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CBAI's 46th ANNUAL CONVENTION & EXPO

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September 24-26, 2020
JW Marriott, Indianapolis, IN

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CBAI's 46th Annual CONVENTION & EXPO

Burning Las Vegas

CBAI is excited to announce the Saturday night entertainment at its 46th Annual Convention & Expo, "The Greatest Spectacle in Banking," scheduled for September 24-26, 2020, at the JW Marriott in Indianapolis, IN.

Burning Las Vegas

A lot can change in 20 years, and events are bigger business than ever. Back then, nobody in Nashville but Burning Las Vegas was pioneering their BLV brand with a choreographed, high energy, multi-vocal front line. Nowadays it almost seems like an industry standard. But here's something that hasn't changed: Burning Las Vegas does it better.

Better, because they deliver a concert level experience out of an event level package. They provide superior sound and stage production technology, with the command, proficiency and emotional commitment of a concert level performance. Burning Las Vegas elevates the moment higher and sustains it longer, because they engage the moment authentically. They see where it needs to go and know how to take it there. No gimmicks, no novelty hats...Burning Las Vegas doesn't imitate, they emulate.

It's simple to say, much harder to achieve: Burning Las Vegas does it better.

Golf Outing

CBAI is pleased to announce the Golf Outing at its 46th Annual Convention & Expo on September 24, 2020, will be held at Brickyard Crossing Golf Course in Indianapolis. Voted one of America's Top 100 Public Golf Courses by *Golf Digest*, the Brickyard Crossing has four holes inside the oval and 14 holes adjacent to the backstretch of the Indianapolis Motor Speedway and is always in immaculate condition. The Brickyard Crossing is one of only a few venues in the country to host PGA, LPGA and Champions tour events.

Designed by noted golf course designer Pete Dye, the 18-hole, par 72 course utilizes Dye's signature railroad ties as well as large slabs of concrete along creek beds. The concrete was reused after the racetrack's walls were torn down and replaced with a cutting-edge safety barrier. While the golf might pale in comparison to taking a turn at over 200 mph in an Indy car, it is nonetheless quite a thrill to play on this hallowed ground!

Community BancPac Live and Silent Auction

Please join the Community BancPac for the 29th Annual Silent and 13th Annual Live Auctions on Thursday, September 24, 2020, during CBAI's Annual Convention. This night is always an excitement-filled event as it kicks off the opening night of the convention. Attendees can stroll the many auction tables and bid on the great items all while enjoying cocktails, a delicious buffet and networking with community bankers across Illinois. CBAI staff has been working with BancPac Chairman Tom Marantz, Bank of Springfield, and Special Events Committee Chairman Doug Parrott, State Bank of Toulon, on making this year's auctions even more fun and exciting than ever before! We have several new ideas we are working on, so you won't want to miss it!

Community BancPac, the only political action committee in Illinois that exclusively serves the cause of community banking, is a critical part of ensuring that the voices of community bankers are heard by policy makers in Springfield. Your important contributions to BancPac are necessary to help support the election of legislators who understand and support the community banking profession.

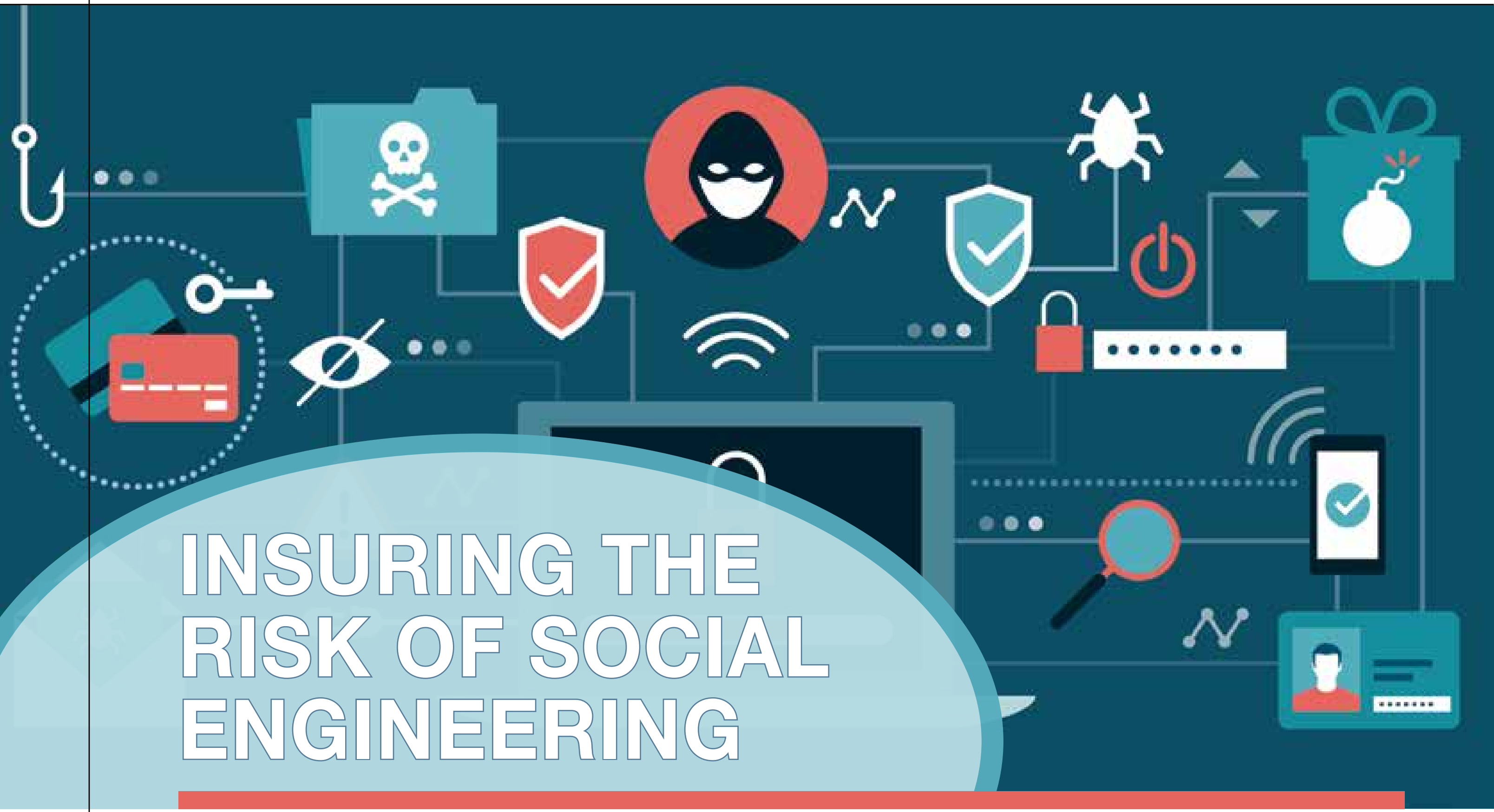
Donating to the silent and live auctions is a great way to contribute to this important cause, so please consider donating an item. This year, we especially encourage you to choose something unique and/or locally crafted from your area. But as always, if you prefer, you can send a cash contribution to CBAI staff and an item will be selected on your behalf.

Get ready to have a lot of fun and help raise funds for the only political action committee in Illinois that is exclusively dedicated to protecting and promoting the community banking profession.

Friday Business Meeting Luncheon

CBAI members and guests hear more about the top regulatory, political and competitive issues confronting community banking today and what CBAI is doing about them. Association Chairman David Pirsein, First National Bank in Pinckneyville, addresses the delegation on key events during his term, and Incoming Chairman Shawn Davis, CNB Bank and Trust, N.A., Carlinville, presents his views on the community banking profession looking forward. Also on the agenda, ICBA Chairman-Elect Robert Fisher discusses significant issues pending in Congress. CBAI President Kraig Lounsberry provides an Association update and his perspective on banking, and CBAI Treasurer Sheila Burcham, Community Trust Bank, Irvington, reviews the Association's financial position. The delegation also elects CBAI officers for the annual period commencing October 1, 2020. Awards for Outstanding CBAI Member, Service Provider of the Year, and Outgoing Chairman are announced at the luncheon, as well.

Don't miss out! Not only does this year's convention feature fun-filled and exciting social events, it also offers a huge exhibit center, countless networking opportunities and hard-hitting educational topics. Expert speakers on the hottest community-banking issues fill an education agenda featuring 20 break-out sessions. Keynote speakers include Vallie Smith Collins, a passenger on US Airways Flight 1549 that landed in New York's Hudson River that has become known as the "Miracle on the Hudson," and nationally known speaker and author Christine Cashen. Early-bird registration is open until June 30. For more information or to register, please email Tracy McQuinn at tracym@cbai.com or visit www.cbai.com today. ■



INSURING THE RISK OF SOCIAL ENGINEERING

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

In this cyber insurance topic, we explore the growing risk known as social engineering. We review the most common ways these crimes occur as well as how to prevent and transfer the risk.

Social engineering is an attack vector where criminals exploit our natural tendencies to trust other people. There are many ways to execute a social engineering attack. Some of the most common social engineering crimes come in the form of "phishing" e-mails, "vishing" phone calls and fake invoices. All of these methods involve impersonation schemes where unsuspecting victims are often manipulated into transferring large sums of money or other sensitive data to criminals.

"Phishing" emails are the most common form of social engineering we see today, and they are carried out in various ways.

Business e-mail compromise, also known as CEO fraud or "whaling," occurs when hackers take over a CEO's email account and use it to send instructions to unsuspecting employees. These emails often have an urgent or time-sensitive tone demanding large sums of funds to be wired to specific bank accounts immediately.

They may also request sensitive information that can be monetized, including employee W-2 forms that can be used to file fraudulent tax forms or commit other crimes related to identity theft.

