.

In the case recently decided by the First District Appellate Court, Bank of New York ("BONY") foreclosed on the landlord and made the winning bid at the foreclosure sale. The renter's lease had expired five years before the foreclosure sale and during that time she was on a month-to-month lease status. After acquiring the property, BONY failed to give her either a lease extension or a relocation stipend. BONY had demanded documentation that she was a "qualified tenant" covered by the ordinance, but after she failed to comply, BONY did not feel obligated to offer either the lease extension or relocation stipend.

The renter sued BONY for damages in the amount of the relocation stipend, plus attorney's fees. A Cook County Circuit Court (trial court) found that the ordinance did, indeed, run afoul of the Act's rent control prohibition, but ruled that the offending rent control part of the ordinance was "severable" and did not require the entire ordinance to be preempted. The trial court granted the renter judgment in the amount of the relocation stipend and $98,000 in attorney's fees.

However, the First District Appellate Court's recent opinion reversed the trial court's judgment. The Appellate Court ruled that the trial court wrongly severed the offending rent control language from the ordinance as a whole because, without the 102% rent cap, a new landlord could impose a predatory rent increase that would leave the lessees with the only option of relocating, which would defeat the ordinance's purpose of keeping tenants on the premises rather than creating vacant buildings. Because the 102% rent cap was an "integral" part of the ordinance, and because the rent cap violated the Act, the entire ordinance was stricken by the Appellate Court as being preempted by state law. ■

Legal Link is a free CBAI member benefit. For answers to your general, banking-related legal questions, contact CBAI General Counsel Jerry Cavanaugh at 800/736-2224 (IL only), 217/529-2265, or jerryc@cbai.com or CBAI Paralegal Levette Shade at levettes@cbai.com.

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