OFFICIAL PUBLICATION OF THE COMMUNITY BANKERS ASSOCIATION OF ILLINOIS

March 2022
Volume 48 • Issue 2

Banknotes

Celebrating
35 years

CBAI
Group Meetings
1987 - 2022

Federal Home Loan Bank of Chicago Keynotes 2022 Group Meetings
page 8

Why Community Banks Need a Cybersecurity Plan
page 18

ICBA ThinkTECH Accelerator Selection Committee: "We Need to Keep Innovating."
page 28

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FEATURES

2022 Group Meeting Tour Set to Go! 08

Provide Personalized Product Recommendations During Online Account Openings . . . 10

Board Members: Keep an Eye on Internal Controls 12

Kuebel Retires After More Than 50 Years in Community Banking Industry 14

Why Community Banks Need a Cybersecurity Plan 18

Celebrate Community Banking Week in Illinois! 20

Consumer Loyalty — Is It Something You Can Count On? 22

Insurance Challenges Continue into 2022. 25

ICBA ThinkTECH Accelerator Selection Committee: "We Need to Keep Innovating." . . . 28

The Fed's Balancing Act for 2022 29

Community Bankers — "We've Got Some Famous Friends!" 30

CDD Spotlight: Olivia Bradley, Legence Bank, Eldorado 32

Commercial Lending Institute Meets for 2022 Session 34

The 2022 CBAI Compensation Survey is Now Online!. 34

How to Figure Out if Your Core Software Has Been Sunset (Without You Knowing It) . . . 37

DEPARTMENTS

In Memoriam 17

Legal Link 41

Coming Attractions 43

Member News 44

Foundation Report 45

Staff News. 45

Welcome New Members 45

PUBLISHED FOR
Community Bankers Association of Illinois
901 Community Drive
Springfield, IL 62703-5184
p. 217/529-2265
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PUBLISHED BY
E&M Consulting, Inc.
1107 Hazeltine Boulevard,
Suite #350
Chaska, MN 55318
p. 800/572-0011
f. 952/448-9928
www.emconsultinginc.com

Celebrating 35 years

CBAI Group Meetings 1987 - 2022

Kokopelli Golf Course

2022 Group Meeting Tour Set to Go!

CBAI leaders and executive staff are visiting 11 locations on the 35th Anniversary Group Meeting Tour this spring. Bankers from nearly 200 banks participate in these enjoyable and informative events each year. Consisting of an informative, hot topic presentation, as well as association reports, Group Meetings provide an excellent opportunity to get the latest information on key banking issues and catch up with friends and peers. See the schedule of Group Meetings that follows and make plans now to attend!

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

Hot Topic Presentation

Where's Your Caddy?
The FHLB is Here to Help Your Bank Play Its Best

Go "fore" more! Like a great caddy, the Federal Home Loan Bank Chicago (FHLBC) serves as a trusted advisor helping our member banks choose the best tools and clubs to navigate today's challenging business landscape. A representative from the FHLBC will provide an update on which direction the wind is blowing in the economy, when to lay up, when to let the big dog eat, as well as the latest tips, tricks and (figurative) sand traps to avoid in order to help your bank score its best round ever.

Skins and Mulligans

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

Association Reports

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

Group Meeting Schedule For 2022

Date	Group(s)	Location
April 25, 2022	10	Annbriar Golf Course, Waterloo
May 9, 2022	7*	Crestwicke Country Club, Bloomington
May 10, 2022	4	Pontiac Elks Country Club
May 16, 2022	3*	Lake Carroll Golf Course, Lanark
May 17, 2022	5*	Weaver Ridge Golf Club, Peoria
May 23, 2022	9*	Jacksonville Country Club
May 24, 2022	11*	Effingham Country Club
May 25, 2022	12	Kokopelli Golf Club, Marion
June 6, 2022	8	Mattoon Country Club
June 9, 2022	1* & 2	Guaranteed Rate Field, Chicago
June 13, 2022	6	Macomb Country Club

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

Door Prizes

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

Golf Prizes

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

Group Meeting Schedule

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

DID YOU KNOW?

New customers self-select the most appropriate products only 30% of the time because they lack a deep understanding of the products and services being offered. Using guided product self-selection, new customers choose the correct products 98% of the time.

Source: IQ Analytics by Ignite Sales

Provide Personalized Product Recommendations During Online Account Openings

Stephenie Williams, Vice President, Financial Institution Marketing Product and Strategy, Harland Clarke, A Vericast Business

The bar for digital personalization has never been higher. Increased use of digital banking, coupled with the reality that people just don't visit branches the way they used to, has made it more challenging than ever for financial institutions to deliver personalized customer interactions.

But don't be fooled into thinking unique conditions have increased consumers' tolerance for service that is less than personal. The fact is, consumer expectation for highly personalized online service has increased, as awareness and perception of emerging technology is at an all-time high.

Consumers expect their institutions to replace vanishing in-branch interactions with digital interactions that feel just as relevant, genuine and personal — or they will look elsewhere. Healthy, long-term banking relationships begin with the ability for financial institutions to provide a personalized online account opening experience — one that offers insight and recommendations for products and services that fit the unique financial needs of customers and members.

Take Charidy and Thomas, for instance. Newlyweds with a great life plan, these new customers are opening their first bank account together using a method that is now the new normal — online. Left unassisted to self-select products and services, Charidy and Thomas are unlikely to take full advantage of the benefits available to them and are left unaware of missed opportunities. It's a disadvantage shared by many others.

Superior Account Openings Start Relationships Off On the Right Foot

Technology has redefined how we connect with consumers. Financial institutions are now capable of delivering a wide array of online personal banking experiences. Chief among them is the ability to engage new customers and members in relevant Q&A dialogue and make real-time recommendations on products and services based on those important digital conversations.

By simply asking a few basic questions about financial goals during an online account opening experience, institutions are able to obtain all the information needed to make effective, personalized product recommendations that best serve the needs of customers and members.

Using intuitive digital dialogues, it takes just a few minutes to not only learn Charidy and Thomas's current needs, but also about their future personal and financial goals. This initial digital conversation provides the information needed to recommend the best products based on their current financial situation. It also offers insight and timing for future engagement opportunities designed to support every stage of their financial journey.

Turn Passive Users Into Active Engagers

Even as you build out digital products and services, you want consumers to be active engagers of your online tools. Accenture's Technology Vision 2020 Report reveals a key tech trend is to help people choose their own adventure. This is accomplished by redesigning digital experiences with new models that turn passive audiences into active participants by "transforming one-way experiences into true collaborations."

