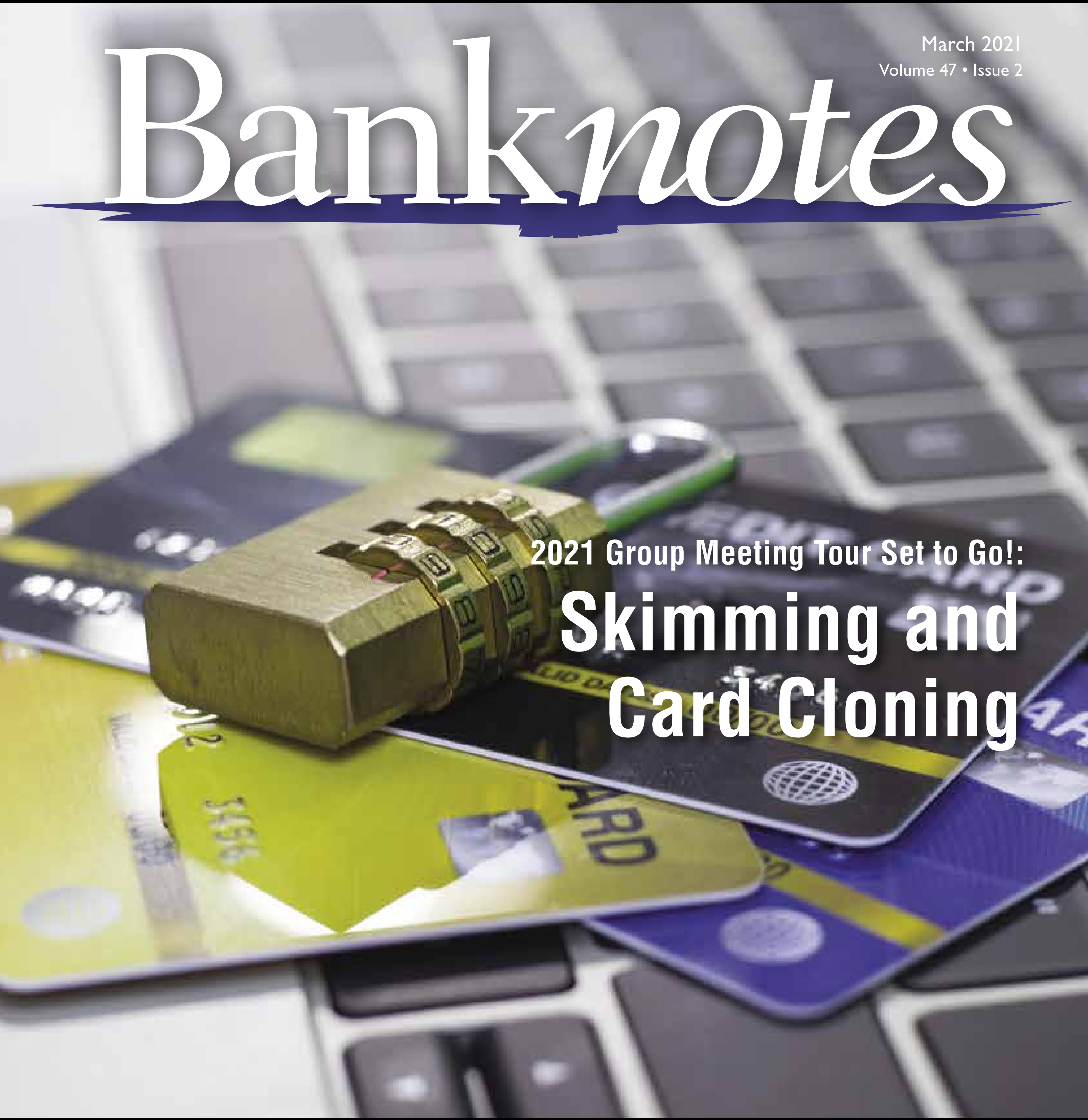
OFFICIAL PUBLICATION OF THE COMMUNITY BANKERS ASSOCIATION OF ILLINOIS

March 2021
Volume 47 • Issue 2

Banknotes



2021 Group Meeting Tour Set to Go!:
Skimming and Card Cloning

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10

14

20

FEATURES

DEPARTMENTS

PUBLISHED FOR
Community Bankers Association of Illinois
901 Community Drive
Springfield, IL 62703-5184
p. 217/529-2265
p. 800/736-2224
www.cbai.com

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For information regarding advertising, please contact us at advertising@emconsultinginc.com or 800/572-0011 x8005.

PUBLISHED BY
E&M Consulting, Inc.
1107 Hazeltine Boulevard, Suite #350
Chaska, MN 55318
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As American financial institutions—along with the rest of the world—face unprecedented times, The Baker Group is ready with tools and services to help ***maximize the performance*** of your institution.

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2021 Group Meeting Tour is Set to Go!

Effingham Country Club

CBAI leaders and executive staff are visiting 11 locations on the 2021 Group Meeting Tour this spring. Bankers from nearly 200 banks participate in these enjoyable and informative events each year. Consisting of an informative, hot topic presentation, as well as association reports, Group Meetings provide an excellent opportunity to get the latest information on key banking issues and catch up with friends and peers. See the schedule of Group Meetings that follows and make plans now to attend!

Group Meetings consist of an optional afternoon golf tournament at a local course and dinner meeting. Enjoy an afternoon at the links while taking advantage of networking opportunities with your peers. The Group 1 & 2 Meeting will follow a different format. The date and additional information will be released soon.

Hot Topic Presentation
Skimming and Card Cloning
Across the country, skimmers and cloned cards are costing financial institutions millions of dollars in fraudulent transactions and re-issued cards. This program covers the anatomy of a debit card, and how fraudsters are stealing this information with the use of skimming devices at ATMs, Points of Sale (POS) and fuel dispensers. The presenter shares images of these devices and short videos to demonstrate how skimmers work, how these devices are installed, how data is collected, and how easy it is to clone a card from the collected data (a card will be cloned during this presentation).

Mike Burke is the senior robbery and crisis management consultant at SHAZAM. Burke came to SHAZAM in January 2016 with more than 30 years of experience in retail loss prevention, criminal justice education, law enforcement and homeland security. During his law enforcement career as a sergeant detective, Burke was a case agent for financial institution robberies, drug investigations and homicides. Burke is currently a member of the Midwest Financial Fraud Investigators Association (MFFI) to assure SHAZAM clients are receiving relevant, timely and accurate training. Burke also instructs skimming and card cloning training for the Iowa Law Enforcement Academy Basic Training Classes in Johnston, Iowa.

Skins and Mulligans
The CBAI Career Development Division (CDD) will conduct the "skins" game and sell mulligans at each of the golf tournaments, with the proceeds benefitting **Community BancPac**. You can join the fun by contributing so your foursome can participate in the skins game and perhaps win the pot at the end of the tournament. You may also purchase one or two mulligans, just in case you need that extra shot to improve your team's score. Remember, this is all in fun and to raise money for a great cause, your Community BancPac.

2021 Group Meeting Schedule

Date	Group(s)	Location
May 3, 2021	10*	Annbriar Golf Course, Waterloo
May 4, 2021	12*	Franklin County Country Club, West Frankfort
May 5, 2021	11	Effingham Country Club
May 10, 2021	9	Jacksonville Country Club
May 11, 2021	7	Crestwicke Country Club, Bloomington
May 12, 2021	5	Soangetaha Country Club, Galesburg
June 7, 2021	3	Lake Carroll Golf Course, Lanark
June 14, 2021	8*	Mattoon Country Club
June 15, 2021	4*	Pontiac Elks Country Club
June 21, 2021	6*	Spring Lake Country Club, Quincy
TBD-June 2021	1 & 2*	Guaranteed Rate Field, Chicago

*Even-numbered CBAI Groups will hold an election for group director; term of office is two years. The procedure for nominating group directors will be sent to all banks in each CBAI Group with the first mailing. Banks with multiple attendees must designate one person to vote.

Association Reports
The opening portion of each Group Meeting focuses on critical legislative and association issues. **CBAI President Kraig Lounsberry** provides updates on Association projects and community banking in general, and **Senior Vice President of Governmental Relations Jerry Peck** offers an up-to-the-minute report of banking-related legislative activities. As always, you can expect a candid assessment of current political campaigns and a perspective on those campaigns from the community-bank point of view.

Door Prizes
CBAI will also hold drawings throughout the evening. At the beginning of each Group Meeting, one banker's name will be drawn from the list of registered bankers to receive a crisp $100 bill. At the conclusion of each meeting, CBAI will draw nine more names. The first five selected will each receive $50; the sixth and seventh individuals will receive $100; and the eighth person selected will receive $250 cash. The final individual chosen will win $500! You must be present to win all prizes.

Golf Prizes
Gift certificates for $100 from the pro shop will be awarded at the host course to first-place team members, as well as $50 gift certificates for the longest drive and longest putt at each Group Meeting. If more than 10 teams participate in a tournament, additional $50 gift certificates will be awarded to second-place team members and one for closest-to-the-pin.

Group Meeting Schedule
If the meeting in your designated group does not work with your schedule, feel free to attend any of the other 10 meetings. Check out the schedule and find the date and location that best fit your schedule! ■

Forbearance Expiry Expectations

Andrea F. Pringle, Financial Strategist and MBS Analyst at The Baker Group, Oklahoma City, OK

A wave of forbearance expirations expected this spring has investors anxiously awaiting clarity on what it will mean for the mortgage market. COVID-19 forbearance plans introduced by the CARES Act last year make it possible for any borrower with a mortgage backed by Fannie/Freddie/Ginnie to stop paying their loan for a maximum of 12 months due to pandemic-related hardship. The majority of loans in forbearance today entered forbearance in April 2020. With the deadlines on those loans fast approaching, what happens next is front of mind.

There are several paths a loan can take when forbearance expires. These paths prioritize keeping borrowers in their homes and minimizing disruption to the mortgage market. For conventional borrowers, the exit paths follow the waterfall on the right.

It is worth highlighting that options 1-3 above all present no actual impact to MBS investors. In those expiry paths, the mortgage remains in the pool and investors continue to receive scheduled principal and interest. Only options 4 and 5 result in prepayments.

