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Elected at the CDD Fall Meeting

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Meet the Team Leading the Way for CBAI:

2020-2021 Board of Directors

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JEFF BONNETT

DOUG PARROTT

DAVID STANTON

ANDREW BLACK

CHAD MARTIN

DAN GRAHAM

SHEILA BURCHAM

DAVID PIRSEIN

CBAI Executive Commitee

SHAWN DAVIS, CHAIRMAN

President and CEO, CNB Bank & Trust, N.A., Carlinville

Education: Graduate (bachelor's), Southern Illinois University, Carbondale; Graduate, Illinois Bankers School, Carbondale; Graduate School of Banking, Madison, WI; Commercial Lending School, Bloomington, IL

Personal: Resides in Carlinville with his wife, Cheryl; one son, two granddaughters.

JEFF BONNETT, FIRST VICE CHAIRMAN

President and CFO, Havana National Bank

Education: Graduate (bachelor's), Millikin University, Decatur; Certified Public Accountant

Personal: Resides in Havana with his wife, Vicki; two sons, one daughter, five grandchildren.

DOUG PARROTT, SECOND VICE CHAIRMAN

President and CEO, State Bank of Toulon

Education: Graduate (associate's), Lake Land College, Champaign; Graduate (bachelor's), University of Illinois, Urbana; Community Banker's School, Bloomington, IL; Graduate School of Banking, Madison, WI; Moore School of Business Graduate School for Bank Investments and Financial Management, University of South Carolina

Personal: Resides in Toulon with his wife, Karin; one son, one daughter, three grandsons.

DAVID STANTON, CHICAGO AREA REGIONAL VICE CHAIRMAN

President/CEO and Vice Chairman, PeopleFirst Bank, Joliet

Education: Graduate (bachelor's), DePaul University, Chicago

Personal: Resides in Mokena with his wife, Phyllis.

ANDREW BLACK, NORTHERN ILLINOIS REGIONAL VICE CHAIRMAN

President and CEO, Princeville State Bank

Education: Community Bankers School, Bloomington, IL; Graduate School of Banking, Madison, WI

Personal: Resides in Princeville with his wife, Lesa; one son.

CHAD MARTIN, CENTRAL ILLINOIS REGIONAL VICE CHAIRMAN
President and CEO, Goodfield State Bank

Education: Graduate (bachelor's) Illinois State University, Normal; Community Bankers School, Bloomington, IL; Graduate School of Banking, Madison, WI

Personal: Resides in Roanoke with his wife, Brenda; four sons.

DAN GRAHAM, SOUTHERN ILLINOIS REGIONAL VICE CHAIRMAN
President, Flora Bank & Trust

Education: Graduate (bachelor's), Columbia College, Columbia, MO; Graduate School of Banking, Madison, WI; Community Bankers School, Bloomington, IL

Personal: Resides in Flora with his wife, Dana; two sons, one daughter.

SHEILA BURCHAM, TREASURER
President and CEO, Community Trust Bank, Irvington

Education: Graduate (bachelor's), Southern Illinois University, Carbondale; Graduate School of Banking, Madison, WI

Personal: Resides in Nashville with her husband, Matt; three daughters, three grandsons.

DAVID PIRSEIN, IMMEDIATE PAST CHAIRMAN
President and CEO, First National Bank in Pinckneyville

Education: Graduate (bachelor's), Southern Illinois University, Carbondale; Graduate, School of Banking, Madison, WI and several other community-banking schools

Personal: Resides in Pinckneyville with his wife, Cindy

KRAIG LOUNSBERRY, PRESIDENT
President, CBAI, Springfield

Education: Graduate (bachelor's), Knox College, Galesburg; Graduate (master's), Sangamon State University, Springfield (now University of Illinois – Springfield)

Personal: Resides in Pawnee with his wife, Debbie; one son, one daughter ■

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Patrick McShane, American Metro Bank, Chicago
Steve Feith, Waterman State Bank
Alan Stremlau, Illini State Bank, Tonica
Kathy Sutherland, Durand State Bank
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Doug Smith, Farmers National Bank of Griggsville
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Carol Jo Fritts, First Neighbor Bank, N.A., Toledo
Matthew Beavers, First National Bank of Pana
Kevin Day, State Bank, Waterloo
Mike Radliff, The FNB Community Bank, Vandalia
Travis Clem, SouthernTrust Bank, Marion

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Bill Wubben, Apple River State Bank
Mike Estes, The Fisher National Bank

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CBAI PAST CHAIRMEN

Kevin Beckemeyer, Legence Bank, Eldorado
Tom Marantz, Bank of Springfield
Gregg Roegge, Rushville State Bank
David Pirsein, First National Bank in Pinckneyville

46th ANNUAL Business Meeting Leadership Addresses

Outgoing Chairman Address – David Pirsein, First National Bank in Pinckneyville

Thank you to all of you for your virtual attendance. I would like to officially call the business meeting to order. As CBAI President and CEO Kraig Lounsberry mentioned, this virtual meeting is necessary because of the current pandemic we are experiencing, but I echo his comments that I hope this is the last time we need to do it this way.

COVID-19 has affected nearly every single person on the planet. Economically, emotionally, physically and spiritually, it has hit us all hard, and CBAI is no exception to this rule. I could spend this whole time talking about what we did not accomplish because of COVID-19. No Capital Conference, no Call on Washington, no Group Meetings, no Community Bankers School, and no convention sounds like a pretty dismal year for CBAI and community banking, but what really happened this year is quite a different story. Faced with adversity, once again community bankers led the way. As essential businesses, we worked through the pandemic to provide our customers and communities with essential services. We all worked from home, and from our banks in split shifts. We utilized our drive-thru, mobile and internet banking and we did not miss a beat.

Then came the Payroll Protection Program. This is easily the most frustrating program I have ever dealt with in all my years of banking. The ink on the rules wasn't even dry when we were expected to start providing loans. Getting into the E-tran system was a nightmare and those original rules continually changed. Some of the biggest banks in the country were balking at the program and only making loans to their best customers. It would have been easy for community banks to do the same thing, but we did just the opposite. Through CBAI and ICBA, we shared information daily and sometimes twice daily. CBAI's Forums and Groups met over 70 times, meeting weekly as opposed to quarterly in that period. We worked 24/7 battling a frustrating dysfunctional system that the SBA was forced to create on the fly. We worked weekends and holidays inputting loans and walking customers through the ever-changing labyrinth of rules and requirements. And when the big banks started turning customers away, we stepped up and made those loans, too. Maybe even as importantly, we helped each other. We made loans to each other's directors when the government failed to give us timely guidance on that issue, and we even made loans FOR the customers for our fellow community bankers when they were unable gain access to the E-tran system. In short, we did what we always do. We adapted, overcame obstacles, and worked day and night to help our customers and communities. What did we accomplish? Community banks under $10 billion accounted for more than half of all PPP loans made and 45% of total dollars loaned out under this program and our endeavors help save an estimated 34 million jobs.

Between PPP and running our banks in a safe secure way to protect our staff and protect and serve our customers, it's a wonder we have any time to do anything else. However, we still found time to advocate for our profession. Our grassroots efforts convinced the Treasury to increase PPP loan rates, convinced regulators to exempt COVID-related loan issues from TDRs, convinced Congress to allocate PPP funding solely for community banks, and just recently we convinced Fannie and Freddie to delay their ill-timed fee increase, which would have harmed community banks and their customers.

Also, this year community banks reaped the benefits of past successes when community banks under $10 billion in assets received approximately $764 million in

It was not the year I expected as CBAI chairman, but I am proud of our accomplishments, proud of our association, proud of our staff, but most of all I am proud of our community bank members.

FDIC insurance credits, which was the sole result of grass roots advocacy by CBAI and ICBA, which is always pushing for tiered regulation on behalf of community banks.

So, in a year of uncertainty, a year of cancelations, a year of frustration, community banks have once again risen to the occasion and thrived under adversity. It was not the year I expected as CBAI chairman, but I am proud of our accomplishments, proud of our association, proud of our staff, but most of all I am proud of our community bank members. We continue to illustrate the impact community banking has on our economy and our society as a whole. Community banks are the lifeblood of small business and I am proud to be a community banker. I don't know what the next year will have in store for us, but I do know that whatever it is, community banks will rise to the occasion, and CBAI will be there supporting our profession with one mission, community banks.

Now it is time for the election of the next CBAI Board of Directors. The volunteer board will officially take office on October 1. The board is comprised of eight officers, 12 group directors, the four most recent past chairmen, two ICBA state directors, two at-large directors, and the CBAI president, for a total of 29 voting members. The Chairman of CDD is an ex-officio non-voting member. Additionally, there are two group directors, Kerry Hoops, German-American State Bank, German Valley, Group 3, and Jim Weast, Warren-Boynton State Bank, New Berlin, Group 9, who have termed out and were ineligible for re-election. Because we were not able to hold Group Meetings, those two seats and one other vacancy will be appointed by the new board. I would like to thank Kerry and Jim for serving and look forward to their continued service on the CBSC board.

As indicated in a communication last month, there were no contested elections for the leadership positions, therefore pursuant to Section 4, Article 6 of the CBAI Constitution, the nominees are hereby declared elected. I am now pleased to introduce the members of the CBAI Board of Directors the year commencing October 1, 2020. (Please see article entitled "Meet the Team Leading the Way for CBAI" for a list of the 2020-21 Board of Directors.)

Thank you for your willingness to serve and your dedication to community banking.

Now if you'll indulge me for just a few more minutes, I would just like to take a quick moment to recognize the achievements of someone who has done a great deal for community banking. Matt Feldman joined the FHLB Chicago in 2008, just before the bottom dropped out of the financial market. He has worked tirelessly during the past 12 years to take the bank from the brink of failure to one of the most innovative and prosperous Federal Home Loan Banks in the country. Matt's focus has been on serving the needs of his members by finding solutions to today's problems while looking around the corner to bring innovation, using creativity, diversity and forward-thinking solutions to the bank's membership. This has been the hallmark of his tenure as its leader. And as I talked about earlier, Matt never lets a good disaster or as he sees it, "an opportunity," to help his members shine as the FHLB of Chicago just did with their COVID-19 relief programs. And there are countless other programs that have helped tremendously over the years. His accomplishments as president of the FHLB of Chicago are numerous, and I believe he has set the bank in motion to continue this legacy by his actions and leadership and that he is most deserving of this prestigious award.

Although Matt is retiring at the end of this year, his service to the Federal Home Loan Bank membership and community banks in Illinois and Wisconsin has been invaluable. Therefore, in August, the board of directors of the Community Bankers Association of Illinois voted to award Matt the Double Eagle Award. The Double Eagle Award is the most prestigious honor that can be awarded by the CBAI Board of Directors and recognizes individuals who have contributed significantly to the welfare of Illinois community banking. To date, only four individuals have received this award, and Matt Feldman will be the fifth. Although we hoped to present this award at our convention, we would like to acknowledge the award today, and hopefully present it to Matt as some point in the future. Over the next few months, please take the time to call or write Matt to congratulate him on this award, his many achievements, and his much-deserved retirement. Thank you.

Now I would like to introduce Shawn Davis, president and CEO of CNB Bank & Trust, N.A., Carlinville. Shawn is a tireless advocate for community banking serving as CBAI vice-chairman, CBSC chairman, chairman of the CBAI Legislation and Regulation Committee, the CBSC Faster Payments Committee, the ICBA Bank Operations and Payments Committee, and the Shazam Board of Directors, and somehow still finds time to run a bank. Shawn is a passionate advocate for our profession and will do an excellent job as the 46th chairman of CBAI.

Incoming Chairman Address – Shawn Davis, President & CEO, CNB Bank & Trust, N.A., Carlinville

Thank you, Mr. Chairman. Over the past 10 years, I have gotten to know Dave very well, serving together on various CBAI and Shazam boards and have seen his passion for community banking first-hand. His tireless dedication is inspirational. His last year, as Kraig has indicated, has been completely unscripted. No one has had to fight and pivot like Dave has done for the past 12 plus months. I thank you, Dave, for everything you have done for CBAI and community banking over the last year. You have shown your dedication to this industry and we all thank you very much for what you have done for us. You set the bar really high, and I hope I can live up to it.