This is a billion-dollar industry for hackers, and it won't be going away anytime soon. In fact, a recent edition of the FBI's internet crime report indicates that business email compromise scams have cost organizations worldwide more than $26 billion dollars between June 2016 and July of 2019! These types of social engineering attacks are trending higher year after year with a 100% increase in financial losses from 2017 to 2018.

"Vishing" occurs when a fraudster makes phone calls alleging to be a CEO, coworker, vendor or representative for a legitimate organization. These calls are made with the same goals as the "phishing" e-mails – to steal funds and valuable data. Criminals have gone as far as using artificial intelligence to manipulate actual audio recordings of people crafting their own fake voicemails. One company lost $243,000 to this type of attack in March of 2019.

Fake Invoices

Sometimes hackers penetrate a network and do lengthy and detailed recognizance over long periods of time. They learn an organization's vendors and their billing procedures, and they study legitimate invoices to create their own fake invoices. They might hack both the vendor and client networks to carry out this scheme; convincing the victim to pay the hacker instead of the legitimate vendor.

Here are a few tips that can help companies avoid becoming victims of social engineering:

- Have formal procedures in place for transferring funds that require either in-person meetings or phone calls to the individual making the request.
- Require two-factor authentication for a request coming from CEOs and other high-ranking employees. Require dual signatures on wire transfers greater than a certain amount.
- Be aware of sudden changes in business practices. For example, if a current business contact suddenly asks to be contacted via a personal email address when all previous official correspondence has been through company email, the request could be fraudulent.
- Limit information on social media posts and company websites. This is especially important for job duty descriptions, hierarchal information, contact details and out-of-office details. This could create a roadmap for hackers.
- Consider utilizing emerging anti-fraud voice recognition software that might thwart artificial intelligence-based fake audio attacks.

Cyber Insurance

There is no silver bullet to prevent financial losses due to social engineering attacks 100% of the time. Since nobody can guarantee it will not happen, the insurance industry has developed products to help transfer the risk.

Cyber insurance is one such product. It can cover the cost to hire many types of vendors who may be needed to assist in the aftermath of a social engineering attack. Remember, hackers may have compromised sensitive information of individuals such as social security numbers and financial records while in the process of carrying out their social engineering crimes. This may create legal obligations for the victim organization.

Legal obligations may include notifying thousands of affected people, offering credit reports, managing reputational harm and defense expenses, as well as settling lawsuits. The cost of legal fees, IT forensics investigators, credit monitoring, notification expenses, 24/7 call centers and public relations experts can be covered while also covering the actual funds stolen by criminals.

There is no such thing as a standard cyber insurance policy. Be careful when navigating the marketplace. Be sure and work with a cyber expert to find the policy for you, your client or your prospect's specific exposures. Other traditional coverage, such as crime policies, may also respond, but their terms and conditions may contain language that limits reimbursement or excludes the costs of a social engineering attack altogether. ■

For additional resources on social engineering and other cyber threats, there are many free resources available. Such as:

1. *FBI Internet Crime Complaint Center: www.ic3.gov*
2. *Department of Homeland Security; Cybersecurity and Infrastructure Security Agency: www.cisa.gov*
3. *www.eriskhub.com/Gallagher*

For questions, please contact Community BancInsurance Services, A Gallagher Company, 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.

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

Congress Passes Stimulus with Key Community Bank Provisions

Rebeca Romero Rainey, President and CEO, Independent Community Bankers of America

I've been saying recently that the ICBA and community banking star shines brightest during a challenge. The House passage of the coronavirus stimulus bill with ICBA-advocated provisions signed into law by President Trump proves that once again to be true.

While you have stood strong for your customers and communities, ICBA has been standing strong in Washington to shape and advance this critical legislation to support you during this uncertain time.

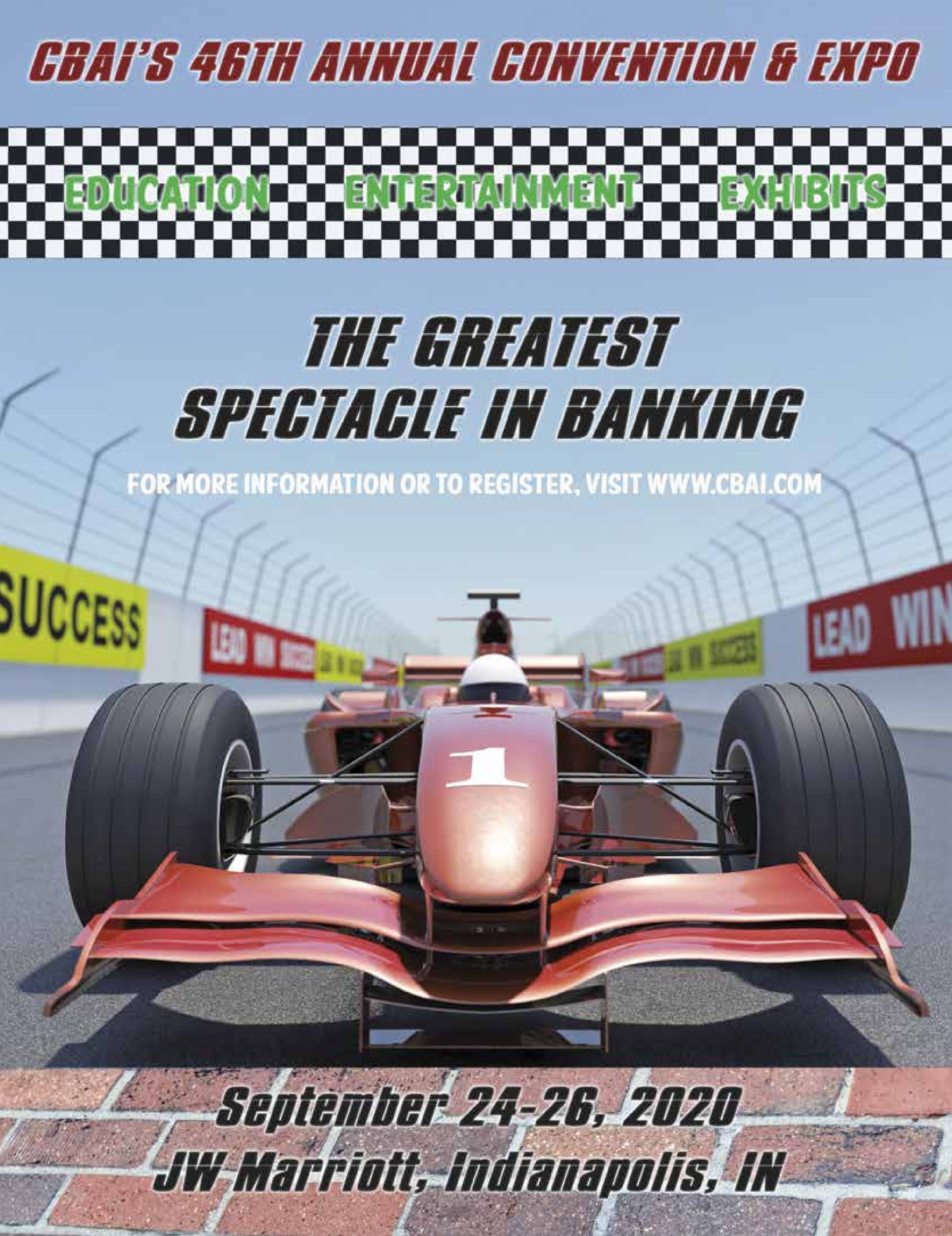
ICBA-advocated provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which ICBA details in a new bill summary include:

- Enhancing the Small Business Administration's 7(a) loan program,
- Providing net-operating-loss tax relief,
- Authorizing robust FDIC deposit insurance coverage for transaction accounts,
- Delaying implementation of the Current Expected Credit Losses accounting standard,
- Ensuring coronavirus-related loan modifications are not classified by regulators as troubled debt restructurings,
- Reducing the Community Bank Leverage Ratio from nine percent to eight percent during the COVID-19 national emergency, and
- Funding USDA Commodity Credit Corporation support for livestock and specialty crop producers.

In our national news release, we thanked policymakers for finalizing these critical measures and resources that support the economy and provide access to credit. Our thanks also go to you for being the guiding light for local communities amid this current challenge.

ICBA will continue to provide additional details and as much information as we can — as soon as we can — on the issues of importance to community banks. Meanwhile, ICBA will continue to keep you informed of the latest updates and resources on COVID-19 via our daily NewsWatch Today email and our Crisis Response and Preparedness Center.