Reinstatement – Borrowers bring loan current by repaying missed payments in a lump sum.	1st
Repayment Plan – Borrowers pay an additional monthly amount until missed payments are repaid within 36 months.	2nd
Payment Deferral – Missed payments are converted into a non-interest bearing balloon due upon maturity.	3rd
Modification – Terms are amended to something the borrower can afford. Successful modifications, those that pass a three month trial period, are bought out of pools (prepayment).	4th
If the above home retention efforts fail, a short sale, deed-in-lieu of foreclosure, etc. is likely next. This outcome also results in loans being bought out of pools (prepayment).	5th

While we do not yet know how the impending expirations will ultimately play out, we can make some inferences. Forbearance plans have been available to borrowers facing natural disaster hardships for years, which gives us some historical precedence to draw from. However, there are a number of differences between forbearance today and pre-pandemic forbearance that impact borrower behavior.

One major difference is the root cause of forbearance. Today's global pandemic differs from a geographically isolated natural disaster in that it affects a wider swath of the country and presents a longer path to recovery. Borrowers are staying in forbearance longer today than in the past and evidence shows that the longer a loan is in forbearance, the more likely it is to experience a credit event (short sale, deed-in-lieu, etc.). That tells us we should expect a large number of credit events as forbearance terms expire this spring. However, there are reasons to believe that loans coming out of forbearance now have a better chance of becoming current than ever before.

First, today's housing market is particularly strong. This helps borrowers stave off credit events because they can sell their homes and pay off their mortgages in full. This has already led to substantially fewer credit events than we would otherwise expect to see. Second, the new payment deferral options introduced by the GSEs make it possible for borrowers to transition back to current without having to come up with additional cash.

These conflicting factors have added to the uncertainty around what will happen when the 12-month terms start to expire. On one side of the equation, the fact that borrowers are spending a longer time in forbearance increases the likelihood of them experiencing a credit event upon expiry. On the other side, borrowers arguably have a better opportunity to avoid a credit event today because of the strong housing market and availability of payment deferrals.

It is estimated that the share of loans in forbearance that will ultimately experience a credit event could be between 0.7%-7.2%. That is a wide range but taking that percentage of the roughly 5% of all mortgages currently in forbearance does not amount to an alarming share of the agency mortgage universe. Further, because these forbearance terms expire on a rolling timeline the impact should not overwhelm the market. This is not to say there will be no impact, there undoubtedly will be, but it does suggest the disruption is likely insufficient to warrant substantial changes to investors' strategies. ■

Andrea F. Pringle is a financial strategist and MBS analyst at The Baker Group. She began her career in Washington, DC, where she also earned her MBA from George Washington University. Pringle worked on the Capital Markets Sales and Trading Desk at Fannie Mae for five years before returning to Oklahoma to work in corporate finance. She joined The Baker Group in 2020, and her work focuses on mortgage products. Contact: 800/937-2257; apringle@GoBaker.com.

WINTER INSURANCE MARKET UPDATE

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

As we enter 2021, several factors continue to impact the insurance marketplace, including a substantial number of large weather-related losses, historically low interest rates, and rapidly increasing loss trends in liability. Each of these factors helped drive up prices and reduce coverage availability. The reinsurance marketplace has hardened, as well. Add to these factors a global pandemic and the related economic fallout, and the market is continuing to experience a high sense of uncertainty.

The response from carriers may include reduced capacity, conservative underwriting practices, and increased rates, causing a broad firming in primary liability and umbrella/excess liability.

The firming trend is evident in this first quarter, with the expectation that things will remain unchanged for the near future and throughout 2021. We're also finding that some carriers are unwilling to quote lead excess layers. Actuaries are taking a close look at the origin of losses. This has resulted in a handful of carriers willing to take the lead layer but asking a significant premium to do so. The majority of markets want to attach more than $5 or $10 million, with very few options on the lead. As recent as 2018, there were probably 25 markets vying for the lead and most willing to offer as much as $25 million, whereas today you may have five or 10, depending upon the class of business.

The reduced limits do not come with a corresponding decrease in rates, which causes more insureds to cut back on the limits they purchase. Moreover, carriers involved in an excess placement are looking to review underlying quotes and pricing.

Each deal needs to be orchestrated on its own merits and does not necessarily involve the incumbent insurer. This often involves introducing new carriers or reaching out to additional markets to get the most competitive terms to structure the placement.

In addition, COVID-19 has put additional pressure on the need for rate adequacy. Insurers and reinsurers are experiencing a near-zero interest rate environment and are unable to offset underwriting losses with investment income. No matter how well capitalized the insurance is, poor results force carriers to remain steadfast in obtaining firmer rates.

In the past, insurers stair-stepped rates in 5% increments, but now we see double-digit increases with capacity more expensive than ever. Insurers are also now adding more specific pandemic exclusions to primary and excess policies.

WHAT'S DRIVING THE MARKET?

The firming market is a result of deteriorating loss trends due to an unprecedented number of massive claims. Catastrophic automobile accidents, active shooter events, personal injury lawsuits, construction defect claims, opioid casualties, and wildfire litigation have resulted in unsustainable loss ratios and carriers looking to obtain adequate rates.

Nuclear verdicts driven by social inflation, for example, have hit $250 million-plus in high-profile cases, driven by an aggressive plaintiffs' bar, litigation funding, and sympathetic juries with anti-corporate sentiments.

The commercial auto liability market has predominately been responsible for cutting into carrier profitability and driving up rates. According to data collected by Advisen, between 2016 and 2019, the number of catastrophic auto liability claims (characterized as having a reported cost of $15 million or greater) increased by 87%.

In response, insurers have exited some markets, overhauled their books of business to meet stricter underwriting guidelines, or adjusted pricing and coverage terms to reflect their exposures and prepare for future losses.

Industries hit hard by diminished capacity, appetite changes, and rate increases include transportation, habitation, energy, construction, sports and entertainment, dining, and the religious sector. In contrast, community banks remain one of the most attractive underwriting niches.

Although the amount of losses in the habitational multifamily market has not reached the level of automobile or product liability claims, this sector has experienced a significant rise in activity. This could cause community banks to force-place more insurance to protect their insurable interest in a borrower's property.

Now that construction projects are back on track, carriers are evaluating the precautions and safety protocols in place to mitigate the spread of COVID-19. These loss-control measures may involve hiring outside vendors for additional training, performing temperature checks and contact tracing, scheduling work shifts, and conducting virtual inspections.

ECONOMIC UNCERTAINTY

The sports, entertainment and dining industries have been hard hit by the pandemic, with economic uncertainty one of their biggest challenges going forward. Many venues have shuttered. Additionally, many entertainment venues are seasonal and may see little traffic as the effect of the pandemic continues. Bars and restaurants in Illinois were closed for an extended time and may face additional future restrictions with any surge in COVID-19 cases.

DIRECTORS AND OFFICERS

The D&O marketplace continues to be challenged as average claims have increased substantially in recent years. The market's deterioration has continued with every aspect of public company D&O, including premium, retention, capacity, attachment and terms and conditions. The market for privately held companies is not nearly as hard, although larger private companies will also still see increases. Social litigation is pressing for diversity among boards of directors and senior management positions.

CYBER

All signs indicate that we have moved from a long period of flat-to-falling cyber insurance premiums to a marketplace where underwriters are regularly seeking rate increases. We see this trend cut across most industry sectors.

Increases in the frequency and severity of ransomware claims continue to drive the hardening of the cyber market. The 2020 Beazley Breach Briefing reported a 131% increase in ransomware attacks compared to the previous year. Additionally, reports of seven- and eight-figure ransom demands are becoming more common.

COVID-19 has caused a massive shift to remote work, creating an environment inherently less secure for employers.

It is vital for community banks to review their cyber policies to evaluate the scope of coverage and determine if cyber losses related to the use of employee-owned devices and remote networks are covered, concentrating on how a policy might define computer networks, computer systems and other key terms.

MOVING FORWARD: RELATIONSHIPS MATTER

New and renewal processes are already challenged by underwriter turnover, retirements and a remote workforce. The influx of submissions has resulted in underwriters taking on multiple roles. Greater underwriting scrutiny also requires additional management oversight, which serves to lengthen the entire process. Open communication and transparency are key right now.

Preparing for your renewal and discussing your exposures beforehand helps your bank and your insurance partner be creative while not blindsiding anyone. Your insurance partner will speak to insurers on your behalf to make sure they are still happy with your account and vice versa. Things may change as you get closer to renewal but getting out early to gain commitments is beneficial for all concerned. ■

For any questions, please contact Community BancInsurance Services, a division of Arthur J. Gallagher & Co., the exclusively-endorsed insurance representative of CBAI/CBSC. Ask for Patti Tobin, CIC, insurance advisor, area financial institutions director at 217/414-4485 or patti_tobin@ajg.com.

Paul Merski, Group Executive Vice President, Congressional Relations and Strategy, ICBA

COMMUNITY BANKS EARN VICTORIES WITH STIMULUS ADVOCACY

Community bankers have hit the ground running this year with another round of Paycheck Protection Program lending, Economic Impact Payment processing, and the everyday business of supporting local communities during the pandemic.

It is worth taking a moment to reflect on community bankers' success in achieving much-needed emergency provisions in the end-of-year stimulus package. After months of intense lobbying and grassroots outreach, many of ICBA's priority provisions have been signed into law via the Economic Aid Act.

What We Did Together

We kept the community bank message alive and well in Washington in 2020 with a prolific year in community bank grassroots advocacy. As reported in ICBA's recent "2020 in Review" advocacy report, more than 9,000 community bankers sent more than 65,000 messages to Congress and federal regulators last year, including 480 congressional offices.

While ICBA maintains a constant presence with policymakers in Washington, community bank outreach is the difference-maker. And the results speak for themselves.