Charidy and Thomas have a 401(k) retirement account, but that's all. Their initial digital conversation informs us they are interested in other wealth management options to secure their future. They would like information on where to start.

FACT

About 84% of banks have not mapped their customer's financial journey.

Source: Lay, Robert James, "How to Create a Digital Brand Strategy for Optimal Growth," Digital Growth Institute, 2019

One of the best ways for financial institutions to increase engagement is with tools that enable people to discover ways to grow their financial wellness. From a how-to video on improving a credit score, to an online class on how to save for a home or launch a small business, the tools you provide customers and members will motivate them to seek more of your services within those sectors.

It also inspires them to reach out about other options, especially once they know you have more useful services. These initial conversations have the ability to create revenue, because you're showing them answers to questions about things they want to accomplish. Even if they're not ready to commit today, knowing their future needs will let you start that conversation at just the right time.

Charidy and Thomas have a detailed financial plan that affects all aspects of their lifelong journey together. They live in the present and look toward the future. The predictive capabilities you need to help them reach their goals and diagnose problems and challenges along their consumer journey comes from continued on and offline engagement. In doing so, you win Charidy and Thomas's trust, loyalty and respect.

Mapping the Digital Consumer Journey

Consumers are passionate about maintaining financial wellness as their lives change and evolve. Financial institutions that fail to provide the digital tools and platforms to automate, simplify and satisfy growing demand for 24/7, year-round personalized service risk losing the loyalty and trust of customers and members to institutions that do.

The Digital Consumer Journey Begins With A Single Step

Getting and keeping the attention of your customers and members comes down to reinventing the online account opening experience. Ideally, it's the start of a circular journey that lets you reach them at key moments with recommendations and advice that boost their confidence and help make their decision-making easier.

Financial institutions that use online technology to engage families, support their values and priorities, assist them in building and preserving wealth responsibly and help them meet their goals at every life stage, create strong professional and personal relationships that last a lifetime. ■

Stephenie Williams is the vice president of financial institution marketing product and strategy for Harland Clarke, A Vericast Business. She has more than 20 years of experience in direct marketing, strategic planning, product management and promotions in the financial services, retail and automotive industries. Harland Clarke is a CBSC Preferred Service Provider.

BOARD MEMBERS:

KEEP AN EYE ON INTERNAL CONTROLS

Rafael DeLeon, SVP Industry Engagement, Ncontracts

It's not every day a bank board is held responsible for basic board governance, but that's exactly what's happened in a recent consent order.

A Texas bank recently entered into a consent order related to weaknesses in board and management oversight, among other issues. Loans to insiders and role-based IT security controls were among the issues the FDIC and Texas Department of Banking cited. Consent orders like these are a good reminder of how important it is for a bank to choose inquisitive, proactive board members that understand their responsibilities — and take them seriously.

Bank directors have two primary responsibilities:

The duty of loyalty requires directors and officers to administer the affairs of the bank with candor, personal honesty and integrity. They are prohibited from advancing their own personal or business interests, or those of others, at the expense of the bank.

The duty of care requires directors and officers to act as prudent and diligent businesspeople in conducting the affairs of the bank.

Strengthen the Board. Ideally, the bank should have a diverse mix of directors that promote director independence.

Why is this important? Board members need to be able to provide a credible challenge to bank management's actions and decisions. External directors are those that are not tied to the bank or its management. Many bank failures are attributed to weak or passive board oversight and governance.

Conflicts of interest. Board members have an obligation to act in the best interest of the financial institutions they serve. That doesn't always happen though.

In this case, the consent order requires the board to develop and commit to a code of ethics. Board members should be required to disclose conflicts of interest, including transactions with insiders and family members. These transactions should be pre-approved by the board and conducted at an arms-length. If a board member has a conflict of interest, they should abstain from voting.

The bank is also required to bring on a majority of external directors. An external director isn't an officer of the bank, shouldn't own more than five percent of the bank, and/or shouldn't owe the bank more than five percent of its Tier 1 capital or allowance for loan and lease losses. An external director also shouldn't be married, related to, or connected to these insiders.

The board should proactively govern bank activities. From approving bank policies and objectives to overseeing executive and senior management, board members should approve a process to monitor all of a bank's activities and compliance.

This is accomplished with monthly meetings to monitor the overall condition of a bank, its risk profile and compliance. It should review and approve documents and internal controls such as:

- Transactions with affiliates
- Audit reports
- Reports of income and expenses
- Waived and refunded account fees
- Overdraft reports
- Investment activities
- Operating policies and procedures
- Committee actions
- Bank Secrecy Act/Anti-Money Laundering reports
- Information technology/cybersecurity reports
- Exceptions to law and internal policies

Review internal controls. A good board should review risk assessments and internal controls with an eye for areas of increased risk. In the case of this bank, it means taking a closer look at the bank's cybersecurity program (and actually putting a program in place).

"From approving bank policies and objectives to overseeing executive and senior management, board members should approve a process to monitor all a bank's activities and compliance."

The consent order says the board needs to develop and implement procedures that prevent insiders from circumventing internal routines and controls. It also needs to revoke non-employee access to bank systems and develop a cybersecurity program and IT audit program.

Training. The consent order requires board training. This training must be ongoing, updated and held at least annually.

THREE LESSONS FOR BANK BOARD MEMBERS

While we don't know the details of what happened at the bank, there are still plenty of takeaways for bank directors.

1. **Know what's going on.** A board member isn't typically expected to understand the minutia of a bank's IT program, but they should be sure there is a cybersecurity program in place and know enough to ask if an IT audit has demonstrated any significant weaknesses in the program. This holds true for all areas of risk management. A board member doesn't need to be an expert, but they need to know to ask the right questions.
2. **Take ethics seriously.** Key components of a good ethics policy address conflicts of interest, insider activities, accountability and consequences. Board members must behave ethically and hold their fellow board members to the same high standards. There should be systems in place that make it extremely difficult for one bad actor to take advantage of the institution.
3. **Provide a credible challenge.** Ask questions and stay informed. Board members should expect management to provide them with all the reports and documentation they need to understand the risks, challenges and opportunities an institution is facing. Know what reports to expect and take the time to review the key points. If something doesn't make sense, ask questions and push back.

Remember, examiners will be looking at your board to determine how they're handling matters of strategy, performance and risk oversight. ■

Rafael DeLeon is senior vice president of industry engagement at Ncontracts. He can be reached at rafael.deleon@ncontracts.com. Ncontracts is a CBSC Preferred Service Provider.