I am truly humbled and honored to be elected as the 46th CBAI Chairman by my peers. We are in unique times. When I started my banking career in 1980, mortgage rates were 20%, CDs were 10%, and you trained your tellers to hit the alarm whenever someone came into your lobby with a mask on. Now, mortgage rates are 2.5%, CDs are less than 1%, and your lobby tellers are inclined to hit the alarm if someone isn't wearing a mask. Back then we debated on whether to keep the lobbies open after 3:00 p.m., now we debate whether it is safe to have lobbies open at all. These examples illustrate how our industry has changed over the years. The one thing that hasn't changed in the timetable though, is community banking's commitment to personal service, and the great customer-related service that we all give. When I started at CNB 40 years ago, it was a job; something to do until I found something better. That's how you think when you're 22 years old. What happened though, was I found that I enjoyed being a community banker; helping customers achieve their goals of owning a house or starting a business. Those types of events are truly life changing for our customers and I believe that we community bankers absolutely understand that. It is what separates us from others that call themselves bankers but can't call themselves community bankers. I'm proud to be a community banker. I know what WE do makes a difference in our communities.

Chairman Pirsein mentioned our professional and advocacy successes this past year, and I plan to continue to focus on those efforts because they are extremely important to community banks. First and foremost, we need to continue to advocate for community bank and small business relief throughout this COVID crisis. Congress needs to extend the PPP program AND provide forgiveness for ALL loans under $150,000. This would account for 85% of the loans but only 25% of the dollars and would truly benefit small business. Additionally, Congress and the regulators need to extend the Troubled Debt Restructuring (TDR) provisions of the CARES Act and ensure that originating and holding PPP loans has no impact on a community bank's risk-based and leverage capital ratios.

Just as importantly, we need to continue to encourage the The Federal Reserve to expedite FedNow. CBAI and ICBA led the way advocating extensively for the Fed to build a faster payments network, but that process needs to happen sooner rather than later in order to ensure interoperability and access for community banks, thus preventing a monopoly of a faster payments system controlled by the big bank owners of The Clearing House.

We need to continue to support legislation that directs business to report their beneficial ownership information directly to FinCEN – not their bank; support legislation to close the Industrial Loan Company (ILC) loophole which allows the holding companies of ILCs to evade consolidated supervision of their holding companies by the Federal Reserve; and also continue to support legislation creating a safe harbor for banks which choose to provide financial services to legal cannabis related businesses. If it is legal to do a business in the state, it should be legal to bank the business in the state.

We will continue working with our partners in business to oppose Illinois' harmful graduated income tax proposal which will cripple small business and farmers who are just trying to survive economic hardships created by the COVID-19 pandemic. There is really no good time for a tax increase, but this is a terrible time.

Finally, CBAI will remain tireless in advocating for Congress to level the playing field and tax credit unions that ignore the common bond, and to prevent the acquisition of tax-PAYING community banks by tax-EXEMPT credit unions. Legislators don't seem to understand that difference. We need to educate them.

Although it has been a difficult year, community banks have once again risen to the occasion. We know better times are ahead, but the challenges will continue. CBAI will continue to provide the advocacy, education and services community banks need to combat those challenges and serve our customers and our communities. I am honored to be able to serve CBAI and all my colleagues as the next chairman. I want to thank my board of directors that not only afforded me the time to serve at CBAI but also encouraged me to be involved. I want to thank all of the CBAI staff. Talk about having a year to pivot, I know having to make decisions on whether to cancel or postpone events this last year has taxed the CBAI staff extensively, and they've done it seamlessly. I know we bankers appreciate everything that you do. It means a lot that you afforded me the opportunity to have my family here today. I would like to recognize my wife Cheryl, who has supported all of my CBAI efforts through this time, my son Michael, daughter-in-law Brooke, and granddaughters Reagan and Olivia. It means a lot that you were here to see me today. Thank you all for attending virtually. In closing, I want to thank you all for trusting me with this responsibility. It means a lot. I now hereby adjourn the 46th Annual Business Meeting. Thank you all for attending and stay safe and healthy. ■

The Baker Group

ICBA Independent Community Bankers of America

QCBT Quad City Bank & Trust

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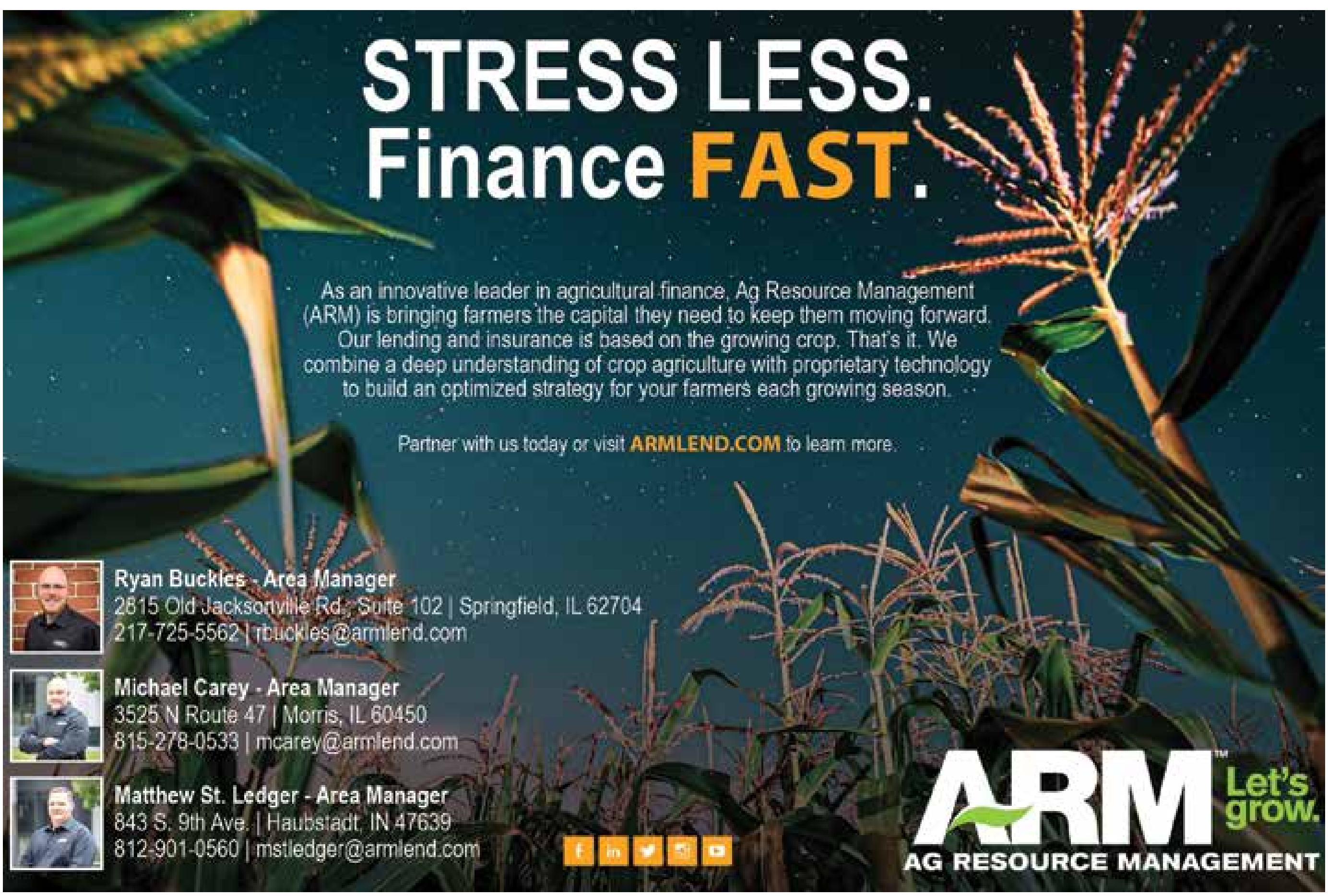

Warchol, Bank of O'Fallon, hit a hole-in-one on #14.

CELEBRATION OF Community Banking Golf Outing

Nearly 100 community bankers and CBSC business partners took to the course at Panther Creek Country Club in Springfield for the Celebration of Community Banking Golf Outing. Proceeds from the sale of mulligans raised $1,400 for the CBAI Foundation for Community Banking Scholarship Program, which funds scholarships for college-bound high school seniors and for students attending CBAI's Community Bankers School. CBSC business partner, Wolters Kluwer, announced it will contribute an additional $5,000 to the Foundation.

More than $5,000 in cash prizes were awarded to golfers for various team and individual contests and a dozen door prize drawings.

According to the hole-in-one insurance industry, the odds of making a hole in one from 140 yards is about 12,500 to 1. Matthew Warchol, vice president at Bank of O'Fallon, beat the odds and recorded an ace on #14, the 140-yard par 3 hole. "The greens were soft after a brief shower. I hit a 7-iron just short of the green. The ball released and rolled into the cup. My playing partners exclaimed, it's in the hole! We've never seen a hole-in-one before," said Warchol. For his feat, he won a one-year supply of Bridgestone golf balls.

In addition to sponsoring the event, CBSC business partners organized contests at eight golf holes. Prizes were awarded for contests such as the Happy Gilmore Long Drive, Marshmallow Long Drive, beat the closest to the pin, guess the number of tees in a jar, and others, which added to the celebration.

"These past several months have been very difficult. We needed a break and to get together and have a fun day," said Doug Parrott, president & CEO at Toulon State Bank. He added, "A golf outing presented a perfect opportunity to enjoy fellowship with our friends in the community banking profession." Jeff Bonnett, CBSC Board Chairman and president at Havana National Bank concurred, added "We thank the CBSC business partners who helped make this event possible. We appreciate their continued support of community banking through participation in CBAI and CBSC events. We couldn't do it without them." ■

Kim McKee, North Central Bank, Hennepin, sold mulligans to support the Foundation.

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QCBT Quad City Bank & Trust
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SHAZAM
Welch Systems
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(L to R) Parrott and McShane.

The Community BancPac Auction Was a Raffle...**Because 2020!**

CBAI's Outgoing Chairman **David Pirsein, First National Bank in Pinckneyville,** and Incoming Chairman **Shawn Davis, CNB Bank & Trust, N.A., Carlinville,** stepped up to host the Chairmans' Raffle to raise funds for Community BancPac. Incoming Chairman Davis donated top-tier technology, including a Ring Video Doorbell, Apple AirPods Pro, and Bose Quiet Comfort 35 II noise canceling headphones. Chairman Pirsein donated a stunning, custom-made wine rack and serving board and the grand prize, a beautifully detailed, hand-crafted, outdoor cooler/hospitality center.

A sponsorship from SHAZAM covered all of the administrative costs of the raffle. Because of their generous gift, 100 percent of money received from ticket sales went directly to the only political action committee in Illinois dedicated exclusively to supporting the community banking profession.

Community BancPac Chairmans' Raffle tickets were sold for $50 each and only 200 tickets were sold. Raffle tickets purchased were credited and reported as Community BancPac contributions.