While you are fighting for your customers and communities, know that ICBA will always be there doing the same for you. From our entire ICBA family to you and yours, we thank you for your service to our nation and wish you good health and safety as we persevere through this challenge. ■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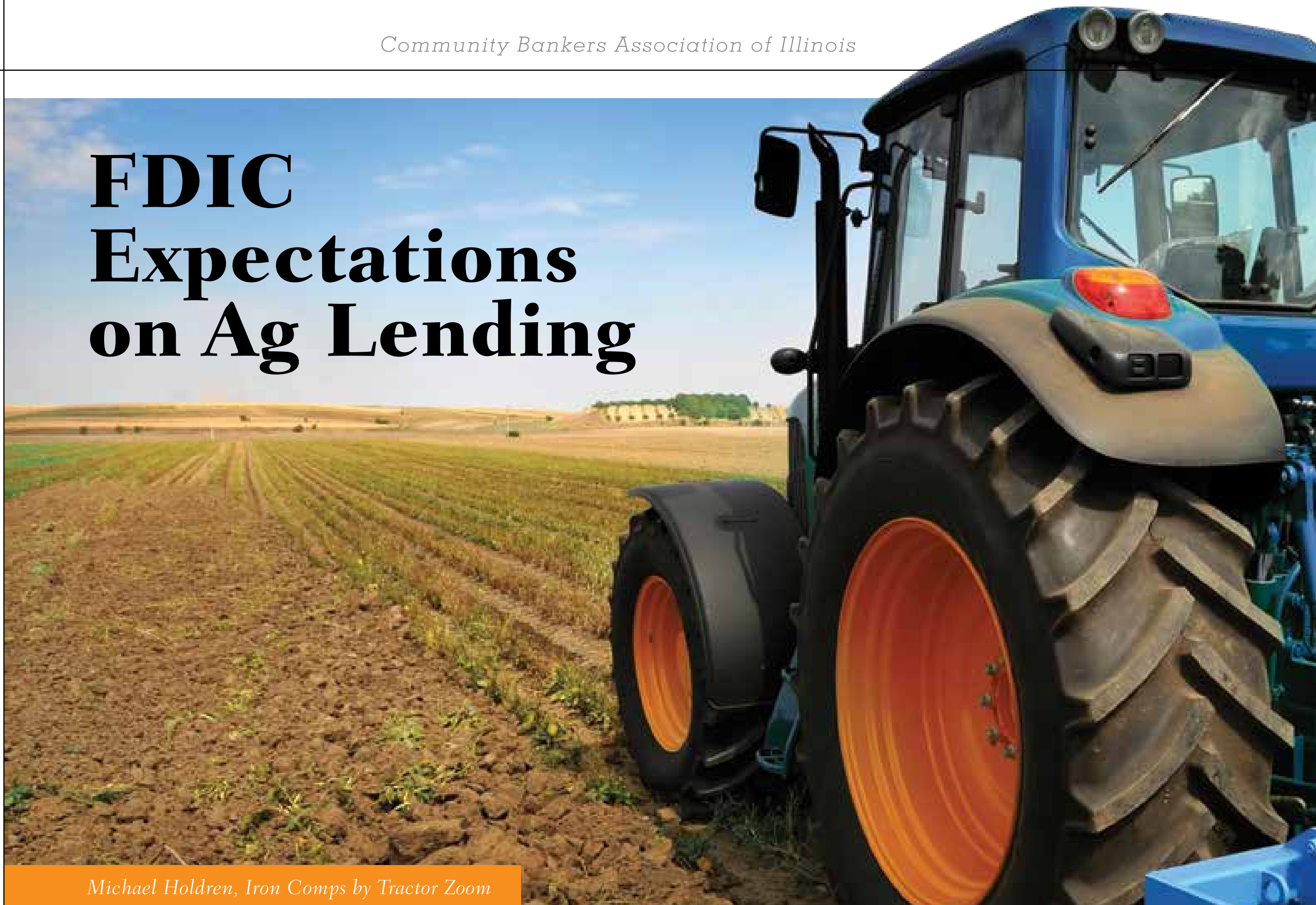


FDIC Expectations on Ag Lending

Michael Holdren, Iron Comps by Tractor Zoom

In January, the FDIC released a Financial Institution Letter (FIL) titled *"Prudent Management of Agricultural Lending During Economic Cycles."*

It's no surprise that the continued pressures facing the agricultural economy are worthy of regulatory concern, and rightfully so. Farm incomes have stabilized in recent years but remain well below the averages over the last decade with many farmers struggling to continue their operations. One might even suggest we have fallen into a new normal.

This isn't the first time the FDIC has issued guidance on agricultural lending, in fact, this FIL replaces and rescinds FIL-39-2014, *Prudent Management of Agricultural Credits Through Economic Cycles*, dated July 16, 2014, which replaced a similar FIL from 2010; you get the point. During my time in banking, I always approached these publications as an expectation for the next 12 to 24-month examination cycle.

From that perspective, it's important to know what new information the FDIC is communicating with the updated FIL. For the most part, when comparing the 2014 and 2020 FIL's side by side, much of the information is the same, apart from a few additional paragraphs in the most recent publication.

First, the FDIC added the following language.

"…cash flow margins for agricultural borrowers have become increasingly pressured by changes in supply and demand factors, poor weather conditions, and agricultural policy factors. Row crop operating expenses have risen while soybean, corn and wheat prices have fallen. Livestock sectors have also been challenged, especially dairy farming and cattle feeding. Farm working capital levels have deteriorated, debt balances have increased, and debt repayment capacity has constricted."

"Despite the difficult agricultural environment, farm real estate and equipment values have remained fairly resilient. Restructuring carryover debt has been a reasonable approach for borrowers with strong equity positions. However, given strained cash flow, debt service has been challenging for borrowers with even moderate levels of term indebtedness. As headwinds facing the agricultural economy persist, insured institutions must be prepared for agricultural borrowers to face financial challenges by employing appropriate governance, risk management, underwriting and credit administration practices."

The FDIC didn't go out on a limb here. They acknowledged what we all know; cash flows are break even and the solution for shortfalls has largely

As headwinds facing the agricultural economy persist, insured institutions must be prepared for agricultural borrowers to face financial challenges by employing appropriate governance, risk management, underwriting and credit administration practices.

been to restructure against existing equity positions, particularly real estate. However, I would draw your attention to the last sentence which, from my perspective, provides a caveat into what the FDIC is expecting on a go forward basis. The FDIC is looking for a structured, long-term approach to troubled relationships. Consider the following paragraph from the FIL.

"Managing risk over the life of a loan includes: carefully documenting all lien perfections and other loan instruments; closely overseeing sale proceeds; conducting timely, independent collateral inspections; and developing a process for monitoring collateral values. A continuous credit grading program can help management identify credit risk early and take preemptive steps to prevent further deterioration. Assigning initial credit grades, ensuring timely grade changes, and assessing the adequacy of the Allowance for Loan and Lease Losses in light of grade changes are vital."

The FDIC is giving you the playbook for what they expect to see for documentation on struggling ag relationships.

- Documentation of lien perfections;
- Oversight of sales proceeds;
- Independent collateral inspections;
- A monitoring process for collateral values; and
- An established and ongoing grading system.

While relatively basic, this playbook can be difficult to implement consistently across troubled relationships. After all, some struggling borrowers may have been prime borrowers not that long ago and implementation of these risk mitigating strategies can feel like a breach of trust between the lender and the borrower. This elevates the importance of ongoing conversations between the lender and borrower concerning operating results and overall performance expectations over the long-term. Be sure these discussions are happening, especially with your less-seasoned lenders who may not have experience with difficult conversations.

Lastly, the FIL discusses, in detail, the FDIC's willingness to accept modifications of loans, including loan terms, with or without concessions, especially in circumstances where modified terms allow for a borrower to maintain positive cash flow, weather adverse conditions, and stabilize their operations. In fact, the FDIC goes out of their way by stating,

"Further, an institution that implements prudent loan workout arrangements after performing a comprehensive review of a borrower's financial condition will not be subject to criticism for engaging in these efforts, even if the restructured loans have weaknesses that result in adverse classification."

In other words, you know your borrowers, which ones you want to work with, and which ones you want to work out. Remember, a classified loan is an internal measure. It is not public information. Your risk rating system should be established, implemented and reported in such a way that those charged with governance roles can be informed of management's assessment of risk and strategic direction. However, don't let a classified risk rating or Troubled Debt Restructuring classification get in the way of what is best for the bank and the borrower. You know your customers best. That is the core of community banking. ■

Michael Holdren, content contributor for Iron Comps by Tractor Zoom (www.Iron-Comps.com), is a former bank CFO turned CPA helping banks strategically with the finance of banking, audits, loan review and accounting.




CBAI's Annual "C" CONFERENCE

CBAI's Annual "C" Conference was held on February 19, 2020, at the Crowne Plaza in Springfield. This conference, developed for the C-level community banker, included inspiring and educational general sessions, concurrent sessions, and opportunities to network. This annual event included nearly 70 attendees from community banks across the state. Those in attendance indicated the "C" Conference was "a great opportunity to bring the whole C-level team together!"

CBAI President Kraig Lounsberry opened the conference with an association update, followed by "Developing a Leadership Versus 'Managership' Approach," with **David Osburn, founder and managing member of David L. Osburn & Associates LLC**, Las Vegas, NV. **Jeff Caughron, president and CEO of The Baker Group**, Oklahoma City, OK, provided an economic outlook for 2020 prior to lunch. Bankers enjoyed the luncheon speaker, **Dr. Ray Lauk, professional speaker and owner of Dr. Ray's Toffee**, and his session, "Storytelling for Leaders." Bankers then had the opportunity to attend breakout sessions geared toward their position at the bank. The conference ended with a session by **Greyson Tuck of Gerrish Smith Tuck PC, Attorneys, and Gerrish Smith Tuck Consultants, LLC**, Memphis, TN, entitled "The Continued Prevalence of Community Banking."

This event was graciously sponsored by Independent Community Bankers of America (ICBA) and IZALE Financial Group!

Look in future issues of *Banknotes* for the date and information on the 2021 "C" Conference! ■


A "Total Bank" Framework for Investment Management

Jeffrey F. Caughron, President and CEO, The Baker Group, Oklahoma City, OK

THE BANK AS A SYSTEM

Forty years ago, Dr. James V. Baker wrote about systems theory development in his original work on asset/liability management. He illuminated the idea that a bank is a system of complex relationships that cannot be analyzed in complete isolation. The output of one decision serves as the input for another. If, for example, an investment decision robs the balance sheet of flexibility with respect to capital management or liquidity, then the net effect may be to wipe out whatever yield the investment promised. It seems more prudent to take a step back and look at the total bank and all of its characteristics.

