September 2020
Volume 46 • Issue 5

Banknotes

OFFICIAL PUBLICATION OF THE COMMUNITY BANKERS ASSOCIATION OF ILLINOIS

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PUBLISHED FOR
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PUBLISHED BY
E&M Consulting, Inc.
1107 Hazeltine Boulevard, Suite #350
Chaska, MN 55318
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Partnership Assures Community Banks a Strong Voice in Payments

Paul Waltz, President and Chief Executive Officer, SHAZAM, Johnston City, IA

For two decades, the partnership between Community Bankers Association of Illinois (CBAI) and SHAZAM has meant the voice and influence of Illinois' community bankers are among the strongest in the payments industry.

The foundation of this relationship was the **Illinois Transfer System.** Established as an ATM network partnership with Illinois bankers and **SHAZAM (ITS, Inc.)** to ensure competition and choice in Illinois, it continues to be a place where community-bank leaders can collaborate and educate themselves on legislative and regulatory issues surrounding payments in Illinois.

From that was born a payments task force which has taken on some major issues shaping the future of our payments industry. The task force confronted concerns like EMV chip technology choice and competition and influenced the Fed to commit to creating FedNow™.

Illinois' community bankers are among the most engaged and informed in the country on issues surrounding payments. Leaders like **Doug Parrott,** chairman of the Illinois Transfer System board (State Bank of Toulon) and your incoming and current chairman at CBAI, **Shawn Davis (CNB Bank & Trust, N.A., Carlinville)** and **Dave Pirsein (First National Bank in Pinckneyville),** are just the latest in a long line of Illinois bankers who are committed to these efforts. **Mike Kelley, CBSC president,** and other association leaders at CBAI have invested time and helped prioritize payments issues.

Together, we're ensuring the largest banks and networks can't use their size to gain control over the payments system. It's a constant fight as new technologies emerge and are used to limit access to choice, and to drive up the cost to banks, your hometown merchants and your customers who use their debit cards daily to access their hard-earned money.

SHAZAM's partnerships in Illinois are about more than just payments. Our fraud-detection teams at SHAZAM help Illinois banks keep losses to some of the lowest in our industry. Through consultation, partnership and education, SHAZAM provides tools needed to fight the ever-evolving tactics criminals are using to steal from your cardholders. No other payments provider is working to bring together banks, law enforcement and legislators to ensure better monitoring, more effective investigation, and tougher penalties to deter card skimming and other types of card fraud.

As we've evolved, SHAZAM has recognized the importance of core banking systems and the critical need to offer a more cost-effective alternative to legacy providers. Today, after millions of dollars in investment and input from our community banks, SHAZAM Core Services is building systems that give them the tools they need to compete. More importantly, SHAZAM's core gives banks the flexibility to add on solutions as they choose, without paying exorbitant fees.

These efforts benefit all community banks across Illinois, not just those on SHAZAM's network. As the nation's only independent, member-owned processor and core provider supporting community banks, our mission is clear. We work every day to strengthen community banks. We are grateful for your friendship and support and look forward to another 20 years of partnership with Illinois' community bankers. ■

Waltz can be reached at pwaltz@shazam.net. SHAZAM (www.shazam.net) is a preferred-services provider of Community BancService Corporation, Inc. (CBSC), a for-profit subsidiary of CBAI.

CBSC Chooses New Exclusive Preferred Partner for Managed IT and Cybersecurity Services

Julia Curtis, Marketing Associate, Ironcore, Inc., Onalaska, WI

Technology needs within banks are greater than ever before. Banks must have a solid technology foundation to help them meet cybersecurity, business continuity, regulatory compliance and customer-service needs. However, for many banks it can be difficult to balance ongoing conflict between the need for technology and the cost of installing and supporting that technology internally. **Community BancService Corporation (CBSC)** has made it its mission to assist community banks by providing improved access to essential bank and product services. With the increased number of banks using managed IT service providers to assist with the IT demands of staying secure, compliant and competitive, it was important to select a preferred provider that CBSC could confidently recommend to CBAI members.

To make this decision, CBSC searched for providers that offered efficient, quality services that could be made available to all members regardless of asset size or geographical location while meeting the due-diligence requirements that regulators expect. During CBSC's July board meeting, **Ironcore, Inc.** was chosen as its exclusive Preferred Provider of Managed IT and Cybersecurity Services.

Not only does Ironcore specialize in providing technology services for community banks, it works with community banks to customize technology plans that address the specific needs of their banks' unique needs. "Now, CBAI members will have preferred access to a leader in the IT profession that provides more than a one-size-fits-all solution for their managed IT services," said **Mike Kelley, CBSC president**. He added, "The outsource 'all-IT or nothing' approach to the managed IT services model that many providers utilize does not address the unique needs of most community banks." He concluded, "Bankers are searching for a trusted partner that will help strengthen their IT and cybersecurity programs without disrupting current staffing and cost models. The banker-leadership at CBSC is convinced Ironcore is that partner."

Ironcore believes that every community bank should have access to the technology and expertise that allow them to best serve their communities. As an FDIC-examined provider of technology services and business-continuity solutions, Ironcore has worked with community banks for more than a decade to develop strategic IT plans that secure, simplify and strengthen their technology systems. Ironcore is proud to continue to service and provide its extensive expertise to community banks through CBSC's Preferred Partner Program in the following areas:

- Network Management
- Cloud Infrastructure (FFIEC examined Data Center)
- Data Back-up and Rapid Disaster Recovery
- Regulatory Compliance Guidance
- Proactive Cybersecurity
- IT Project Implementation
- Helpdesk
- Hardware and Software Procurement

Fulfilling IT Needs and Requirements Without Breaking the Bank

In 2011, **Tompkins State Bank, Avon** was looking for a long-term IT management solution. Not only were new technology requirements increasing the amount of resources needed, Tompkins would soon need to replace the aging hardware that ran its servers. The bank was faced with a problem that many community banks experience today: finding a balance between technology and the resources needed to support it, and price. Tompkins choices were managing and supporting IT fully in-house, outsourcing IT to a managed IT service provider or utilizing a combination of the two.

With four offices in smaller rural communities in west central Illinois, Tompkins State Bank's management determined that a fully in-house IT management structure was not feasible. Rapid advancements in technology and strict regulatory requirements meant that not only would the number of IT staff need to grow, the IT personnel would need to be highly knowledgeable in both IT and banking. Recruiting and retaining employees falling under these criteria would require too many resources to be considered a long-term solution.

Tompkins also had some experience working with a local managed IT service provider. In many ways, the addition of a provider allowed the bank to conserve resources needed for IT administration. However, this particular provider was still unable to introduce a balance between managing and supporting IT properly and cost. Everyday costs were steep and the provider did not offer a hosted option. This meant Tompkins would need to continue to increase expenditures to maintain and replace their servers in-house.

It was at this point that Tompkins State Bank's team discovered **Ironcore**. Choosing Ironcore eliminated many of the issues previous options could not. By utilizing Ironcore as a managed IT service provider, the bank now had access to the personnel bandwidth it required to tackle its technology needs. In addition, Ironcore's founders had a background in technology within the banking arena, allowing Tompkins to receive help that was catered specifically to the demands of financial-services technology. Ironcore's dedication to eliminating the conflict between technology needs and the cost of keeping technology maintained and supported made Ironcore the perfect managed IT option for Tompkins.

After Ironcore's FDIC and FFIEC examinations, Tompkins State Bank upgraded its managed IT plan to a hosted IT plan allowing the bank to avoid the large investment required to update its old server equipment. Throughout the years, Ironcore has continued to provide the expertise and customer service necessary to keep Tompkins' technology secure, compliant and up-to-date through IT plans that were customized to the bank's current needs. **AnneMarie Gentry, VP of operations and compliance at Tompkins**, expanded on Ironcore as a managed and hosted IT provider by saying, "We outsource managed IT services for several reasons. The primary two are capacity and expertise. Ironcore has redundant power and communications as well as redundant equipment and a Phoenix DR site that is backed up daily. It offers both remotely managed services and hosted services. We have done both. Having Ironcore host our servers takes the ownership and maintenance of the equipment away as well as the brick-and-mortar space requirements. I highly recommend Ironcore, Inc."

About Ironcore:

In 2008, Ironcore was founded by former long-term Fiserv data-center employees who recognized financial institutions' ongoing conflict between the need for technology and the cost of installing and supporting that technology internally. It is Ironcore's belief that ANY organization can save money, improve compliance and be more technologically agile by allowing IT services to be managed and hosted off-site, rather than being installed and supported internally at their own locations.

Community banks require confidence and redundancy features in their IT providers. Ironcore's SOC (SSAE16) certified and FDIC-examined primary facility is located in Onalaska, WI. The facility includes a large industrial generator, UPS systems and redundant hardware, with appropriate power and cooling equipment. Data backed up to the Ironcore data center is synchronously replicated to redundant systems to prevent a single point of failure.

In addition, Ironcore utilizes a contingency site located in Phoenix, AZ, where backup hardware is located, along with an additional copy of bank's encrypted data. A network-monitoring system has been designed to email, text-message or voice mail alerts to our engineers 24/7/365 in the event of a system problem. Data communication access is protected with multiple firewalls and an Intrusion Detection System (IDS). Ironcore also maintains a tested and updated business continuity plan.

Ironcore also realizes that each community bank has its own unique needs. Ironcore works with banks to combine its expertise of technology and the banking industry with community banks' specific business model, risk profile, mission and strategic vision. Unlike other providers, Ironcore does not utilize a one-size-fits all approach to helping banks enhance their technology. Ironcore evaluates banks and proactively anticipates banks' needs to protect their technology infrastructures, manage security risks and train personnel on emerging threats. Each plan and recommendation is tailor-made for each bank. This allows banks to lower costs, minimize downtime, increase security, improve business continuity and increase productivity. ■

Curtis may be reached at Julia.curtis@inrocore-inc.com. Inquiries about Ironcore should be directed to Joe Carty, Ironcore territory general manager, joe.cary@ironcore-inc.com, 608/581-5076 or Mike Duke, CBSC VP member services, miked@cbai.com, 800/736-2224. Ironcore is a preferred service provider of Community BancService Corporation (CBSC), a for-profit subsidiary of CBAI.

CBAI Endorses CRA Partners, Powered by the Senior Housing Crime Prevention Foundation Offering Security for Nursing Home Residents and CRA Credit for Banks

Ron Brooks, Relationship Officer, CRA Partners, Memphis, TN

The Community Bankers Association of Illinois (CBAI), through its business-services subsidiary **Community BancService Corporation, Inc (CBSC),** recently announced its partnership with **CRA Partners** as a means to help reduce incidents of crime in area nursing homes, while offering banks the opportunity to earn CRA credit. CRA Partners is a subsidiary of the **Independent Community Bankers of America (ICBA).**

The Senior Housing Crime Prevention Foundation is a 501(c)(3), established in 2000 as a way for banks to earn Community Reinvestment Act (CRA) credit through CRA-qualified loans and investments. The structure of the SHCPF opens a segment of society to service by banks – the residents, family members and staff of nursing homes and HUD senior-housing properties. Supporting low-to-moderate income senior-housing residents is an approved CRA activity designated by the federal regulatory agencies, allowing banks to receive CRA credit for supporting Foundation programs in nursing homes, HUD senior-housing projects and the nation's Veterans Nursing Homes. The focus of the SHCPF is to reduce all aspects of crime and provide ongoing, effective crime-prevention programs that ensure a safe and secure environment for the residents of senior housing. In part, this is accomplished through the installation of the Senior Crimestoppers program.