DID YOU KNOW?

The Bank Secrecy Act includes the duty to identify and report suspicious transactions relevant to a possible violation of law or regulation in suspicious activity reports.

Source: U.S. Financial Crimes Enforcement Network

KUEBEL RETIRES

AFTER MORE THAN 50 YEARS IN COMMUNITY BANKING INDUSTRY

Jack Kuebel retired as CBAI's vice president of member services, downstate Illinois, on January 31, 2022. After retiring from Quad City Bank & Trust in 2020, CBAI was fortunate enough to convince Kuebel to join our team. His time as a CBAI calling officer capped off an accomplished career in the community banking profession that has spanned more than five decades.

In 1970, following his tour of duty in Vietnam, Kuebel took his first career job as a mail teller at the Federal Reserve Bank of St. Louis. He worked for the Fed through college, and upon graduating in 1974, Kuebel accepted a position in the Fed's Bank Supervision and Regulation Division. Shortly after passage of the Monetary Control Act, which opened up Fed services to all financial institutions, a new department was established. The Fed now needed calling officers to visit all banks, savings and loans and credit unions. Kuebel applied and was chosen as one of the first account executives of The Federal Reserve System. Thus began a 40-year career as a correspondent banker calling on community banks in Illinois. According to Kuebel, one thing hasn't changed during his 40 years in that role. "Correspondent banking is still a relationship business, but that relationship is only as strong as the trust the community banker has in their correspondent banker," Kuebel said.

Kuebel speaks fondly of the 40 years establishing correspondent relationships that have now turned into friendships. "I never got up in the morning feeling that I had to go to work. I never really considered calling on community bankers as work. It was more of a job that fit perfectly into my type of lifestyle," he admitted.

Kuebel has had many highlights during his 50-year career in community banking. Although many of these high points fall into the category of what he warmly refers to as "what happens on the road, stays on the road," he proudly admits that one stands out above all others. A year and a half prior to the end of his 40-year run as a correspondent banker, Kuebel had the opportunity to travel all over Central and Southern Illinois introducing community bankers to their next correspondent banker — his daughter, Mo Kelley. As a father, it was no less than a dream come true. He is extremely grateful to Quad City Bank & Trust for giving him that opportunity. He also shared his appreciation to CBAI for all of its guidance and support during his entire correspondent career.

Over the years, Kuebel visited and fostered relationships with countless community bankers. "To all the bankers who have opened up their doors and allowed me to come in for a visit, thanks for the memories," he stated simply.

CBAI congratulates Kuebel on his well-deserved retirement as a loyal, respected and dependable constant in the community banking profession for more than 50 years. He will be greatly missed by many as both a colleague and a friend. ■

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

Nominations are being taken for the 2022 Excellence & Innovation BKD Award, presented by CBAI and the accounting firm of BKD LLP. The purpose of the award is to recognize banks with an outstanding, innovative product/service or program. Your bank does not need to be a BKD client to enter. Nominations are due at CBAI headquarters no later than Friday, June 3, 2022.

Last year, the winner was Marquette Bank, Orland Park. This year, your bank could be the winner! Enter your bank now!

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

In Memoriam

Donald A. Offermann

Donald A. Offermann, 84, of Red Bud, IL, passed peacefully on December 26, 2021, surrounded by his wife and children. He was born on April 30, 1937, the son of Viola (Binder) and the Reverend Theodore Offermann. His early years provided many adventures of parish moves and farm life along with his five siblings: Joan (Schnelle), Gerald, Judith, Virtus and Nathan. After graduating from Lockwood High School in Missouri, Offerman was eager to get to the "big city." With nothing but a suitcase and a pillow, he headed up to Concordia Teacher's College (now Concordia University) in River Forest, Illinois, at the young age of 17.

While attending college, Offerman met his wife, Verna, daughter of Ruth (Meyer) and Professor Richard Lange. They married on June 18, 1960, and were blessed with four children: Daniel, Nancy, David and Monika. After earning his Bachelor of Science degree in English from Concordia in 1958, Offerman answered the call to teach English at Luther North High School in Chicago. In 1964, he embarked on his long career at Oak Park and River Forest High School (OPRF). He began by teaching English and coaching soccer and track. He moved on to become assistant chair and chair of the English Department, assistant principal, assistant superintendent, associate superintendent, and finally superintendent/principal, retiring in 1999. While at OPRF, he also served as an adjunct professor at DePaul University and Loyola University, Chicago. During his long career, he shared his passion for learning and leading, always maintaining his core values of putting students and their best interests first. He truly exemplified the school's motto of "Those Things That Are Best."

Offerman was not one to stay idle. Thirteen days after retiring from public education in 1999, he started a 21-year career at **Forest Park National Bank and Trust Company.** As senior vice president of business development, he continued to serve the communities he loved. He was instrumental in the Madison Street Forest Park redevelopment, helping to transform it into the thriving retail, dining and entertainment destination that it is today. Offerman was always willing to volunteer for bank and community development activities.

After family, faith and community, Offerman's passion was running. His discipline and dedication in the classroom seamlessly translated to the track at OPRF, where he enthusiastically coached several state champions and shared his drive to excel. He ran in many local road races and was a leader in his age group. In 1968, he was a founding member of the Oak and William Running Club, later known as the "OWIES." To this day, the group regularly gathers for early morning runs.

Offerman is survived by his loving wife of 61 years, Verna, children Daniel (Cynthia), Nancy (Doug Shea), David (Gina), and Monika (Terrence Nash), and grandchildren Graham, Lindsey, Colette, Kendra, Matthew, Aaron, Paul, Griffin, Drew and Jackson. ■

Why Community Banks Need a **Cybersecurity Plan**

Krystal Rennie, Communications Manager, Adlumin

In a world full of adversity, there is much to be said about the knowledge and strength it takes to overcome setbacks on an individual and organizational level. The cybersecurity landscape is constantly changing, and banks must adapt to stay ahead of the dangers that exist in the cyber world. For example, in the community banking world, only one of your employees in IT might be responsible for protecting your company from cyber intruders. Unfortunately, their job could include things such as desktop support, and they might not be able to adequately stretch themselves to protect your community bank from cyber threats. This article will explore the importance of cyber resilience, its five pillars, and the power of embracing your cybersecurity journey.

Understanding Cyber Resilience

The National Institute of Standards and Technology (NIST) defines cyber resiliency as "the ability to anticipate, withstand, recover from and adapt to adverse conditions, stresses, attacks or compromises on systems that use or are enabled by cyber resources." Today, organizations are learning to complement their cyber resilience strategies with security solutions that uphold their posture.