The first order of business is to examine the asset/liability management posture of the bank. We must determine how the balance sheet is situated with respect to re-pricing and maturing volumes of assets versus liabilities. This includes the rates we are earning and paying on those balances, the volatility and dynamics of the cash flows, and the reinvestment rates of those items. This sort of analysis, of course, requires a sound asset/liability reporting system. Importantly, we also need to have a handle on the liquidity position of the bank, including the dynamics of cash flow going forward under different rate scenarios.

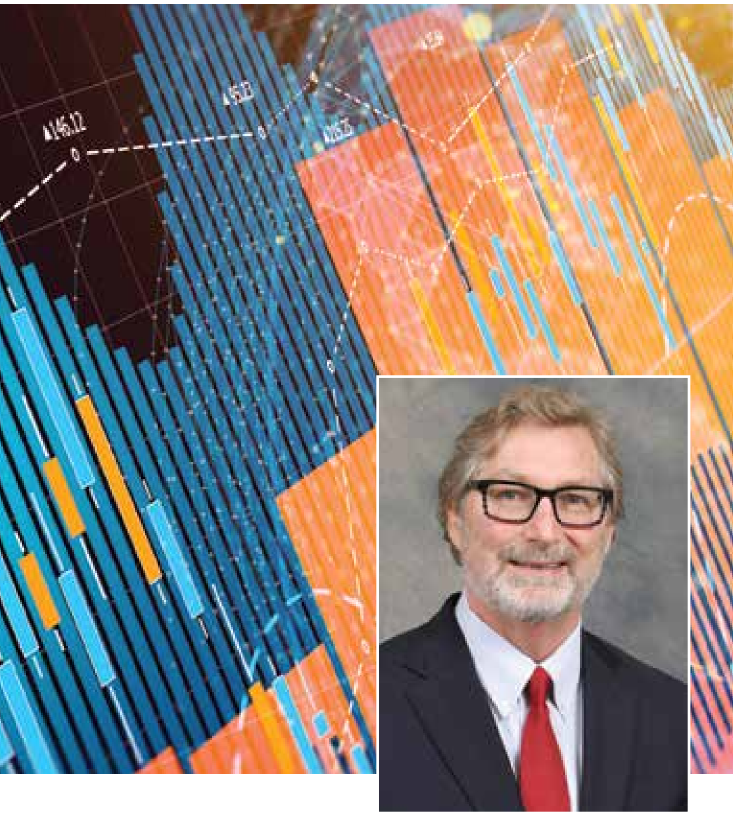
The interagency guidance on funding and liquidity risk management clarifies expectations, and two important points seem to stand out from that guidance. First is the statement that sound practice requires adequate levels of highly liquid marketable securities. The second is the need for pro-forma cash flow statements in order to monitor cash flow patterns under different scenarios. It is intuitive that static measures of liquidity represent mere snapshots at a particular moment in time. What is needed is a dynamic, forward-looking system of monitoring cash flow and stress-testing liquidity. An analogy used by Dr. Baker sums up the importance of prospective rather than historical views of liquidity:

"Liquidity can be compared to a dam that is almost empty just before the season of heavy rains and almost full before the onset of a drought. Therefore, banks must forecast the impact of future conditions on their liquidity, just as meteorologists forecast the weather."

Fortunately, with the right tools, any bank can produce useful reports designed to measure and monitor cash flow dynamics. This would include simulation analysis of multiple scenarios in order to show an institution's projected exposures and potential funding shortfalls or gaps. Reporting should be made available to the board of directors along with strategies that address significant potential funding shortfalls (i.e., a contingency funding plan). As always, the depth of analysis and reporting should correspond with the complexity of the bank's balance sheet.

MAKING INVESTMENT DECISIONS

Once we clearly understand the balance sheet profile and liquidity needs, we can then drill down to the investment



portfolio and assess our strategic options there. Banks should invest only in high-grade credit quality instruments, something with government sponsorship at either the federal or municipal level. We take credit risk in the loan portfolio. The investment portfolio, as noted, should contain safe, marketable securities. When assessing individual bonds, we can then focus on the three critical variables: yield, cash flow and market value or price sensitivity. The fact is, all of these variables are moving targets. Cash flows fluctuate because of the options risk attached to or embedded within bond structures themselves. The market value of individual bonds (and entire portfolios for that matter) will rise and fall in tandem with the variation in cash flows. All of these dynamics (cash flow, price sensitivity, and options risk) should be assessed for each bond to see whether or to what degree they fit into the needs and predispositions of the balance sheet. Ideally, we can identify bonds that are optimal and complimentary to the bank, given its unique characteristics in terms of interest rate risk exposures, tax considerations and liquidity risk. In the final analysis, a bank's bond portfolio should not be managed in a vacuum. Rather, the investment function should be viewed within the framework of the total system. ■

Jeffrey F. Caughron is a managing director with The Baker Group, where he serves as president and chief executive officer. Caughron has worked in financial markets and the securities industry since 1985, always with an emphasis on banking, investments and interest rate risk management. Contact Caughron at 800/937-2257 or jcaughron@GoBaker.com.

Eric Snodgrass discusses a weather pattern during his always dynamic opening session.

CONFERENCE SPONSORS:

Federal Home Loan Bank of Chicago, Chicago, IL

CONFERENCE EXHIBITORS:

Federal Home Loan Bank of Chicago, Chicago, IL

IL Society of Professional Farm Managers & Rural Appraisers, Menomonee Falls, WI

Iron Comps by Tractor Zoom, Urbandale, IA

Metlife Ag Investment Management, Arenzville, IL

Blue Reef Marketing, Morton, IL

2020 AG LENDERS' CONFERENCE

CBAI's annual Ag Lenders' Conference, held at the Northfield Center in Springfield on February 4, helped participants develop the skills and tools to better understand the issues affecting the bank's farm and agribusiness customers and to meet their credit needs. Attracting 104 lenders from 56 banks, the conference showcased expert speakers and hot topics, as well as a mini-exposition featuring firms with the latest products and services for community bank lenders.

A variety of issues facing agricultural lenders was covered in this one-day conference, including the sessions, **"Weather Outlook & Forecasting for 2020,"** with Eric Snodgrass, director of the Undergraduate Studies Department of Atmospheric Science, Nutrien Ag Solutions, Champaign, IL; **"Agriculture Today – It Is What It Is – What Should We Do About It?"** and **"Credit Risk: Five Tools for the '20s,"** with Dr. David Kohl, professor emeritus of agricultural and applied economics, Virginia Tech, Blacksburg,

LaVerne Weber, Jeffrey Cox, Kerri Doll and Jerry Peck field questions during the "Industrial Hemp: Panel Discussion."

Dr. Kohl shares his expertise during one of his two rousing sessions.

VA; **"Risk Management for the New Decade"** with Chip Nellinger, president, Blue Reef Agri-Marketing, Morton, IL; and **"Industrial Hemp: Panel Discussion with Growers, Processors & Regulators"** with LaVerne Weber of Hemp Solutions Group LLC, who is a grower and processor in Illinois. Also participating on the panel were Jeffrey G. Cox, JD, bureau chief, Illinois Department of Agriculture – Bureau of Medicinal Plants, and Kerri Doll, assistant director of banking, Illinois Department of Financial and Professional Regulation. ■

CBAI thanks the members of our Ag Lenders' Subcommittee for their expertise and assistance in developing and promoting this year's Ag Lenders' Conference.

Ag Lenders' Subcommittee

Chairman:
Doug Smith, President, Farmers National Bank of Griggsville

Jennifer Beard, President, Farmers State Bank, Elmwood

Doug Blunier, Senior Vice President, State Bank of Toulon

Quint Harmon, Executive Vice President, Pioneer State Bank, Earlville

Jeremy Hoke, Assistant Vice President, Scott State Bank, Bethany

Kerry Hoops, Senior Vice President, German-American State Bank, German Valley

Alan Hoskins, Executive Vice President, Legence Bank, Eldorado

Tom Schnelt, Vice President – Commercial and Ag Lender, Jersey State Bank, Jerseyville

SHAZAM's Core Values: Integrity and Commitment. Committed toYou.

Paul Waltz, President and CEO, SHAZAM

As we're still coming to grips with the impact COVID-19 is having on our personal and business lives, let's stop and remember we're all in this together. While that phrase may seem a little overused, at SHAZAM we mean it. For the past few weeks, our continuous message to the community banks we serve has been clear – we are here to help.

SHAZAM's network is reliable and strong. We're continuing to process hundreds of thousands of transactions every week. Just like other responsible companies, we've taken the proper precautions for our workforce based on CDC guidelines. Much of our work happens behind the scenes so we can continue with project plans and development, moving priorities forward even as the world seems to have come to a standstill. And, we'll continue to support community banks like yours through our state banking association partners.

The likelihood of canceled events will stretch your banking association in ways they haven't had to deal with before. SHAZAM knows your association is an important voice for your bank. With that in mind, SHAZAM will follow through on all amounts committed to your state association for event sponsorships and education… even if the event never happens. Cancellation costs and lost event revenue shouldn't erode the resources used for the important work the association does on your behalf.

One of the SHAZAM core values is integrity. To us, this means we do what we say we'll do. In the coming months, we'll find more ways we can partner with your association to support the training and education you've come to count on. We hope other partners can join us and do the same.

SHAZAM works hard to live up to the confidence your association puts in us as a trusted partner. We are ready to be a resource to you whether you use our network and processing or not. So, the question to you is pretty simple.