How the Program Works

The Senior Crimestoppers program umbrella extends across a member facility's campus, fostering a vigilant, proactive, security-conscious environment. Whether the crime involves property of the facility, staff, resident or visitor, or other matters of a more serious nature, action is taken, and a reward posted. All rewards are paid by Senior Crimestoppers on behalf of the facility.

When a crime or incident occurs at a participating facility or anywhere on its campus, the contact person calls a special toll-free number and files a confidential report. Specially trained counselors record all pertinent details, establish an "on-the-spot" cash reward of up to $1,000, and fax a reward poster to the facility. Anyone with knowledge of the incident can call the toll-free number anonymously to offer information. Each caller is assigned a code number for identification purposes.

Although an arrest is not required for payment of a reward, the facility administrator must be satisfied the incident has been resolved or a future incident prevented because of the anonymous information that has been provided. After the incident is resolved, the administrator notifies the Crimestoppers call center and arranges for payment of the reward using the caller's identification code.

Another aspect of the Senior Crimestoppers program, in addition to the tips line and cash rewards, is the provision of personal lock boxes. This helps alleviate the number-one problem associated with nursing homes – the theft, loss or misplacement of residents' personal items.

Sponsored facilities also receive the *Time of Your Life* video series. The *Time of Your Life* is designed to provide senior-housing residents with a first-class event for residents, families and staff members. The video series is designed to invoke memories from the past and help residents recall events of the past. Sponsoring banks are given full credit for providing the *Time of Your Life* each year, creating wonderful opportunities for positive public relations and media exposure.

The "Wish Comes True" program is a valuable component of the program that is provided to a sponsored facility, courtesy of the sponsoring bank. Funding for the "Wish Comes True" is provided by a sponsoring bank's loan or investment and does not require additional funding from the bank. This part of the program has one goal: to fulfill a need, wish or desire for one or more residents. The Foundation makes annual, direct contributions – giving the sponsoring bank full credit – to each sponsored facility in order to fulfill these wishes or meet these needs. Much like the *Time of Your Life* program, this provides another opportunity for the bank to build relationships and create some very positive PR and media exposure.

Additional Programs

CRA Partners, building on the 20-year success of its flagship Senior Crimestoppers program, recently launched two new offerings: **Senior Sentry™** and **Senior Secure™.** Responding to feedback from bankers and healthcare administrators that elder financial abuse is a primary concern, CRA Partners created **Senior Sentry™**, a contactless/online video training module to educate healthcare staff and caregivers at local senior-housing facilities to detect the signs of and to prevent financial abuse of those in their care. **Senior Secure™** is a more robust program for senior-housing facilities that includes an educational component, facility signage, plus a toll-free, anonymous tip line with rewards offered for information regarding elder abuse (similar to Senior Crimestoppers, but for facilities that do not have need for lock boxes).

How Does the Financing Work?

A participating bank makes a CRA-qualified community development loan or investment in the SHCPF to provide funding for the Senior Crimestoppers program in a nursing home in its community. One aspect of the Foundation banks appreciate is the flexibility to structure involvement in the Foundation as a loan or an investment, depending on the type of CRA credit that is needed at the time.

Typically, the Foundation does not ask a participating bank to write a check or send cash to the Foundation to fund the Senior Crimestoppers program, since most banks choose to fund via loans or investments. A bank purchases a bond, puts it in the name of the Foundation, and delivers it to the Foundation's custodian bank where it is held in safekeeping during the term of the bank's loan or investment. The Foundation pledges the bond to the bank as collateral for its loan or investment, which means the bank is fully secured with a Foundation transaction. When the interest is paid on the bond, the income is received by the Foundation, which retains a portion and remits the remainder to the bank as interest income on a loan or dividend income on an investment. At the end of the initial commitment period, the bank may elect to renew its sponsorship for the full amount invested or loaned. Otherwise, the bond used for collateral is re-titled and returned to the bank.

The majority of the income that funds the Foundation is used to cover expenses associated with the administration of the Senior Crimestoppers program, the production and distribution of the Time of Your Life video series, and the funding of the "Wish Comes True" program.

Noteworthy Benefits to Participating Banks

- Banks receive CRA credit in their direct assessment areas
- Proven retail marketing and cross-selling opportunities
- Ongoing recognition within sponsored nursing homes for providing Senior Crimestoppers
- An opportunity to promote banking services to employees, residents, family members, visitors and volunteers of the facilities being sponsored
- Service-credit opportunity for offering provided training on elder financial abuse

"My experience with this organization during the last several years has been wonderful. I especially enjoy our visits to the senior homes and witnessing the smiling faces of the residents." **John Eilering, president, Glenview State Bank (Mount Prospect branch).**

"It's a win-win proposition for everyone," says **CEO David Lenoir.** "The banks receive a return on their investment while helping a nursing home, and HUD housing residents and elderly veterans live in safe, crime-free environments."

"It's fitting that Illinois banks be the leaders in this initiative to make a difference in the quality of life for nursing-home residents, particularly in light of the economic impact the age 50+ group – the group with parents and grandparents in these facilities – has on society," said **Shawn Davis, president, CNB Bank & Trust, N.A., Carlinville, and CBSC board chairman.** "In doing so, our community bankers will demonstrate their understanding, sensitivity and responsiveness to issues affecting this large and important group. We invite and encourage all member banks to be a part of this initiative." ■

For more information about the Senior Housing Crime Prevention Foundation or to enroll in the program, visit www.SHCPFoundation.org, or contact Ron Brooks at the Senior Housing Crime Prevention Foundation at 901/500-7538 or email him at Ron.Brooks@SHCPFoundation.org.

What Happens If a Bank Gets a Bad CRA Rating?

According to learncra.com: "Of the four ratings a bank can receive for its CRA performance, only the 'Needs to Improve' and 'Substantial Non-Compliance' are viewed as 'bad' ratings. However, especially in the case of a 'Needs to Improve' rating, just because the bank received a negative rating doesn't mean that the bank is ignoring the community.

"In some cases, a bank may receive a technical downgrade to its CRA rating based on other compliance matters or issues within the bank. This can result in a bank that would otherwise have a Satisfactory CRA rating receive a lower rating. In those cases, the banks may have a good record of meeting community needs even though other problems exist within the bank."

"Regardless, if a bank receives a negative rating, it can be time-consuming. It effectively pauses the bank's long-term strategy for growth by preventing the bank from opening new branches, merging with another bank or acquiring a bank."

It also poses significant reputational risk to the bank since the CRA rating is public. A negative rating brings a higher level of scrutiny both from the bank's regulator and the general public.

"Also, banks are expected to take immediate action to begin correcting the negative CRA rating. Therefore, the bank's CRA regulator will often shorten the time frame before its next examination. This can be shortened to as little as 12 months before the bank is re-examined to determine if it has taken the necessary steps to increase its CRA performance."

It’s Time to Upgrade Small-Business Banking

Derik Sutton, VP of Marketing, Autobooks, Detroit, MI

The primary need of small businesses is cash-flow management. The average small business has 27 days of cash in reserve, according to a report from JPMorgan Chase Institute. Any disruption or delays in the ability to accept customer payments can be catastrophic.

COVID-19, and its social distancing requirements, has caused a major disruption in how many small businesses accept customer payments. Small businesses that once relied on in-person interactions to receive payment were forced to find new ways to accept payments online. This impact was not only felt by retail-focused businesses, but also trade workers, medical professionals, lawyers, consultants and others.

This presents a problem for many banks, as most are not well equipped to help a business or non-profit accept online payments.

Say a contractor called into your bank and asked, “I have several jobs that I’m about to complete and my customers want to pay me online with a card, can you help?” What would your response be?

For most banks, there is not a good solution to offer. Traditional merchant-services programs are better suited for businesses that conduct in-person transactions. Online Treasury-management tools are typically deployed to larger businesses that handle large transaction batches. Simply put, neither solution was designed with today’s small-business use case in mind.The unfortunate answer back to the contractor would then be, “I’m sorry, but we really don’t have a good solution.”

The problem for banks is that there are a growing number of solutions that do have a good answer to this question. Ecommerce providers such as PayPal and Square are equipping small businesses with the ability to accept online payments. Providing this service then acts as the tip of the spear to penetrate small businesses’ relationships.

When a small business receives a customer payment, the funds are first deposited into the non-bank provider’s virtual wallet (account). The business owner can transact online directly from the account or can sign up for a business debit card provided by the ecommerce platform. The business debit card typically offers real-time access to any funds in the business owner's account, eliminating the need for the business to transfer money back to the bank.

Not just payment-focused providers are targeting small-business account relationships. Recently, Quickbooks announced a new small-business bank account. According to the press release, "QuickBooks Cash is a business bank account for existing QuickBooks customers that doesn't charge monthly or overdraft fees or require a minimum balance." Adding a small business account to its growing ecommerce and lending products signals **that QuickBooks is now in direct competition with banks.**

To preserve and grow small-business relationships, banks must take action and upgrade small-business banking.

Autobooks integrates digital banking and merchant services directly into a bank's existing online banking channel, transforming it into an ecommerce platform for small businesses. Small businesses access Autobooks through its online banking platform to accept online payments from customers via card and ACH directly into their existing checking account at their banks. In addition, all transactions, payables and receivables, are automatically categorized and recorded to real-time financial reports, better preparing the small business for tax time and the loan application process.

Autobooks eliminates the need for third-party payments services and online accounting products for the small-business owner, because what they need, their banks can provide. This leads to stronger relationships, increased deposits and non-interest fee income, lower attrition rates and growth of new small-business accounts.

Best of all, your bank can launch Autobooks in 90 days from contract signing! ■

Sutton can be reached at 866/617-3122 or derik@autobooks.co. To learn more, visit autobooks.co or email the Autobooks team at letstalk@autobooks.co. Autobooks is a business partner of CBAI associate member Fitech, a preferred-service provider of Community BancService Corporation (CBSC), for-profit subsidiary of CBAI.

STICKING TO YOUR STRATEGY:

AVOIDING PITFALLS IN A LOW-RATE ENVIRONMENT

Dale Sheller, Senior Vice President, Financial Strategies Group, The Baker Group, Oklahoma City, OK

Where We Are Today

In an emergency Sunday meeting on March 15, 2020, the Federal Reserve announced it was dropping its benchmark interest rate to zero and launched a new round of open-ended quantitative easing. The move was a direct response to the coronavirus outbreak, which had disrupted economic activity around the world, including the United States. During this time, the 10-year and 30-year treasury bond yields reached a new all-time low as dollars flowed into the treasury markets seeking the "full faith and credit" of the United States government. The moves by the Fed and the markets left financial institutions with a U.S. Treasury Curve at historic lows. As a result, institutions with asset-sensitive balance sheets are facing the likelihood of margin compression.

So, here we are with low interest rates following a severe economic downturn. Hey, I've seen that movie before! In 2008, the Fed sharply cut its target funds rate down to zero in an effort to spur lending and jumpstart overall economic activity. In the crisis environment of 2008-2009, many banks were tempted to purchase investments outside their typical investment purchases in order to find yield. Private label MBS and CMOs, trust preferred securities, preferred stock and subordinated debt were a handful of the types of investments that were purchased. In the wake of that crisis, many of those securities experienced major losses or became worthless. More than a decade later, and we're seeing a resurgence of some of these same types of investments.