While cybersecurity focuses on protecting information, technical devices and systems, cyber resilience focuses on keeping business and resources intact amid industry failures and threats. Your organization should educate its employees about the malicious actors existing in the cyber world. Ultimately, the more you know, the better prepared you will be.

Pillars of Cyber Resilience

Your bank's cyber resiliency posture cannot be assessed until all the pillars that make up a proper strategy are considered. Below are the top five pillars of an ideal cyber resilience framework according to Security Intelligence:

1. **Identify:** Organizations should have a strong understanding of all the resources that support their critical functions from a business and cybersecurity standpoint.
2. **Protect:** Organizations should safeguard all critical infrastructure services and information. This can be done by implementing cybersecurity policies and solutions to add a robust layer of protection.
3. **Detect:** Organizations should constantly monitor their enterprise network traffic for

malicious activity to detect any signs of data breaches or other significant threats. Investing in a cybersecurity solution will create a more effortless process for scanning your network.

4. **Respond:** Organizations should be responding to any significant threats or unsuspected activity in real time.

5. **Recover:** Organizations should implement disaster recovery and business continuity plans in case of a data breach or cybersecurity incident.

Taking Control of Your Cybersecurity Experience

As the cyber and Internet of Things world around us continues to evolve, so do the patterns of cyberattacks. For the experience to be practical, you must consider the social and capital investment involved with developing a cybersecurity strategy. According to the Ponemon Institute:

> *"Organizations are making investments in technology that do not strengthen their cybersecurity budget based on the wrong metrics. Fifty percent of respondents say their organizations are wasting limited budgets on investments that don't improve their cybersecurity posture. The primary reasons for the failure are system complexity, personnel and vendor support issues."*

The truth is, both companies and employees have a responsibility to protect their networks, servers and personal and professional information. Consequently, it is a common theme that the burden of ensuring security is placed on employees' skillsets. However, this is not the best approach unless your organization provides the proper tools, training and policies needed to uphold the company's cybersecurity posture. The key to building a better cybersecurity toolbox is rooted in the relationship between a cybersecurity solution and its users.

Embracing the Journey

Having a strategy and system in place that continues to run smoothly despite adversities directly reflects cyber resilience. Your community bank should be able to identify, protect, detect and react when facing cyberattacks. As stated in *Security Magazine*, "IT should enable businesses to make informed decisions on how to manage cyber risk while continuing their growth plan. Most directors or CEOs today realize the consequences on the bottom line apart from the damage to reputation caused by a breach or an attack." Investing your time, resources and capital into cybersecurity solutions is an essential measure of success — it will ensure network security and protection.

Proper growth always begins internally. Banks that normalize and implement security best practices **can** achieve cyber resilience. If your organization can adapt its traditional approaches to include cybersecurity, it will be better equipped to recover from complications down the road. In the end, a quick bounce back is better than a long-term setback. So, what better time than now to act? ■

Krystal Rennie is the communications manager at Adlumin. She can be reached via email at krystal.rennie@adlumin.com. Adlumin is an ICBA and CBSC Preferred Service Provider.

FACT

92% of consumers have concerns about the security of their personal confidential data online.

Source: Computer Services, Inc. Harris Poll

Celebrate Community Banking Week in Illinois!

Community Banking Week in Illinois is coming up April 3–9, 2022, and April is National Community Banking Month. This is a perfect opportunity to spotlight the importance of community banks. Help us celebrate the invaluable contributions community banks make to their local economies. Community bankers regularly assist customers who are facing unforeseen economic hardships. Whether it's a pandemic, layoff, strike or other unexpected personal economic emergency, community bankers will always work with their customers, be it individuals, small businesses, farmers or local governments, to find ways to weather the storm together. The theme of this year's Community Banking Week in Illinois is "Lending a Helping Hand." Community banks are committed to their communities and play a vital role in the success of individuals and businesses alike. They are always looking for new ways to help lend a hand in their communities to make a positive impact.

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

JEAN DAYS (OR DRESS-DOWN DAYS)

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

FACEBOOK CONTESTS

Hold contests on Facebook and offer prizes to the winners.

Facebook Contest Ideas:

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

SUPPORT LOCAL BUSINESS CUSTOMERS

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

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

Highlight a different business customer on Facebook every day.

GET KIDS INVOLVED

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

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

NEWS RELEASES

Community Banking Week is a perfect time to send out a news release on how your bank is helping your community and customers. Let's blanket the media with encouraging news stories with a positive focus on community banks!

CUSTOMER COMMUNICATIONS

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

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

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

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

SPECIAL PRODUCTS/SERVICES

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

SMALL-BUSINESS ACCOUNTS

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

APRIL IS ALSO:

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

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

Share with us how your bank is celebrating! Email us with your plans! Tag us in your Facebook posts! We want to share what your bank is doing with CBAI members statewide on our social media and in our Banknotes magazine. Contact Valerie Johnston at valeriej@cbai.com. ■

Consumer Loyalty —

Is It Something You Can Count On?

Keith Brannan, Chief Marketing Officer, Kasasa

Consumer loyalty is a phrase that's thrown around quite a bit these days. But what is it really? Well, the definition is actually pretty simple.

Consumer loyalty is an ongoing emotional relationship between you and your consumer, which determines how likely they are to repeatedly purchase products from you versus your competitors.

This loyalty is a byproduct of positive experiences that drive repeat purchases, utilization of purchases, ongoing engagement and proactive support. And here's the thing — everybody thinks their consumers are loyal and will definitely not be going anywhere else. And for many, that may be true. But we found some numbers that may surprise you.

It would certainly stand to reason that the consumers at community financial institutions became a LOT more loyal after the financial services industry meltdown. But between 2008 and 2018, $2.4 trillion in deposits moved from community and regional banks to the three largest megabanks.[1] And more recently, deposit growth at the top 25 banks from the end of 2019 to March of 2020 topped $500 billion. That's half a trillion in three months. And what's even more concerning is the reason for that last stat was described as a "flight to quality."

That doesn't feel like an overwhelming number of loyal consumers. But let's take a look at where loyalty comes from. There are four kinds of consumers:

- Happy customer
- Loyal based on price or freebies
- Loyal based on convenience
- Truly loyal customer

Out of the four, only one is an actual loyal consumer. The others are easily swayed with better offers, more convenience or just the promise of greener pastures. So, the first three are all shoppers and need to be continually sold. If you're not talking to them, someone else will be.