CBAI conducted two early bird drawings. The first early bird drawing, held on October 1, 2020, in conjunction with the Celebration of Community Banking golf outing, was a certificate for a live "virtual" winetasting with the wine master from AvinoDos Wines in Napa Valley, CA, and four bottles of AvinoDos wine with shipping included, donated by Special Events Chairman **Doug Parrott, State Bank of Toulon.** The winner was **Patrick McShane, American Metro Bank, Chicago.**

The second early bird drawing was held on October 15, 2020, for a bottle of Eagle Rare 10-Year Kentucky Straight Bourbon Whiskey, donated by Community BancPac Chairman **Tom Marantz, Bank of Springfield**. The winner was **Bill Wubben, Apple River State Bank.**

Early bird winners' tickets were returned for inclusion in the main raffle drawing. The winners of the five main prizes were drawn on October 27, 2020, during a virtual event on Zoom. The winner of this year's Directors Challenge, with a prize of $250, was also drawn. *(The winners for the main raffle and Directors Challenge had not been drawn at the time of printing for this edition of* Banknotes *but were announced during the live event and on social media.)*

Hopefully, the auctions and in-person gatherings can continue soon. Until then, we appreciate your continued support for Community BancPac and the community banking profession. ■

CBAI Recognizes

Outstanding Achievements for 2019-2020

Patrons of Community Banking

A Patron Bank has actively contributed to community banking and supported CBAI through nine very specific criteria, including, but not limited to, representation at Capital Conference, Call on Washington, Group Meetings and convention; CBAI board or committee participation; donations to BancPac/FedPac and the Foundation for Community Banking; attendance at a pre-determined number of education events; and utilization of CBSC services. Twenty-one CBAI members achieved the Patron status for 2019-20. We thank you for your continued support of the Association!

Patrons of Community Banking for 2019-2020

Apple River State Bank
Scott State Bank, Bethany
CNB Bank & Trust, N.A., Carlinville
Buena Vista National Bank of Chester
Dieterich Bank, Effingham
Legence Bank, Eldorado
Farmers State Bank of Elmwood
The Fisher National Bank
Flora Bank & Trust
German-American State Bank, German Valley
North Central Bank, Hennepin
Community Trust Bank, Irvington
Liberty Bank
The First National Bank, Mattoon
BankORION
First National Bank in Pinckneyville
Princeville State Bank
The First National Bank of Raymond
Rushville State Bank
Bank of Springfield
State Bank of Toulon

Double Eagle Award

Matt Feldman

CBAI recognized **Matt Feldman,** president and CEO of the **Federal Home Loan Bank of Chicago** with the prestigious Double Eagle Award. Recipients are any deserving individual so chosen by the CBAI Board of Directors. Feldman, only the fifth recipient of this award, was recognized for his professional contributions to and leadership of the Federal Home Loan Bank of Chicago and for supporting community banking in Illinois. President and CEO since 2008, Feldman has been with the Bank since September of 2003 and has served in several executive capacities, including chief risk officer and executive vice president, operations and technology.

Outgoing Chairman Award

This award was presented to David Pirsein for his commitment of time, energy and leadership to the advancement of community banking in Illinois as CBAI Chairman for 2019-2020.

(L to R) Pirsein and Davis

Board Service Awards

These awards are presented to individuals whose tenures on CBAI corporate family boards have ended.

Community Bankers Association of Illinois Board

Kerry Hoops, German-American State Bank, German Valley (2014-2020)
Jim Weast, Warren-Boynton State Bank, New Berlin (2014-2020)

Top 10 Contributors to CBAI BancPac 2019-2020

Belmont Bank & Trust
Legence Bank, Eldorado
State Bank of Lincoln
First State Bank, Mendota
First Ottawa Bancshares, Inc.
Prospect Bank, Paris
Bank of Pontiac
First Neighborhood Bancshares, Inc., Toledo
State Bank of Toulon
SHAZAM®, Johnston, IA

Platinum Contributors to Community FedPac 2019-2020 ($500 or more)

Kraig Lounsberry, Community Bankers Association of Illinois
Tom Marantz, Bank of Springfield
Chad Martin, Goodfield State Bank
Douglas Parrott, State Bank of Toulon
David Schroeder, Community Bankers Association of Illinois
Kathleen Schuessler-Cook, The Village Bank
David Stanton, PeopleFirst Bank, Joliet

CEO Challenge

The CEO Challenge is met by bankers who qualified for a $250 prize because 100% of their banks' directors and officers donated to Community BancPac and/or FedPac.

BancPac CEO Challenge

Joel Holland, Apple River State Bank
Greg Ohlendorf, First Community Bank and Trust, Beecher
Tod Jeffers, Scott State Bank, Bethany
Ben Barton, Byron Bank
Shawn Davis, CNB Bank & Trust, N.A., Carlinville
Chuck Deters, Dieterich Bank, Effingham
Mike Estes, The Fisher National Bank
Doug Smith, Farmers National Bank of Griggsville
Tina Callaway, Farmers & Merchants Bank of Hutsonville
Mark Field, Liberty Bank
Dan Nederhoff, Milledgeville State Bank
Steve Backlund, Better Banks, Peoria
Steve Backlund, Backlund Investment Co., Peoria Heights
David Pirsein, First National Bank in Pinckneyville
Andrew Black, Princeville State Bank
Steve Backlund, State Street Bank & Trust Co., Quincy
Thomas Walsh, Northwest Bank of Rockford
Tom Marantz, Bank of Springfield
June Kidd, The First National Bank in Tremont
Doug Parrott, State Bank of Toulon

FedPac CEO Challenge

Mark Field, Liberty Bank
Tom Marantz, Bank of Springfield

(L to R) Davis and Genenbacher

Excellence and Innovation BKD Award Presented by CBAI

The ***winner*** of the 2020 Excellence and Innovation BKD Award, presented by CBAI, is **CNB Bank & Trust, N.A., Carlinville,** for its initiative, **"Summer Math Program,"** which was open to students K-12. The bank worked with local schools to create packets to help students stay fresh with their math skills during the summer, as well as teach financial literacy. Students completing the program received a Visa gift card from the bank and gift certificates that helped promote and support local businesses. **Gary Genenbacher, CPA, partner at BKD LLP,** presented the award to **Shawn Davis, president/CEO at CNB**.

Anniversaries in Community Banking

Dixie L. Curry, TNB Bank, Tuscola (50 years)
Ken Emme, Havana National Bank (61 years)
Sam Scott, Scott State Bank, Bethany (50 years)
Jim Shafer, The First National Bank in Tremont (50 years)

CBAI Foundation for Community Banking Scholarships

(see Foundation Report)

New Member Recruitment Drawing

Whenever a bank or associate member firm is successfully recruited into membership by a member banker, that banker's name is entered in a special drawing. There were four names in the drawing this year: **John Dosier, First Southern Bank, Marion; Dan Graham, Flora Bank & Trust; Mary Jo Homan, Chester National Bank; and Doug Parrott, State Bank of Toulon.** The winner of the $500 cash prize was **Doug Parrott.**

Education Participation Awards

More than $225 Million in Assets

1. CNB Bank & Trust, N.A., Carlinville
2. Legence Bank, Eldorado
3. Bank of Hillsboro, N.A
4. Buena Vista National Bank, Chester
5. Peoples Bank of Kankakee County, Bourbonnais

$150 Million to $225 Million in Assets

1. Goodfield State Bank
2. Jersey State Bank, Jerseyville
3. First National Bank in Taylorville
4. First National Bank of Nokomis
5. Bank of Farmington

$75 Million to $150 Million in Assets

1. State Bank of Whittington, Benton
2. The Fisher National Bank
3. The First National Bank in Tremont
4. North Central Bank, Hennepin
5. Farmers National Bank of Griggsville*The First National Bank of Sparta*

Less than $75 Million in Assets

1. Bank of Yates City
2. Midland Community Bank, Kincaid
3. Farmers State Bank, Elmwood
4. Chester National Bank
5. Beardstown Savings, s.b. ■

**Indicates a tie within the asset category for the number of education programs attended.*

Last Call for LIBOR

Lester Murray, Associate Partner, The Baker Group, Oklahoma City, OK

With all the distractions and distracting challenges faced this year by the nation's community bankers, it's easy to understand how some may have lost track of an approaching deadline that could have significant consequences for their institutions and their customers. Unless something changes, and the authorities have been pretty clear that that's unlikely to happen, the world's most widely used benchmark for short-term interest rates will probably not be around after the end of 2021. After that, the London Interbank Offered Rate (LIBOR), long criticized for lacking transparency and market responsiveness, will be replaced by the Secured Overnight Funding Rate (SOFR) as the primary reference rate for all dollar-denominated loans, derivatives and debt instruments.

What's the Big Deal?

To many, the transition to SOFR from LIBOR might seem like a simple task; just switch rates. But if that switch affects more than $200 trillion in mortgages, consumer loans, corporate debt and derivatives, as this one does, there's nothing simple about it. Even though the volume of financial assets subject to the change is massive, that may not represent the greatest hurdle. If LIBOR is an apple, then SOFR is an orange, and while both are fruits, they are not exactly interchangeable parts.

LIBOR's roots go back to the late '60s when a panel of bankers would each day report their funding costs to what has now become the Intercontinental Exchange Benchmark Administration. Those numbers would be averaged, adjusted, and then reported to the world around noon, London time. The outdated process and its vulnerability to fraud and manipulation, coupled with a dwindling sample size that poorly reflected market conditions, had to go, and pretty soon, it will be gone.

Thankfully, the Alternative Reference Rate Committee (ARRC), a brainchild of the Federal Reserve, has come up with a better idea that's based on actual transactions in the huge, Treasury-collateralized repo market. SOFR is easy to track, impossible to fudge, and moves with the market. What's not to love?

Well, for one thing, SOFR is an overnight rate whereas LIBOR comes with terms as short as a day and as long as a year. To come up with term rates, some type of prior-period compounding will likely be used, but the specific methodology is still uncertain. Another incongruity between the two rates is that SOFR reflects financing transactions that are free of credit risk, whereas LIBOR has always been a product of unsecured lending. Some type of spread adjustment to account for that difference will have to be added, but how and how much are still open-ended questions.

Uncertain Life Span

Some are questioning the assumption that LIBOR will even make it to the end of next year. That's not a given. If the ever-dwindling number of reporting banks, currently somewhere between 11 and 16, falls below four, that could trigger an early end to LIBOR. Or, in these tumultuous times, a regulatory determination to prematurely end the use

of LIBOR because it fails to reflect market conditions could also lead to an early demise. Fannie Mae and Freddie Mac will no longer be buying ARMs tied to LIBOR after the end of this year, but they will begin accepting SOFR-based ARMs before this year is out.

According to John Williams, president of the New York Fed, the use of LIBOR in loan agreements should have stopped by now, and lenders are encouraged to develop fallback language for LIBOR referenced loans that will specify the replacement rate (SOFR) upon LIBOR's cessation. For community bankers, communication with customers is key, and the earlier that process is started, the more smoothly the rate transition is likely to go, especially if LIBOR goes away sooner than expected. For more information about the transition, visit www.gobaker.com/wp-content/uploads/articles/TBG-B0081-ARRC-Best-Practices.pdf. ■

Lester Murray joined The Baker Group in 1986 and is an associate partner within the firm's Financial Strategies Group. He helps community financial institutions develop and implement investment and interest rate risk management strategies. Before joining The Baker Group, he worked at two broker/dealer banks in Oklahoma City and was also an assistant national bank examiner. A graduate of Oklahoma State University, he holds Bachelor of Science degrees in finance and economics. Contact: 800-937-2257, lester@GoBaker.com. The Baker Group is a CBSC preferred provider.

More Workers' Compensation Exposures from Remote Workforce

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

Many of the country's workforce is working from home these days to prevent the spread of the coronavirus, but let's not lose sight of the fact that employers remain liable for work-related injuries. Yes, compensability for workers' compensation still comes down to whether or not the disease or illness is considered occupational. And, in order for it to be compensable, the disease would have to be contracted during the course of employment and due to conditions specific to the employee's work.

A communicable disease that affects the public will not usually be considered a workers' compensation claim because of an inability to prove WHERE or WHEN the virus was contracted. But, what about all the other work-related exposures? That's why we're probably going to see more workers' comp claims.

Unique claims are going to happen when an employee trips on a cord or other objects while working from home. Proper communication and training cannot just stop because the employee is at home. Checklists at the office should also apply to home to ensure safety of equipment and workspaces, covering everything from clutter hazards to positioning the computer. People who have been going to the office are now working at the kitchen table, sitting on a hard chair, or worse, slumped on a soft couch in awkward positions all day. My own back is hurting as I consider the picture in my mind. My ergonomically-sound workstation does not match my home environment either.