Dodging Bullets

If you are shown an investment offering a yield that "seems a little too good to be true," ask questions! Educate yourself and understand the risks. There is almost always a reason for the increased yield, as bond markets are very efficient at pricing in risk. As the saying goes, "there is no free lunch in the bond market," meaning in order to increase the yield or reward received on a bond, you must take on more risk. That increased risk usually comes from a combination of the following categories: credit risk, interest rate risk and liquidity risk.

A recent example of potential trouble is that of bank-subordinated debt. Many banks are actively taking advantage of today's low-interest-rate environment to issue relatively cheap subordinated debt to bolster their capital levels (Tier 2 Capital). Furthermore, with many economic uncertainties on the horizon, it makes sense for some banks to issue subordinated debt to boost their overall capital positions and total risk-based capital ratios ahead of the economic uncertainty. The issuers are acting rationally, but what about the risk to those who buy these bonds?

It's true that subordinated debt offers enhanced yields; however, it comes at the cost of increased credit and liquidity risk. When a bank fails, there are numerous claims to a failed bank's assets and the holders of subordinated debt are usually left with little to nothing. Data from the last financial crisis shows a very high "loss given default" percentage on failed banks' subordinated debt. Investment in subordinated debt should be looked at as an unsecured loan to another financial institution. As a result, regulators tend to take a harsher view on the investment portfolios that hold bank-subordinated debt.

Sticking to the Plan

We have always been big proponents of having a written strategy. A written strategy lets you proactively manage the investment portfolio instead of being sold "the bond of the day." Your investment strategy should be intertwined with your balance-sheet needs and overall risk appetite. If an investment doesn't fit your investment strategy, then pass on it. Having a written investment strategy helps strengthen your corporate governance and there's an added bonus of having something tangible to show to the regulators.

Banking is likely to have some challenging days ahead due the recession caused by the COVID-19 pandemic. Now is the time to work toward mitigating your credit risk and not reaching for more. Know what you are buying, understand the risks and ask questions! ■

The Baker Group is a preferred-services provider of Community BancService Corporation, a subsidiary of CBAI. Sheller works with clients on interest rate risk management, liquidity risk management and regulatory issues. Contact: 800/937-2257 or dsheller@GoBaker.com.

Avoiding Sexual-Harassment Claims

Community BancInsurance Services, a division of Arthur J. Gallagher & Co.

Patti Tobin, CIC, Area Financial Institutions Director, Springfield, IL

An effective sexual-harassment prevention program can help protect employees AND the employer from reputational harm and costs. A harassed individual may risk losing his or her job or the chance for promotion, and it may lead the employee to suffer emotional and physical consequences. It may also lead to a hostile work environment which can reduce productivity, morale, harm to reputation and creditability, as well as exposing the employer to litigation expenses and monetary judgements.

Sexual harassment can result in two categories of allegations. "Unlawful sexual harassment" violates Federal law (Title VII of the Civil Rights Act) while "sexual harassment misconduct" does not rise to the level of the law yet still escalates when the offensive conduct affects a term or condition of employment, is used as a basis for personnel decisions, or interferes with an individual's work performance; and where such behavior would lead a reasonable person to consider it intimidating, hostile or abusive.

The EEOC's five core principles that have proven effective in preventing and addressing harassment are:

- Committed and engaged leadership;
- Strong and comprehensive harassment policies;
- Trusted and accessible complaint procedures;
- Regular, interactive training tailored to the audience and the organization; and
- Consistent and demonstrated accountability.

As many employers recognize, adopting these proactive measures may prevent harassment from occurring, but commitment must come from the top and accountability must ensure that those who engage in harassment are held responsible in a meaningful, appropriate and proportionate manner. Addressing allegations should result in an investigation and the imposition of discipline on the offending party.

There are many reasons why employees may not report sexual harassment, including deciding to ignore the incident, dealing with it themselves, believing the harasser will not be punished, and fearing retaliation. Often, employees did not know, or were unsure, how to even report allegations of sexual harassment through the chain of command.

All employers have a responsibility to take steps to eliminate sexual harassment because it is both illegal and harmful to employee productivity, satisfaction and retention. Prevention is the best tool for the elimination of sexual harassment. Employers can be held responsible for acts of sexual harassment in the workplace (or its agents or supervisory employees) when they know or should have known of the conduct, unless it can show that it took immediate and appropriate corrective action.

The EEOC defines the term "sexual harassment" to include unwelcome sexual advances, requests for sexual favors and other verbal or physical harassment of a sexual nature. Sexual harassment is considered unlawful when (1) submission to such conduct is made either explicitly or implicitly as a condition of employment; (2) submission to or rejection of such conduct is used as the basis for employment decisions; or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment. Examples include:

- Threatening that rejection of sexual overtures will affect assignments, appointments, promotions, transfers or evaluations;
- Making offensive comments, jokes or suggestions about an employee's gender;
- Making obscene or lewd comments, slurs, jokes, epithets, suggestions or gestures;
- Commenting repeatedly on an employee's body or sexual characteristics; and
- Displaying nude or sexually suggestive objects, pictures, images or cartoons.

They may also include:
- Unwelcome sexual advances;
- Requests for sexual favors; and
- Other verbal or physical harassment of a sexual nature.

EEOC regulations present criteria for evaluating whether unwelcome conduct of a sexual nature constitutes unlawful sexual harassment in violation of Title VII of the Civil Rights Act in a variety of circumstances including, but not limited to, the following:

- The victim or the harasser may be a woman or a man;
- The victim may or may not be of the opposite sex;
- The harasser can be the victim's supervisor, an agent of the employer, a supervisor in another area, a co-worker or a non-employee;
- The victim can be the person harassed or anyone affected by the offensive conduct; and
- Unlawful sexual harassment may occur without economic injury to or discharge of the victim.

Unlawful sexual harassment under Title VII does not include all conduct that may constitute harassment. For example, according to the EEOC, it does not include simple teasing, offhand comments or isolated incidents that are not very serious.

In the event of an incident, the first step should be to report the matter immediately to a supervisor and, upon receipt of the allegation, HR must immediately assess the situation and determine whether any immediate corrective action is required AND correct any conduct through disciplinary action, up to and including removal from employment.

Community bankers are already aware that some governmental agencies such as FDIC may discipline an employee in escalating order of increasing severity: letter of admonishment, letter of reprimand, suspension from duty and pay, reduction in grade or pay, and removal.

Including Human Resource specialists is an integral part of an accessible avenue of complaint to facilitate the reporting of sexual harassment misconduct. HR specialists can advise and provide technical assistance to employees and supervisors as well as monitor the effectiveness of the program with assessment of trends or patterns and prevention through continuing education.

Employers should ensure that discipline is consistent and does not create the appearance of favoritism toward any employee. Consultation with legal counsel is also highly encouraged by underwriter(s) particularly involving "last-chance agreements." In such cases, if the employee does not meet agreed-upon terms, then the employer could impose disciplinary action. Additional suggestions might include a list of penalties for first-time and repeat offenders and described steps to be completed prior to taking said disciplinary actions.

If anti-harassment training is not held, employees will not believe that preventing harassment is a high priority for the employer. Strong harassment policies and complaint systems are essential components of a successful harassment-prevention strategy, but only if employees are aware of them. Regular, interactive, comprehensive training of all employees may help ensure that the workforce understands organizational rules, policies, procedures and expectations, as well as the consequences of misconduct. Harassment training may be most effective when it is tailored to the organization and audience.

Managers can conduct climate surveys or anonymous employee surveys on a regular basis to assess the extent to which harassment may still exist in the workplace; is perceived to be tolerated; or employee satisfaction with the proactive approach of management and whether they feel safely protected.

Conclusion

Preventing and addressing sexual harassment needs strong, comprehensive policies that are easy to understand and regularly communicated to all employees. These standards may include:

- **WRITTEN** Sexual Harassment Policy posted on employee bulletin board and/or appearing in the employee manual;
- Regular, updated training with ALL employees, including senior management;
- Broadened policy to include third parties;
- Signed Acknowledgment Statement from ALL employees, including senior management; and
- A prohibition against retaliation. ■

Due to the highly nuanced nature of this subject, it is imperative you partner with a broker who specializes in professional lines of protection for your community bank. Community BancInsurance Services, a division of Arthur J. Gallagher & Co., is the exclusively endorsed insurance representative of CBAI/CBSC. Contact Patti Tobin, CIC, Area Financial Institutions Director at 217/414-4485 or patti_tobin@ajg.com.

Sources:

The Wall Street Journal, After #Me Too, Those Who Report Harassment Still Risk Retaliation (December 12, 2018)

EEOC website Sexual Harassment, https://www.eeoc.gov/laws/types/sexual_harassment.cfm (November 2019)

FDIC Circular 2750

WHEN THE GOING GETS TOUGH, THE TOUGH GET LENDING

WHAT THE LATEST PPP STATISTICS SAY ABOUT COMMUNITY BANKS' SERVICE TO SMALL BUSINESSES

Noah Yosif, Assistant Vice President of Economic Policy and Research, ICBA, Washington, D.C.

The Small Business Administration's recent release of detailed Paycheck Protection Program (PPP) loan data provided the first real glimpse into the program's success as a novel fiscal-policy tool.

The PPP is designed to stem the economic devastation of the ongoing coronavirus pandemic by providing an essential influx of capital to Main Street communities via the small businesses that support them.

Here at ICBA, we knew community banks would play an outsized role in the success of this program. Well before coronavirus saturated our headlines, community banks accounted for 60 percent of small-business lending, served 58 percent of small businesses nationwide as their primary lender, and lent over $1.5 trillion to small businesses in 2019 alone.

So, while our feverish analysis has yet to yield any novel, Nobel Prize-worthy insights, it does affirm what we already knew: in times of crisis, small businesses have a friend in their local community banks.

Here are five key takeaways gleaned from the PPP data:

(Fig. 1) Community banks were the predominant PPP lender for small businesses.

Community banks made 2.8 million PPP loans. To put this into perspective, there were 4.9 million small businesses that received a PPP loan, which means community banks served 57.5 percent of all recipients.

Furthermore, there are 5.9 million employer small businesses eligible to receive PPP funds, which means community banks alone served 48.3 percent of eligible recipients. They also served 48.1 percent of small businesses nationwide when accounting for a mere 20,139 PPP-ineligible employer small businesses.