DIGITAL EXPERIENCES MOVE CONSUMERS

For years, banks have talked about service as a major selling point, but if you want to really compete, you need to add an "s" to the end of that word. It's all about services for today's consumers.

Let's start with digital. The new challenges for community banks cannot be addressed by conducting "business as usual," especially when it comes to digital quality. According to a Harris Poll from Sept. 2021:[1]

- 53% of consumers who move to a regional or national bank do so because they have a better digital banking experience.
- 47% of consumers who use regional or national banks do so because they have better digital banking.
- 44% of banking consumers prefer community banks, but their digital banking doesn't meet their needs.
- 50% of consumers believe digital-only banks have better digital banking.

This introduces a new challenge that can really create frustration for community financial institutions. Whereas some people think digital banking is all about mobile banking and what you can do in it, it goes way beyond that. It's about how you engage them, how you communicate with them, how you market to them and how you serve them.

The attributes Americans identify as an acceptable digital experience include:

- **Convenience** — "I can do anything digitally that I can do in a branch"
- **Simple** — "Easy access: all the latest bells and whistles"
- **Unique** — "Content and offers designed for my specific needs"

The expectation is a very high-level digital experience. Oddly enough, unique isn't as big a driver as you might think. The fact is, they still want to do business with community financial institutions that they trust and feel secure with — but they demand simple and convenient.

THEY'RE ALREADY SHOPPING — ARE YOU SELLING?

No institution wants to think their consumers are shopping other financial institutions. But let's be real — **today's consumers have relationships with a number of financial entities at the same time**. And, if those entities are smart, they're constantly selling them more products and services. Based on what we know about loyalty, institutions are gambling if they don't recognize that every financial provider that does any business with your consumer is a threat to the primary financial institution relationship.

Overall in the industry post-COVID, 22% said they are very likely to switch their primary financial institutions in the next year or two.[2] And 24% of consumers said they have opened a bank account in the last 12 months.[3] Those are significant numbers.

But what is it that causes these defections? Well, according to a Bain Retail Banking NPS Survey, the percentage of the respondents cited these reasons for defecting to a competitor of their primary bank:[4]

- 53% More affordable product
- 36% Better digital tools
- 36% Simpler purchase process
- 36% More convenient

IF YOU'RE NOT TALKING, SOMEONE ELSE IS

The past two years have seen a major slash in marketing budgets, especially for community financial institutions. And nobody could blame them; that's mostly seen as discretionary income that can be cut when needed. But with so many going quiet, there was **a lot less noise in the marketing space** — and a lot more opportunity to be heard.

During the pandemic, there was a 51% overall increase in digital account applications, and a 37% increase in online applications from digital marketing channels. In other words, those that continued marketing and had a voice during that time saw results from a very captive and receptive audience.

Shopping is high right now. Not being in constant communication with your existing customers is risky. When asked how they found out about a product they purchased from their primary bank's competitor, nearly 30% of respondents said it was a direct offer from a competing bank. And when asked if they would've purchased that same product from their primary bank if an equivalent offer had been made, 80% said YES.[4]

The key is to stay engaged with your existing consumers while courting new ones. Remember, those shoppers also include your competitors' existing consumers. There's an opportunity to gain new consumers, as well. What you can't do is sit back and just expect a high level of loyalty, because it simply doesn't exist in today's consumers.

Remember, when you cut marketing to balance expenses, what you're really trying to do is reduce risk by cutting expenses. But when you do that, you're also introducing a new risk. The risk of not engaging your consumers while others are.

The competition is H-O-T right now — for ALL your consumers. If you haven't ramped your marketing back up, you need to. ■

Keith Brannan is the chief marketing officer at Kasasa. He can be reached via email at keith.brannan@kasasa.com.

Sources:

1. Harris Poll Finalytics AI Sept 2021

2. Insider Intelligence, eMarketer, February, 2021

3. Foresight Research, August 2020, The Financial Brand

4. Bain Retail Banking NPS Survey, conducted with Dynata, 2020 (n=55,800)

DID YOU KNOW?

40% of respondents said they are likely to leave their primary financial institution for digital banking that compares to an online shopping experience.

Source: Harris Poll Finalytics AI


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INSURANCE CHALLENGES

CONTINUE INTO 2022

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

As goes the economy, so goes the insurance industry. Challenges abound for us all. Just when we hit the restart button on the pandemic, the omicron variant hit with a vengeance. Record low unemployment has been reported, but employers can't attract enough prospective workers to fill an abundance of vacancies. Cargo awaiting shipment increases the woe upon the supply chain. The Fed is showing signs of a change in the prime interest rate, presumably in an attempt to curb the continued surge of double-digit inflation that we haven't seen in decades. If that wasn't enough, international attention rests upon Russia's Putin knocking at the border of Ukraine.

The big picture in the insurance market report remains a confluence of factors challenging the industry, including social inflation, the trend of rising insurance costs as a result of increased litigation, plaintiff-friendly judgments and high jury awards, increased storm activity and pandemic losses. Additionally, carriers' ability to offset these results through investment income remains a challenge.

We are now seeing rate increases moderating for some lines. Community banks remain a competitive niche. After three years of substantial rate increases in other lines, we're reaching a point of rate adequacy in the market, which is leading to more moderate rate increases. The market is trending slightly flatter, though not in every service line. Cyber, for example, has kept up sizable year-over-year rate increases, with median increases of 39%, while workers' compensation rates showed the smallest increases, with median change at a mere 2.5% due to a drop in claim frequency during the pandemic.

Three years of carriers raising rates, restricting limits and increasing deductibles have generally made the market more attractive to new business. Carriers' combined ratios have improved for most of 2021 leading into 2022.

A trend we are watching is rate adequacy leading to increased carrier competition. There are a number of new entrants to the market and increasing competition as underwriters look to write new business. We see a mix of insurers, some that want the larger financial institution account, while others are content to compete in the small to mid-range. We expect this to level off rates further into 2022. Exceptions include challenged placements, those with poor financial performance, lack of multifactor authentication, nonperforming loans, change in focus, and accounts who've experienced losses.

Pandemic concerns about how COVID-19 will impact the industry both from a loss and exposure standpoint are starting to ebb, but some uncertainty remains. For instance, experts warn of more workplace class-action litigation this year, particularly for wage and hour issues.

Commercial auto rates are not being driven by annual mileage, rather by costs to repair or replace, which are not going down. General liability slip, trip and fall claims now have a high propensity for settlement offers, even

Continued on next page...

if fraud is suspected, to avoid court costs and other expenses. Publicly-traded businesses seeking directors and officers liability insurance (D&O) will also experience a "sticker shock" premium. Lastly, umbrella/excess liability insurance may not be offered at the same limit as expiring. This, too, is industry-dependent.