Another problem is our homes are shared spaces. There are science projects, sports equipment, people and pets everywhere that can lead to injuries. As you can only imagine, these claims are going to be hard for employers and their insurers to defend. These poor, repetitive habits are going to lead to injuries over time. People need to be focused whether they're working from home or in the office.

Also, if we're honest, we can also agree that mental anguish, stress and depression have also reared their ugly head during a period of isolation from human interaction. Mental stress is compensable.

Another big issue employers may face with employees working from home is the increase in unwitnessed accidents, along with possible delays in reporting. This can affect an employer's exposure because it's hard to defend. Companies must spend more time questioning claims to determine whether the employee was truly engaged in employment at the time of the incident, etc., not to mention the potential gray area with homeowner's insurance. Plus, workers' comp generally pays more than group health for comparable injuries, such as chronic pain!

Just the other day I had to trash my own office chair. I'm not going to ask my employer for a new one, but how are you going to handle such a request if you get one? Are you going to deliver a new chair to an employee's house, tell them how to set it up, and train them how to use it? What happens to the chair when the employee returns to work?

Never say never. I didn't think about dealing with these type questions either, but here we are. It's really pushing us to think about the long-term and how employers are going to support a bigger percentage of the working population being remote.

There's not much regulation out there yet, nor have we fully tested the court system. Every state is different. Even OSHA (U.S. Occupational Safety and Health Administration) has repeatedly said it will not investigate the safety of home offices. The federal government may not change their stance immediately but may be forced to eventually.

Unfortunately, we have more questions than solutions but we're here to inform as much as solve. At least we're getting people to think about the exposure to loss. Ignorance of the law is still no defense. Despite any signed release, an employer is still not going to escape the responsibility of Federal law, even during a pandemic, for matters such as:

- **a.** Americans with Disability Act of 1990 – Issue: Making reasonable accommodations.
- **b.** Workers' Compensation Bureau oversight – Issue: Continuing payroll for furlough workers without performing actual work.
- **c.** Health Insurance Portability and Accountability Act of 1996 – Issue: Health privacy.

Therefore, stay tuned for more upcoming details regarding a potential webinar on this very subject. In the interim, everyone be careful. ■

As risk management insurance leaders, HR benefits and consultants, and claims advocates, we invite you to frequently visit our website (www.ajg.com/pandemic) for regular updates on this subject. For a personal consultation, please contact Community BancInsurance Services, a division of Arthur J. Gallagher & Co., the exclusively-endorsed insurance representative of CBAI/CBSC. Ask for Patti Tobin, area FI director (217) 414-4485 or Patti_Tobin@AJG.com.

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CDD SPOTLIGHT

Katie Ashworth

CRM Officer/Training Coordinator, CNB Bank & Trust, N.A., Carlinville

What do you find most challenging about your job?

Community bankers "wear a lot of hats." While I thoroughly enjoy being busy, jumping around between several projects can feel overwhelming at times. Time management and prioritizing are essential, which can be a struggle when trying to be a valuable employee, volunteer and parent.

What do you find most rewarding about your job?

One of the best parts about my job is that I get to encourage others to think outside the box and try new things. I'm in the Marketing Department at the bank, and I also oversee CRM, training and a team who is responsible for boosting morale. I enjoy creating new ways to improve our working relationship with our customers.

What quote most inspires you and why?

"He must become greater; I must become less." – John 3:30. This verse reminds me where my focus and priorities should be. Consciously choosing to focus on knowing, loving, and enjoying God brings a happiness that we cannot find anywhere else.

How did you get involved with CBAI?

As a fifth-generation banker, I attended my first CBAI convention at five years old. As an adult, I joined CDD after attending CBAI's Community Bankers School. I've thoroughly enjoyed being part of CDD because it has given me an opportunity to meet goal-driven "young" bankers. These relationships have proven to be beneficial because the CDD members often share ideas, processes and procedures. We are able to do our jobs better and become more knowledgeable because of the relationships that we foster through CDD.

What is something most people don't know about you?

I have two biological children and temporary guardianship of four others.

What are the biggest challenges your community bank faces today and what are you doing to combat these challenges?

In today's world, all community banks face the challenge of remaining relevant. Forty years ago, there were 15,000 banks, which is drastically different than the 5,000 banks today. As the industry consolidates, technology continues to rapidly change, and regulations increase, banks find it harder to compete. The technology that consumers demand is pricy, which is a concern because customers are not as loyal as they once were. It's easy for a customer to find and switch banks online, so as community bankers we have to continue to find ways to meet the customers' needs. At CNB, we strive to hire the best personnel and train them on products, services and customer service. Our employees set us apart from the competition.

What is your favorite initiative that your bank has implemented to support your community?

A couple years ago, CNB created a Summer Math Program for kids. We worked with the local school district to create math packets for grades K-12. Students pick up their packets at the bank and return the completed packet in a month to earn a reward. The K-5th grade packets are a review of the math they learned during the previous school year, while the 6-12 packet teaches financial literacy. This summer we had over 200 kids participate! We are discussing the possibility of expanding the program to include adults next summer.

If you weren't in banking, what would you being doing, and why?

If I were not in banking, I would be a counselor or psychologist. The human mind is intriguing to me and I love helping people who are struggling. ■

Using Payments to Attract and Retain Gen Z Customers

Deborah Matthews Phillips, AAP, Senior Vice President, Payments and Technology Policy, ICBA Senior Vice President, Industry Relations, ICBA Bancard

Imagine if you had never known a pre-Amazon world and how that would shape your perception of other organizations. You've just introduced yourselves to the mindset of Generation Z. Born roughly between 1997 and 2012 (depending on the statistician), Gen Z's oldest constituents are younger than Amazon, never having lived without that instantaneous digital experience.

These digital-first individuals view the world through a different lens; however, they trust financial institutions over the big tech companies. In fact, just shy of 90% of Gen Z consumers give their financial institution a score of seven to 10, with 10 being "very trustworthy," and 64% report a desire to get their banking services from a traditional financial institution versus technology giants. With that in mind, Gen Z offers a significant opportunity for community banks—one where payments play a role.

On the Horizon

Gen Z requires new types of payment solutions. With that in mind, payments provide new opportunities to expand areas of engagement with this target audience.

- 10 vs. 18 – The age at which Gen Z's get phones versus bank accounts. Community banks can draw in Gen Z earlier by offering teen-specific, mobile-first bank accounts that enable mobile and P2P payments.
- 98% say they use mobile payments to transact. Community banks can offer strong digital payments solutions and position their card products as top-of-wallet.
- 70% report using a digital wallet to purchase a product at least once per month. Community banks can frame up their payment options as digital wallet solutions for this mobile-first generation.
- 1/3 of 18-19-year-olds have a credit card. Much of Gen Z can't access credit products. Community banks can offer card solutions that tie to digital wallets.

Why Gen Z Matters

- They make up a significant portion of the U.S. population and economy. Gen Z comprises one in four Americans, making this group the largest living generation. In fact, they already represent approximately 40% of the nation's consumer purchasing power.
- In addition to their own spending, they influence buying decisions within their circles. Reports indicate that Gen Z shapes up to $665 billion in family spending today, with 93% of parents saying their Gen Z children influence their household spending.
- They are coming into money. Along with Millennials, Gen Z stands to inherit a portion of $30 trillion in wealth from their parents. This "Greater Transfer" will peak in about 10 years. Plus, many Gen Z's will be entering the job market at about that same time, introducing a steady income flow.
- This is a pivotal time to capture their loyalty. The average age of first-time homebuyers has increased to 33, and it has been on the recent rise. Connecting early with this new demographic will help build important relationships that may extend to future financial needs.
- They are future business leaders—and business customers. Within the next five years, Gen Z will become the fastest-growing generation in the workplace. In addition, more than half want to start their own

company, and 77% expect they will work harder than previous generations—solidifying their role as strong business customers.

- They will be tomorrow's community bank employees. More than a potential customer, Gen Z also will become your future staff. Attracting and retaining top talent remains critical to the future of community banking, so building relationships with them today matters to the industry of tomorrow.

What Gen Z Requires from Community Banks

As community banks consider attracting Gen Z clients, having a better understanding of their motivating factors will help tailor solutions to their unique needs and preferences. They seek:

High-quality mobile payment experiences. Gen Z are referred to as "screenagers" for a good reason; they are connected to their devices—and the seamless experience they provide. Case in point: 75% say they would use mobile payments more, if given the option.

Financial literacy education. Multiple studies report that Gen Z has a deep desire to better understand money, though how it wants to learn about it may differ significantly from previous generations. Video reigns supreme: Gen Z spends 23 hours per week on video content, and 80% of teens said YouTube helped them become more knowledgeable on a topic.

Data security. Having grown up in an era of data breaches and cyberattacks, Gen Z places importance on privacy. Less than one-third said they are comfortable sharing personal details other than contact information and purchase history, and only 18% are at ease with sharing payment information. They expect banks to maintain their privacy—and be upfront about data privacy practices.

Authenticity. This generation is not looking to be wooed—they are looking to see you care. Ninety percent believe companies must act to help social and environmental issues, and 75% will do research to see if a company is being honest when it takes a stand on issues.

Good employee experiences. When asked which action taken by a brand during the pandemic has had the highest influence on their perception of that brand, Gen Z cited the way brands treat their employees as the most important factor.

Five Steps for Attracting and Retaining Gen Z Customers

1. Provide and promote digital payments solutions to Gen Z, their peers and their parents. From credit products that interact with digital wallets to ways to make P2P payments from their accounts, Gen Z expects a fully digital experience. Get creative with your product offerings, exploring solutions like teen-centric mobile banking.

What's more, for the offerings you have in place, ensure Gen Z and their parents have an awareness of them. With 28% reporting they get their financial information from friends, and 55% indicating their parents, these groups have the most influence on how Gen Z deals with money. Communicating to the target audience and their influencers will help your message gain traction.

2. Develop financial education for this audience—via channels that resonate. Gen Z is ripe for financial education, with only 13% seeing themselves as very financially responsible. But they are looking for digital education via video. In fact, 27% cite YouTube as a primary source of financial information, and one recent report points to the likes of TikTok for personal finance knowledge. Video education can support this learning preference.

3. Earn their trust. Across all generations, the top way for banks to establish trust is to emphasize data safety, followed by increased transparency around fees and other terms and conditions. Specifically, 95% of 16-24-year-olds believe banks need to increase fraud protection.

And while more than three-quarters (76%) accept that it's their responsibility to look after their data and keep their identity safe, they require their banks to provide protection as well. In addition, 67% of Gen Z respondents point to "feeling understood" by their bank as a driver of trust, which underscores the need for acting with authenticity and transparency.

4. Offer strong customer service across all channels. This generation, more than any other, seeks a balance of high-tech and high-touch. Pre-COVID-19, Gen Z's were the heaviest users of the branch, often visiting several times a week at a rate quadruple that of those over 55.

But they also live on their phones, with 64% saying they are constantly online. Providing a consistent, high-quality experience across channels will be imperative to supporting this generation.

5. Educate and support your staff. How you treat your staff matters to Gen Z and ongoing education is key. Keeping your team up to speed on new digital payments trends and offerings supports a better customer experience all around. ■

Deborah Matthews Phillips is senior vice president of payments and technology policy for the Independent Community Bankers of America® (ICBA). She also serves as senior vice president, industry relations, for ICBA Bancard, ICBA's payments card subsidiary. In her dual roles, she advocates payments and bank technology policy issues before financial regulatory agencies, private-sector organizations and Congress on behalf of the nation's community banks. She can be reached at deborah.phillips@icba.org or by phone at 202/821-4311.

One Year into Legal Cannabis – What We've Learned and What You Should Know

Jerry Peck, Senior Vice President of Governmental Relations, Community Bankers Association of Illinois, Springfield

Adult use recreational cannabis was legalized in Illinois on January 1, 2020. At the same time, it remains illegal federally. Cannabis is a Schedule 1 substance under the Controlled Substances Act, thus triggering the Bank Secrecy Act and AML requirements. As of this writing, it appears that efforts to provide safe harbor at the federal level have stalled until at least after the November elections. As we approach a year of legalization in Illinois, I want to take a minute to address a few common questions we regularly receive on the subject.