What We Achieved Together

The stimulus package signed into law at the end of December includes numerous ICBA-advocated provisions benefitting community bank customers and communities. Among its provisions, the bill:

- Simplifies Paycheck Protection Program loan forgiveness.
- Establishes a lender "hold harmless" provision for PPP loans.
- Fully forgives Economic Injury Disaster Loan advances.
- Supports a new round of PPP lending.
- Allows tax deductibility of business expenses paid with PPP funds.
- Extends troubled debt restructuring relief.
- Extends the CECL delay.
- Improves SBA 7(a) lending terms with lower fees and higher guaranty.
- Provides needed agricultural sector support.

Additionally, one of the last acts of the 116th Congress was to enact ICBA-advocated BSA/AML reforms as part of the defense spending bill, including beneficial ownership reporting by small businesses directly to FinCEN.

What's Next

While some provisions will require further rulemaking by federal regulators, others are in effect now. For instance, the provision forgiving EIDL advances to ensure they are not deducted from PPP loan forgiveness amounts is effective immediately and retroactive. However, the SBA will need to determine how it will make whole those borrowers that already received forgiveness payments with the EIDL amount deducted.

More information on the stimulus package's community banking provisions is available in an ICBA summary. Meanwhile, the Independent Bankers Association of Texas offers a helpful matrix of PPP updates, while the SBA and Treasury have pages dedicated to information and resources on the next round of PPP lending.

ICBA will continue offering additional information and resources on the details of these stimulus provisions. Advocacy works, and we thank community bankers for their tireless efforts last year, which will remain crucial in what is sure to be a busy 2021. ■

Paul Merski is group executive vice president of congressional relations and strategy for ICBA. He can be reached at paul.merski@icba.org.

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"We're Putting the Band Back Together!"

CBAI's 47th Annual Convention & Exposition

SEPTEMBER 23-25, 2021
MARRIOTT MARQUIS, CHICAGO, IL

Community Bankers – "We're Putting the Band Back Together!" and heading to Chicago for CBAI's 47th Annual Convention. 2020 is behind us and we are ready to live, breathe and jump again! Community bankers are the backbone, the nerve center, of a great band—so, let's reunite in Chicago and put the band back together!

Numerous iconic '80s movies were filmed in Chicago, but what is more iconic than "The Blues Brothers?" While community bankers may not go on car chases or sing from behind chicken wire, like Jake and Elwood did to support their charity, community bankers stop at nothing to take care of their communities and customers. Whether it is providing a home loan, stepping up with a sponsorship, assisting a student save for college, or helping someone run their own business, community bankers make it their mission to see their customers successful and happy.

CBAI needs you because "We're Putting the Band Back Together!" in 2021. So, grab your fedora, fill up your gas tank, and head to Chicago. You don't want to miss CBAI's 47th Annual Convention & Expo, September 23-25, 2021.

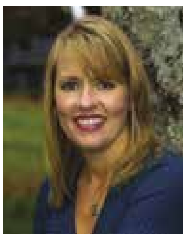
Cashen

Opening Breakfast Speaker
Christine Cashen delivers a fast-paced, hilarious program with useful content that makes her a sought-after speaker worldwide. For more than 15 years, she has jazzed an amazing variety of audiences throughout the United States, Canada, South Africa and Australia. Cashen is an authority on sparking innovative ideas, handling conflict, reducing stress and energizing employees.

Before hitting the speaking scene, Cashen was a university admissions officer, corporate trainer and broadcaster. Cashen holds a bachelor's degree in communication and a master's degree in adult education. She is a member of the National Speakers Association and is a Certified Speaking Professional (CSP).

What makes her unique is the "real" factor. Whether talking about her "hottie engineer" husband, her pet peeves, or growing up in an Italian/Irish household, audiences always relate to her experiences, struggles and lessons. She combines a down-to-earth attitude with a colorful artistic streak. Comments such as "I feel like I've known her forever," "we must take her back to our workplace," and "it felt as if Christine was speaking directly to me," are a testament to her effectiveness and style.

Cashen is the author of *THE GOOD STUFF: Quips & Tips on Life, Love, Work and Happiness*, which was named motivational book of the year by the Next Generation Indie Book Awards. She has also been featured as a creativity expert in *HOW Designs at Work* magazine. Her learning resources also include *Get What You Want with What You've Got* DVD, *The Fun Factor* DVD, *The Good Stuff* CD Audio Book, and *Why Can't Everybody Just Get Along* CD.


Collins

Closing General Session

As a salesperson, travel was a key requirement of Vallie Smith Collins' job. As a result, Collins was a passenger on US Airways Flight 1549 that landed in New York's Hudson River on January 15, 2009. Collins shares the details of her experience during the flight and rescue of the event that has become known as the "Miracle on the Hudson" in the hope that the experience inspires and motivates all to treasure each and each day because "every day is a lucky day!"

Vallie Smith Collins resides in Maryville, Tennessee, with her husband and three children. She is a member of Maryville First Baptist Church and serves on the board of 147 Million Orphans and the Maryville City Schools Foundation. She is also a member of Maryville Junior Service League, former board chair for A Secret Safe Place for Newborns of Tennessee, and an alumna of Leadership Blount.

Collins is a graduate of the University of Tennessee, Knoxville, with a degree in biomedical engineering. For over 13 years, she was employed as a senior account manager for a contract manufacturer of medical devices, pharmaceuticals and consumer products. Her interests and hobbies include tennis, running and spending time with family and friends.

Make plans now to attend CBAI's 47th Annual Convention & Expo on September 23-25, 2021, in Chicago! This convention promises top-notch speakers, pertinent and timely education, camaraderie, and exciting social events! ■

For more information and to take advantage of early-bird pricing, visit www.cbai.com.

Changing of the Guard in the Illinois House

Jerry Peck, Senior Vice President of Governmental Relations, CBAI

For the first time in four decades, Michael J. Madigan will not be the Democrat leader in the Illinois House of Representatives. The first order of business for the Illinois House in the 102nd General Assembly was to elect Emanuel Chris Welch as the new Speaker. Speaker Welch is the 70th person to hold the position and the first African American. He succeeds Madigan, who has served in the Illinois House since 1971, holding the Speaker's title from 1983 to 1995 and again from 1997 to 2021, making him the longest-serving leader of a state or federal legislative body in U.S. history. In his first news conference, Speaker Welch noted that he was born one month after Madigan first joined the House in 1971.

In his inaugural speech to the full House, Welch quipped, "When I came to Springfield on Friday, it was not my ambition to be standing here, I can tell you that." Speaker Welch, who goes by Chris, was a firm supporter of Madigan continuing to hold the gavel when he traveled to Springfield for the lame-duck special session. By the following Wednesday, he had been elected by his peers.

In the waning hours of the 101st General Assembly, it became apparent that Madigan did not have the support needed to remain as Speaker. Nineteen House Democrats publicly declared that they would not vote for Madigan, depriving him of a path to the 60 votes needed to maintain control. Madigan's announcement that he would suspend his campaign for the position in the final days of the special session set off a whirlwind of activity. Previously loyal Madigan supporters were freed to openly campaign for the position. Welch was successful in securing the support of the Black Caucus, then the Latinx Caucus, and finally, the support of all but two House Democrats. The final caucus decision was finalized just hours before the inauguration and leadership vote by the full House.

Speaker Welch has served in the General Assembly since 2013. He represents a west-suburban Cook County district and lives in Hillside. He graduated from Proviso West High School, played baseball at Northwestern University, and earned his law degree from John Marshall Law School at the University of Illinois, Chicago. An attorney working in private practice, Welch served for 12 years on the Proviso Township High School Board, the last 10 as chairman, before running for a seat in the Illinois House. As a state representative, Welch chaired the Higher Education Committee and the influential House Executive Committee.

CBAI enjoys a cordial and collaborative working relationship with Speaker Welch. There have been instances where we've initially found ourselves on opposite sides, but through respectful discussion and careful negotiation, we've largely been able to achieve mutual resolutions. Speaker Welch made headlines earlier this year when he called on businesses to boycott Wall Street mega-banks over their treatment of Main Street business owners, particularly minority business owners, in PPP loans. He actively encouraged businesses to seek out community banks that have historically done a better job of serving the needs of small business owners of all races and genders. We appreciate Speaker Welch's understanding of the difference between Wall Street and Main Street banks and his desire to take nuanced approaches to address banking issues.

Earlier this year, I had a face-to-face conversation with Speaker Welch, where we talked about the need for tiered regulation. We discussed the inadvertent harm that disproportionately impacts community banks when lawmakers fail to take a targeted approach to address the abuses of the mega-banks. We also discussed the need for more minority ownership and participation in the banking industry. The conversation centered around addressing regulatory burdens that make it almost impossible to start new community banks built to serve specific communities, owned and led by people from those communities. This basic concept has been the bedrock of community banking for generations.

In his first news conference as Speaker, he noted that the Illinois House intended to return to work quickly. Top priorities include serving as a check on the Executive Branch, addressing serious budget issues, and ensuring newly drawn electoral maps are drafted fairly. Community bankers applaud these efforts. CBAI pledges to continue to serve as a resource and partner to Speaker Welch in these and other challenges facing our state. Congratulations, Speaker Welch! We look forward to continuing our productive relationship with you. ■

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

The 2021 CBAI Compensation Survey is Now Online!

Results Are FREE for Members That Participate

Is your bank competing effectively with your peers to attract, reward and retain the top talent in today's job market? Acquire dependable data to formulate a strategic compensation and benefits plan that is equitable and competitive.

Complete the **2021 CBAI Compensation Survey** now and receive the results at no cost. National compensation experts BalancedComp have partnered with CBAI to:

1. ease the process of participating—possible to complete in under 30 minutes;
2. increase the survey's relevance to today's banking environment; and
3. enhance the resulting data's usability.

Survey results remain confidential and free to CBAI member participants, thanks to sponsor IZALE Financial Group.
Go to www.cbai.com to link to the survey. The deadline to participate is April 15, 2021. ■

ADDRESSING RISK:

How the OCC Risk Perspective Will Impact 2021

Joe Carty, Territorial GM, Ironcore, Inc.

With everything that happened in last year's fourth quarter; from local and national elections, to emergency use authorizations for a vaccine, to the passage of a second COVID-19 relief bill, you may have missed the release of OCC's Semiannual Risk Perspective in November. This report is published twice a year and addresses key issues facing banks. Specifically, the Semiannual Risk Perspective focuses on issues that pose threats to the safety and soundness of banks and their compliance with applicable laws and regulations.