How can we help? ■

About SHAZAM: *SHAZAM, a CBSC preferred provider, is the nation's only member-owned debit network, processor and core provider. Founded in 1976 in Iowa, SHAZAM is a primary and single-source provider of the following services: debit card processing, core, fraud, ATM, merchant, marketing, training, risk and ACH for Iowa financial institutions. In addition, SHAZAM now offers credit card issuing to supplement its powerful suite of debit services. Learn more at shazam.net. Paul Waltz can be reached at pwaltz@shazam.net.*

CBAI SECURED SOLUTIONS FOR COMMUNITY BANKS

CBAI ENHANCED EMAIL SERVICES

powered by INTERMEDIA

Helping your bank stay SAFE and CONNECTED!

In response to the recent global Coronavirus outbreak and the need for effective remote work tools, We are making CBAI's Enhanced Email Service, AnyMeeting Video Conferencing Pro Service **free** for Enhanced Email participating banks and new accounts for the remainder of 2020. This tool can help your bank enable remote workforce to hold online meetings using video conferencing, screen sharing, an integrated conference bridge, chat, note taking, and more.

In addition, we are also offering 1 **free** AnyMeeting Webinar Pro license, which allows to hold all hands meetings with up to 200 attendees. This is a critical tool for banks that need to quickly get a live broadcast out to their employees, board members and more.

Get your FREE Video Conferencing NOW!

Contact Jenny Dial
800/736-2224 or jennyd@cbai.com

Investing in Underserved Communities:

Leatherworking Business Helps Entrepreneur Overcome Incarceration

Jackie Blair, Director of Marketing & Communications, Accion, Chicago, IL

Gretchen Villaluna Baria, Moonhouse Productions

Since 1994, Accion has helped neighborhood entrepreneurs grow by providing the capital, coaching and connections small business owners need to create wealth and jobs throughout Illinois and Indiana. Accion is different than other lenders. As a nonprofit, all revenue generated from loans is reinvested to help more entrepreneurs grow.

As the COVID-19 pandemic grows, small business owners throughout Illinois are in crisis. They face significant revenue losses and rapidly dwindling cash, particularly in the low-income communities that Accion has been supporting for more than 25 years. While the crisis is currently wreaking havoc on the small business community, we know that this time of hardship is not forever. Accion will continue to serve small business owners via capital, coaching and connections now and for years to come.

One such entrepreneur that Accion has helped is Michael White. For Michael, working with leather is more than an occupation. The entrepreneur credits his craft for helping him survive nearly two decades of incarceration. “It’s mind-saving,” he said. “It takes you away from the negative parts of being in prison. You can engross yourself into the product you’re making, and the next thing you know, two, three, or four hours have gone by that you were not part of the negativity. You take that same calmness back with you and you try to relay that to other people that you’re around.”

The facility where Michael was imprisoned in Arkansas offered a hobby craft program for inmates. After 18 months on the waitlist, Michael was accepted into the leatherworking program. "The next thing you know, I was out there at the shop with the rest of the guys. I didn't know anything about leather. The state doesn't provide you with any materials. They just give you a little space, and that's it." Thanks to Michael's fellow inmates in the program, he was able to learn the craft and begin building a clientele – including prison employees, friends and family members who valued the quality of Michael's personalized purses, bags, wallets and belts. Participants had to purchase their own tools and materials, so Michael learned early on how to generate enough profit to operate a sustainable business. The prospect of losing his opportunity to seek refuge in the hobby craft shop also kept him motivated to steer clear of disciplinary violations for more than 17 years. "It keeps you focused because you know if you lose your class, you're going to be back in that in that same area where the negative stuff is going on."

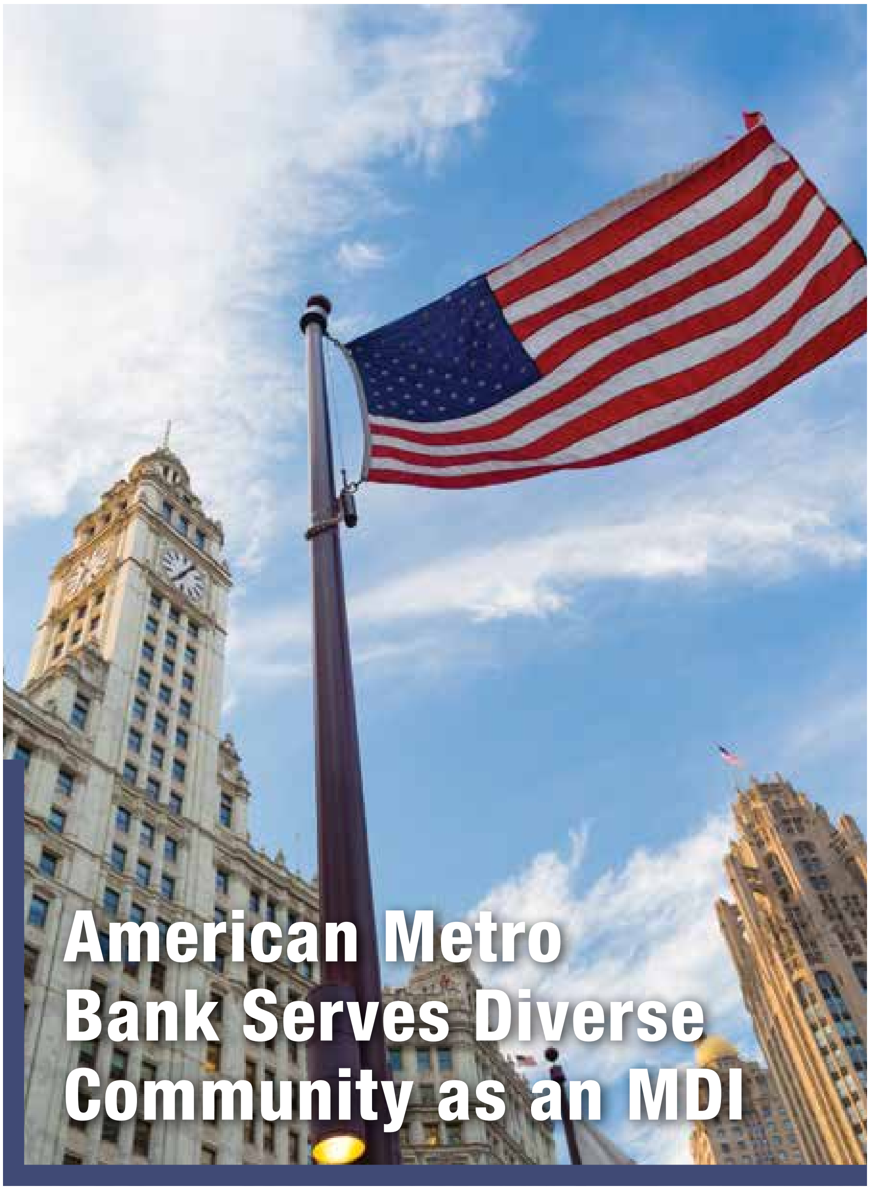
Michael's transition after being released from prison was daunting on multiple levels, from adapting to a reality where smartphones are the norm to navigating the mainstream financial system with a limited credit history. Staying with his brother in the Southern suburbs of Chicago has helped him keep a positive outlook through the process. "It's real quiet where I'm at. You get the deer roaming through your yard. It's peaceful and it helps to keep you in perspective of what life is about." Thankfully, Michael also had many of the tools and relationships he needed to translate the leatherworking skills he had gained while incarcerated into a thriving business. Michael was able to send the equipment that he purchased while incarcerated home, and he maintained the longstanding relationships that he had built with leather vendors that enabled him to purchase materials at wholesale prices. "They help you along as much as they can because you've been dealing with them for so long," he explained.

An entrepreneurship training program offered through the Safer Foundation and sponsored by Chicago Neighborhood Initiatives (CNI), both long-time partners to Accion, helped Michael learn critical aspects of growing a business, including marketing and financial management. While participating in the entrepreneurship training program, Michael connected with Accion through a resource partner workshop and received a $1,900 loan to help him buy sewing machines and build his credit. After successfully repaying his Accion loan and completing the Safer Foundation entrepreneurship program, Michael received a subsequent loan from CNI to purchase additional equipment for his business. Accion previously trained CNI to become a sustainable microlender through the Chicago Microlending Institute, a partnership with the City of Chicago and the Chicago Community Trust.

In 2018, Michael opened his leatherworking company, Michael's Handcrafted Luxuries. While he prides himself on using premium leathers with top-of-the-line hardware, Michael makes sure to sell his products at a fair and reasonable price. In addition, all of his products come with a lifetime guarantee. "If something breaks, I will redo it free of charge."

Two and a half years after receiving his loan from Accion, Michael's credit score has increased from zero to nearly 700. He is dedicated to continuing to build his business and his financial security, including saving enough money to open a storefront and own his own home. He also wants to provide opportunities for his community by hiring employees, because he knows that it is worth investing in people who have overcome challenges like him. "A lot of us who are returning are knowledgeable about things; we want to use our skills and help the community," he said. "I think what I've been through has helped me become a better person. It has helped me to realize that you don't take anything for granted. You just live the best way that you can and do it the right way." ■

Jackie Blair is the director of marketing and communications at Accion in Chicago, IL. She can be reached at jblair@accionchicago.org.



American Metro Bank Serves Diverse Community as an MDI

American Metro Bank, Chicago, one of just five Minority-Owned Deposit Institutions (MDIs) in the state, was founded in 1997 to serve the financial needs of Chicago's growing Asian population. The greater Chicago area is home to nearly 100,000 people of Chinese descent. In 1990, approximately 10,000 lived in the business district known as Chinatown. Recognizing that language and culture can be a barrier to accessing financial services, community leaders met and discussed forming a bank. They agreed that just another commercial bank would not serve the unique needs of their community. They chose a Minority Depository Financial Institution (MDFI) designation. To qualify as an MDI bank, either (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority.

Ninety-five percent of American Metro Bank's stock is owned by Asians or other minorities. The two largest stakeholders, both of whom are of Asian descent, reside on the five-member board.