What does the legal cannabis industry in Illinois look like currently?

Prior to legalized recreational use, there were 55 licensed medical cannabis dispensaries. On January 1, all of those facilities were eligible to apply for a recreational license to sell out of their existing facilities, unless they were in an area where local authorities opted to prohibit recreational sales. Nearly all of the eligible dispensaries opted to apply for a recreational license. The law also allows the existing facilities to apply for a second license to build a stand-alone recreational cannabis dispensary at a different site from the medical dispensary. So far, 16 facilities have applied and opened a second recreational dispensary. Many others are expected to apply before the March 2021 application deadline. COVID-19 has slowed down the approval of new facilities while applicants wait for State inspections and approval. In total, this category could have up to 110 individual cannabis licenses.

The State is currently working to award an additional 75 social equity licenses for recreational cannabis dispensaries. They are using a complex scoring and lottery system to award the licenses, given hundreds of applicants submitted thousands of applications for the 75 spots. The law also allows for another round of 110 social equity licenses to be issued as early as next year. There is talk among the Administration and General Assembly about increasing the number of social equity licenses, given high demand and subject to a proposed diversity study.

On the cannabis growing side of the industry, the law currently allows 22 licenses for cultivation sites. There are currently 21 cultivation facilities. The law specified that one license could be awarded in each State Police District. The Illinois Tollway is considered a stand-alone State Police District, and no one applied to build a facility on tollway property. The State is currently in the process of awarding 40 craft growing licenses and 40 infusing licenses. The law allows for an unlimited number of cannabis transportation licenses.

Pamela Althoff, president of the Cannabis Business Association of Illinois, anticipates that growth will continue beyond the number of licenses currently available. That will require additional action by the Illinois General Assembly to make new licenses available. They also anticipate growth on the cultivation side. Many growers have chosen sites that allow for rapid expansion of production as demand for cannabis products increases. According to Althoff, one of the greatest frustrations and limiting factors for legal cannabis business is access to capital and mainstream financial services.

How many financial institutions are active in servicing the Illinois cannabis industry?

Data about banks directly serving the cannabis industry is not publicly available. What we do know is based on conversations with regulators and bankers. Our best estimate is that there are around a dozen financial institutions actively serving the cannabis industry in Illinois. The majority are community banks. One credit union recently started offering cannabis services and several others are rumored to be interested in starting operations soon. We're told that several mega-banks are interested in participating in the market but only after federal safe harbor is in place.

Only a handful of the community banks offering cannabis banking services are actively banking new customers. Several banks have limited involvement, generally a one-off arrangement because of a previously existing relationship with a customer who entered the business. One bank had to divest their existing cannabis customers after a merger. This leaves a relatively small pool of banks offering services to an ever-expanding number of cannabis businesses.

We speak regularly with community bankers who are evaluating entering the cannabis banking market. Administrative burden, regulatory concerns and reputational risk are some to the biggest concerns we hear. Many bankers are waiting to see if there will be federal safe harbor or legalization before providing services to the industry.

What insights do community bankers currently serving the industry have about their experience?

Cannabis-related business accounts require additional bank resources to ensure compliance with regulatory guidance and bank performance standards. This may be too heavy of a lift for some banks that lack the resources and experience to operate a successful cannabis banking program. Having said that, it can be done and done well. It is certainly an opportunity worth assessing at the board level given the industry growth in Illinois and limited number of banks currently providing services.

Bulk up your BSA/AML group. A low-risk bank will immediately become a high-risk bank just by entering this business. Be prepared to hire additional compliance staff and make sure they are top notch professionals who are well trained. Also make sure that your customer due diligence is updated and up to snuff.

Talk with your local FDIC representative before jumping in. It would be extremely helpful if you could consult with a local BSA/AML examiner as you're are developing your program. Be prepared to be under greater regulatory scrutiny due to the high-risk nature of this line of business during examinations. It's not that they are out to get you, but you will be held to a very high standard. Also, be prepared for an influx of deposit balances that may or may not be considered core balances.

Check with your insurance provider and correspondent bank before jumping into the cannabis business. They may not be willing to provide service to a cannabis bank. Even if they do, check your policy carefully to ensure you don't take any action that may void your D&O insurance.

Cannabis businesses in Illinois are extremely well regulated, much more so than in states like Colorado and California. They are regulated by IDFPR and in many ways the stringent regulation is similar to bank oversight.

We're encouraged by the increasing number of technology solutions coming into the market that can assist cannabis companies with compliance, inventory control and cashless payment. Of course, bankers would welcome federal legislation that provides safe harbor, but I think it's safe to assume that there will still be a significant amount of compliance work post legalization.

What resources does CBAI provide for community banks interested in servicing the legal cannabis industry?

CBAI takes no position on whether cannabis should be legal or not. Our position is that if it is legalized, community bankers should have the option to provide services in the same manner as any other legal industry. To that end, the CBAI governmental relations team was instrumental in ensuring that safe harbor provisions for financial institutions were included in the Illinois law legalizing recreational cannabis. We continue to work with ICBA to push for federal safe harbor provisions, as well. We work with state and federal regulators to provide guidance for community bankers who are impacted by the legal cannabis industry whether they are actively serving the industry or not.

CBAI protects the anonymity of member banks who do not want to be publicly identified as serving the cannabis industry. We have developed a blind referral system that helps to connect potential customers who contact the association looking for a referral to community bankers interested in serving the industry. The referrals are available to all CBAI members and are posted in the members only section of our website, www.cbai.com. If your bank chooses not to serve a cannabis business but you would like to assist that business in finding an interested bank, you can use the blind referral system. Give us a call; we're happy to assist.

CBAI has many associate members and business partners including legal, accounting and compliance firms who can assist banks in navigating concerns related to the cannabis industry. The CBAI Education Department routinely offers classes featuring experts in both cannabis and industrial hemp banking issues, including a webinar in October entitled "Banking & Lending to Cannabis Businesses: Clarifying the Confusion & Avoiding Pitfalls," which can still be purchased as an on-demand link. As always, the CBAI legal and governmental relations teams are available to assist if you have specific questions or concerns about cannabis banking or any other topic of interest. ■

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

DID YOU KNOW?

Cannabis is a Schedule 1 substance under the Controlled Substances Act, thus triggering the Bank Secrecy Act and AML requirements.

Photo credit: Gretchen Villaluna Baria, Moonhouse Productions

Accessing Capital During the Pandemic:
Small Businesses Work with CDFIs to Endure

Jackie Blair, Director of Marketing & Communications, Accion

Since March, Accion has worked tirelessly to serve entrepreneurs whose businesses have suffered significant losses during the COVID-19 pandemic. Small businesses across Illinois continue to face countless challenges and uncertainties. As a nonprofit Community Development Financial Institution (CDFI), Accion helps neighborhood entrepreneurs grow by providing the capital, coaching and connections small business owners need to create wealth and jobs throughout Illinois and Indiana. Now more than ever, Accion is driven by our mission to provide funding and services to the small businesses that need them most.

One such entrepreneur that Accion has helped is Tiffany Brown. Tiffany and her husband Andre are the force behind Express Virtue Operation – EVO Delivery, a transportation company based in Chicago.

Tiffany, a native of the Auburn-Gresham community on Chicago's South Side, came into transportation after working at a job that she didn't enjoy. At the time, a family member who was in the transportation industry also thought it might be a good fit for her. In 2012, Tiffany and Andre bought a used van and started working as independent contractors with a delivery company. "We took the seats out and started delivering pharmaceuticals," Tiffany said. "This was a passenger van like you see people using for road trips," Andre added, laughing.

Tiffany soon felt that her work was being undervalued and that she wasn't being paid fairly. "I was tired of it," Tiffany sighed. "I thought, there's got to be something better." She began researching other companies and talking to fellow drivers, leading her to realize that she could be successful on her own. Soon she started to get her own contracts. "I received a lot of 'no's,' but once I got that one 'yes,' it made all the difference," Tiffany said. "That's how we got started."

Founded in 2014, Express Virtue Operation – EVO Delivery now has two trucks and two cargo vans, employs five people, and works with a team of independent contractors. The company's delivery footprint includes Illinois, Indiana, Michigan, Ohio, Wisconsin, Iowa, Minnesota and Kentucky.

Tiffany and Andre pride themselves on high quality customer service and fair treatment of workers and clients. After her negative experiences as a driver for other companies, Tiffany finds it important to work closely with her staff and contractors to ensure everyone is happy. "I treat my drivers the way that I would want to be treated," Tiffany said. "I give them a fair percentage because I know what it takes to be an independent contractor."

In 2019, EVO was growing, and the couple was in need of capital to support this expansion. Andre started to look for loan options and was referred to Accion by a local bank. Soon after, EVO received a $10,000 loan from Accion to support this growth and help them build their credit. “Building our business credit was one of the main things that we needed to do, and this really helped” Tiffany said. “Accion took a chance on us,” Andre added. “This was our first business loan.”

When the COVID-19 pandemic hit and business slowed, Tiffany and Andre were in need of additional capital to continue business operations. They returned to Accion and secured an expedited line of credit in late March. In addition, they pursued an SBA Paycheck Protection Program (PPP) Loan through their bank but did not receive the help they needed. “At that point, I just wanted to give up,” Tiffany said. She returned to Accion and was able to get PPP funding quickly through Accion’s partnership with the Community Reinvestment Fund. “Accion is a big part of why I am still able to operate,” Tiffany said.

> “I treat my drivers the way that I would want to be treated,” Tiffany said. “I give them a fair percentage because I know what it takes to be an independent contractor.”

Despite the impacts of the COVID-19 pandemic, Tiffany and Andre do not plan to slow down their future growth plans. They want to expand into working with semis, which would require partnering with new contractors and finding bigger customers. Tiffany remains committed to her business and employees. “I can’t lose hope,” she said. ■

To learn more about EVO, visit evodelivery.com or contact Tiffany at info@evodelivery.com. For more information about Accion’s work to help entrepreneurs during the COVID-19 pandemic, visit us.accion.org/ILCOVID.

Managing Compliance

William J. Showalter, CRCM, CRP, Senior Consultant, Young & Associates, Inc., Kent, Ohio

We have been told repeatedly over the years that we need to manage compliance, just like all aspects of our business. This maxim is particularly true in today's escalating compliance environment. There are so many new and changed rules that have been added to the mix over the past few years that we could easily be overwhelmed if we did not proactively manage the compliance process.

Over the years, supervisory agencies have shared general outlines of compliance management systems with the financial institutions they regulate. They have been quick to point out that there is no one "right" way to manage compliance, but that there are certain basic needs that must be met by any such program.

Compliance Management Systems

The Consumer Financial Protection Bureau (CFPB) and other agencies view compliance management as vital to the prevention of violations of federal consumer financial laws and the resulting harm to consumers. In its Supervisory Highlights publication, the CFPB spelled out its expectations for an effective compliance management system (CMS) – which mirror those from other supervisory agencies.

The CFPB states that it expects every entity it supervises (large financial institutions and nonbank financial firms) to have an effective CMS adapted to its business strategy and operations. According to the CFPB, a CMS is how a supervised entity:

- Establishes its compliance responsibilities
- Communicates those responsibilities to employees
- Ensures that responsibilities for meeting legal requirements and internal policies are incorporated into business processes
- Reviews operations to ensure responsibilities are carried out and legal requirements are met
- Takes corrective action, and
- Updates tools, systems and materials, as necessary

No agency requires financial institutions to structure their CMS in any particular manner. They recognize the differences inherent in an industry comprised of banking organizations of different sizes, differing compliance profiles, and a wide range of consumer financial products and services. In addition, some financial firms outsource functions with consumer compliance-related responsibilities to service providers, requiring adaptations in their CMS structure.

However compliance is managed, entities are expected by all the federal supervisory agencies to structure their CMS in a manner sufficient to comply with federal consumer financial laws and appropriately address associated risks of harm to consumers.