In the property lines, there are still challenging renewals out there, especially challenging occupancies such as vacant property, lack of third-party engineering reports, and catastrophe-exposed businesses. In the Midwest, there's a higher trend by underwriters to insist upon wind/hail deductibles.

Every insured needs to avoid huge discrepancies between current insured values and the actual replacement cost at the time of the loss! Inform your insurance partner of updates to your premises, particularly improvements and betterments, including the roof, heating, ventilation, air conditioning and plumbing.

Professional lines demand expertise in the placement of FI Bond; Executive Risk D&O/E&O; Fiduciary Liability; Employment Practices; and Cyber/Related Liability. Overall, deductible/retentions went up to keep price increases in line with expiring. Three-year commitments are only selectively available for the most qualified of insureds, notwithstanding many cyber programs. The frequency of securities class actions continues to pressure the D&O market. The shift from state court to federal court for merger objection cases has also contributed to changes in terms and conditions.

"Every insured needs to avoid huge discrepancies between current insured values and the actual replacement cost at the time of the loss!"

With the rise in ransomware attacks across the U.S. and increases in carriers reporting losses, the cyber insurance market hit an inflection point in 2020. Insurers became pressured due to increasing frequency and severity of cyber claims and a more stringent regulatory environment at the state, federal and international levels.

Nearly ALL carriers now require attestation of at least some preventive controls, which likely include multifactor authentication, remote desktop protocol, data backup practices, segregation of networks, encryption, patch management, privileged account management, employee training and a host of others.

Most cyber insurance buyers are feeling the impact through time-consuming and complex renewals, with many obtaining less coverage at a higher cost. This will likely force some insureds to offset these costs by assuming greater self-insured retention and taking an even greater role in actively managing cyber risk.

In summary, while market conditions have begun to stabilize, make no mistake: this remains a challenging marketplace overall. We expect to see rates continue to moderate in some lines throughout 2022, with the exception of cyber insurance, which remains the most troubling line we have seen in recent memory. ■

Patti Tobin, CIC, insurance advisor, area financial institutions director, Community BancInsurance Services, a division of Arthur J. Gallagher & Co., the exclusively-endorsed insurance representative of CBAI/CBSC, can be reached at 217/414-4485 or patti_tobin@ajg.com.

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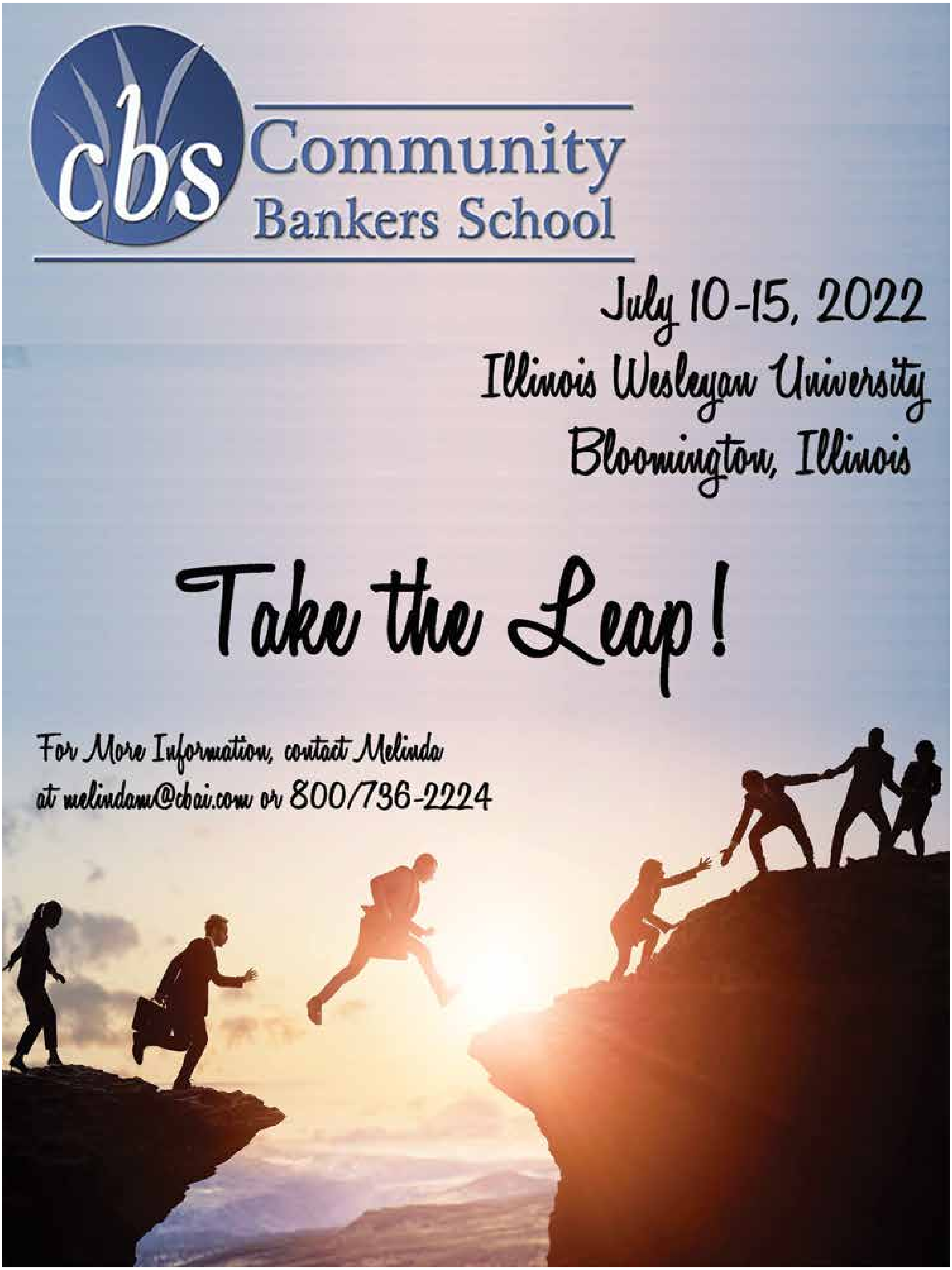
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ICBA ThinkTECH Accelerator Selection Committee: *"We Need to Keep Innovating."*

Charles E. Potts, Executive Vice President and Chief Innovation Officer, ICBA

It's hard to believe that we recently kicked off our fourth ThinkTECH Accelerator and even more astonishing that the caliber of companies applying to help community banks' greatest pain points continues to improve. But as I've been known to say, if you want to remain relevant, you must continue to push the limits and challenge the status quo.