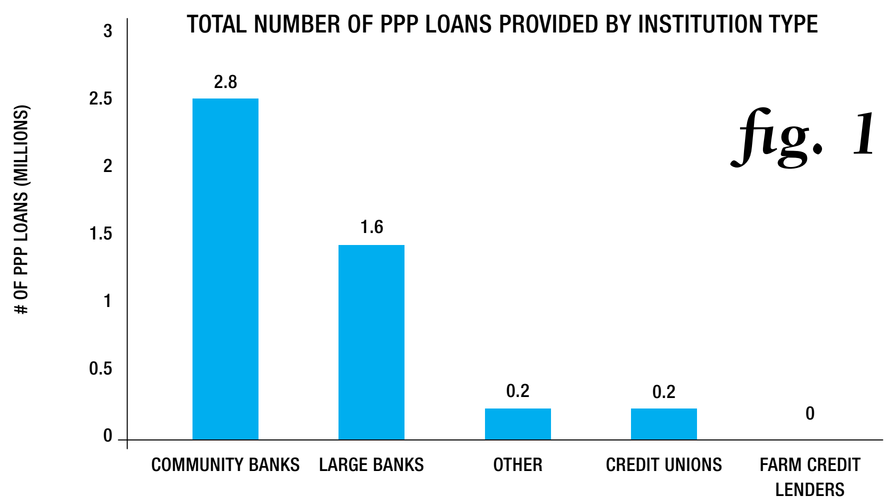


fig. 1

(Fig. 2) Community banks supported the majority of underrepresented small business owners.

Community banks accounted for 72.6 percent of all PPP loans made to small businesses owned by non-white minorities. Given their gargantuan geographic footprint, community banks served 83 percent of majority-minority counties while representing 100 percent of PPP lending within 161 of these localities nationwide.

Community banks also comprised 71.5 percent of all PPP loans to small businesses owned by women as well as 63.4 percent of all PPP loans to small businesses owned by veterans, amounting to almost 200,000 individual firms served.

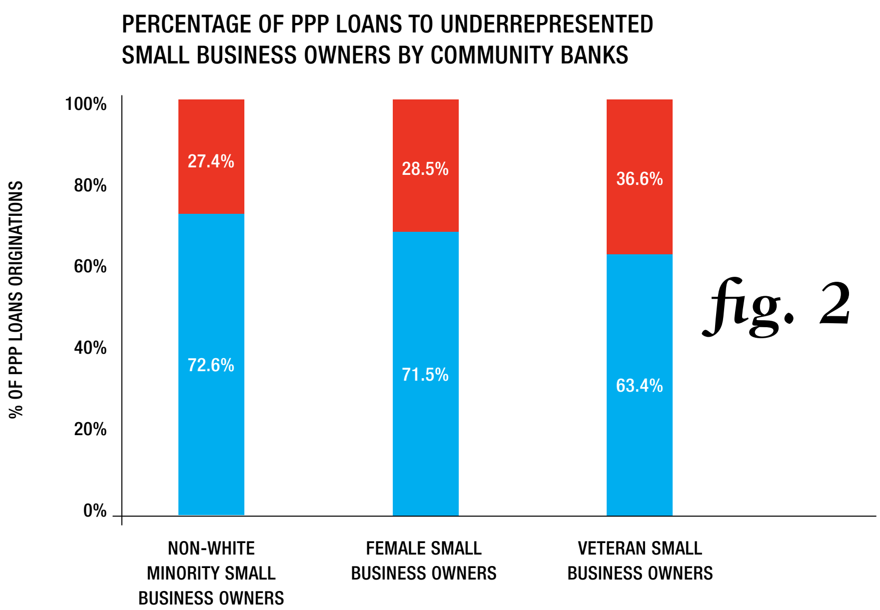


fig. 2

(Fig. 3) Community banks saved jobs that mattered in critical areas of our economy.

Community banks saved 33.7 million jobs via the PPP, but just under 50 percent of these retentions came from four sectors: accommodation and food services, health care and social assistance, retail trade, and manufacturing.

These sectors have been disproportionately affected by the ongoing coronavirus pandemic and recession. Just this past month, their average unemployment rate was 13.7 compared to 10.9 percent in all other sectors. Together, they comprised over 42 percent of the total number of unemployed persons.

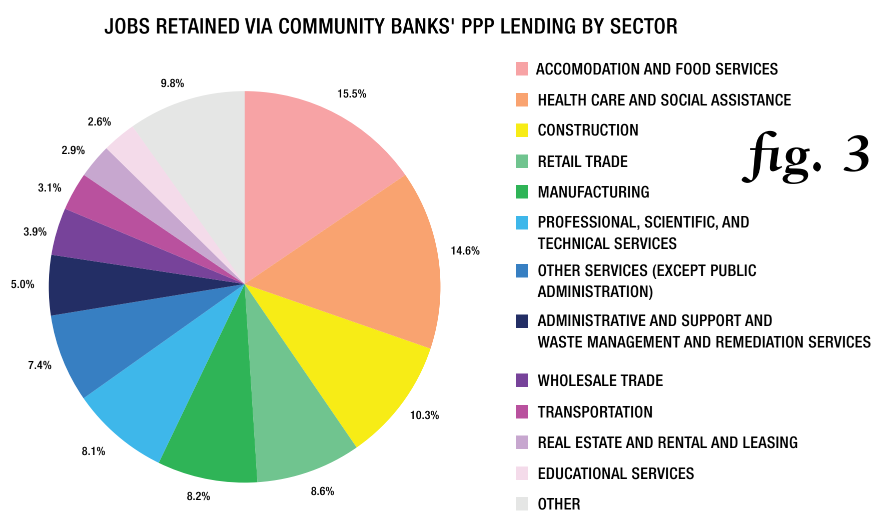


fig. 3

(Fig. 4) Community banks appreciated the urgency of processing incoming PPP loans.

States where community banks originated at least 80 percent of PPP loans also covered at least half of their first-quarter small-business payrolls five to 10 days faster than other states.

A quick turnaround in PPP applications was critical for many small businesses. Research has shown that the average small business has two weeks of operating capital reserved to weather a financial emergency.

This echoes the results of a similar study conducted by the Institute for Local Self Reliance, which found that states with more community banks per capita lent three times as many PPP loans.

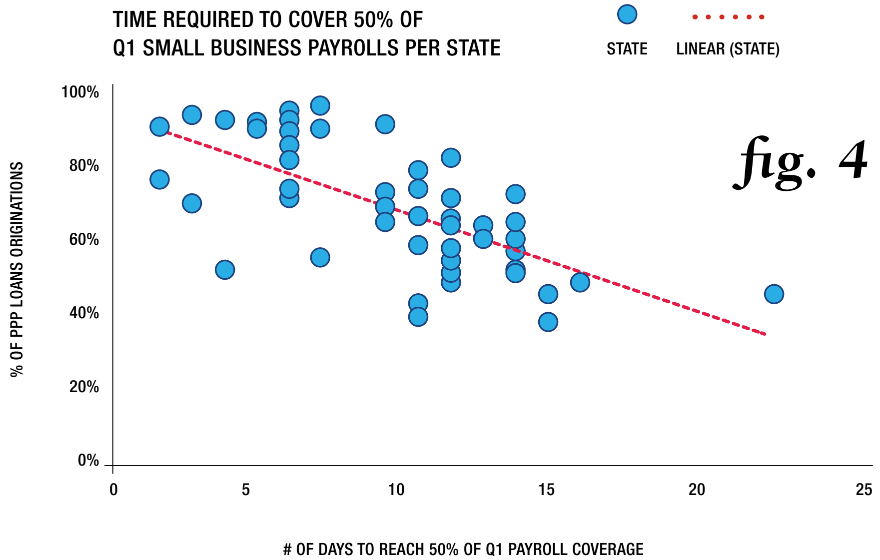


fig. 4

(Fig. 5) Community banks provided PPP loans to communities of all kinds.

Community banks provided PPP services to 98.2 percent of counties designated as low-income or economically distressed by the Federal Financial Institutions Examination Council, constituting an average 85.1 percent of total loans provided to small businesses within these areas.

Furthermore, community banks provided PPP services to 96.6 percent of rural counties, providing an average of 76.5 percent of small-business loans in these areas. They also performed well in urban counties, serving 92.4 percent of these localities while comprising an average 60.7 percent of total loans to their small businesses.

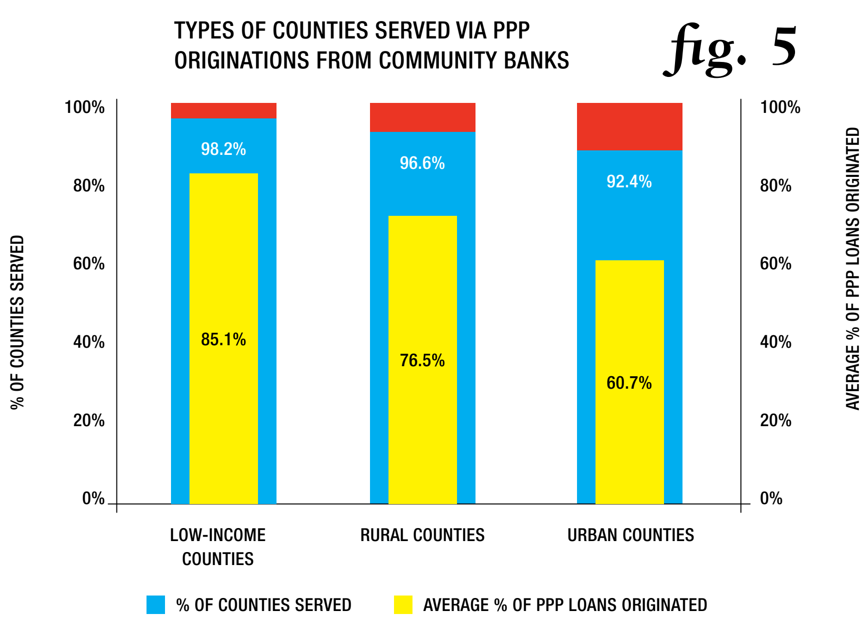
Community banks have always maintained an outstanding record of service to the small businesses on Main Street nationwide. PPP merely provided another opportunity to demonstrate their capabilities and commitment.

They served nearly 50 percent of all small businesses, provided more than 60 percent of PPP loans to underrepresented small-business owners, saved more than 16.5 million jobs in sectors disproportionately affected by the coronavirus pandemic, decreased the time to cover small-business payrolls by five to 10 days, and provided critical services to 96 percent of rural and 98 percent of low-income communities nationwide.

These statistics prove that even in an extraordinary economic environment, community banks are resilient, adaptable and dedicated to serving their customers. Amid a pandemic and recession replete with unknowns, we know community banks will always rise to the challenge, because, when the going gets tough, the tough get lending.

For additional information, check out our PPP lending dashboards to see what community banks did for your community. ■

fig. 5



2020 Regulation Z University – Closed End

Community bankers gathered on July 14 - 15, in the SHAZAM Education Center at CBAI Headquarters for the 2020 Regulation Z University – Closed End. This institute was led by Bill Elliott from Young & Associates in Kent, OH. CBAI staff members were excited and happy to have our bankers back in the building while safely social distancing!

Regulation Z Attendees:

Bridget Bush, Farmers National Bank of Griggsville

Brianna Coss, Security National Bank, Witt

Tami Graden, Security National Bank, Witt

Andrea Johnson, German-American State Bank, German Valley

Tisha Klus, Citizens Bank of Chatsworth

Joel Milner, Bank of Springfield

Menelle Pickett, Bank of Springfield

Rebecca Rice, State Bank, Waterloo

Holly Tribley, Citizens Bank of Chatsworth

CBAI Ag Lenders School Held July 28-30, 2020

The three-day CBAI Ag Lenders School curriculum was developed to meet the training needs of agricultural-lending institutions. Sessions used practical examples to demonstrate concepts focused on issues critical to successful agricultural lending. Speakers used a balance of presentations, exercises, case studies and a simulation where participants worked in teams while still using social-distancing protocols to provide a quality learning experience. Now in its second year, the CBAI Ag Lenders School attracted 11 attendees.