CFPB Findings

The CFPB has found that the majority of banks it has examined have generally had adequate CMS structures. However, several institutions have lacked one or more of the components of an effective CMS, which creates an increased risk of noncompliance with federal consumer financial laws.

Periodic Monitoring and Independent Compliance Audits

The most common weakness identified during CFPB reviews of banks' CMS is a deficient system of periodic monitoring and independent compliance audits. The CFPB has noted that an effective CMS implements an effective internal compliance review program as an integral part of an overall risk management strategy. Such a program has two components — both periodic monitoring reviews and an independent compliance audit. These two types of controls are not interchangeable. They must be complementary.

The periodic monitoring reviews are more frequent and less intensive than the audits, focusing on areas that carry the most risk — where mistakes should not be allowed to go uncorrected too long. Monitoring is an ongoing process, conducted by either the individual business lines or the compliance officer/department on a relatively frequent basis, and allows the bank to self-check its processes and ensure day-to-day compliance with federal consumer financial laws.

The independent compliance audit is a review of all operations impacted by consumer laws. An audit is performed on a less frequent basis, usually annually, to ensure that compliance is ongoing, that the CMS as a whole is operating properly, and that the board is aware of consumer compliance issues noted as part of these independent reviews. Audits are best performed by an independent party — usually either an internal auditor or an outside consultant.

The CFPB notes that an entity lacking periodic monitoring increases its risk that violations and weaknesses will go undetected for long periods of time, potentially leading to multiple regulatory violations and increased consumer harm. Additionally, these entities increase the risk that:

- Insufficiencies in the periodic monitoring process may not be identified
- The board is not made aware of regulatory violations or program weaknesses, or
- Practices or conduct by employees within the business lines or compliance department that are unfair, deceptive, abusive, discriminatory, or otherwise unlawful could go undetected

CMS Elements

Although the CFPB states that it does not require any specific CMS structure, it notes that supervisory experience has found that an effective CMS commonly has four interdependent control components, elements that have been advocated by all regulatory agencies over the years:

Board of directors and management oversight. An effective board of directors communicates clear expectations and adopts clear policy statements about consumer compliance for both the bank itself and its service providers. The board should establish a compliance function, allocating sufficient resources and qualified staffing to that function, commensurate with the entity's size, organizational complexity, and risk profile. The board should ensure that the compliance function has the authority and accountability necessary to implement the compliance management program, with clear and visible support from senior management, as well. Management should ensure a strong compliance function and provide recurring reports of compliance risks, issues and resolutions to the board or to a committee of the board.

Compliance program. The CFPB and other federal financial institutions supervisors expect supervised entities to establish a formal, written compliance program, generally administered by a chief compliance officer. A compliance program includes the following elements: policies and procedures, training, monitoring and corrective action.

The agencies assert that a well-planned, implemented and maintained compliance program will prevent or reduce regulatory violations, protect consumers from noncompliance and associated harms, decrease the costs and risks of litigation affecting revenues and operational focus, and help align business strategies with outcomes.

Consumer complaint management program. Financial service providers are expected to be responsive to complaints and inquiries received from consumers. In addition, financial institutions should monitor and analyze complaints to understand and correct weaknesses in their programs that could lead to consumer risks and violations of law.

Key elements of a consumer complaint management program include: establishment of channels through which to receive consumer complaints and inquiries (e.g., telephone numbers or e-mail addresses dedicated to receiving consumer complaints or inquiries); proper and timely resolution of all complaints; recordation, categorization and analysis of complaints and inquiries; and reviews for possible violations of federal consumer financial laws.

The agencies expect financial firms to organize, retain and analyze complaint data to identify trends, isolate areas of risk, and identify program weaknesses in their lines of business and overall CMS.

Independent compliance audit. A compliance audit program provides a board of directors or its designated committees with a determination of whether policies and standards are being implemented to provide for the level of compliance and consumer protection established by the board. As noted above, these audits should be conducted by a party independent of both the compliance program and the business functions. The audit results should be reported directly to the board or a board committee.

The agencies expect that the audit schedule and scope will be appropriate for the entity's size, its consumer financial product offerings, and structure for offering these products. The compliance audit program should address compliance with all applicable federal consumer financial laws, and also identify any significant gaps in policies and standards.

When all of these four control components are strong and well-coordinated, the CFPB states that a supervised entity should be successful at managing its compliance responsibilities and risk. ■

William J. Showalter, CRCM, CRP, is a senior consultant with Young & Associates, Inc. (www.younginc.com), with more than 35 years of experience in compliance consulting, advising and assisting financial institutions on consumer compliance and compliance management issues. He also has authored or co-authored numerous compliance publications and articles, and developed and conducted compliance training programs for individual banks and their trade associations. He can be reached at (330) 678-0524 or wshowalter@younginc.com.

Why Your Net Promoter Score Matters

Greg Schultz, Director of Product Management, Kasasa

"On a scale of 0 to 10, how likely is it that you would recommend our company/product/service to a friend or colleague?"

This simple question determines the Net Promoter Score (NPS) for all businesses, including community financial institutions. Developed in 2003 by Satmetrix, Fred Reichheld, and Bain & Company, it's a metric for determining the loyalty of a brand's customers.

In the last 17 years, the explosion of social media has made this score even more vital for companies in all different sectors. It's now easier than ever for regular customers to become brand advocates, spreading the word about an organization or its products through hundreds, sometimes thousands, of people in their online communities. On the flip side, it's now also just as easy for them to tarnish the name of a company or brand, so having and maintaining a good NPS is important.

How do I calculate my Net Promoter Score?

Administering an NPS survey is easy enough. Start by asking your account holders to fill out a survey for the question above. This can be done through email, in person, or even through your online banking platform or mobile banking app. As you gather responses, you can begin calculating your NPS.

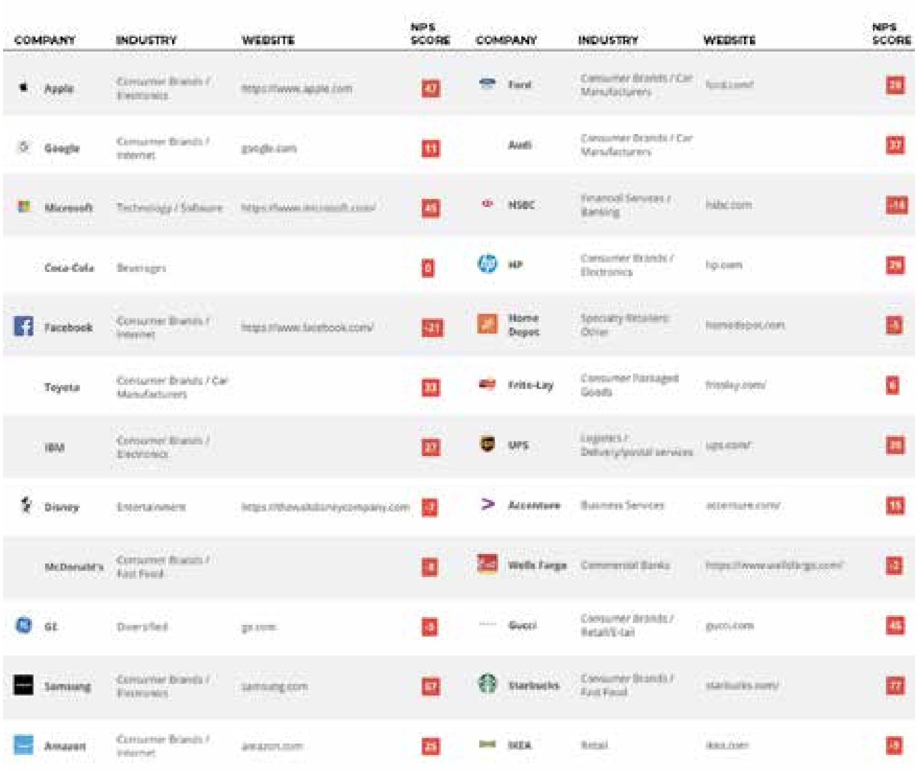
The 0-10 scale works by segmenting consumers into three categories:

- Promoters – 9 or 10 rating
- Passives – 7 or 8 rating
- Detractors – 0 through 6 rating

Determine how many responses fall in each category. Next, subtract the percentage of Detractors from Promoters to yield your NPS, which can range from -100 (if all customers are Detractors) to 100 (if all customers are Promoters). It's that simple.

You might think all successful companies would have a 100 NPS or close to it, but that's definitely not the case. Here's a quick view of the NPS scores of some of the most popular companies in the world

Photo credit: Customer Guru



COMPANY	INDUSTRY	WEBSITE	NPS SCORE	COMPANY	INDUSTRY	WEBSITE	NPS SCORE
Apple	Consumer Brands / Electronics	https://www.apple.com	47	Ford	Consumer Brands / Car Manufacturers	ford.com/	29
Google	Consumer Brands / Internet	google.com	11	Audi	Consumer Brands / Car Manufacturers		37
Microsoft	Technology / Software	https://www.microsoft.com/	45	HSBC	Financial Services / Banking	hsbc.com	-18
Coca-Cola	Beverages		0	HP	Consumer Brands / Electronics	hp.com	29
Facebook	Consumer Brands / Internet	https://www.facebook.com/	-21	Home Depot	Specialty Retailers: Other	homedepot.com	-5
Toyota	Consumer Brands / Car Manufacturers		33	Frito-Lay	Consumer Packaged Goods	fritolay.com/	6
IBM	Consumer Brands / Electronics		27	UPS	Logistics / Delivery/postal services	ups.com/	28
Disney	Entertainment	https://thewaltdisneycompany.com	-3	Accenture	Business Services	accenture.com/	15
McDonald's	Consumer Brands / Fast Food		-8	Wells Fargo	Commercial Banks	https://www.wellsfargo.com/	-2
GE	Diversified	ge.com	-5	Gucci	Consumer Brands / Retail/Etail	gucci.com	45
Samsung	Consumer Brands / Electronics	samsung.com	57	Starbucks	Consumer Brands / Fast Food	starbucks.com/	77
Amazon	Consumer Brands / Internet	amazon.com	25	IKEA	Retail	ikea.com	-9

How can I use the segmentation determined by my Net Promoter Score?

Regardless of your score, segmenting your existing consumer base into these buckets is powerful and can help you as you market to them or interact with them in the future.

Detractors are in the danger zone and at risk of leaving your institution (and worse, damaging your brand's reputation). They're 2.3 times more likely to switch to another financial institution compared to Promoters. Going on the offensive with a special offer email or extra care in your dealings with them can help you salvage the relationship before it ends.

Passives are considered satisfied but essentially indifferent to your institution. They may be just as likely to head to greener pastures if they get an enticing offer from your competitor (i.e. a lower loan rate or higher savings rate). Offering preemptive rate matching with these kinds of consumers could be a smart idea.

Finally, there are your Promoters. They are the people who say they'd be an advocate for your institution's growth. These are the holy grail of NPS and offering loyalty rewards to these types of consumers can be a great way to retain and grow your relationships with them.

Do Net Promoter Scores really matter?

Arguments against the NPS have been made pretty much since it was introduced. The survey essentially asks whether a consumer will be an advocate for your institution. Some marketers take issue with the fact that even the most seemingly loyal of consumers may not put that into action.

Yet this objection ignores some crucial data about the NPS. Research shows that the lifetime value of a Promoter is 2.5 times higher than that of a detractor. What's more, financial institutions with a score higher than 60 will see a 26% greater level of growth in operating income, compared to those institutions that score below 60.

Based on this data, the NPS is a reliable predictor of future profitability. Getting a referral or brand advocate who will tout you on social media is a nice bonus, but don't forget that a consumer's single biggest value comes in the form of their own relationship with your institution.

Other critics have pointed out that the flaw of NPS is the fact that it counts consumers who put a score of 9 as Promoters, yet research shows that people who give a 9 rating are actually indifferent to their institution. While 62% of people who rate their institution a 10 are fully engaged, only 13% who rate it a 9 are. That's a huge jump and could hurt your bottom line if you're inflating your NPS with consumers who may not actually be loyalists, so watching out for this distinction is important.