This Risk Perspective presents data in four main areas:

- Operating environment
- Bank performance
- Trends in key risks
- Supervisory actions

The report also highlights emerging trends in payment products and services as a special topic in emerging risks.

Key Takeaways[1]

The COVID-19 pandemic and efforts to contain its spread in the United States caused a historic economic downturn in early 2020. Economic activity rebounded in the third quarter, but there is significant ongoing financial risk.

Banks remain in strong financial condition, but profitability is stressed due to low interest rates and increasing levels of provisions for problem loans. The OCC reported credit, strategic, operational and compliance risks among the key risk themes.

Highlights from the report include:

- Credit risk is increasing as the economic downturn impacts customer ability to service debts.
- Strategic risk is an emerging issue due to the historically low-rate environment, as well as potential credit stress and its effect on bank profitability.
- Operational risk is elevated as financial institutions respond to altered work environments and an evolving and complex operating environment. Cybersecurity threats contribute as a key driver of the heightened operational risk environment.
- Compliance risk is elevated due to a combination of altered work environments, and the requirement to quickly operationalize federal, state and proprietary programs designed to support businesses and consumers.

The number of cyberattacks increases each year, but during times of uncertainty, attacks skyrocket.

Cybersecurity Risk

It is noteworthy that cybersecurity is named as a key operational risk. The report states, "While banks overall have adequate cybersecurity systems, examiners continue to identify concerns in banks related to bank information technology (IT) systems, change management, and information security."[2]

The board of directors and senior management should expect increased scrutiny regarding the bank's ability to identify and respond to new cybersecurity threats in a timely manner and how threats may impact the bank, its customers and/or suppliers.

The number of cyberattacks increases each year, but during times of uncertainty, attacks skyrocket. By August 2020, the FBI saw a 400% increase in the number of cyberattack complaints they received, and some cybersecurity companies saw as much as an 800% increase in ransomware attacks.[3] Since ransomware attacks are at an all-time high and showing no signs of slowing down, it is critically important to make cybersecurity preparedness and resiliency a top priority. In fact, the OCC and the Federal Deposit Insurance Corporation (FDIC) issued a joint statement on Heightened Cybersecurity Risk[4] back in January 2020 focusing on response and resilience, protecting against unauthorized access, and system configuration.

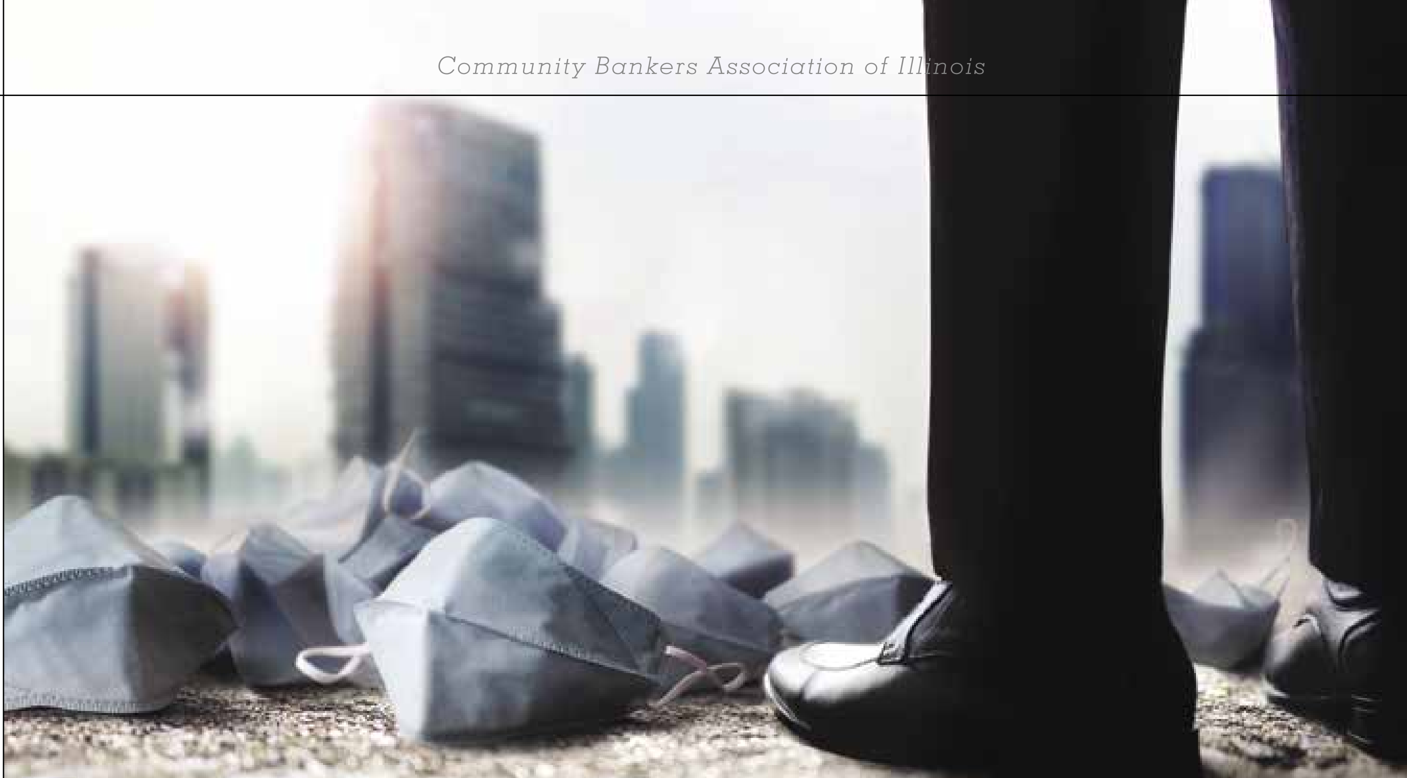
R-SAT Tool at Your Disposal

Facing an escalating number of ransomware attacks, increased scrutiny by regulators, and potential sanctions for facilitating ransomware payments,[4] what is a community bank to do?

On October 13, 2020, the Bankers Electronic Crimes Taskforce (BECTF), state bank regulators, and the United States Secret Service released the Ransomware Self-Assessment Tool (R-Sat). The R-SAT was created to help financial institutions assess their efforts to mitigate risks associated with ransomware and identify gaps for increasing security. Some Midwest states such as Iowa, Minnesota, Nebraska and North Dakota are directing state financial institutions to conduct tabletop exercises, as well as encouraging them to complete the R-SAT tool prior to their next examination. The R-SAT tool consists of 16 yes or no questions and is specifically designed to help community financial institutions reduce ransomware risk. A scorecard is created to provide executive management and the board of directors with a greater understanding of the financial institution's ransomware preparedness and areas where improvements can be made. At this point, the completion of the R-SAT tool is voluntary and not a requirement. Regulators see this as a starting point for discussions around an institution's preparedness towards identifying, protecting, detecting, responding and recovering from a ransomware attack. ■

If you need assistance accessing the letters, advisories, Risk Perspective or R-SAT mentioned in this article, feel free to reach out to Ironcore, Inc. Ironcore is the Managed IT and Cybersecurity Services Preferred Service Provider of 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, Ironcore Territory GM, joe.carty@ironcore-inc.com, 608/799-3701.

Source: Semiannual Risk Perspective (OCC)
1 Executive Summary p.1
2 Operational Risk p.15
3 See the Department of the Treasury "Advisory on the Potential Sanction Risks for Facilitating Ransomware Payments". October 1, 2020. www.prnewswire.com/news-releases/top-cyber-security-experts-report-4-000-cyber-attacks-a-day-since-covid-19-pandemic-301110157.html
4 See FDIC Financial Institution Letter, "Heightened Cybersecurity Risk Considerations" FIL-03-2020 Jan 16, 2020



Federal Government Focuses on SBA 504 for Economic Recovery

Eric Bacon, Vice President and Loan Officer, SomerCor

The COVID-19 pandemic and resulting mitigation policies continue to uniquely burden the small business community. In December, to support existing businesses and spur new growth, Congress passed the Coronavirus Response and Relief Supplemental Appropriations Act of 2021.

This package doubles down on Small Business Administration (SBA) lending programs as a key economic recovery tool. In addition to funding for the Paycheck Protection Program and Economic Injury Disaster Loans, the law includes several enhancements to the SBA 504 program. Here are the key 504 program changes that can serve community bankers in creating and growing business client relationships as commerce rebounds in 2021.

New SBA 504 Loans Receive 3 Months of Payment Relief
Perhaps the most attractive feature of the new 504 program enhancements is the continuation of debt relief payments. In March of 2020, the CARES Act established debt relief payments to help certain SBA borrowers. In December, Congress appropriated an additional $3.5 billion to continue and expand borrower payment relief.

Subject to available appropriations, per SBA released Procedural Notice 5000-20095, for new 504 loans approved between February 1, 2021, and September 30, 2021:

- Borrower receives 3 months of payment subsidies (principal, interest and fees) on the SBA portion of the loan.
- Payment relief begins with the first payment due after the loan is in regular servicing status.
- Relief is capped at $9,000 per loan, per month.

This debt relief is not considered a loan, forbearance or deferment of any kind. It will not impact the borrower's credit score. Simply, the SBA will be paying these loan payments on the borrower's behalf.

Since the start of the pandemic, the 504 program's effective interest rates have been among the lowest in program history. Participation has soared, leading to the largest monthly funding in the program's 34-year history in September 2020. With continued low-interest rates and another round of borrowers eligible to receive payment relief, we expect the program to only grow in popularity among both lenders and small business owners.

Temporary Elimination of Certain SBA 504 Fees
Along with providing payment relief for borrowers, the law outlines the temporary elimination of certain 504 fees. For loans approved between December 27, 2020, and September 30, 2021, the .5% SBA Participation Fee and 1.5% CDC Fee will be waived.

Consider the breakdown of savings for a $2,000,000 sample project covering the purchase and renovation of commercial real estate for an existing business in a general-purpose space.