Leading the school was **Freddie L. Barnard,** professor emeritus of agricultural economics at **Purdue University,** West Lafayette, IN. **Grace Mata Gomez,** attorney and counselor with **Howard & Howard,** presented "Agricultural Financing" while **John Gehrke,** farm loan chief of **Illinois Farm Service Agency, USDA,** presented the session "FSA Programs & Perspectives."

Attendees:

Tony Bacidore, La Salle State Bank

Levi Bates, Farmers National Bank, Prophetstown

Matthew Browning, Farmers National Bank, Griggsville

Daniel Eiten, La Salle State Bank

Cody Fredrick, First Trust & Savings Bank, Watseka

Adam Gradert, Farmers National Bank, Prophetstown

James Jerding, The First National Bank in Carlyle

Tyler Lentz, North Adams State Bank, Ursa

Zane McMeen, Fairfield National Bank

Mark Powers, Farmers National Bank, Prophetstown

Brandon Tate, State Bank of Graymont

Cameron Ohlendorf

First Community Bank and Trust, Beecher, Career Development Division (CDD) Group Director

CDD SPOTLIGHT

What do you find most challenging about your job?

One of the more difficult aspects of commercial lending is the time between application and final approval. There are many deals that start with a conversation yet don't close until months later. It requires a very organized process to stay on track with each borrower and know where everyone is in the pipeline. This was especially important during the Payroll Protection Plan (PPP) process. I'm grateful that I have a good staff and a system to keep us on top of any application that comes through the door.

What do you find most rewarding about your job?

I love the variety that comes with being a commercial loan officer in a community bank. I never know what tomorrow will bring from a farmer with an equipment purchase to a general contractor looking for a line of credit. I have to stay up-to-date on a variety of different industries, topics and government programs and be able to provide insight on that information to my customers and loan committee.

What quote most inspires you and why?

"Do not go where the path may lead, go instead where there is no path and leave a trail." – Ralph Waldo Emerson. To me this means to think outside the box. One of the great things about working at a community bank is that we can work with our customers to create solutions that work equally well for them and the bank. This could be via payment terms, collateral or other options to help their cash flow and protect the bank's capital.

How did you get involved with CBAI?

My first CBAI experience with CDD was right after I started at the bank. I believe I was at my first meeting less than six months after starting at the bank. Since then, I've attended numerous events, conferences and training classes. I recently became a CDD Group Director and I have been a member of the Special Events Committee the last two years. I hope to bring some new ideas to both groups, so if anyone has any suggestions, let me know!

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

The bank is very supportive of us working in the community for a variety of different non-profits and community initiatives. I've worked with various chamber of commerce groups and have aided Beecher's Fourth of July celebration for many years.

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

If I weren't in banking, I would probably be in a research/analytic department with a bond company or federal agency. I enjoy learning what various data sets can teach you about an industry or local economy. There is more information available today than most people realize and being able to take raw information and turn it into a useful product intrigues me. ■

FHLBank Chicago Applauds Community Banks' Response to the Pandemic

Community lenders are unsung heroes of the pandemic

Katie Naftzger, Community Investment Officer, Federal Home Loan Bank of Chicago

If there is good to be found in a crisis, it's in neighbors stepping up to meet the needs they see around them—whether those neighbors are the family next-door or the bank down the street. Community lenders are playing a crucial role during the COVID-19 pandemic, providing critical access to funds as well as advice, assistance, advocacy and a sympathetic ear to people struggling to hold onto their homes or livelihoods. These are times when the value of community banks is especially clear, and when the challenges they face are steepest.

As a member-owned cooperative, **the Federal Home Loan Bank of Chicago (FHLBank Chicago)** was committed to helping member financial institutions across Illinois and Wisconsin meet these challenges. On April 20, we announced our $30 million COVID-19 Relief Program, which allowed each member financial institution to access a one-year, zero-rate advance of up to $4 million to meet immediate liquidity needs, as well as a grant of up to $20,000 to assist small businesses and nonprofits affected by the pandemic.

The response from our members was extraordinary. In just one day in early May, we recorded 301 COVID-19 Relief Advances and 280 Relief Grant closings. Here are a few examples of how our participating member financial institutions are helping their communities withstand the crisis.

Targeting Local Needs

FHLBank Chicago made our COVID-19 Relief Grants as simple as possible to access, both to speed delivery of funds to nonprofits and businesses affected by the pandemic, and because we recognized that our members were best positioned to identify the most pressing needs in their communities.

Each member financial institution approached distribution of grant funds differently. The management team at **CNB Bank & Trust, N.A., Carlinville,** which serves communities in central Illinois, Chicago, and St. Louis, met to determine where the funds could make the most meaningful impact locally, and quickly reached a consensus: "Our greatest concern was for families and children who may not be getting the nourishment they could have relied on when schools were open," said **Jim Ashworth,** president of **Carlinville National Bank Shares, Inc.,** the holding company of CNB Bank & Trust. "We knew that all of the 17 communities we serve had affected food banks. Our board was quick to say we should match the $20,000, so we were able to give them a total of $40,000."

Devon Bank, Chicago, which is locally owned and serves a diverse group of customers primarily on the north side and in the suburbs of Chicago, disbursed the funds through its public charity. Organizations that benefited were invited to post on the bank's social media account, where community members were encouraged to add their own contributions. "A lot of charities are at risk of falling through the cracks, because they have increased needs and normally rely on donations from corporations that may not have money to give right now," said **David Loundy,** chairman and CEO of **Devon Bank.** Grant funds were divided among 16 organizations, such as a microlender, a domestic violence shelter, food pantries, social service agencies and an animal shelter. "We tried to find creative ways to help the most people we could," Loundy added. "For example, we donated to a synagogue that used the money to buy hand sanitizer from a repurposed distillery, thereby giving the distillery money to pay its employees. They then donated the hand sanitizer to a nonprofit ambulance company working in our neighborhood."

Dave Pirsein, president and CEO of **First National Bank in Pinckneyville** — a locally owned mainstay of its rural communities since 1901 — chose four organizations: Five Star Industries, a not-for-profit agency for people with intellectual and developmental disabilities that was hard-hit by the cancellation of its yearly fundraising event; Perry County Health Department, which was shouldering much of the responsibility for advising local employers on implementation of CDC guidelines; a Southern Illinois CDFI that was struggling to help current loan recipients while also serving new entrepreneurs whose businesses were taking off during the crisis; and The Restore Network, which equips, trains and supports foster parents. In all of these cases, Pirsein became aware of the need by speaking personally with the organizations' leadership, but he had an especially strong connection to the fourth recipient: "My wife and I both volunteer with The Restore Network," he said. "I saw firsthand how the number of kids needing foster homes increased during this crisis, and how The Restore Network was having to step up their efforts. Through the COVID-19 Relief Program, I was able to get money to those stress points quickly, because it was a simple process to apply, and it was there when the need was there."

Assistance and Advocacy

In addition to leveraging the FHLBank Chicago's COVID-19 Relief Grants, our members also pursued other avenues to support their customers during these turbulent times. Many assisted customers used the Small Business Administration's (SBA) Payment Protection Program (PPP) and some found additional value in pairing this program with our COVID-19 Relief Advance.

When PPP loans were announced, community bankers implemented this new program on the fly, working overtime to help local businesses access forgivable loans while navigating evolving rules and expanding their borrowing at unprecedented speeds. "We had employees working late into the night so we could input more loans, and ultimately we input 900 loans totaling close to $80 million," said Ashworth. "When I started at the bank some 42 years ago, we didn't have that much in our total loan portfolio."

Loundy reported a similar experience. "We grew our loan portfolio by about 20% in three weeks," he said. "Those loans may eventually be forgiven, but not immediately — so how do you fund them? Thankfully, we were able to access the COVID-19 Relief Advance." In addition to funding for PPP loans, the advance gave Devon Bank greater freedom to assist its hurting customers in ways that wouldn't have been financially feasible otherwise.

Roughly 25% of Devon Bank's loan customers have required some form of accommodation during the crisis. In early March, considering that many businesses' troubles reflected the hardships of the pandemic rather than their long-term viability, Loundy wondered, "What would happen if we gave all our portfolio customers the option to pay interest-only for a specific term? Could we give people the help they need and not have it count against us?" Loundy took his idea to **CBAI President Kraig Lounsberry,** who brought it to the Illinois Commissioner of Banks and Trust Companies, then the FDIC and FASB. "About two weeks later, the FDIC announced a joint statement by the banking regulators that accommodations based on COVID-19 would not automatically be considered a troubled debt restructure," said Loundy, "and eventually that became part of the CARES Act."

CNB Bank & Trust is another example of a community financial institution that has stepped up to provide both assistance and advocacy. "We've been extremely proactive in offering hardship relief to many of our loan customers — that is, waiver of payments, or interest-only payments where principal and interest had heretofore been required," said **Chief Banking Officer Andy Tinberg.** "We did what we needed to early in the crisis to offer relief to many of our borrowing clients. We didn't wait for them to call us; we reached out to them." All of CNB's branches have also been vocal advocates, working with local governments to find ways to ease the burden on businesses, such as deferring licensing fees, or suspending zoning ordinances to expand outdoor dining spaces.

A Human Connection

To a worried customer, there's no substitute for a human voice at the other end of the phone. But as the crisis worsened, that sometimes seemed like a rare luxury. "All you did was get put on hold, in endless loops," Pirsein remembered, noting that community banks may have been some of the easiest businesses to reach. "We gave out our cell numbers, we answered our phone, we responded on Facebook, by letters," said Pirsein. "Community bankers may have been darn busy, but they were accessible, and they did try to understand what people were going through. When I look back, what I see is the community banking industry just doing what it always does — being there for our customers in the good times and the bad." Human connection is at the core of community banking, and these connections have never been more valuable.

We don't know when the COVID-19 crisis will end. But we do know that our member financial institutions will continue to adapt, assist where they can and advocate for their customers — and FHLBank Chicago will be there to support them. ■

The mission of the Federal Home Loan Bank of Chicago is to partner with member institutions in Illinois and Wisconsin to provide them competitively priced funding, a reasonable return on their investment in the Bank, and support for community investment activities. We're one of 11 Federal Home Loan Banks chartered by the U.S. Congress in 1932 to promote homeownership. Our members include banks, thrifts, credit unions, insurance companies and community development financial institutions throughout our district. For more information on our COVID-19 Relief Program and other community investment products and programs, visit fhlbc.com or follow FHLBank Chicago on Twitter @FHLBC. Naftzger may be reached at knaftzger@fhlbc.com.

Give Your Customers More with SBA 504 Financing Solutions

Manuel Flores, President & CEO, SomerCor, Chicago, IL

As we continue to reopen and rebuild our economy, community banks have an opportunity to lead the way in support of small-business growth and expansion through the Small Business Administration (SBA) 504 Loan and 504 Refinancing programs.

The SBA 504 program is an important tool in the commercial-lending toolbox because it allows banks to share in the financing costs with the SBA by partnering with a Certified Development Company (CDC), like SomerCor, when lending to a small- or mid-size business to purchase, expand or refinance commercial real estate or heavy equipment for their operations.