Patrick McShane was hired in 2013 as president and CEO after the bank went through difficult times during the last economic downturn. Luckily, the group of investors was committed to provide the necessary capital to ensure the bank's success. Formerly saddled with troubled assets and foreclosed properties, the bank is now in good standing with regulators and has grown from $60 million in assets in 2013 to $80 million in assets today.

American Metro Bank operates in two minority areas in Chicago, with a main location in Uptown and branch location in Chinatown. The predominantly Asian community the bank serves is also a mainly low-to-moderate income area, which McShane sees as an opportunity. "It is a good market for the bank because we have been able to do a lot of good for the community, including providing loans for new or renovated housing for low-to-moderate income individuals on both the rental and purchase sides."

Chinatown is currently experiencing very nice growth, expanding into other areas. McShane has seen countless community improvements, including the renovation of dilapidated properties and the conversion of abandoned warehouse buildings into residential and commercial properties.

As an MDI, American Metro Bank commonly serves borrowers who may be more challenged when it comes to financial literacy. The bank often educates customers, which it is able to accomplish with a multi-lingual staff. The bank employs 18 individuals, who speak five languages: English, Spanish, Mandarin, Cantonese and Vietnamese. "We make sure we have resources available to communicate with our community. We have plenty of customers

For every deposit that comes in, we can deploy it in the low-to-moderate income areas we serve. We continue to have a strong loan demand in our communities.

who come into the bank so they can get the information they need from someone who speaks their same language."

McShane notes that the bank's community is very much a cash economy. Many business owners pay employees in cash, which makes acquiring the income verifications necessary for loan approvals a challenge. This may raise an eyebrow when it comes to Safety and Soundness exams, but the bank is praised in Community Reinvestment Act (CRA) exams.

"As an MDI, we do a lot of things that promote community development, including providing loans to minorities, often within the lower income ranges. But our commitment to the community extends to involvement in community organizations, as well," said McShane, who serves on the board for the Chicago Chinatown Chamber of Commerce. CRA examiners look at all of those things for CRA credit.

According to McShane, the FDIC recognizes the value of MDIs and is making a concerted effort to assist MDI banks and help ensure their success by promoting collaboration with non-MDI banks. "The FDIC acknowledges that MDIs play an integral role in helping the minority areas in which we operate, as they help bring in the unbanked population," says McShane.

According to the FDIC provision, an MDI can accept money from a financial institution that is completely out of market, even out of state. These non-MDI banks receive something of great value in return: CRA credit, which is looked upon very favorably by regulators.

In learning there was not only a need, but a desire in the marketplace for such a program, American Metro Bank, through their affiliation with the FDIC, has developed a certificate of deposit product wherein non-MDI banks can purchase a negotiable interest rate 12-month CD with a $245,000 minimum balance requirement.

When deposits are received from outside financial institutions, MDIs can do more for the community. This is especially true for American Metro Bank, which has a 98 percent loan to deposit ratio. "For every deposit that comes in, we can deploy it in the low-to-moderate income areas we serve. We continue to have a strong loan demand in our communities. Deposit support from other community banks would help us continue our mission in serving our communities, while providing valuable CRA credit to the partnering bank."

Another way non-MDI banks can receive CRA credit is by working collaboratively with an MDI. For example, McShane described how Citibank recently collaborated with American Metro Bank to provide their ATM network to American Metro Bank customers with no surcharge fees.

There are several other opportunities for non-MDIs to work with MDIs, including loan participations, shared marketing staff, and investment opportunities for larger non-MDI banks to invest in a MDI via a shareholder. The complete FDIC FIL-64-2017 offers other collaborative examples.

AMB is one of five Minority Depository Institutions (MDI) in the state of Illinois, along with Citizens Bank of Chatsworth, GN Bank, International Bank of Chicago and Millennium Bank. Your insured financial institution may earn CRA credit by maintaining deposit accounts at any of these MDI's. Please see the FDIC's Financial Institution Letter FIL-64-2017, or excerpts herein, for additional details and information. ■

FDIC Offers Options for Community Banks to Collaborate with MDIs for CRA Credit

- Insured depository institutions, whether an MDI or non-MDI, may realize business and regulatory benefits from partnering and forming collaborative relationships with MDIs.
- Collaboration among MDIs or between MDIs and non-MDIs can provide viable options for sound and profitable lending and investments that meet the needs of underserved communities.
- Non-MDIs or other MDIs may place deposits directly with an MDI, make a direct capital investment in an MDI, or participate in a fund that makes direct investments in an MDI.
- Institutions engaging in collaborative activities and partnerships with MDIs may receive Community Reinvestment Act (CRA) consideration for such activities.
- Minority depository institutions (MDIs) play a vital role in the U.S. economy by providing responsive banking services to those who might not otherwise have access to a financial institution.
- There are a variety of activities regarding which non-MDIs and other MDIs may collaborate with an MDI. These activities could include, but are not limited to, the following:
  - Direct investment in an MDI;
  - Loan participations, other lending arrangements, and sharing of loan servicing;
  - Sharing of bank staff and other resources; and
  - Information networking.

CBAI MEP Offers *NEW* Solutions for Businesses

Natalie Livingston, Marketing and Communications Director, Midwestern Securities Trading Company

During uncertain times, your bank and your commercial customers need to stay focused on running their business. The Community Bankers Association of Illinois (CBAI) aims to make it easier for CBAI member banks, and now your community businesses as well, to provide a high quality employee retirement plan at an affordable cost; while removing the maximum amount of work and liability on employers allowed by law. The CBAI 401(k) ensures that adopting employers remain compliant with regulations, can attract and retain quality employees, and keep their focus on running their business, not running their employee retirement plan.

In today's volatile investment market, and highly regulated and litigated administrative environment, plan sponsors are realizing the importance and value of outsourcing this work and liability to professional fiduciaries.

"Knowing that most of the liability of our retirement plan doesn't fall on me or a member of my team has been a relief, especially in times like this," said Dirk Meminger, president and CEO of Sauk Valley Bank. "When there are a million other things to do or decisions to make, it can feel like a burden making sure you are also doing everything you are supposed to be doing for your bank's 401(k). As a member of the CBAI 401(k), the fiduciary responsibility, liability and most of the work is outsourced to someone else, so that burden is not on us."

New regulations magnify the need for outsourcing liability

Many employers assume that the greatest source of retirement plan liability is with the plan's investments, but most regulatory action involves failures in plan administration. Adding to the stress that many plan sponsors are facing today are recent changes brought about by the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act). Effective January 1, 2020, the SECURE Act brought several positive changes for starting up new 401(k) plans, but also increased fines and penalties for administrative noncompliance of employee retirement plans tenfold. As one example, the new penalty for failure to file your Form 5500 on time has increased to $250 per day not to exceed $150,000, up from $25 per day and $15,000.

Most employers are still acting as the primary plan fiduciary on their retirement plan by default, but have no expertise on the many rules and regulations that govern their plans, making it more likely that they will commit errors without even knowing it. However, not knowing a rule doesn't excuse liability when an error is made. Many employers incorrectly assume that they have minimal or no liability because they work with familiar recordkeepers and third-party administrators. Unless the administrator and advisor is a named fiduciary on the plan, the employer still carries the brunt of liability; regardless of who caused the error.

"The easiest way for an employer to avoid overlooking a duty is not to have that duty in the first place, which is what outsourcing is all about," said Mark

In any economy, banks and businesses should be utilizing their limited resources and valuable time on critical business functions, not worrying about running their employer-sponsored retirement plan.

Hogan, regional director at Pentegra Retirement Services. "Hiring a firm to serve as the primary named fiduciary, and 3(16) plan administrator, in your plan document transfers the lion's share of the work and responsibility to others. The benefit of outsourcing is not that professional fiduciaries will be perfect – they employ human beings and may make mistakes. The benefit is that you've turned mistakes into someone else's problem."

What makes the CBAI 401(k) different than just about any other program is that virtually all of the key fiduciary roles have been delegated to outside entities. The CBAI 401(k) Oversight Committee is named as the plan sponsor, Pentegra is named as the full-scope 3(16) Plan Administrator, and Midwestern Securities Trading Company, LLC (MSTC) is named as 3(38) Investment Fiduciary. In most 401(k) plans, the employer and an individual(s) within the business would be the responsible entity in each of those roles. It is important to note that ERISA law, which governs 401(k) plans, is also a personal liability law.

All that's left to do for employers that join the CBAI 401(k) is to send contributions in a timely manner and provide accurate data. Adopting employers also have the assurance that the program undergoes extensive, ongoing due diligence by an independent oversight committee made up of bank executives whose institutions have adopted the plan for their own bank. (See sidebar for current CBAI 401(k) Oversight Board)

Stay competitive in a changing marketplace

While the CBAI 401(k) was originally designed for their member banks, CBAI realized that it could be of great benefit to the banks' commercial customers. So, on Jan. 1, 2020, it was opened up to all community businesses as well as banks, making it possible for CBAI members to offer it as an attractive benefit to their commercial clients and prospects.

"As an adopter of the CBAI 401(k), I understand the value in the plan and how much easier it has made providing retirement benefits to our employees," said Aaron Jensen, chief operations officer at Midwest Bank. "The fact that our bank can offer these same benefits to our commercial customers and prospects helps us continue to compete with larger regional and national banks. This is a high-quality benefit that can really enhance our commercial customers' businesses."

"Not only has the CBAI 401(k) helped our bank reduce liability and workload, it has also allowed us to help several of our commercial customers alleviate the same issues by adopting the plan," said Dirk Meminger. "Offering this plan to our customers adds another level to the service we can provide and strengthens these valuable relationships with local business owners. The more business line touches we have with our customers the easier it is to retain them."