Source of Funds			
Bank Loan	50.00%	1st Mortgage	$1,000,000
SBA 504 Loan	40.00%	2nd Mortgage	$800,000
Equity	10.00%	Equity	$200,000
		Total	**$2,000,000**

SBA Temporary Program Enhancements	Savings
Waived Third Party Lender Fee Paid to SBA (.5%)	$5,000
Waived CDC Fees (1.5%)	$12,000
Debt Relief (3 Months of Payments, Max $9,000/Mo)*	$11,081
Total Savings:	**$28,081**

**based on February 2021 SBA 504 debenture interest rate of 2.75% on 25 year loan*

Borrowers with new loans approved before September 30, 2021, will save thousands from debt relief payments and fee elimination.

SBA 504 Debt Refinance Program Enhancements
In addition to the temporary relief benefits for borrowers, the law includes permanent enhancements to the 504 debt refinance program. These changes are pending official guidance from the SBA but set the stage for increased opportunity to offer existing and new clients improved cash flow through the refi program.

Debt Refinance (Without Expansion)

For new debt refinance projects without expansion, the law adjusts the eligibility rules to allow additional participation:

- Eliminates the requirement that a loan must have been current for at least a year prior to the application date. (This is now a credit underwriting consideration rather than an eligibility barrier to the program.)
- Permits the refinance of a Qualified Debt that is six months old (decreased from the previous requirement of two years).
- Allows the refinancing of any government-guaranteed debt.

SBA 504 Debt Refinance (With Expansion)

For new debt refinance projects with expansion:

- Increases the amount of debt eligible for refinancing to 100% of expansion costs (previously 50%).

Refinancing Senior Project Debt

Along-side the permanent changes to the 504 refi program, the law also includes a temporary opportunity for borrowers seeking additional capital for operating expenses.

Through December 27, 2021, a CDC can process a cash-out subordination to re-leverage the third-party loan on an existing project, to a total 90% loan to value (LTV) when combined with the outstanding balance on the existing 504 loan. These proceeds can be used for operating expenses.

The 504 refinance program has a proven track record during times of economic uncertainty. The SBA first launched the 504 refi as a pilot program in response to the Great Recession from 2010 to 2012. The pilot was so effective it became an official SBA lending option in 2016.

With these program changes, more businesses can use the 504 refi to restructure existing debt on their commercial real estate to access capital resources during this time of transition.

Pivotal Role of Community Banks
For clients looking to expand capacity through the purchase of commercial real estate or heavy equipment, as well as those seeking to conserve capital through refinance, there has never been a better opportunity to consider the 504.

The 504 program is designed specifically to support business growth and includes strategic capital considerations. But it also provides important benefits to lenders, especially in a time of economic uncertainty. Specifically, the program helps banks to mitigate risk, increase liquidity, and provide credit enhancement for potential loans.

As a certified development company, SomerCor serves as your bridge to the SBA—managing the 504 process from application to servicing. Be sure to visit www.somercor.com and www.sba.gov for official updates on enhancements to the 504 program and guidance on promoting it as a part of your commercial lending portfolio. ■

Eric Bacon is vice president and loan officer at SomerCor. He can be reached at ebacon@somercor.com.

SomerCor is a non-profit lender certified by the Small Business Administration that specializes in SBA 504 loans. Our mission is to grow businesses, create jobs, and increase impactful investment in every community through access to capital.

SIX
Innovation Trends for 2021

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

Much remains uncertain in 2021. In general, "uncertainty" implies a state of limited knowledge that makes it impossible or impracticable to describe a future outcome. And it's this ambiguity that many community banks face when addressing market needs for 2021.

Despite this, community banks will continue to demonstrate a thoughtful and courageous approach to innovation to meet the needs of their customers. Here are six opportunities for community bankers to consider as they flesh out their 2021 planning.

1. Digitalization. Demands on community banks to process Paycheck Protection Program loans for small businesses in 2020 accelerated digitalization and laid a strong foundation for future innovation around digital products and services. Investing time and resources into digitalization in 2021 is non-negotiable.

2. Artificial intelligence and machine learning. Expect a heightened focus on using AI and machine learning to improve digital and mobile-first strategies and support front- and back-office processes. Processes enhanced by these tools include ever more complex regulatory compliance, know your customer (KYC) risk management, and Bank Secrecy Act (BSA) and anti-money laundering (AML) requirements from an underwriting perspective.

3. Regtech. Leadership changes at the national level often correlate strongly with increased activity around regulatory needs, changes and technology. This may result in a shift in the tools and technologies community banks employ to meet the needs of their markets. ICBA will continue to focus on the regtech space and apprise members of new developments.

4. Cybersecurity. Cybersecurity should be a part of any bank's comprehensive, strategic approach to fintech and innovation initiatives. ICBA's Preferred Service Provider Directory is an excellent place to look for solutions geared to meet community banks' needs.

5. Financial literacy. Look for heightened awareness and increased demand for solutions to serve underbanked and underserved people. Several new entrants appeared on the scene in late 2020 to address the financial literacy and financial wellness needs of these communities. This will be an essential year for increased awareness and adoption at the national level.

6. Cryptocurrency. In 2021, expect to see more robust and solid use cases for cryptocurrency. The year will bring opportunities for community banks to adopt some of these capabilities to serve targeted subsets of the market.

Equally important is your continued involvement in ICBA. ICBA's ThinkTECH Accelerator 3.0, which launched on January 6, provides community banks with opportunities to engage directly, partner with early-stage fintechs, and help shape the future of community banking. Visit icba.org/thinktech and sign up to lend your expertise and insights as a mentor.

As we look to the future, Benjamin Franklin's words come to mind: "Nothing can be said to be certain, except death and taxes." And I would humbly add, community banks' resolve to serve their customers and communities well. ■

Charles Potts is ICBA senior vice president and chief innovation officer. He can be reached at charles.potts@icba.org.

Nominations for the Excellence in Innovation Award are Now Being Accepted!

Nominations are being taken for 2021 Excellence & Innovation BKD Award Presented by CBAI and the accounting firm of BKD LLP. The purpose of the award is to recognize banks with an outstanding, innovative product/service or program. Your bank does not need to be a BKD client to enter. Nominations are due at CBAI headquarters no later than **Friday, June 4, 2021.**

Last year, the winner was CNB Bank & Trust, N.A., Carlinville. This year, your bank could be the winner! Enter your bank now!

You can find the nomination form at www.cbai.com or send an e-mail to the CBAI Department of Communications at cbaicom@cbai.com. We hope to receive your nomination soon!

How Can Your Bank Better Connect with Customers on Facebook?

Dan Novalis, President and Owner, 2Novas Inc.

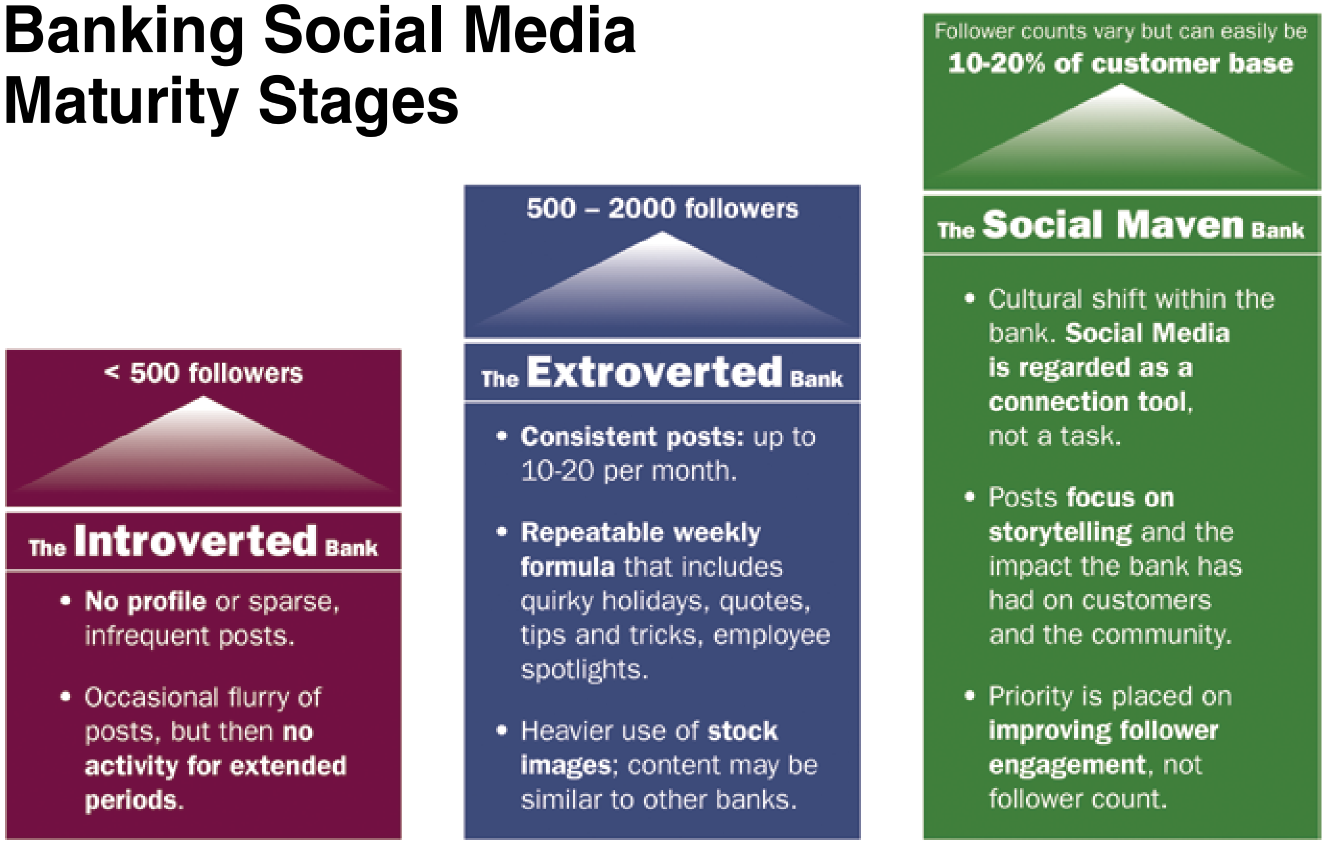
Are you looking to grow your bank's Facebook following or evaluate how your social media program is doing against the competition? One of the most common things we're asked as we're ramping up a social media program is, "how many followers should we have?" Our answer is often to not focus on follower count at all—but rather make a mental shift into thinking about engagement (likes, shares, and comments).