In a typical 504 deal, the CDC (on behalf of the SBA) finances up to 40 percent of the eligible costs, the bank provides 50 percent (and is in the first lien position), and the borrower contributes 10 percent. One of the primary goals of the 504 program is to encourage banks to increase their small-business lending with the aim of providing small businesses affordable financing to grow, create more jobs and increase local economic development.

The SBA 504 program is a unique public-private partnership that provides small businesses and their bankers shared benefits. A 504 small-business borrower gets to take advantage of 10-, 20- or 25-year loan terms at below-market, fixed interest rates with less money down, resulting in more predictable, lower monthly payments and more capital to reinvest and grow. In turn, the bank limits lending risk, decreases the impact on bank liquidity, expands its credit box, grows a more diversified loan portfolio and strengthens its brand as a small-business lender.

Last year, lenders, *mostly banks,* utilized the SBA 504 program to help more than 6,000 businesses secure a combined $5 billion in financing. The program's popularity continues to grow; tracking shows there is more than $1 billion in approved loans currently than at the same point five years ago.

A good business borrower-banker relationship is important and even more so in times of economic uncertainty. The SBA 504 program offers an opportunity for community banks to affirm this relationship by offering a broader range of solutions, providing top-notch customer service and building on a reputation as an institution committed to local economic growth and investment.

Offer a Full Range of Solutions

One way to best serve your clients is to offer them a full range of financing solutions and options. The capital needs of small- and mid-size businesses are not one-size-fits-all. Some businesses need to expand rapidly to meet new demand, while others need to shore up capital for expected lean years ahead, especially now given the impact of COVID-19. Either situation provides an opportunity to explore how the SBA 504 program can serve your business customers while meeting current lending parameters at your bank.

One of the great features of the 504 program is that it is industry agnostic: manufacturing, health care, storage facilities, restaurants, franchises, hospitality, retail, day cares, breweries and others are eligible for 504 financing. Plus, it is available to support businesses throughout Illinois. Through the first half of 2020, nearly two-thirds of approved 504 loans in Illinois were for projects outside of Cook County.

Provide Customer Service with Confidence

Despite the growing popularity of the 504 loan and 504 Refi programs, these financing options are lesser known, especially among smaller banks. Part of what drives this is the belief SBA lending is too time consuming and cumbersome. However, the 504 program makes it easy for banks to participate because they partner with CDCs, who take the lead in navigating SBA requirements and manage the 504 loan application, underwriting, funding and servicing.

CDCs are certified by the SBA as non-profit corporations charged with promoting economic development through the 504 program. SomerCor has partnered with banks throughout Illinois to facilitate lending for 27 years, providing more than $1 billion in 504 loans and refis since its founding. CDC staff are experts in this program and serve with the dual purpose of helping small-business owners access the 504 loan and partnering with participating banks to complete the SBA lending process quickly and efficiently. In a sense, the bank outsources the entire SBA loan process to the CDC while making a conventional senior mortgage loan at a 50 percent Loan to Value.

For some banks, the Paycheck Protection Program (PPP) loan was their first experience with SBA lending. While the PPP provided emergency assistance for many businesses, there were significant challenges in the program launch and implementation, attributable to the newness of the loan program and rapid rollout. In comparison, the SBA 504 program has been operational for more than 30 years; it has a well-established framework and a successful track record in the market.

Support Transformative Community Investment

A core mission of community banks is being a lynchpin for growth and investment in the communities they serve. This is directly in line with the purpose of the SBA 504 program of encouraging traditional lenders to provide loans to small businesses in need of capital. The 504 program is tied to job-creation goals and designed to advance important economic-development policies such as expanding investment in minority/woman/veteran-owned enterprises, encouraging development in under-resourced communities growing the tax base of communities, increasing access to capital in rural communities, and helping promote energy efficiency and the implementation of renewable energy systems in 504 projects.

Moreover, the 504 program aligns with the federal Community Reinvestment Act (CRA) and banks that participate in SBA 504 lending are eligible for CRA credit. Most SBA 504 loans of $1 million or less qualify as a small-business loan and are considered under the CRA lending test for banks of all sizes. Dependent on the size of the bank, loans greater than $1 million under the 504 program are considered community-development loans under the lending test or the community-development test, which also need to meet geographic requirements determined by the lender's assessment area.

The use of the SBA 504 is a win for the community, the borrower and the bank. Especially during uncertain economic times, the engagement of community banks can be a lifeline to many small- and mid-size businesses trying to navigate their capital needs.

At the end of the day, it is about being creative in how you get the deal done and solve client challenges. Providing a full range of solutions positions you as more than a lender. You become a reliable partner and small-business advocate. With the established structure of the 504 program, you can confidently access the borrower-friendly terms for your clients and help burnish your bank's reputation as a valued and trusted community partner. The SBA 504 program has a positive track record of growing long-term banking relationships, strengthening communities and increasing local economic development – a hallmark of community banking in Illinois. ■

SomerCor is a non-profit lender certified by the Small Business Administration that specializes in SBA 504 loans. SomerCor also administers the Small Business Improvement Fund (SBIF) and Neighborhood Opportunity Fund (NOF) grants for the city of Chicago. The SomerCor mission is to grow businesses, create jobs and increase impactful investment in every community through access to capital.

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Third-Party Vendors & Compliance Risk:

10 High-Risk Compliance Situations & the Due-Diligence Documentation Mistakes That Make Them Hard to Discover

Michael Berman, CEO, Ncontracts, Brentwood, TN

The only thing worse than getting in trouble for making a mistake is getting in trouble when somebody else makes a mistake. That's the situation financial institutions face when a third-party vendor acting on behalf of the bank doesn't comply with laws and regulations.

Your bank may think its compliance game is strong, but if it doesn't have a good vendor-management program that risk-assesses vendors, provides enhanced oversight of critical vendors, and actively monitors vendors for compliance, it's got a gaping hole.

How can you tell if you need to be extra worried about third-party vendor compliance risk? Here are 10 situations where compliance risk is elevated:

1. **You aren't reviewing third-party vendors and their products, services and systems for compliance.** When it comes to vendor compliance, ignorance isn't bliss. Regulators will hold you accountable for your vendors' actions. You need to know if what vendors are doing for you, or on your behalf, is compliant.

2. **Your third-party isn't following applicable laws, regulations, ethical standards or your own bank's policies and procedures.** When it comes to compliance, there is no such thing as an unimportant rule. If you find any evidence that your third-party vendor isn't following every compliance rule or policy, that's a sign there may be a bigger problem. Increased vigilance is a must.

3. **Evidence of unfair, deceptive or abusive products or services.** This is a compliance violation, so technically it falls under bullet point number two. But this is one area that deserves a line item of its own. UDAAP violations are one of the most common—and costliest—sources of enforcement actions. The regulatory agencies are on the lookout for UDAAP violations. You need to be, too.

4. **Non-compliance with BSA and OFAC.** Just like UDAAP, Bank Secrecy Act and anti-money laundering regulations are a common source of enforcement actions. If there's a possibility that your vendor isn't following BSA/AML rules to the letter of the law, there's increased risk. Transactions must be monitored for compliance risk.

5. **Violating intellectual property rights.** If your bank is licensing or using technology that later is subject to a lawsuit for an intellectual-property-rights violation, you could find yourself as a defendant in the lawsuit even though you didn't know. Make it your point to know. If there's a possibility that your vendor doesn't have the right to use or sell a technology or service, there's an increased risk.

6. **Your bank lacks the resources needed for vendor audits and oversight.** From a strong contract to expertise and personnel, your bank needs both the controls and the bandwidth to oversee and monitor your vendor relationships. If your bank doesn't have the resources to dedicate to vendor management, especially of critical vendors, your compliance risk is elevated. This is especially true when entering new business activities or expanding existing ones.

7. **Your vendor outsources to subcontractors.** Fourth-party risk is a real concern. Not only do you have to trust that your vendor is doing the right thing, but you also have to trust that it has a strong enough vendor-management program to ensure its vendors are also doing the right thing—and that its vendors'

vendors are behaving, too. The further critical activities are subcontracted, the greater the risk.

8. Business is being conducted in foreign countries. If the vendor is conducting business activities in a foreign country on your behalf or customer and employee data is transmitted to foreign countries, your bank faces greater compliance risk. Foreign countries may have different economic, social and political conditions that could result in vendor non-performance or data loss. This increased risk, known as country risk, means your bank will have to monitor the government policies and legal and social conditions as part of its due diligence.

9. Conflicts of interest aren't appropriately managed. You need to be sure your vendor is giving you objective advice and performing to the best of its abilities. You want it to look out for your interests, not just its own. Be on the lookout for signs that your bank's best interests may not be the top priority. Is the contract written in a way that financially penalizes your bank for leaving but creates no accountability for vendor non-performance? Will your proprietary information be held in confidence? Is the CEO of a critical vendor married to the CEO of your biggest competitor? Does its board have a financial interest in a competitor? Does the vendor prioritize larger clients or industries over others? Make sure your vendor has and adheres to an ethics program.

10. There aren't sufficient data-security controls to protect sensitive data. There's no faster way to end up on the front page of the local paper than by being the victim of a data breach that releases consumers' sensitive information. If you find weaknesses in your vendor's data-security controls, you're exposed to a lot of risk.

How do you know if your vendors are exposing you to elevated compliance risk? The answer is engaging in vendor due diligence, including collecting and reviewing due-diligence documentation before signing a contract and throughout the duration of the third-party vendor relationship.

But it's not as simple as it sounds. Banks frequently make mistakes with vendor due-diligence documentation that waste resources, delay task completion and expose the bank to increased vendor risk.

How? Here are nine of the most common due-diligence documentation mistakes.

MISTAKE #1: Not classifying vendors correctly. Due diligence is based on risk. Third-party vendors that provide critical bank functions or have access to sensitive data require greater scrutiny and should be identified as critical, significant or high-risk vendors (terminology depends on the regulator).

When a vendor isn't properly classified, due-diligence efforts may not align with due-diligence requirements. There is no foundation for due diligence.

IF YOU…	YOU MIGHT…
Classify a low-risk vendor as a high-risk vendor	Waste valuable time and resources requesting and reviewing unneeded documentation.
Classify high-risk vendors as a moderate or low-risk vendor	Fail to ask your vendor for sufficient documentation.
Fail to classify vendors	Complete either too much or too little vendor due diligence (and possibly both).

MISTAKE #2: Assuming you need the same documentation from every vendor. You don't need a SOC report from every vendor. Critical vendors, like those with access to sensitive data, require in-depth reviews while a property-insurance company wouldn't need that. Classifying your vendors, and doing so correctly, lets you know what level of documentation is needed.

MISTAKE #3: Assuming the vendor will understand your needs. If you tell vendors you need due-diligence documents, there is no telling what you might get, especially with smaller vendors. They might send you every policy and procedure they have, from data security to vacation-request policies. Be specific and focus on areas like information security, business resiliency and disaster recovery, employee training, incident response, regulatory compliance and independent testing.

MISTAKE #4: Not being able to identify relevant reports. Even when a bank classifies its vendor correctly, it may not be able to identify the exact documentation it needs. Many vendor portals have hundreds or even a thousand different reports, and just a handful of them will be relevant to your needs.

MISTAKE #5: Getting the wrong SOC report. Banks regularly download the wrong SOC reports, not realizing that the product they use isn't included within the scope of the report.