Community banks understand this intrinsically, and their enthusiasm and passion to continue to break through traditional barriers helps advance Independent Community Bankers of America's (ICBA) innovation objectives. In turn, this attracts like-minded fintechs eager to learn and refine their offerings to suit the needs of community banks and their customers. This year's cohort will have complimentary access to ICBA Community Banker University's Principles of Banking curriculum. But even before final selections were made, there was a noticeable uptick in general understanding of community banking and the challenges and opportunities therein from our pool of candidates.

"The companies' community banking knowledge and preparedness coming into the interviews this year was much higher than ever before," agreed John Buhrmaster, president and CEO of $597-million-asset 1st National Bank of Scotia, NY, and an Accelerator Selection Committee member since its inception. "That tells me that the smart people out there know about the ICBA ThinkTECH Accelerator and see the advantage of working with community banks."

The committee received upward of 200 applications from around the globe, spanning all aspects of community banking. "Thankfully, we planned accordingly with our largest and most diverse Selection Committee roster, which allowed for an expanded view of problems to solve," said four-time committee member Kathy Strasser, executive vice president, chief operating officer, and chief information officer at $1.7-billion-asset IncredibleBank, in Wausau, WI. "We had people who knew what questions to ask to explore these companies' pricing models, implementation plans, partnership approaches and beyond. Banks can have a lot of faith in the selection process."

This deep expertise gave way to a tightly focused group of topics to address, zeroing in on the areas of lending, back-office automation, data and business intelligence, financial wellness and cybersecurity. Even with this targeted approach to selection, this year's application pool was so competitive that it led to 11 companies being chosen to participate instead of the standard 10 [see sidebar].

And it wasn't just quantity, the quality of the applicants was consistently strong. These companies came to their interviews ready to roll into the Accelerator boot camp.

"We saw more mature companies and more seasoned founders," summed up Buhrmaster. "This is the most developed cohort we've had, and they were the best prepared for their audience that I have ever seen."

Though they have a firm foundation, over the course of the program, these companies will continue to evolve their offerings based on feedback from community bankers. We hope you'll consider bringing your team to find out more about what they have to offer, and provide guidance to help further refine these offerings so by the time they're ready to unveil their offerings during ICBA's ThinkTECH Showcase, they'll be suitably ready to hit the ground running.

"We are the lifeblood and backbone of communities, and as such, we need to keep innovating," said Strasser. "Given the pace of change, it's exciting to have these fintechs that are going to help us. Community bankers should be encouraged about this opportunity." ■

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

THINKTECH ACCELERATOR 2022 COHORT

1. **Accrue** — loan origination/business account opening
2. **Chimney** — (formerly Signal Intent) next generation financial calculators
3. **DocFox** — business account opening/Bank Secrecy Act compliance
4. **KlariVis** — data and business intelligence
5. **LemonadeLXP** — learning experience/digital adoption
6. **Quilo** — installment lending
7. **Senso** — lead generation for mortgages
8. **Sequretek** — cybersecurity
9. **Unifimoney** — investing and money management
10. **Vero Technologies** — floor plan lending
11. **WealthStack** — SMB-focused financial wellness platform

THE FED'S BALANCING ACT FOR 2022

Jeff Caughron, Chairman of the Board, The Baker Group, Oklahoma City, OK

On the first trading day of 2022, the U.S. 10-year Treasury Note yield jumped above 1.60%, then traded up another 10 basis points (bps) in the two subsequent sessions. That was a 35 bps increase in two weeks and aligned with a similar move higher for market measures of inflation expectations. The bond market hadn't seen a worse start to a year since 2009. It seems the market is entering the new year with the same concerns and uncertainty that plagued it for most of 2021, but with greater urgency. We've seen this movie before, though, and it's clear that policymakers and investors alike need to carefully assess the strength and staying power of an inflation environment that's unusual, but not-so-transitory.

Typically, an inflationary impulse arises late in an economy cycle and is driven by an overheating economy where everything is maxed out, hitting on all cylinders, and strong demand is pulling up the general price level. That is not really what's happening now. Instead, we're dealing with "supply shock" inflation where COVID-induced shutdowns produce bottlenecks and sclerotic trade flows. Dock workers, truck drivers, processing personnel and other key points in the supply chain are working with reduced staffing and capacity, causing ripple effects throughout the system. So, are rate hikes and tighter monetary policy the right medicine for "supply shock" inflation as is normally the case with "demand pull" inflation? Or might a higher cost of borrowing just exacerbate the supply chain disruptions?

Former Treasury Secretary Lawrence Summers recently warned of a trying period for the U.S. economy in coming years with a risk of recession followed by "stagnation." He fears that "we are already reaching a point where it will be challenging to reduce inflation without giving rise to recession." Fed decision-makers are all too aware that if they move too aggressively and inflation really is just a matter of temporary supply chain problems, they run the risk of creating recession to little purpose. The Fed needs to go slow if the inflation trend is truly benign, but if it has deeper, more fundamental roots, too gradual a policy would allow inflationary psychology to become embedded in the economy, risking a wage-price spiral, pushing households and firms to get ahead of assumed cost increases and resort to stockpiling. That's Summers' worst-case scenario: a return to 1979.

There can be no question that the Fed is right to accelerate the "tapering" and stop pumping liquidity into an over-liquefied banking system. In their zest to prop up the economy way back when COVID was new, they characteristically overdid the job, creating way too much cheap money, distorting financial markets, and fueling asset price bubbles in speculative assets that pose serious risks going forward. The quantitative ease needs to stop. That's the easy part of the Fed's task. The hard part is subsequently determining when and how fast to raise rates.

The flattening yield curve is a reflection of the dangerous waters the Fed must navigate. Short-term yields have risen commensurate with the expectation of multiple rate hikes. All members of the Federal Open Market Committee (FOMC) now see at least one, and some see as many as four hikes in 2022. Longer-term yields, though, have behaved differently. Despite the new year's jump, the 10-year yield remains below its March 2021 high of 1.75%. That may change, of course, but the fact that yields in the long end have moved so slowly up to this point has allowed the yield curve to flatten and belies genuine concern about growth going forward. The Fed is indeed walking a tightrope. Let's hope they're able to keep their balance. ■

Jeffrey F. Caughron is chairman of the board with The Baker Group. Caughron has worked in financial markets and the securities industry since 1985, always with an emphasis on banking, investments and interest rate risk management. Contact: 800/937-2257, jcaughron@gobaker.com.