The same reasons that make this plan a great option for your bank are also why it is attractive to your commercial customers. There aren't many businesses out there that wouldn't appreciate a 401(k) plan that can help them:

- Save time
- Reduce workload
- Ensure compliance
- Reduce liability
- Control cost

- Improve employee retirement readiness
- Attract and retain quality employees

Your bank's ability to offer the CBAI 401(k) solution to your local businesses can help alleviate much of the work of offering a plan and will strengthen their ties to your institution. It can also be a source of non-interest income to the bank, potentially strengthening your bottom line.

Your membership in CBAI is the key to offering this valuable benefit. Your bank doesn't have to participate in the CBAI 401(k) in order to offer it to businesses in your community, although it does make offering the plan to your customers easier.

Now is the time to act

Employee retirement plans are rarely a front-burner item for employers. However, the SECURE Act, extreme market volatility, and more recently the CARES Act, have thrust 401(k) plans into the spotlight. These changes generate questions and concerns from business owners and employees, which leads to a higher demand for community banks to provide retirement plan solutions and retirement plan professionals to their customers.

"The IRS has dramatically increased penalties for non-administrative compliance and increased plan audit activity," said Jensen. "To have to worry about our 401(k) liability at a time when we have new challenges from the current COVID-19 pandemic popping up daily is an extra hassle we don't need."

"Employers usually view a plan review as a chore. We have been incredibly busy working with our existing plan sponsors the past month regarding reviewing their plan, communicating to their employees, and regulatory changes. Employers are prioritizing benefit review during uncertain times," said Nathan White, CPFA, AIF®, who is a retirement plan advisor and director of retirement plans with MSTC.

In just the past few months, three more banks and five non-bank businesses have joined the CBAI 401(k), with interest from plan sponsors growing every day. On January 1, 2020, the cost of the program was proactively reduced for all adopters, making it an even more attractive time to join for both large and small plans.

In any economy, banks and businesses should be utilizing their limited resources and valuable time on critical business functions, not worrying about running their employer-sponsored retirement plan. The CBAI 401(k) is a high-quality, turnkey solution that addresses plan sponsors' needs and concerns at an extremely competitive price. Times like these highlight the importance of choosing experienced fiduciary partners. ■

To learn more, contact Nathan White, CPFA, AIF® at nwhite@midwesternsecuries.com or 309-699-6786.

**Disclosure: Securities are not insured by the FDIC; not a deposit or other obligation of, or guaranteed by, the depository institution; subject to investment risks, including possible loss of the principal amount invested. Securities, Insurance, and Investment Advisory Services are offered through Midwestern Securities Trading Company, LLC (MSTC). Member FINRA/SIPC. MSTC, CBAI, and Pentegra are not affiliated.*

CBAI 401(k) Oversight Committee

A unique feature of the CBAI 401(k) is the oversight committee comprised of representatives from banks participating in the plan. The current CBAI 401(k) Oversight Committee is:

- President: Mike Estes, President/CEO, The Fisher National Bank
- Secretary: Andrew Black, President/CEO, Princeville State Bank
- Sheila Burcham, CEO, Community Trust Bank, Irvington
- Aaron Jensen, VP/Chief Operations Officer, Midwest Bank of Western Illinois, Monmouth
- Chad Martin, President/CEO, Goodfield State Bank
- Ex-Officio Member: Kraig Lounsberry, President, CBAI

The Oversight Committee is in charge of vendor management with signing authority as the plan sponsor. This committee can only be comprised of bank executives who are participating in the CBAI 401(k). Any banks that join the CBAI 401(k) MEP have the opportunity to be involved with this committee. The committee structure facilitates direct participant input into important issues such as services offered by the plan. Additionally, CBAI and the oversight committee are covered by a liability policy to help alleviate concerns about additional risk.

Haley Guisti,

Assistant Vice President, Compliance/Loan Officer & Career Development Division (CDD) Chairperson North Central Bank, Hennepin

What do you find most challenging about your job?
The most challenging part of my job is the many hats that have to be worn. This is true for most community bankers, I'm sure. We are pulled into different areas of responsibilities; all with short deadlines set by regulations and meeting the customer needs. It makes one's job very challenging.

What do you find most rewarding about your job?
I enjoy the challenge of finding the best solution for a customer. Whether it's refinancing to pay down a more expensive debt, working with a customer that is facing a difficult time in their life, or helping a customer create a plan of attack to build a savings account; each time I am able to help improve the life of a customer or relieve a little stress, I am happy.

What quote most inspires you and why?
"Just keep swimming!" – It's so simple, but such a strong statement. No matter what challenges face you, keep pushing ahead.

How did you get involved with CBAI?
My superiors encouraged me to attend CBAI's Community Banker's School back in 2009. I had been with the bank for nine years at that point; starting right out of high school in the bookkeeping department and working part-time throughout college. North Central Bank hired me in 2004 on a full-time basis once I graduated college as their compliance officer. After realizing the opportunity that was being offered to me, I accepted the challenge. Upon graduation of Community Banker's School, I was given another opportunity to join fellow colleagues in CBAI's Career Development Division program. I've been a member of CDD since 2010, a group director for several years, and am now serving as chairman of CDD. My involvement with CBAI has grown over time and started simply with attending seminars. The staff is amazing and always helpful and polite. Getting more involved with such a great organization like CBAI was an easy decision.

What is something most people don't know about you?
I feel that I don't have many secrets around the office. Everyone knows my vice (chocolate) and I'm pretty open about what's happening in my life.

What are the biggest challenges your community bank faces today and what are you doing to combat these challenges?
My financial institution is constantly faced with rate competition for the area market. It seems that in our area at least, it's a race to the bottom for loan rates. We struggle with deciding if we want to be considered the rate leader versus offering a competitive rate. It's a constant conversation in our loan department meetings.

What is your favorite initiative that your bank has implemented to support your community?
North Central Bank is trying to be more involved in the community by being present at local, community events. Not only may a donation be made, but staff is asked to join in on the event. We work these events in many different capacities, but it's always good to actually "be present" instead of just presenting a check.

If you weren't in banking, what would you being doing, and why?
If I weren't in banking, I could envision myself doing something in the dental profession. Honestly, I'm not sure why, but I have often been curious about that profession and the opportunities there. Maybe it has something to do with the cute, comfy scrubs they get to wear daily. ■

CBAI Offers Many Different Training Options, Including Distance Learning

CBAI Webinars: More Locations, Faster Delivery

We are enhancing the way you can view our live and on-demand webinars to make it easier for your bank. We have two new options on how you can view our webinars so that they are more accessible to your bank. You will now be able to access our live webinars from three different locations at no additional cost. Also, our on-demand webinars will now be available for viewing 48 hours after the live webinar takes place.

CBAI will continue to monitor the community banking industry to bring your bank new and relevant topics. As always, all our webinars can be accessed from anywhere. For a complete listing of our current available webinars, including COVID-related topics, please visit www.cbai.com.

OnCourse Learning

OnCourse Learning is CBAI's education provider of online training. This training empowers financial institutions to prepare their frontlines, compliance teams, executive leadership and board of directors with comprehensive enterprise compliance, risk management and professional development education that is effective and engaging. More than 10,000 financial institutions and partners have adopted OnCourse Learning solutions to efficiently manage complexity, change and growth. Plus, more than 190,000 mortgage professionals have begun and advanced their careers with NLMS approved licensure and continuing education courses from OnCourse Learning. For a full listing of topics, visit CBAI's website.

NEW – E-Classroom Seminars

CBAI is working with Focused Results on e-classroom seminars. These e-seminars utilize ZOOM. Attendees participate individually AND in group discussions. These e-learning seminars combine a live presentation, screen views, chat and open questions with pod activities. During these seminars, you are moved into a group pod room, where you will interact with your peers, answer questions and formulate your recommendations to the group, just like an in-person seminar. Below are the sessions currently available as of the printing of Banknotes, and more will be added. The updated listing can be found on our website. ■

May 21 – Becoming the Primary Financial Institution

May 28 – Generational Client Retention and Growth Strategies

For a full list of CBAI's Educational offerings, visit www.cbai.com or contact the Education Department at 800/736-2224.

Customer-Initiated Breach of Peace Nullifies Repossession

Jerry Cavanaugh, CBAI General Counsel, Springfield, IL

The deep, dark void in my life resulting from cancellation of this year's NCAA "March Madness" basketball tournament has caused me to reach for basketball analogies, even if they are lame. Most basketball fans are familiar with the term "flopping," used to describe a defender's effort to create the perception of being knocked down by the person (s)he was guarding by falling backward ("flopping") even if the person being guarded did not initiate enough contact to truly knock the defender down. Essentially, the defender is attempting to create a violation (i.e., an offensive foul) where none really existed.

That brings me to the March 2020 decision by the U.S. Court of Appeals for the Seventh Circuit ("the Court") in the case of Richards v.PAR, Inc. and Lawrence Towing. This was a case arising out of Indiana, but the Court's jurisdiction, and thus its ruling in this case, includes Illinois, as well. There was no dispute that Debtor was in default on her car loan, and that Lender's security interest in the vehicle legally authorized repossession. Lender's contractor subcontracted the repossession to Lawrence Towing ("Repo Agent"), but for our purposes it is irrelevant whether the repossession was contracted out or whether it was a self-help repossession performed by Lender itself.

However, both the note and Indiana law prohibited repossession if it involved a "breach of the peace."

When Repo Agent arrived to perform its legally authorized repossession, Debtor confronted Repo Agent and an ensuing shouting match became so vitriolic that the police were called. When the police arrived, they placed Debtor in handcuffs but released her after the vehicle had been successfully towed away. Debtor subsequently sued both the contractor who hired Repo Agent and Repo Agent itself, claiming that the repossession was illegal because it had been performed in breach of the peace, notwithstanding the fact that it was Debtor who caused the breach of the peace.