MISTAKE #6: Not recognizing outdated or inapplicable documents. Are your vendor due-diligence documents up-to-date? Do they apply to the products your bank uses? Third-party vendors offer a large range of products and services. Not every document will apply to every offer. Your bank shouldn't waste time reviewing reports about a data server in India if the vendor is keeping all your data on U.S. servers.

MISTAKE #7: Wasting time on fourth-party documentation. Not every one of your vendor's critical vendors will impact your institution. Vendors may have documentation on 20 vendors when only a handful of them really matter to your operations. Only spend time on fourth parties that can critically impact your operations.

MISTAKE #8: Expecting vendors to complete questionnaires. Requesting that a vendor complete a questionnaire seems like a simple task, but it's not — especially for larger vendors. Imagine if every one of your customers or members asked you to complete a questionnaire on data security or privacy. It would be an onerous burden. You'd most likely just steer those customers to your published policies and procedures. Third-party vendors do the same thing.

MISTAKE #9: Expecting a quick turnaround from vendors. Some large vendors have thousands of clients. It can take them weeks to respond to requests for due-diligence documentation. Be realistic when making requests and know that it may take a few months. It might even require asking more than once. Don't save due diligence for the last minute.

Don't let vendor due-diligence documentation errors inadvertently expose your bank to increase third-party vendor compliance risk. Make sure you have the documents you need to uncover potential issues. ■

Michael Berman is the founder and CEO of Ncontracts which provides of vendor and risk-management solutions. Ncontracts is a preferred-service provider of Community BancService Corporation (CBSC), for-profit subsidiary of CBAI. For more information, visit www.ncontracts.com or contact Berman at mlb@ncontracts.com or 888/370-5552.

In Memoriam

Dennis R. Shackleford, 61, passed away on July 21. Born in Lafayette, IN to George and Betty Jo Shackelford, he received his undergraduate and graduate degrees from Southern Illinois University-Edwardsville. He owned Judy's Hallmark shops in the Springfield area and was the youngest Hallmark franchisee upon opening his stores more than 30 years ago. Upon retiring, Shackleford began working for **Williamsville State Bank and Trust**, also serving on its board of directors. He is survived by his wife, the former Judy Langfelder; children Andrew, Lindsey (Lance) Miller, Amy (Tommy) Nika and Emily; and three grandchildren.

The Three Videos You Need on Your Website Now

Dan Novalis, President and Owner, 2Novas Inc., St. Louis, MO

Lower lobby traffic and fewer face-to-face interactions have made it difficult to build relationships with your customers. Perhaps you've been relying more on letters, emails, phone calls or distant smiles through the drive-up window. But new potential customers need a way to get to know you before making the switch. What if there were a way to help new potential customers get to know you, trust you and even like you before they pick up the phone or come into your lobby?

Banks that lead with video in their marketing and customer interactions enjoy far more ROI from their marketing expenses. Website landing pages (pages you get to after clicking an ad) that include a video result in 80% more contacts (form submissions and phone calls) versus landing pages without (Unbounce study). Videos on social media generate 12 times more shares than text and image-based posts combined (G2 Crowd study). And Cisco estimates that, by 2021, 82% of ALL consumer internet traffic will be video.

These statistics are from 2019 – before the pandemic closed lobbies and kept people home. Even with reopenings proceeding, people are still craving interaction and social engagement. Video is one way to accomplish this on your website. If your website doesn't include video, now is the time to add it.

The good news is that video has never been easier to create and publish – you and your team can spruce up your site in an afternoon. The hard part is knowing what to say. At 2Novas, we've created hundreds of videos for our clients, and there are three specific kinds of videos we always start with for bank websites:

1. The Know & Trust Video

The Know & Trust video is a one-to-three minute intro to your bank. Typically, the bank president or an executive will greet the viewer and talk briefly about the history of the bank and the bank's differentiating points. It's best to cut to shots of the bank's branches, lobbies, surrounding areas and even customer testimonials during the explanation. Remember to talk about how you, as a community bank, have helped your local community with investments, donations or even simply by servicing PPP loans for local businesses.

This video should live right on your home page, and on landing pages.

2. The Sign-Up Video

The Sign-Up video is a short, 60-90 second clip, that walks new potential customers through the process of opening an account. If you have online opening ability, this is what you should focus on – the actual how-to of opening the account. If you don't, you should walk the viewer through the documents they'll need and how to set up an appointment.

It's important to also discuss things the customer will need to keep in mind after opening – how to switch over auto-payments, direct deposits, etc. (promote your switch kit!). At the end of the video, have a distinct call-to-action that asks the viewer to call the bank, click to a certain page, or whatever the next step is that they need to take to open the account.

This video should be linked to from your home page, perhaps under your main images or the Know & Trust video. Use an online screen capture tool like Loom to record the how-to!

3. The Adopt Video

The Adopt video is for new customers, teaching them about your online and remote-banking options, and giving them an overview of your products and services (avoiding, down the line, the "Oh, I didn't know you did that!" reaction). When customers first open accounts, they are very receptive to other services and guides to use your online tools, so give them an easy way to get started – no one reads the user manual, but they will watch a friendly face walking them through setup.

Typically, this would live on a separate web page for new customers and/or be sent out in an email after account signup.

Yes, but how can we edit and publish?

It's easier than you think – your team can easily accomplish this with simple and inexpensive online editing software (Animoto, Lightworks, or Apple's iMovie) or with a professional video editor. Video editors will typically charge hourly and can work with footage you've already shot, combining it with stock footage or even still photography.

If you're not leveraging video on your website, you are missing out on valuable conversations, cross-sell opportunities and more. With human interactions at a minimum this year, it's a great time to use video to connect and engage your current and prospective customers. ■

2Novas Inc. is a community-bank advertising agency based in St. Louis, MO. For CBAI members, 2Novas is offering a free website-engagement assessment, where the team will review your site and provide tips for making it more engaging and interactive. To sign up, contact Dan at dan@2novas.com, 314/743-6691 or by visiting https://2novas.com/banks.

Strategic Planning During Uncertain Times

Testing Your Balance Sheet's Capacity to Weather the Pandemic and to Embrace New Opportunities

Martina Dowidchuk, Senior Consultant and Director of Management Services, Young & Associates, Inc., Kent, OH

As we adjust to the new reality and navigate through the immediate operational challenges, long-term planning comes back into the focus. What is the bank's balance-sheet capacity to weather the economic downturn, absorb potential losses, and leverage the existing resources to support households and businesses affected by the pandemic?

Community banks, with their relationship-based business models, are uniquely positioned to support their markets by using their in-depth knowledge of the local economies and the borrowers' unique situations to provide timely and individualized assistance for impacted customers. This is an opportunity to facilitate a return to economic stability and be the source of information and communication, but also to enhance customer relationships and trust over the long term.

Unlike during the 2008 financial crisis, most banks have stronger risk infrastructure, larger capital buffers and higher liquidity reserves. How long the existing safeguards will last depend on the length and severity of the downturn. As we continue to work surrounded by an array of unknowns, there are planning steps that can be taken now to get in front of problems and position banks to leverage their strengths to support local communities and shareholders.

Capital Plan Review –
How much capital can be deployed into new credits?
How much stress can we absorb?

Considering the abrupt economic changes, the bank's risk-specific minimum capital level requirements should be revised to reflect the likely changes in the levels and direction of credit risk, interest rate risk, liquidity risk and others. The recently issued regulatory statement relaxing capital requirements includes modifications related to the amount of retained income available for distribution, allowing banking organizations to dip into their capital buffers and to continue lending without facing abrupt regulatory restrictions. Institution-specific capital-adequacy calculations can also provide a basis for the decision whether or not to opt in to using the community-bank leverage ratio, which has been temporarily reduced from a nine-percent to an eight-percent minimum threshold.

Stress testing the capital against credit losses, adverse interest-rate environment and other earnings challenges can help identify potential vulnerabilities and allow management to proactively prepare and protect the bank from losing its well-capitalized status should the simulated stress scenarios unfold. The sooner the problems are identified, the more flexibility you have in developing a solution. Every bank should have an up-to-date capital-contingency plan to be implemented if the capital levels approach the minimums needed for a well-capitalized bank designation.

The review of the minimum capital requirements and the stress tests can provide valuable insights regarding not only the bank's ability to survive a recession, but also to estimate the amount of "excess" capital that can be used to support additional lending. Many banks can justify lower capital requirements once they customize the capital-adequacy calculations to their specific risk profiles. If additional asset growth can be supported from the capital perspective, the plan should be further evaluated from the liquidity standpoint.

Liquidity-Plan Review – Are the existing liquidity reserves sufficient to support additional loan growth and the potential funding pressures?

Liquidity-plan review needs to go hand-in-hand with capital planning. While most community banks have strong liquidity positions, the scale and speed of the coronavirus shock have raised concerns that credit drawdowns, sudden declines in revenues and a higher potential for credit issues will strain bank balance sheets. Funding pressures may be building because of uncertainty about the amount of damage that the coronavirus might cause. Banks may be experiencing deposit drains from customers experiencing financial hardship or seeing withdrawals driven by fear. On the other hand, the volatility of the stock market and the uncertainty may drive the "flight to safety" and increases in bank deposits.

Changes in the business strategies and the results of the capital stress tests should be incorporated in the liquidity plan and the projected cash flows should be stress-tested. Banks need to plan for ways to meet their funding needs under stressed conditions. The simulations should cover both short-term and prolonged stress events using a combination of stress constraints that are severe enough to highlight potential vulnerabilities of the bank from the liquidity perspective. The analysis should show the impact on both the on-balance sheet liquidity and the contingent liquidity, while taking into consideration changes in the available collateral, collateral requirements, limitations on access to unsecured funds or brokered deposits, policy limits on the use of wholesale funding and other relevant stress factors.

Credit-Risk Assessments – What is the loan loss potential?

Credit risk has the highest weight among the risk factors affecting capital and it is the biggest unknown in today's environment. The assessments will need to shift to be more forward looking rather than solely relying on past performance. The stress tests will be most useful when customized to reflect the characteristics particular to the institution and its market area. Banks need to understand which segments of their portfolios will be the most affected and perform targeted assessments of the potential fallout, along with the review of other segments that may have had weaker risk profiles before the pandemic, higher concentrations of credit, or those segments that are significant to the overall business strategy. The estimates might be a moving target in the foreseeable future; however, once the framework is set up, the analyses can be regularly repeated to determine the current impact. The results of these credit-risk assessments will provide a valuable input for fine-tuning the capital plan and assessing adequacy of liquidity reserves, as well as for formulating strategies for working with the affected borrowers and extending new credit.

Measuring Impact of Plans

As we face abrupt changes in the strategic focus, taking the time to diagnose strengths and weaknesses, to understand the range of possible outcomes of the new business strategies, and to line-up contingency plans ready to be invoked as the picture get clearer is a worthwhile exercise. Young & Associates, Inc. remains committed to assist you in every step of the planning process. Our modeling and stress-testing tools will allow you to generate valuable support information for your decision making, ensure regulatory compliance and be proactive in addressing potential problems and positioning for new opportunities. ■

Young & Associates is a CBAI-preferred services provider. Dowidchuk manages a wide range of financial management and planning assignments for Young & Associates, Inc.'s clients. Her areas of expertise include bank expansion and financial forecasting, feasibility studies, asset liability management and risk modeling, stress testing, performance analyses and stock valuations. She also assists clients in the regulatory application processes involving de novo bank charters, mergers and acquisitions, new branch openings and other strategic initiatives. Contact her at mdowidchuk@younginc.com or 330/422-3449.