Let's compare two of our clients. Bank A is a $30M, one-branch bank in rural Illinois, and Bank B is a $2B bank with over a dozen branches in a large city. Both have about 1,400 Facebook followers. The difference? Bank A has been posting engaging, consistent content for several years and Bank B recently started on its social media journey. We expect Bank B to start growing consistently this year, but it takes time and the ability to create differentiated, engaging posts for your followers.

We think about bank social media in three "maturity stages":

1. **"The Introvert"** – We find most banks can get to around 500 followers fairly easily, over a few months, with just basic promotions and awareness (the occasional client email, the Facebook logo on their website, and time). But they tend to stall out at this point.
2. **"The Extrovert"** – Banks at this stage are posting consistently. Posts tend to focus on quirky holidays, quotes, recipes, employee spotlights and bank promotions or fraud alerts. This can help you grow your following—but often you'll reach another plateau, as well. Here, the follower count is more dependent on your bank and community size, but we will typically see banks get to around 1,000-2,000 likes here with consistent posts over several quarters.

Banking Social Media Maturity Stages



3. **"The Social Maven"** – This stage is defined by differentiated, unique, engaging content. Social Mavens tell stories about helping their communities, and their posts naturally draw in customers. Follower counts vary widely, but often they can be more than 15-20% of your customer base. (Bank A's following is about 35%, Bank B's is 2.5%.)

Social Mavens also stop worrying about follower count—and start thinking about true engagement. Facebook provides engagement metrics (on your page, find the Page Insights link) to tell you how your posts are doing. Social Mavens are much more focused on likes, comments and shares because it shows how much your customers are engaging with your content. The bank with 500 very engaged followers will have a much better customer connection than the bank with 5,000 uninterested followers.

So, how can your bank become a Social Maven?

It requires a real cultural shift within the bank and the bank's marketing team to become a Social Maven. It's no longer a task to write the month's posts, but part of meeting the bank's goals in deepening customer connections.

As an example, Bank B has just joined our Social Engagement program. In this, we first hold brainstorming workshops with front-line staff to learn about customer stories. The goal is to interview customers who have been positively impacted by their relationship with the bank (think PPP loans that kept businesses open, refinancing mortgages to help lower monthly costs, helping a customer buy their first home, etc.). We write up the emotional aspects of the story, shoot videos with the actual customers and bank staff that helped, and then edit the video into several compelling parts that we can share via social media, the bank's website, and email over a several-week-long period.

What benefits do Social Mavens enjoy?

Over time, Bank B will grow their follower count, sure—but to create true connections, we're also helping them make a cultural shift and think of the customer on social media just like the customer on the phone or in the lobby. In just a few months, we've already seen a 30% increase in their engagement rate. Increased engagement will lead to better brand advocacy, referrals and cross-sell opportunities for the bank. ■

Dan Novalis is president and owner of 2Novas Inc., a community bank marketing agency based in St. Louis, MO. For some free tips on how your bank can become a Social Maven, read more about the program at 2novas.com/video, or email Dan directly at dan@2novas.com.

Four Ways to Reduce Your Technology Spending

Charlie Kelly, Partner, Remedy Consulting

Every bank CFO I have ever met would like to pay as little as possible for the most value. Each executive would like to pay their vendors, employees, landlord, janitor and even consultants as little as possible if they thought they were getting a good deal. Most of them are proud of their ability to reduce expenses.

If you are one of those bank executives, here are some areas you may be missing in expense reduction with your technology vendors:

1. Eliminate Usage Redundancy

Every technology contract has "per-use" charges. For Office 365, you pay by the number of Office 365 users. For debit processing, you pay by the number of card transactions of your customers, and for your core banking system, you likely pay by the number of bank accounts your core vendor is hosting on your behalf.

Banks can often help themselves significantly by reviewing the number of inactive users. Let's use an example where you pay for eCommerce, mobile applications and bill payment on a per user basis. If you have customers who have signed up for these services but are not active users, you continue to pay for active users when your customers might not even be utilizing the service.

Consider a bank policy where services are deactivated for customers that have not used them for six months or more. Our bank clients have found that this type of policy has very little disruption to these customers. Some of our clients even charge customers a monthly fee when there is no usage, again with little customer disruption.

Another example of this is closed accounts. Most core providers charge banks for open and closed accounts. There are reasons that you may need to maintain closed accounts for 12 or 18 months, but often banks maintain closed accounts well beyond that period and some are there forever. Banks generally have a data warehouse available to them to store the information needed for historical or audit purposes, and so if older closed accounts can be purged from the core, you could find monthly savings while still maintaining the information in your data warehouse.

2. Review Hidden Contract Language

Nothing is exciting about reading a technology vendor contract. However, deep in the bowels of your contract, you may find some double charges that may be of interest to you. We have seen contracts that allow clients to be charged for cost-of-living increases. This is typical, and often reasonable. However, many contracts still have "greater than" language in the cost-of-living adjustment, which seems a little less reasonable. That language might read something like "the greater of 5% or CPI," or something similar. This language allows the vendor the ability to increase your rates beyond what would seem reasonable, particularly in a contract with a longer term.

What you may also find in your contract are escalators for growth. An example of this might be if your bank increases its assets. Taken independently, this may seem reasonable, but combined with a cost-of-living increase, this begins to feel like double-dipping by your vendor. Dig deeper and you may find other examples of where your costs are increasing faster than your revenue.

3. Complete Pricing Due Diligence Reviews

Your job as a bank executive is to maintain your bank's competitive edge. You do that in many ways. You hire the best people, pay competitive wages, find the best locations, outsell the competition, and reduce expenses.

Technology is typically the third largest expense behind real estate and salaries. Where you may find a competitive advantage is that technology is the only one of your largest expenses where you negotiate much of the expense ***once every five or seven years***. As the executive in charge of these expenses, you should not be asking yourself whether you feel you like your monthly technology invoice—most do not. The more relevant question is:

"How much am I paying compared to other banks of a similar size?"

Technology contracts are complicated, and you do not have access to a Consumer Reports or Kelley Blue Book for technology spend to help you understand whether what you are being charged is the same as your peers of a similar size for similar services.

Consider bringing in a third-party consultant. A good consultant has years of experience negotiating these types of contracts and should have worked at a large vendor for several years. A consultant that worked as a salesperson or client partner will be effective but may not know as much as someone who worked in a centralized finance role at a vendor where they compared hundreds or thousands of negotiated rates.

The adage of "two heads are better than one" definitely applies here. Your team's experience working inside the bank is good, but the amount of data available at the vendor far exceeds your internal knowledge.

A good consultant should be able to ask questions that make you think. Most have a methodology where they have found success for negotiating the best deal, and by and far should be able to get you to a better place with your vendor. Many will have a deep knowledge of contract terms and conditions to educate you on areas to concentrate on as you grow your bank.

4. Consider Buying in Advance

If you have ever purchased an add-on product from one of your large technology vendors midway through a contract period, you realize that you are likely paying full price. Imagine walking into a car dealership and paying MSRP. You would not do that if you felt that someone else had just walked out of the dealership with a lower rate.

Once you sign a long-term contract, you become what the vendors consider a "captive audience" when it comes to adding future products throughout the contract. For several reasons, you are unable to shop elsewhere. Generally, that is because the vendor's products integrate much better to their core than their competitor's products. Since you only have one place to shop, you pay full price when buying midway through the contract.

Our recommendation to reduce future spend is when our clients are preparing to sign that long term contract with their primary vendor, they consider any additional products they may need or want throughout the contract length of potentially five or more years. Before signing a contract is the best time to get incentives on those future purchases, even if they are not ready to purchase and install immediately.

Review any products that are not working well or that your vendor may sunset over the next five to seven years. Do you have a pre-approved rate for the replacement product, if they offer one? A bit of pre-planning may save you a lot of money over the course of the contract.

Good luck, and feel free to reach out if you have any questions on the ideas discussed here. ■

Charlie Kelly is a partner at Remedy Consulting. He can be reached by phone at 312/270-3490 or by e-mail at ckelly@remedyconsult.net.

Celebrate Community Banking Week in Illinois!

Community Banking Week in Illinois is coming up April 4-10, 2021, and April is National Community Banking Month. This is a perfect opportunity to spotlight the importance of community banks. Help us celebrate the invaluable contributions community banks make to their local economies. Community bankers regularly assist customers who are facing unforeseen economic hardships. Whether it's a pandemic, layoff, strike or other unexpected personal economic emergency, community bankers will always work with their customers, be it individuals, small businesses, farmers or local governments, to find ways to weather the storm together. The theme of this year's Community Banking Week in Illinois is "Growing Stronger Communities." Community banks are committed to their communities and play a vital role in the success of individuals and businesses alike. They are always looking for new ways to help nurture and grow their communities and make a positive impact.

With the uncertain environment, how can you still celebrate? Here are some ideas your bank may be able to use to successfully promote Community Banking Week in Illinois. The Community Bankers Association of Illinois wishes to thank you in advance for any visibility your bank can afford this important event.

Jean Days (or Dress-Down Days)

Every Friday in April, allow your staff to wear jeans (or at least dress down) for a small fee (i.e., $5 per person per Friday). Then, give funds to local charity(ies) and/or make a tax-deductible donation to the CBAI Foundation for Community Banking, which endows all of CBAI's annual scholarships.

Facebook Contests

Hold contests on Facebook and mail prizes to the winners.

Facebook Contest Ideas

- What is your favorite thing about our community?
- How many pennies are in the piggy bank pictured?
- April is National Humor Month. Ask customers to e-mail a bank employee their favorite joke and post the winners on social media.

Support Local Business Customers

Send the winners of your Facebook contest a gift card to a local restaurant or shop. This is a great way to support local establishments and your business customers.