What does it take to increase a Net Promoter Score?

If the companies' scores above are any indication, achieving a high NPS is not easy.

Today's consumers demand better products and a seamless experience. If you're looking to increase your score, it boils down to offering products people can't get just anywhere and that truly meet their needs — plus a consumer experience that fits seamlessly into their lives.

For example, with the Kasasa Loan®, we've consistently seen Net Promoter Scores at 70 or above, with one institution raising theirs to 75. Offering a product feature that borrowers can't get anywhere else (the Take-Back®) and a digital dashboard that makes managing their loan easy fulfills consumers' needs and provides the "wow" experience that they want.

Most companies don't even come close to those scores. Out of the companies listed above, only one fairs better in the consumer love department: Starbucks® with an NPS of 77. A loan that consumers love as much as their favorite cup of coffee? That's pretty badass.

Consumer loyalty is important. And consumer advocacy can be even more beneficial for your institution. Either way, the Net Promoter Score gives you a good indication of how your bank is doing when it comes to meeting consumers' needs. It can also help you determine the lifetime values of your existing base and offer them what they need before they have to ask.

Struggling with your community bank or credit union's Net Promoter Score? Reach out to your client success manager directly (or if you're not currently a Kasasa client, please visit www.kasasa.com/contact-us). We'd love to help you with strategies for increasing your consumer loyalty. (The Kasasa Loan dashboard makes it easy to determine Net Promoter Score with a built-in survey.) ■

Greg Schultz is a director of product management for Kasasa, a CBSC preferred provider. He can be reached at greg.schultz@kasasa.com.

Does Your BCP Have a BCP?

And Other Disaster Recovery Concerns

Michael Berman, Founder & CEO, Ncontracts

If there has ever been a year for contingency plans, 2020 is it. Many financial institutions have activated their business continuity plans (BCP) due to the COVID-19 pandemic. Now as hurricanes, wildfires and other natural disasters disrupt business further, financial institutions (FIs) are finding themselves activating a second BCP on top of the one already in place.

How can an FI be sure its business continuity management (BCM) keeps pace with these changing conditions?
It requires taking a second look at the plan to ensure the procedures in place for supporting critical functions still apply.

What do you need to look at? Areas include:
Remote work plans. Many staffers are still working from home, making electric and Internet service indispensable. Does the FI have a plan in case essential staff loses service? Perhaps it's a backup location, hotel, or MiFi device. Is this connection secure enough to conduct business? Is the staff comfortable with the solution? Are human resources and IT prepared to deal with these questions?

Back-up locations. Your FI may have a back-up location in its BCP, but is that location still feasible in the pandemic environment? Does it have adequate space, ventilation and supplies?

Cybersecurity. Cyber crooks love exploiting confusion and uncertainty. Is the staff well-trained in how you will communicate with them if current methods temporarily stop working? Do they know how to spot a phishing scam? If the staff is working from a new remote location, is the connection secure? Does the staff know to check? Make sure you've analyzed your cybersecurity maturity.

Third-party vendors. Have your critical third-party vendors updated their BCPs? If so, have you reviewed them to make sure they still align with your own BCPs? It's basic vendor management. The same holds true for government crisis plans, including response times. If your plan hinges on someone else's plan, make sure you know what that plan is.

Communications. Are your plans for communicating with consumers, employees, regulators and others updated?

Supplies. Supplies can be hard to locate right now, and it's often even worse after a disaster. Make sure you have adequate supplies such as plywood, cleaning supplies and PPE.

Recovery team. Your plan likely includes a point person if an office is damaged or destroyed. Is that person still able to fill that role? If they or a loved one are a member of a vulnerable population, the employee might not be comfortable performing that role anymore. Make sure everyone can still perform their assigned roles and name backups who can, as well.

Employee well-being. It's been a tough year for everyone and throwing another crisis on top of the pandemic is overwhelming. Chances are your FI has plans in place to function with less staff in the case of illness or having to take care of loved ones. Employees incurring other trauma, such as damage or loss of a home, trying to find shelter while maintaining social distance, or just feeling overwhelmed that yet another thing has gone wrong may not be able to perform as usual. Does your plan cover widespread absences due to two major disruptions at once?

If your FI hasn't recently reviewed its BCP to understand how it may have to adapt in light of the ongoing pandemic, now is the time to re-examine it.

Also, be mindful of the difference between business continuity planning and disaster recovery.

A BCP has a wide scope, looking at the enterprise as a whole. It allows a business to make advanced plans to address what needs to be done to ensure resiliency so that it can continue to deliver key products and services. It includes a business impact analysis (BIA) to analyze critical systems, business functions and services and the elements that support them to determine how a business interruption might impact them. It identifies critical functions and the minimum service levels that need to be met.

A disaster recovery (DR) plan allows a business to plan what needs to be done immediately after a disaster to recover from an event. It includes detailed procedures for addressing problems and getting systems like data backup back online.

It should address elements from the BIA:

- Recovery point objectives (RPOs). An RPO determines the point in time in which data must be recovered from backup storage so normal operations can resume. It's basically how much data your institution can afford to lose. For instance, if an RPO is one hour, backups should be made at least once per hour.
- Recovery time objectives (RTOs). An RTO is the time goal for restoring systems, applications and business functions after an outage. This includes systems like the core and remote deposit.
- Maximum allowable downtime (MAD). The longest period of time a system can be down.

A disaster recovery plan is one element of a business continuity plan. The BCP is concerned with the whole enterprise. The DR plan is focused on specific steps to recover from an incident.

When Disaster Strikes Do You Implement BCP or DR First?

BCP and DR fill different roles and determining which plan to put into place first depends on the disaster. Ideally, BCP and DR should come into play simultaneously, with the institution working to provide services while recovering, but sometimes one needs to take precedent over the other.

For example, if a disaster is causing injuries or loss of life, disaster recovery will be the top priority as your institution works to ensure people are safe. Once people are taken care of, then BCP can take over.

A cyber-attack is one example of when a BCP might take precedence. Your institution's first priority is to stop the attack, understand what's happening, and start servicing members and customers who are experiencing problems. Once the institution has a grasp on what's happening and has found a way to stop it, it can use its DR plan to recover.

Don't be caught off guard. Make sure your BCP has a BCP—and that both plans include disaster recovery. ■

Michael Berman is the founder and CEO of Ncontracts, a CBSC preferred provider of risk management solutions. His extensive background in legal and regulatory matters has afforded him unique insights into solving operational risk management challenges and drives Ncontracts' mission to efficiently and effectively manage operational risk. For more information, visit www.ncontracts.com or contact Berman at mlb@ncontracts.com or 888/370-5552.

CBAI Foundation For Community Banking

CBAI Foundation for Community Banking

Foundation Report

CBAI Education Foundation Scholarship Winners* Named

The following banks were awarded scholarships to the Community Bankers School for 2021-22:

Liberty Bank
(Federal Home Loan Bank of Chicago Scholarship)

German-American State Bank, German Valley
(The Baker Group Scholarship)

Durand State Bank
CBAI Career Development Division Scholarship)

Flora Bank & Trust
(Howard & Howard Attorneys Scholarship)

These students were awarded $1,000 per year for up to four years to continue their educations:

Allison Frale, CNB Bank & Trust, N.A., Carlinville
(SHAZAM® Scholarship)

Drake Johnston, State Bank of Toulon
(Kasasa Scholarship)

Weston Owen, Legence Bank, Eldorado
(Community BancService Corporation Scholarship)

**To be eligible, banks must simply pledge/donate a minimum of $2,500 to the CBAI Foundation, which is tax deductible. While payments may be made over a period of years, banks are eligible for the scholarship drawings with their first payment.*

Wolters Kluwer made a $5,000 donation to the Foundation, becoming a Silver-level contributor.

Lisa Lippert, CBAI,
made a $300 contribution to the Foundation.

Jerry Cavanaugh, CBAI, donated $300 to the Foundation.

In lieu of a convention fundraiser, a campaign was recently held to encourage individuals to donate a portion of their convention refund to the Foundation. The following individuals participated:

David Bitting, The First National Bank in Tremont, donated $100 to the Foundation.

Tom Gooding, First Community Bank of Hillsboro, contributed $200 to the Foundation.

David Pirsein, The First National Bank in Pinckneyville, donated $200 to the Foundation.

Kim McKee, North Central Bank, Hennepin, (Ladd) made a $100 contribution to the Foundation.

Mark Scholl, Wipfli, donated $100 to the Foundation.

Merchants and Manufacturers Bank, Joliet, held a "dress-down day" in honor of the Foundation, raising $281.22.

State Street Bank, Quincy, held a "jeans day," which netted $165 for the Foundation.

The following individuals purchased mulligans for themselves or for their team in support of the Foundation at the Celebration of Community Banking Golf Outing on October 1, 2020:

Brian Affolder, The Baker Group

Paul Antonacci, Security Bank, s.b., Springfield

Matt Beavers, First National Bank of Pana

Lesa Black, CBSC, Springfield

Jeff Bonnett, Havana National Bank

Dale Boyer, Arcola First Bank

John Bybee, Regency 360, Springfield, IL

Travis Clem, SouthernTrustBank, Marion

Charles Colvis, Buena Vista National Bank, Chester

Reece Copeland, Fairfield National Bank

Shawn Davis, CNB Bank & Trust, N.A., Carlinville

Chuck Deters, Dieterich Bank, Effingham

Doug Dove, Shelby County State Bank, Shelbyville

Rick Eckert, Beardstown Savings Bank

Mike Estes, The Fisher National Bank

Steve Feith, Waterman State Bank

Jeremy Flynn, Farmers State Bank & Trust, Mt. Sterling

Pete Genta, CNB Bank & Trust, N.A., Carlinville

Matt Gillen, Midwest Bank, Monmouth

Chris Gavin, Midwest Bank, Monmouth

Chris Gordon, Community State Bank, Galva

Jim Hillestad, CBIS, Powered by Arthur J Gallagher & Co., Springfield

Ryan Hillestad, CBIS, Powered by Arthur J Gallagher & Co., Springfield

Tyler Hodge, The First National Bank in Tremont

Mary Jo Homan, Chester National Bank

David Hurley, CNB Bank & Trust, N.A, Carlinville

Andy Huth, SHAZAM

Tod Jeffers, Scott State Bank, Bethany

Aaron Jenson, Midwest Bank, Monmouth

Mo Kelley, Quad City Bank & Trust

Don Krager, Bank & Trust Company

Kraig Lounsberry, CBAI, Springfield

John McKinzie, SHAZAM

Tom Marantz, Bank of Springfield

Chad Martin, Goodfield State Bank

Jeff Martin, Welch Systems, Peoria

J.P. McClernon, Security Bank, s.b., Springfield

Kim McKee, North Central State Bank, Hennepin

Pat McShane, American Metro Bank, Chicago

Robert Mizeur, Hickory Point Bank & Trust, Decatur

Richard Montgomery, Fairfield National Bank

Ben Nelson, Community State Bank, Galva

Doug Parrott, State Bank of Toulon

Jerry Peck, CBAI, Springfield

Megan Peck, CBAI, Springfield

Lori Pieper, Community State Bank, Galva

Mike Putbrese, First Community Bank, Xenia-Flora

Jeff Raes, Hickory Point Bank & Trust, Decatur

Jeff Radtke, Welch Systems, Peoria

Nick Reutter, Farmers-Merchants Bank of Illinois, Joy

Gregg Roegge, Rushville State Bank

Mike Siegel, First Federal Savings Bank of Mascoutah

Matthew Warchol, Bank of O'Fallon

Jim Weast, Warren-Boyton State Bank, New Berlin

Julie Welborn, The Fisher National Bank

Craig Wells, Dieterich Bank, Effingham

Tim Woodward, Farmers State Bank & Trust Company, Mt. Sterling

The mulligans fundraiser netted $1,400 in donations to the Foundation.