Appellate Court Rulings Defeat Attempts to Overturn Foreclosures

Jerry Cavanaugh, CBAI General Counsel, Springfield, IL

Two recent (June, 2020) opinions from the First District Illinois Appellate Court ("the Court") illustrate the application of the "bona fide purchaser" rule that will defeat tardy challenges by mortgagors in foreclosure cases.

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.

Deutsche Bank National Trust Company v. Cortez

In this case, Lender initiated foreclosure after Mortgagor defaulted on mortgage payments. In his defense, Mortgagor claimed that he had entered into, and fully complied with, a loan modification agreement with Lender that should have negated foreclosure; however, the alleged loan modification agreement was unsigned. The trial (county) court ultimately entered judgment against Mortgagor and the property was sold to a third-party bidder (i.e., not Lender) at a sheriff's sale. The trial court confirmed the sale and title vested in the purchaser. Mortgagor appealed to the Court, claiming that foreclosure should have been terminated due to his compliance with the purported loan modification agreement.

In its opinion that upheld the trial court's judgment (including transfer of title to the purchaser), the Court relied on the statute in Illinois' Code of Civil Procedure that bars all claims of parties to foreclosure litigation once title has vested in a purchaser who/that was not a party in the foreclosure case ("*bona fide* purchaser"). Therefore, after the trial court was not satisfied that a binding loan modification agreement had suspended any foreclosure effort by Lender, the subsequent sheriff's sale and transfer of title to the purchaser ended Mortgagor's legal opportunity to overturn the mortgage and recover the foreclosed-upon property.

BankUnited, National Association v. Giusti, et al.

This decision, by the same Court, also relied on the bona fide purchaser rule, but with the added element that Mortgagor (unsuccessfully) tested an exception to the rule. Again, Mortgagor's default led to foreclosure and a sheriff's sale. This time, however, Lender was the winning bidder and subsequently sold the property to a purchaser who was not a party to the foreclosure proceedings ("Purchaser"). With nothing further, this case looks very similar to the case described above, with title vesting in a person not a party to the foreclosure triggering the bona fide purchaser rule shield against challenge to the foreclosure.

However, in this case, Mortgagor asserted than an exception to the bona fide purchaser rule and outcome could be applied. The exception states that if it can be shown that the trial court never had legal jurisdiction over the foreclosure litigation, then the foreclosure was presumptively void and everything after the void judgment, including confirmation of sheriff's sale and vesting of title, would necessarily be void as well.

To successfully prove the exception, Mortgagor would have to demonstrate that no jurisdiction over him had been attained by the trial court because the service of the initial summons upon him was defective "from the record proper," which the Court construed as meaning that the defect had to be obvious within the four corners of the summons itself. The defect of service alleged by Mortgagor was that service of a summons in Cook County must be made by either the sheriff or a ***court-appointed*** process server and in this case, Lender's service of process was not made by a process server appointed by any Cook County court. Mortgagor's assertion of the exception failed, however, when the Court analyzed the fact that service of the summons had been made in Schaumburg, IL and Schaumburg straddles two county lines, existing in both Cook and DuPage Counties. After Mortgagor introduced into evidence a zip code index and a street map to prove that service had, indeed, been delivered in Cook County without a court-appointed process server, the Court noted that reliance on those outside resources actually demonstrated that any alleged geographic defect in service of the summons was ***not*** plain within the four corners of the summons itself and therefore the exception to the *bona fide* purchaser rule was inapplicable and the trial court's judgment transferring title to Purchaser stood. ■

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.

Member News

Trudy Hart retired recently after 38 years of service to **The Clay City Banking Co.** A celebration was held in her honor on July 24. She held the positions of vice president, loan officer, board secretary and branch manager at various times over the years.

Jim Shafer, The First National Bank in Tremont and former CBAI chairman (1995-96), is celebrating 50 years in banking.

Petefish Skiles & Company, Virginia recently celebrated its 150th anniversary. **Andy Burkett**, retired CBSC vice president of member services, presented a plaque to **Paul Reynolds**, president/CEO **Janet Bentley**, executive vice president; and **Chris Barrett**, division president and senior lender.

(Left to right) Reynolds, Bentley, Burkett and Barrett

The First National Bank of Okawville was recently inducted into the CBAI Centurial Club for attainment of 100 years of dedicated community service. A plaque was presented by CBAI to **Dave Rennegarbe**, president/CEO.

Oakdale State Bank recently attained 100 years of dedicated community service. To celebrate the anniversary, a plaque was presented by **Andy Burkett**, retired CBSC vice president of member services (downstate Illinois), to **Randy Ruggles**, president/CEO.

(Left to right) Ruggles and Burkett

Bank of Rantoul celebrated its 100th anniversary. CBAI presented a plaque to commemorate the milestone to **Dennis (Denny) Long**, president/CEO; **Gwen McMorris**, executive vice president and **Roger Fruhling**, 43-year employee.

(Left to right) Long, McMorris, and Fruhling

Texico State Bank was recently inducted into the CBAI Centurial Club for attainment of 100 years of dedicated community service. CBAI presented a plaque to **Tracy Simonson**, president, in honor of the special occasion.

In celebration of its 100 years of community service, **Goodfield State Bank** received a plaque from CBAI, presented to the bank's president, **Chad Martin**, from CBSC vice president **Lesa Black**.

The Frederick Community Bank has also attained 100 years in community banking. Shown commemorating the event are (L-R): **Tom Stock, SVP; Dale Stock, EVP; and Justin Swan, president.**

Citizens First State Bank of Walnut was recently inducted into the CBAI Centurial Club for attainment of 100 years of dedicated community service. **Lesa Black**, CBSC vice president of member services, presented a plaque in honor of the milestone to **Pam Turner**, president, and **Lisa Vick, Michelle Glaudel** and **Kim Jensen**, vice presidents.

(Left to right) Vick, Glaudel, Black, Turner and Jensen

Congratulations to **Raritan State Bank** on reaching 100 years of friendly service! CBAI recently presented a plaque to commemorate the occasion during a retirement celebration for **Christine Argenbright**, who retired with 47 years of dedicated service.

(Left to right) Lesa Black, CBSC; Joseph Krupps, board member; Robert Schleich, president; Christine Argenbright, retiree; Jan Van Arsdale, board member; Marc Coursey, board member and senior loan officer; William Simonson, board member; and Monica Torrance, board member.
Not pictured:
Steven Wisslead, board member
Marcum Spears, board member

Beth Hartenberger, human resources officer, retired on July 31, 2020, after six years with **Buena Vista National Bank, Chester. Beth Zappa**, compliance officer and loan administration officer, has succeeded her.

Murphy-Wall State Bank and Trust Company, Pinckneyville has announced that **Matthew D. Bigham** has been elected chairman of the board and **Brian J. Crawford** as board member. Bigham is the son of David and Nancy Bigham and grandson of former chairman of Murphy-Wall State Bank and Trust Company, the late **Robert Crawford**. Crawford is the son of Connie Crawford and the late **J. Joseph Crawford**, former Murphy-Wall State Bank and Trust Company board chairman, who passed away earlier this year. Leadership runs in the families of both the Pinckneyville natives, as Murphy-Wall has been under the direction of their lineage since the inception of the bank in 1874. Noting on the continuation of the Murphy/Crawford chairmanship of the bank, Bigham who has been a board member since June of 2019, will be the seventh chairman of the board as a direct descendant to the original founder, W. K. Murphy. He received a B.A. in political science with a minor in business from the University of Illinois, Urbana. He then received his Juris Doctorate degree from Saint Louis University School of Law. Following law school, Bigham served as an attorney at law firms in Belleville and St. Louis, MO, before taking his current position as corporate counsel of LS Power Development, LLC in Chesterfield, MO. Crawford attended the University of Illinois in Urbana where he earned his BS in recreation sport and tourism – sports management. In addition, he went on to earn a Master of Science in education – sports administration from Southern Illinois University Carbondale. Crawford used his experience in the Intercollegiate Athletics departments at the University of Memphis, Southern Illinois University and University of Houston. He most recently served as director of marketing for Lowe's Pro/ MSH in Houston, TX.

Bigham Crawford

Welcome New Members

Associate Members

AffirmX/AdvisX LLC
5315 Nokomis Avenue South
Minneapolis, MN 55417-2058
Ken Wolf, CEO
Dana Carrington, Regional Vice President
612-961-0479
www.affirmx.com
dana.carrington@affirmx.com
Audits, Compliance Services, Consulting

Foundation Report (September 2020)

State Bank of Whittington, Benton and Devon Bank, Chicago made installments toward their Silver-level pledges.

North Central Bank, Hennepin, held "dress-down days" on Fridays in May in honor of the Foundation, collecting contributions totaling $182.

State Bank of Toulon's most recent "jeans day" netted $300 for the Foundation.

Board and committee members of the CBAI corporate family donating travel expenses to the Foundation are: **Jeff Bonnett, Havana National Bank; Kevin Day, State Bank, Waterloo; Dan Graham, Flora Bank & Trust; Mary Jo Homan, Chester National Bank; Doug Parrott, State Bank of Toulon; Dave Pirsein, First National Bank in Pinckneyville; and Jim Weast, Warren Boynton State Bank, New Berlin.**

Staff members of the CBAI corporate family making automatic payroll deductions to benefit the Foundation are: **Lesa Black, CBSC; Jerry Cavanaugh, CBAI; Jenny Dial, CBAI; Valerie Johnston, CBAI; Tracy McQuinn, CBAI; Jerry Peck, CBAI; and David Schroeder, CBAI. Terry Griffin of CBAI** also recently contributed to the Foundation.

Staff News

Congratulations to **Mike Kelley, president of Community BancService Corporation, Inc. (CBSC)**, on his 30th anniversary of service to the CBAI corporate family.

Linda McCord, CBAI administrative assistant, celebrated 15 years of service to the association in July. She was given a recognition pin from **CBAI President Kraig Lounsberry**.

McCord and Lounsberry

Andy Burkett retired effective June 30; Burkett joined **Community BancService Corporation, Inc. (CBSC)** as vice president of member services for downstate Illinois in 2012. He had enjoyed a successful 29-year career at CSI prior to joining the CBAI team. In addition to the relationships he formed or strengthened with bankers, Burkett established a more formal bank calling program for staff members of the CBAI corporate family. His relationship-building acumen will be missed.

Jack Kuebel will be joining the team of **Community BancService Corporation, Inc. (CBSC)** as vice president of member services effective September 21. His duties include visiting with bankers in Central and Southern Illinois to learn about issues that are important to them and introducing CBAI and CBSC solutions. Kuebel has a long career as a successful correspondent banker; his wealth of bank knowledge and expertise will complement CBSC's team of seasoned executives serving the great community-banking profession. He can be reached at jkuebel@cbai.com or 563/449-4166.

Please note the following name and email changes in the CBAI Education Department. **Kim Harden** has reverted her name to **Kim Cordier**, her maiden name (kimc@cbai.com). Congratulations to **Tina Horner** who recently married and is now **Tina Wilder** (tinaw@cbai.com).

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