Order curbside service from a local restaurant and treat your community's hospital staff or emergency responders to a free lunch. This not only thanks a very deserving group of individuals but helps your small business customers.

Highlight a different business customer on Facebook every day.

Get Kids Involved

Record a financial literacy session and post it to your website and/or Facebook page. Or, record bank employees reading different children's books out loud and share those on your website or social media.

Add a coloring page to your website that kids can print and color at home. Or, hold a contest where kids are asked to draw a picture of your bank or create a banking-related poster. Have them send in pictures of their completed project and share the winners (or all submissions) on your Facebook page and/or website. Award a savings bond a day.

News Releases

Community Banking Week is a perfect time to send out a news release on how your bank is helping your community and customers, especially during this difficult time. Let the media and community know what you are doing to work with customers who have been financially affected by COVID-19. Let's blanket the media with encouraging news stories with a positive focus on community banks!

Customer Communications

Using the same artwork for all of your printed material, you may wish to create statement inserts for your customers. Additionally, you should make mention of Community Banking Week in bank newsletter(s).

Your bank may wish to take advantage of Community Banking Week as an opportunity to again emphasize safety-and-soundness or to elaborate on a special feature of your bank. Community Banking Week is the perfect time to remind customers of why community banks are important to the survival of the local economy.

Make something special of this time. Send a "Dear Customer" letter/email explaining the importance of community banking. Use your bank newsletter and statement stuffers, as well as mass media, to promote your activities or giveaways.

This is a great time to promote your online and mobile banking services. Encourage your customers to take advantage of these options or to sign up now if they haven't already.

Special Products/Services

Now is an excellent time for your members to piggyback on the momentum of Community Banking Week with the introduction of a new product or service. You may wish to offer a special package for new accounts, tie in with special services for small businesses, or offer a special rate for loans or savings instruments during this period only.

Small-Business Accounts

Get your officer-call program in high gear with targeted accounts. The point is, while community banks are in the spotlight, you have an excellent opportunity to also develop business relationships.

April is also:

- Keep America Beautiful Month & Lawn and Garden Month (Arbor Day in Illinois is always the last Friday in April; Earth Day is always April 22 — give away flower or vegetable seed packets at your drive-up; have a drawing for landscaping services; tie in a "Go Paperless" theme whereby the bank donates to the Arbor Day Foundation for all accounts to switch to paperless).
- Poetry Month (Hold a poetry contest).
- National Food Month (Feature local restaurants; give away gift cards to local restaurants or grocery stores).
- Books to Brighten Young Minds Month & School Library Month (Donate books or funds to your local school library/libraries).
- Community Spirit Month

For your FREE marketing kit, including lobby posters, radio scripts and PSAs, color and black-and-white ads, letter to the editor, and more, contact Bobbi Watson at bobbiw@cbai.com.

Share with us how your bank is celebrating! E-mail us with your plans! Tag us in your Facebook posts!

We want to share what your bank is doing with CBAI members statewide on our social media and in our Banknotes magazine. Contact Valerie Johnston at valeriej@cbai.com. ■

CDD SPOTLIGHT

QUESTIONNAIRE

Bethany Dunham, CDD

Group Director & Assistant Cashier,
Farmers National Bank of Griggsville

What do you find most challenging about your job?
The most challenging aspect of my job is the constant changing of rules and regulations.

What do you find most rewarding about your job?
I love learning new things, but I'm a "show me, don't tell me" learner, so when I master something, I take great pride in that!

What is the best advice you have ever received? Or what quote most inspires you and why?
"Alone we can do so little; together we can do so much." – Helen Keller
Oh, and also, a friend told me "If you want to keep a babysitter, pay them well and they'll come back."

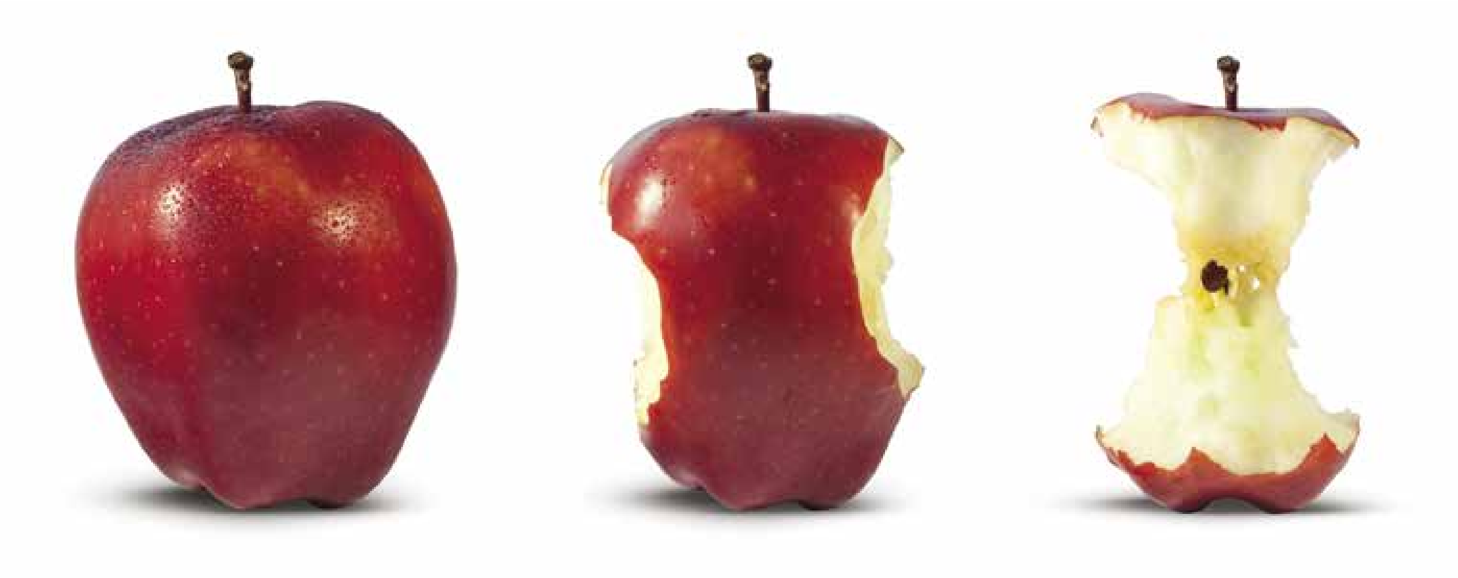
How did you get involved with CBAI?
Farmers National Bank of Griggsville (FNBG) has been a member of CBAI since before I started working there in 2007. Employees have attended multiple seminars and webinars every year ranging from teller topics to CECL. I've fallen in between there several times and always end up meeting someone with whom I have so much in common.

What is something most people don't know about you (or your bank)?
Most people do not know that I can recite the 50 states in alphabetical order. This has come in handy several times, especially studying the states and capitals with my fourth grader. My bank, FNBG, had a record-breaking year during the COVID-19 pandemic, and we are so grateful.

What are the biggest challenges your community bank faces today and what are you doing to combat these challenges?
The biggest challenge our community bank faces is the ever-changing technological world, such as online account opening and online banking. Especially since COVID-19, banks have been forced to continue to evolve online and we are working to be competitive with not just the local banks around, but the big banks, as well.

What is your favorite initiative that your bank has implemented to support your community?
For the past few years, FNBG has donated $100 gift cards to all the teachers in the communities we serve.

If you weren't in banking, what would you be doing, and why?
After having kids, I realize how time flies by so fast. I could see myself being an elementary teacher, as long as I'd get the couple extra months in the summer off with them. ■



In This Foreclosure, Third Time Was the Charm

Jerry Cavanaugh, CBAI General Counsel, Springfield, IL

The legal doctrine of *res judicata* prevents a plaintiff from re-litigating a case if: (1) it is based on the same set of facts as those raised in previous litigation; (2) the identity of the parties to the case are the same as in the previous litigation; and (3) the previous litigation resulted in a judgment on the merits (as opposed to having been dismissed on a procedural technicality). Essentially, it's the courtroom version of "you don't get two bites at the apple," which is a colloquialism that I have never understood given the fact that I have never seen anyone eat an apple in just one bite. It is a saying that ranks right up there with "He can't have his cake and eat it, too." In my legal opinion, if one bakes or buys a cake (s)he should be entitled to eat it.

Anyway, *res judicata* was at the forefront of the January, 2021, foreclosure case of *McHenry Savings Bank v. Moy*. Before going further, I will mention that I have read hundreds of foreclosure cases over the years and I thought that I might have seen every conceivable defense raised by a mortgagor, but the "once I was in default, I made no further payments" defense revealed below was new to me.

The description of the outcomes of any case(s) referenced in this column is for informational purposes only and do not represent any legal advice or recommendation as to any course of action that a bank should, or should not, take in a specific situation. Any actual dispute between a bank and a customer regarding any banking relationship calls for the consultation with, and reliance on, actual legal advice from the bank's own attorney.

In 2008, Mortgagor defaulted on a mortgage loan originated in 2004. Mortgagee Bank initiated a foreclosure suit in November of 2009 ("Foreclosure #1"), alleging that the loan had been in default since the most recent payment in 2008. Although the trial court ruled that Mortgagee Bank had established the existence and validity of the mortgage note and the fact that Mortgagor was in default, the foreclosure case was dismissed because the trial court concluded that Mortgagee Bank had failed to prove the amount owed that it was seeking in a foreclosure judgment.

Mortgagee Bank returned to court with a second foreclosure suit in September of 2017 ("Foreclosure #2"), again pleading that Mortgagor had still not made payments since her default. The trial court granted Mortgagor's *res judicata* Motion to Dismiss Foreclosure #2, because it was grounded in the same default litigated in Foreclosure #1.

Finally, Mortgagee Bank returned to court in November of 2018 ("Foreclosure #3"), but this time specifically citing that it was suing for foreclosure based on July 2018, and August 2018, unpaid mortgage installments, as well as Mortgagor's failure to pay her June 2018, installment of real estate taxes as required

In 2008, Mortgagor defaulted on a mortgage loan originated in 2004. Mortgagee Bank initiated a foreclosure suit in November of 2009 ("Foreclosure #1"), alleging that the loan had been in default since the most recent payment in 2008

under the note. As she had successfully done in Foreclosure #2, Mortgagor argued that, because she had made no payments since her 2008 default this remained a single, continuous default that was already litigated in Foreclosures #1 and #2.