The Court ruled in favor of Debtor, finding that, first, Indiana law only permitted "non-judicial" seizure of collateral if there was a "present right of ownership" belonging to the secured party and, second, there was no such right of ownership when the repossession was conducted during a breach of the peace. The Court advised that since this was a *non-judicial* seizure of collateral, when a breach of the peace occurred, the appropriate thing for Repo Agent to do was to back off and allow judicial disposition of the collateral (i.e., the Lender getting a writ from a court to repossess).

How would the case have been decided if the same facts arose in Illinois rather than Indiana? The outcome would have almost certainly been the same, because Illinois' adoption of the Uniform Commercial Code includes Section 9-609 of the U.C.C, which states that a secured party may take possession of collateral after default if it is done "pursuant to judicial process" or "without judicial process, if it proceeds without breach of the peace."

A Point of Personal Privilege

Returning to my NCAA March Madness tournament theme, by the end of March, the tournament field would have been reduced to is Final Four teams. The end of March meant something additional for me. It marked the ten-year anniversary of a neurosurgeon chiseling a tumor from my brain and caulking together what remained. As a ten-year survivor, I recognize that each day is a blessing that I have not necessarily earned, but that I gratefully accept, nonetheless. I also appreciate that I could not work ***with*** a better and more supportive group of people than my colleagues here at CBAI, and that I could not work ***for*** a better and more supportive group of people than the community bankers who are CBAI's constituency. ■

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.

In Memoriam

Natalie Kay Dobbs, 38, of Mount Vernon, IL, passed away March 18 at Deaconess Midtown Hospital in Evansville, IN. She was born October 22, 1981, in Mount Vernon to Ted and Cheryl Webb. Natalie married Kevin Dobbs, and he survives.

Natalie worked as a retail manager and assistant vice president at **Community First Bank of the Heartland, Mt. Vernon.** She graduated from Webber Township High School and received her bachelor's degree from McKendree University, Lebanon.

In her immediate family, Natalie is survived by her beloved husband and parents, and by her children, Briea Dobbs and Donovan Dobbs, both of Mount Vernon, IL. Natalie was preceded in death by her grandparents, Sydney and Esther Porter, Oran and Juanita Webb, Mary Lou and Tom Dobbs; aunt, Susan Brookman; uncle, Kevin Porter; and cousin, Matt Reich.

Donald E. Welge, 84, of Chester, IL, passed away on April 16 at the Missouri Baptist Medical Center in St. Louis, MO. Don was the president and chief executive officer of Gilster-Mary Lee, a family-held food manufacturer headquartered in Chester.

A well-known businessman and philanthropic civic leader, Don started his career with Gilster-Mary Lee in 1957. Welge was a great-nephew of one of the original Gilster family members who formed a flour milling business together in the small town of Steeleville at the end of the 19th century. Over more than half a century, Don helped modernize, diversify and expand the company into the food manufacturing powerhouse that it is today by helping it find its niche in the store-brand business. When he started his career with the company, it employed about 20 people. Today, Gilster-Mary Lee employs more than 3,000 people across four states — Illinois, Missouri, Arkansas and Colorado.

Don served on the board of **Buena Vista National Bank, Chester,** and was chairman of the bank's holding company.

In his immediate family, Don is survived by two sons, Tom and Rob Welge, and his wife, Mary Alice Welge. In addition to his two sons, Don's brother, Michael Welge, also works at the family-owned business. ■

Member News

Community BancService Corporation (CBSC) recently added a new member to its board of directors. **Kim McKee**, executive vice president and chief operations officer for **North Central Bank, Hennepin (Ladd),** started her career with the bank in 1998 as a loan officer. In December 2019, she was chosen to assume the position of president/CEO, effective January 2021. McKee serves an active member of the bank's Executive, ALCO, Loan, IT, Risk Management, Compliance and Marketing committees. McKee is currently acting as the chairperson of the CBAI Foundation for Community Banking and has been involved with the CBAI Career Development Division, Marketing Sub-Committee and Special Events Committee. She has been an active advocate for community banking at both state and national levels.

Lynn D. Stickel, executive vice president of the **Granville National Bank**, retired on March 31, 2020, after three decades of service. Stickel graduated from the University of Illinois with a Bachelor of Science degree in agriculture in 1977. In November 1989, Stickel joined the Granville National Bank as assistant vice president, with an emphasis on agricultural lending. He has held the position of executive vice president since 2015.

Rick Hiatt was recently named to the Hall of Fame for the Illinois Society of Professional Farm Managers and Rural Appraisers. The award is the highest given to members of the Society. He is the owner of Hiatt Enterprises, which provides agriculture land management, record bookkeeping and consulting. He is also a consultant in bank and trust services with **Fairbury-Cropsey Community Bank, a division of Morton Community Bank**, and provides financial planning through Wayne Hummer Investments. Hiatt has been a banker for 35 years, starting as a farm manager, 12 years as a trust officer, and as president of two banks. He is a past group director of CBAI and is past chairman of the CBAI Foundation for Community Banking.

Savanna-Thomson State Bank is celebrating its 100th Anniversary in 2020. **Robert Froehlich, president, and Jessica Edwards, vice president**, were presented with a plaque by Lesa Black, CBSC vice president of member services, to commemorate the bank's milestone.

(L to R) Jessica Edwards, vice president, and Robert Froehlich, president, Savanna Thomson State Bank.

First National Bank of Sandoval recently welcomed **Scott Turley and Brian Jensen** to its board of directors. Turley, who is employed by Lincoln Financial, has extensive experience in banking and insurance. Jensen joins the board with a background in technology, including work on virtual reality, website design and various emerging technologies.

CNB Bank & Trust, N.A., Carlinville, (CNB) is pleased to announce the addition of **Gina Cox** as retail lending officer in the CNB Brighton and Shipman branches.

Dan Walsh has been promoted to regional president at CNB. In this role, Walsh will oversee the management of **CNB's three Chicago-area branches**.

Tom Jelinek has been promoted to market president of **CNB's Palos Heights branch**.

Rick Brueggemann, vice president and director of e-banking services, recently celebrated his 10-year anniversary with CNB.

BankORION recently welcomed **Mark Werning** as chief operations officer. Werning joins BankORION

with many years of operating and audit experience in the banking industry.

Warren Boynton State Bank, New Berlin, has promoted **Debbie Carbonell** to senior vice president/chief financial officer. Carbonell has been with the bank since 2011 and has 35 years of service in the banking industry.

First National Bank, Clinton, is serving clients using a new video ATM. The new technology allows for personal service while allowing for safe social distancing. A video ATM makes available personal transactions between clients and a universal banker. When engaged, a First National Bank universal banker will appear on video to help guide a client through a transaction(s). The video ATM can assist with more types of transactions than a regular ATM including deposits, check cashing, loan payments, withdrawals and transfers.

First National Bank of Steeleville has announced that **Kenneth Knop,** vice president, retired from the bank on March 31, 2020. Knop began his career in banking in 1973. In 1989, he joined First National Bank of Steeleville as assistant vice president and loan officer. Knop was promoted to vice president in 1998. During his nearly 31-year career at FNB, Knop served as the bank's primary agriculture lender. ■

CBAI Foundation For Community Banking

CBAI *Foundation for Community Banking*

FOUNDATION REPORT

IZALE Financial Group made a $500 donation to the Foundation.

Bill Wubben, Apple River State Bank, contributed $250 to the Foundation.

David Stanton, PeopleFirst Bank, Joliet, donated $250 to the Foundation.

Doug Parrott, State Bank of Toulon, made a $250 contribution to the Foundation.

Board and committee members of the CBAI corporate family donating travel expenses to the Foundation are: **Burnel Beckman, Dieterich Bank, Effingham; Jerry Cavanaugh, CBAI; Dan Graham, Flora Bank and Trust; Mary Jo Homan, Chester National Bank; Kerry Hoops, German-American State Bank, German Valley; David Loundy, Devon Bank, Chicago; David Pirsein, First National Bank in Pinckneyville; Gregg Roegge, Rushville State Bank;** and **Alan Stremlau, Illini State Bank.**

The Foundation received $160 from CBSC and CBAI board members as a result of the "dress-down" board meeting in February.

Welcome New Members

BANK MEMBERS

M & M Bank, Joliet
Jolie Esposito, Vice President

Security Savings Bank, Monmouth
Brad Ray, President/CEO

ASSOCIATE MEMBERS

Loan Ecosystem LLC
205 N. Michigan Avenue, Suite 4220
Chicago, IL 60601
Kurt Florian, COO & General Counsel
312-481-6023
www.loaneco.net
kurt@loaneco.net
Loan Syndication Platform

The Pentas Group Advisors, Inc.
242 North York Street, Suite 202
Elmhurst, IL 60126
Frank DiSilvio, Partner
312-310-6070
www.thepentasgroup.com
fad@thepentasgroup.com
Consulting

Single Source Architects & Builders
112 W. Park Lane
Waterloo, IA 50701
Jim Christensen, CFO/Director of Sales
319-232-6554
www.single-source.net
jim@single-source.net
Design, Build and Renovate Financial Institutions

Windsor Mortgage Solutions
3905 W. 49th Street
Sioux Falls, SD 57106
Stephanie Burt, Mortgage Specialist
605-444-1826
www.mortgagesties.com
smburt@mortgageties.com
Correspondent Banking

Staff News

David Schroeder, senior vice president of federal governmental relations, was recently recognized for 10 years of service to the association. He is shown accepting a recognition pin from **CBAI President Kraig Lounsberry**.

(L to R) Schroeder and Lounsberry

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