Board and committee members of the CBAI corporate family donating travel expenses to the Foundation are: **Will Coolley, Longview Capital Corporation, Newman; Shawn Davis, CNB Bank & Trust, N.A., Carlinville; Kevin Day, State Bank, Waterloo; Chris Gavin, Midwest Bank, Monmouth; Chris Gordon, Community State Bank, Galva (Franklin); Dan Graham, Flora Bank & Trust; Mary Jo Homan, Chester National Bank; Kerry Hoops, German-American State Bank, German Valley; Patrick McShane, American Metro Bank, Chicago; Doug Parrott, State Bank of Toulon; Dave Pirsein, First National Bank in Pinckneyville; Jim Weast, Warren Boynton State Bank, New Berlin; and Bill Wubben, Apple River State Bank, Scales Mound.**

The Foundation received $100 from CBSC and CBAI board members as a result of the "dress-down" board meeting in August. ■

Sam Scott recently celebrated 50 years in community banking. He joined **Scott State Bank, Bethany,** in August 1970 as CEO. He is currently serving as chairman of Scott State Bank and Scott Bancshares, Inc. Scott served as chairman of CBAI from 2001-2002.

Gary Johnson, senior vice president/ag and commercial loan officer, retired from **German-American State Bank, German Valley,** on August 31, 2020. Johnson had been with the bank for more than 32 years.

Security Bank, s.b., Springfield, recently announced employee promotions and a new hire. **Emily Collins** was promoted to vice president, BSA and compliance officer, **Destiny Nance-Evans** was promoted to vice president, sales and marketing, and **Forrest Brake** has transitioned to a business development consultant. **Haley Fitzgerald** was recently hired as a consumer and mortgage lender.

Matt Riley, fiduciary officer at **First National Bank and Trust Company, Clinton,** who was elected as the board president of the Warner Hospital & Health Services Foundation.

First National Bank and Trust Company, Clinton, recently hired **Jon Blockman** to serve as vice president of ag and business banking. In this role, Blockman will manage the bank's ag and commercial portfolio, as well as generate new relationships and nurture existing ones as he grows the portfolio. Blockman most recently served as an ag lender in Champaign.

First National Bank and Trust Company, Clinton, hosted an entrepreneur camp for middle school students in August in partnership with the Vault Community Center. The camp taught students how to take a concept and develop it into a viable business. Campers learned how to create, market and pitch their ideas to investors while learning collaboration and interpersonal skills as they created their products and businesses in teams. This annual camp was modified due to COVID-19 restrictions, but still provided students with a taste of what it is like to start your own business.

Mitchell May is **Fitech's** newest business development representative. He previously worked on Fitech's conversion team helping with system planning, communication and testing for new partners. In his new role, he is responsible for driving new bank partnerships for the state of Illinois. May has a bachelor's degree from Kansas State University, Manhattan, in mass communications, and most recently managed a regional sales office for a national transportation company.

For the second year in a row, **Ncontracts** has been recognized by *INC Magazine* as one of America's fastest growing companies with 184% revenue growth over the past three years.

Kasasa is recently announced that **Colleen Allison** has joined as regional director in Illinois. Allison brings more than 20 years of experience calling on professionals. Allison is looking forward to working with CBAI member banks as they position themselves with the necessary products and technologies to attract, engage and retain new and younger consumers in their markets. ■

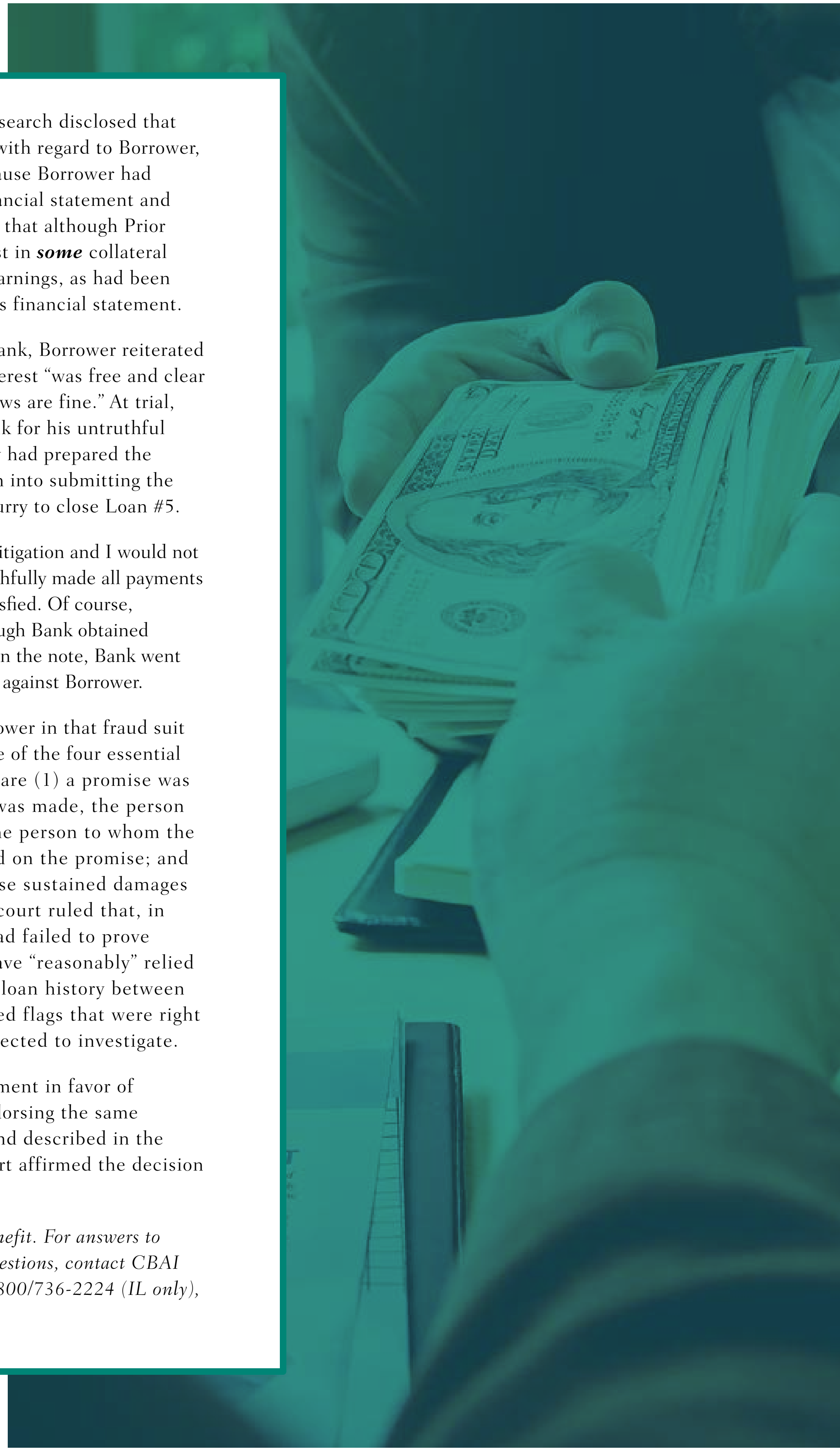
"FOOL ME FIVE TIMES, SHAME ON ME" – BANK LOSES LOAN FRAUD CASE

Jerry Cavanaugh, CBAI General Counsel, Springfield, IL

At the risk of outing myself as a former regulator, many moons ago when I was in the Legal Department of the Illinois Commissioner of Banks & Trust Companies, bank examiners had the odd hunch that if a loan was going through its fourth or fifth extension or modification, there is at least a possibility that it might be a "problem credit." Such a loan ultimately led to a lawsuit in which a lender ("Bank") sought recovery of losses on the grounds of loan fraud in the case of Metropolitan Capital Bank & Trust v. Feiner that was recently (September of 2020) decided by the Illinois Appellate Court for the First District ("Appellate Court").

The description of the outcomes of any case(s) referenced in this column are 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.

I could go with either the analogy of Lucy constantly pulling the football away every time Charlie Brown was trying to kick the ball or the scorpion stinging the turtle after they made a deal for safe passage across the stream, but in any event, after four defaults by Borrower, each ending in loan modifications, Bank decided that the fifth time would be the charm. Having already been burned four times, the modification (Loan #5) following the fourth default included additional collateral in the form of earnings payable to Borrower from a limited liability company ("LLC"). An account was established at Bank into which those LLC earnings would flow. Months after the closing of Loan #5, it occurred to Bank that no money was coming into that LLC account. It was not until this time that Bank finally did sufficient due diligence to discover that Borrower had previously pledged the same LLC financial interest to a different lender ("Prior Lienholder"). At the time of the Loan #5 closing, Bank had relied on Borrower's financial statement, a LexisNexis tax, lien and judgment search and IRS tax returns. In his financial statement, Borrower disclosed the debt to Prior Lienholder but specifically (and dishonestly) denied that his LLC interest had been pledged to anyone, including to Prior Lienholder.



Although the tax, lien and judgment search disclosed that Prior Lienholder was a UCC-1 filer with regard to Borrower, Bank did not investigate further because Borrower had disclosed Prior Lienholder in his financial statement and so Bank made the (fatal) assumption that although Prior Lienholder had some security interest in ***some*** collateral of Borrower, it was not in the LLC earnings, as had been specifically denied by Borrower in his financial statement.

In a subsequent conversation with Bank, Borrower reiterated his lie, telling Bank that his LLC interest "was free and clear and can be pledged, and the cash flows are fine." At trial, he blamed both his attorney and Bank for his untruthful statements, alleging that his attorney had prepared the documents and Bank had rushed him into submitting the documents because Bank was in a hurry to close Loan #5.

Naturally, there would not have been litigation and I would not be writing this column if Borrower faithfully made all payments on Loan #5 and the debt was fully satisfied. Of course, Borrower defaulted on Loan #5. Although Bank obtained summary judgment against Borrower on the note, Bank went further and filed a mortgage fraud suit against Borrower.

The trial court ruled in favor of Borrower in that fraud suit because Bank had failed to prove one of the four essential elements of fraud. Those elements are (1) a promise was made; (2) at the time the promise was made, the person making it knew it to be false; (3) the person to whom the promise was made reasonably relied on the promise; and (4) the person relying on the promise sustained damages resulting from the fraud. The trial court ruled that, in light of all of the evidence, Bank had failed to prove element (3) because it could not have "reasonably" relied on Borrower's promise(s) given the loan history between Bank and Borrower and given the red flags that were right in front of Bank but that Bank neglected to investigate.

Bank appealed the trial court's judgment in favor of Borrower in the fraud case, but, endorsing the same reasons adopted by the trial court and described in the paragraph above, the Appellate Court affirmed the decision of the trial court. ■

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.

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2 Annual Loan Review: Consumer, Commercial & Residential

3 Operations/Technology Group A — Shazam Education Center, Springfield

3 Operations/Technology Group E — Grizzly Jack's Grand Bear Resort, Utica

3 Using Notary & Corporate Seals Accurately

4 Operations/Technology Group B — DoubleTree Hotel, Lisle/Naperville

8 Safe Deposit Security, Disasters & Compliance Issues — Shazam Education Center, Springfield

8 Marketing Group A — CBAI West Conference Room, Springfield

8 Recent Reg CC Changes: Lessons Learned & Future Outlook

9 Identifying & Managing Agriculture Problem Loans in a Volatile Lending Environment — Shazam Education Center, Springfield

9 Marketing Group B — CBAI West Conference Room, Springfield

9 Legal Issues Surrounding Subpoenas & Summonses

10 Problem Loans & Bankruptcies — Live E-Classroom Seminar via Zoom

10 Operations/Technology Groups C — Shazam Education Center, Springfield

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10 The Top 10 Secure Act Implications

11 Top 10 Year-End Lending Issues & FAQs

14 CBAI's Community Bank Directors' Conference — Crowne Plaza Hotel, Springfield

15 Auditing Reg E — Shazam Education Center, Springfield

15 Avoiding Loan Denial Mistakes

16 HMDA — Shazam Education Center, Springfield

16 Year-End BSA Issues: FAQ Guidance, Enforcement Actions & Red Flags

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