This time, however, the trial court ruled in favor of Mortgagee Bank, entered a judgment of foreclosure, and ordered a Sheriff's sale of the property. Mortgagor appealed that judgment to the Illinois Court of Appeals for the Second District ("Appellate Court").

In upholding the Foreclosure #3 judgment of the trial court, the Appellate Court noted the obvious fact that it was impossible for Foreclosures #1 and #2, litigated in 2009 and 2017, respectively, to be grounded in the identical set of facts as Foreclosure #3, because the default on two payments in 2018 and failure to make a 2018 real estate tax payment installment were not issues before the trial court in 2009 or 2017. The two prior cases won by Mortgagor did not discharge the debt; they essentially maintained the status quo of creditor-debtor under the note and any future defaults would give rise to new and different grounds for foreclosure that were not litigated in Foreclosures #1 or #2.

Furthermore, the Appellate Court opined that the defense of *res judicata* can be defeated when a court finds that "fairness and justice" dictate such avoidance of *res judicata*. In this case, the Appellate Court concluded that allowing Mortgagor to maintain possession of the property and denying Mortgagee Bank's right to receive payments contractually owed, or in the alternative, to seize the collateral that secured its decision to originally grant the credit, ***because*** Mortgagor had remained in default for 10 years would be patently unfair and unjust. ■

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.

MARCH 2021

3 **Determining Cash Flow from Personal Tax Returns Part 2:** Schedules D, E & F

4 **Operations/Technology Group D** — Drury Hotel, Mt. Vernon
Operations/Technology Group A — Shazam Education Center, Springfield
Flood Forms Line-by-Line

8 **Credit Risk Training Program for Community Banks** — Session I — Shazam Education Center, Springfield
SBA Lending Update 2021: Rule Changes & PPP FAQs

9 **Credit Risk Training Program for Community Banks** — Session II — Shazam Education Center, Springfield
ACH Rules Update 2021

10 **Safe Deposit Issues:** Delinquency, Death & Abandonment

11 **CEO Forum Group VIII** — Shazam Education Center, Springfield
Making Work from Home Effective

15 **The Top 10 Reasons Consumers Leave Their Bank**

16 **Operations/Technology Group C** — CBAI West Conference Room, Springfield
Virtual Loan Documentation Delivery & E-SIGN Compliance

17 **Federal Requirements for Tech-Based Marketing:** Websites, Social Media, Robo Calls & More

18 **Commercial Flood Insurance Regulations & Compliance**

22 **Basic Financial Statement Review & Tax Return Analysis** — Shazam Education Center, Springfield

23 **Advanced Financial Statement Review & Tax Return Analysis** — Shazam Education Center, Springfield
Business Accounts: Who is Authorized to Open, Close & Transact?

24 **Deposit Operations Update 2021**

25 **Legal Issues for Right of Setoff on Deposit Accounts & Loans**

30-31 **Compliance Institute:** Lending — Shazam Education Center, Springfield

30 **Marketing Group A** — CBAI West Conference Room, Springfield

31 **Marketing Group B** — CBAI West Conference Room, Springfield

APRIL 2021

1 **Marketing Group C** — CBAI West Conference Room, Springfield

6 **The E-SIGN, BSA & CIP Compliance Trifecta**

7 **Board Reporting:** Requirements, Timing, Delivery Options, Risks & Concerns

8 **HR Group D** — Drury Hotel, Mt. Vernon
Operations/Technology Group E — Grizzly Jack's Grand Bear Resort, Utica
CEO Forum Group I — Shazam Education Center, Springfield
Removing to the Cloud: Remote Management of Risks to Customer Data

9 **HR Group B** — Shazam Education Center, Springfield
Operations/Technology Group B — DoubleTree by Hilton, Lisle

12-14 **Residential Real Estate Institute** — Shazam Education Center, Springfield

13 **Reg CC Compliance & Review:** Check Holds, Remote Deposit Capture & Reg D Changes

14 **Advanced C & I Underwriting:** A/R & Inventory Financing

15 **Regulatory Alphabet for Collections Compliance**

16 **Seminar for the Community Bank Attorney** — Northfield Center, Springfield
HR Group A — Shazam Education Center, Springfield

19-20 **CBAI Community Bank Directors' College Session I** — Shazam Education Center, Springfield

19 **New Time Limits for ACH Warranty Claims Effective June 30, 2021**

20 **Auditing Reg DD** — Shazam Education Center, Springfield
Commercial Loan: Workouts, Restructuring & Loss Mitigation

21 **Branch Manager Group A** — Shazam Education Center, Springfield
Debit Cards 101

22 **Global Cash Flow Analysis for Underwriters & Credit Analysts**

27-28 **BSA/AML** — Shazam Education Center, Springfield

27 **E-SIGN Security & Fraud Detection**

28 **Call Report Basic Lending Schedules:** Coding, Classifications & Loan Loss Allowance

29 **CEO Forum Group III** — Shazam Education Center, Springfield
Hot IRA Issues: Divorce, IRS Levies, Creditor Claims & Misunderstood Rules

CBAI Webinar

Member News

Bradford National Bank recently announced four staff promotions, according to the bank president, Michael Ennen.

- **Michelle Brown** was promoted to senior vice president and chief financial officer. Brown joined the bank in 2011 and manages the day-to-day financial operations and serves as the secretary to the board of directors.
- **Joanie Willis**, Highland lending officer, was promoted to vice president. Willis joined Bradford National Bank in 2011 and has nearly 30 years of experience in the retail banking environment.
- **Lauren Hagan** was promoted to assistant vice president.
- Assistant Vice President **Kelsey Kendall** received an additional title as the bank's BSA officer.

First National Bank and Trust Company, Clinton, in partnership with the DeWitt County Development Council, awarded $15,000 to four local businesses as a result of REV, an event helping local business owners "ignite" their businesses.

First National Bank and Trust Company hosts REV, a small business pitch competition, as a way to reinvest in local businesses and entrepreneurs. With $15,000 at stake, applicants were given 10 minutes to pitch their business ideas, with five minutes for questions from a panel of four judges. REV was hosted virtually this year. Four businesses received funds from the event. Those businesses include Magill Restoration Centre, DeWitt Co. Museum Association, STRAND and Clinton Chiropractic Center.

Bobbe White, business development officer, recently retired after 40 years at **State Street Bank and Trust Co., Quincy.**

Community First Bank of the Heartland, Mt. Vernon, recently hired **Rebecca Kathleen Howard** as marketing manager and HR coordinator.

Citizens National Bank of Albion recently hired **Colton Speir** as an agricultural lending officer.

Mark Stelter, vice president and commercial lender at **Itasca Bank & Trust Co.**, was recently promoted to the position of director of community association lending. His tenure with the bank spans more than 20 years.

Natalie Wojtowicz was recently promoted to the position of operations officer at **Itasca Bank & Trust Co.** This new officer title is in addition to her existing title of Roselle branch manager.

Matthew Rogers, assistant vice president of operations/IT officer at **Itasca Bank & Trust Co.**, has successfully completed the Certified Banking Security Executive exam and has received a certificate of completion.

Teri Fleckenstein, information systems administrator at **Security Bank, s.b., Springfield**, recently retired from the bank after 43 years. **Natan Stotts** has filled the position.

The Baker Group recently announced the promotion of **Kathryn Phillips, CPA**, to chief operating officer. Phillips has served for nearly 20 years as chief financial officer for the firm and will maintain that title and role while assuming the COO designation. Her new areas of focus will be on management and collaboration with department supervisors to enhance internal processes for delivery of products and services to clients. ■

Welcome New Members

Associate Members

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Angela Markwald, Marketing Manager
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Architecture/Interior Design/Construction

Foundation Report

(March 2021)

Contributors to the Foundation's 25th Anniversary Campaign

Apple River State Bank
PeopleFirst Bank, Joliet
Lisle Savings Bank
Princeville State Bank (attained silver-level sponsorship)
State Bank, Waterloo (attained silver-level sponsorship)
Jerry Cavanaugh, CBAI
Dave Pirsein, First National Bank in Pinckneyville

December Contributions

Sam Scott, Scott State Bank, Bethany
Jeff Bonnett, Havana National Bank

In Memoriam

Arthur "Gregg" Nelson

Arthur "Gregg" Nelson, age 76, of Geneva, passed away December 24, 2020, at Delnor Community Hospital in Geneva.

Nelson was born February 4, 1944, in Geneva, Illinois, the son of Arthur and Bernice (Wagner) Nelson. He grew up in Geneva and attended Geneva Community High School, graduating with the class of 1962. He was a three-sport athlete, excelling in football, baseball, and his greatest love, basketball. After high school, Gregg attended Northwestern University and Memphis State University, playing basketball for each school. He graduated from Memphis State with a bachelor's degree in business in 1967. Following college, Gregg spent several years teaching health and P.E. classes at Lisle middle school and high school. It was during this time that he met and fell in love with Joy Bowgren. They were married in 1971. As his family grew, Nelson decided to begin working at The State Bank of Geneva, where he would be employed the rest of his life. Beginning as a teller, he eventually worked his way to president and chairman of the board, positions once held by both his father and grandfather. Nelson also served on the CBAI board during his tenure.

Nelson's lifelong passion of sports culminated in an election to the Geneva Community High School Athletic Hall of Fame in 2017. Like his father before him, he was very active in his hometown of Geneva where he was a member of the Geneva Lion's Club and supportive of many local organizations such as the Geneva History Museum and the Geneva Chamber of Commerce.

He is survived by his loving wife of 49 years, Joy (Bowgren); children Timothy (Allison) of Geneva, Jamie (Rick) Razum of Geneva, Kristina (Brad) Wendell of Geneva, and Thomas of Geneva; seven grandchildren: Nelson, Ida, & Eba Wendell; Graham & Ruby Razum; August & Oscar Nelson; and many other dear relatives and friends.

He was preceded in death by his parents and brother, Richard Kent Nelson. ■

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