Holly Hoffman

Community Bankers — We've Got Some Famous Friends!

There's a popular country song by the same name that reminds us that our communities are second to none. When we are "home," we have folks others may never have heard of — but they are famous in our county.

This is the epitome of community bankers and community banking. It's all about home and the people you know — and community bankers are part of those famous friends.

Community bankers are synonymous with supporting and helping their communities. They're first in line to support the local sports teams with sponsorships, to donate classroom supplies, or maybe just to offer a thank you cup of coffee and donuts to our amazing teachers. Community bankers may provide the local sheriff or coach with a home loan, help the local minister organize a charity drive, support the local mechanic opening an exciting new business or assist new parents starting a college fund. Community bankers want to see all their "Famous Friends" in the spotlight of success.

Whatever county we are from, we all know our crowd is second to none. Our "Famous Friends" are the ones that make our community special. They might not be famous everywhere they go, but when we're home — We've Got Some Famous Friends! You don't want to miss CBAI's 48th Annual Convention & Expo as we roll out the red carpet for our community bankers, September 29–October 1, 2022, in St. Louis!

OPENING BREAKFAST SPEAKER

Holly Hoffman was the last remaining member of the Espada Tribe and the last woman standing on Season 21 of CBS' hit reality show "Survivor Nicaragua." Through that experience, and others throughout her life, Hoffman was inspired to share her message of survival.

A professional motivational speaker and the author of *Your Winner Within* and *Write Yourself a Note*, Hoffman acknowledges that life is made up of challenges, and we are oftentimes faced with situations that seem insurmountable. But within each of us is an ability to focus our thoughts, emotions and energy to succeed — if only we have the knowledge, tools and discipline to do so.

A native of South Dakota, Hoffman's writing and speaking not only offer encouragement and optimism but a roadmap for self-discovery and spiritual enlightenment. Readers and audience members alike walk away inspired to light the fire of successful living within themselves.

Today, Hoffman is a recipient of the Certified Speaking Professional designation, and travels across the country and internationally speaks to a wide variety of corporations, associations, universities, schools and women's organizations. Hoffman inspires her audiences to take opportunities and focus on faith, attitude, determination, confidence, desire and perseverance.

SATURDAY NIGHT ENTERTAINMENT

Liquid Blue® is a multi-award-winning international party band based in San Diego, CA. "Music to Move You"® is the band's official slogan, and the audience is sure to be pumped up and excited from the first number until the finale. Honored as "America's Best Dance Band" by the National Music Awards, Liquid Blue was also named "Entertainment Act of the Year" at the 2012 Biz Bash Reader's Choice Awards as well as "Entertainer of the Year" at the 2011 Event Solutions Spotlight Awards. Locally, they've been recognized "Best Cover Band" at the San Diego Music Awards. The band covers more than 600 songs, including a multitude of musical styles. This is not your typical cover band but an internationally acclaimed, cutting-edge ensemble that will intrigue your guests and leave them wanting more. Liquid Blue has proven both on stage and in the studio to be one of the world's premier dance bands!

Make plans now to attend CBAI's 48th Annual Convention & Expo on September 29–October 1, 2022, in St. Louis! This convention promises top-notch speakers, pertinent and timely education, camaraderie and exciting social events! ■

More information will be available soon at www.cbai.com.

CDD SPOTLIGHT

QUESTIONNAIRE

Olivia Bradley

Commercial Lender/VP, Legence Bank, Eldorado, and CDD Group Director

What do you find the most challenging about your job?

Within the financial industry, COVID-19 has been the greatest challenge for the past two years for many reasons. We have seen businesses struggle in so many ways, and our team has had to work differently to actively assist our small businesses to help them overcome these obstacles. We have an amazing team that worked collectively to help our small business owners navigate through the challenging times and utilize the Small Business Administration Paycheck Protection Program (SBA PPP) loan program to their advantage. Without the SBA PPP funding, many of these small businesses would have closed their doors, but with the help of our team, they are thriving and learning new ways to do business and continue to be an integral part of our local communities. The pandemic has challenged our team to continue providing the financial services our customers need, while at the same time, thinking outside of the box to provide new opportunities to help our small businesses and local communities continue to flourish.

What do you find the most rewarding about your job?

The most rewarding part of my job is when I am helping our customers. I enjoy making a difference, whether big or small, but truly having a positive impact on their lives by helping them achieve their financial goals or helping them discover new opportunities to help them be more successful personally and professionally. I always remind them that life happens and when something might bring them down, I am always here to help them get back up again!

What quote most inspires you and why?

There are so many; it is hard to pick just one. The one quote that stands out more than others is by the very wise Abraham Lincoln. "In the end, it's not the years in your life that count, it's the life in your years." We all want to live a very long fruitful life, yet what we do with those years is truly what matters. I am reminded by this quote to make the most of it. Live your life to the fullest and take chances, whatever it may be. A few years ago, I changed how I celebrated with my family. Instead of buying lots of "stuff" for birthdays and Christmas, we decided an "experience" and memories were more important. We started going on more family vacations and exploring the world together. They will move on and start their own family soon, so there is never a better time to start! I would rather make memories than focus on things that will not matter tomorrow. Engaging in experiences will allow for many memories to enjoy for a lifetime! There is so much to learn and experience in this amazing world in which we live. I encourage everyone to live and spend time with those you love while you can enjoy it!

How did you get involved with CBAI?

Legence Bank is very active in CBAI, and our team knows the great benefits we gain from participating in this professional organization. I am especially active in the Career Development Division (CDD), and it has been an excellent way for me to network with my peers while learning new ways to help our customers. It is always good to have colleagues to call upon and seek guidance to provide a better opportunity for our customers. It is invaluable and serves as a great resource for me and my team. I have made many great friends throughout my time in CBAI.

What is something most people don't know about you?
A lot of people don't know I am a huge, crazy, Star Wars fan. I have been obsessed with it since I was a little kid. I am going to Galaxy's Edge in a few days. This trip is a Christmas gift from my husband and an experience I am looking forward to. I feel like a kid waiting for Christmas morning. Nerdy, I know. My home office is decorated with anything and everything you can think of with the Star Wars brand. If you haven't ever watched, I urge you to do so and hopefully, you will appreciate it as much as I do.

What are the biggest challenges your community bank faces today, and what are you doing to combat these challenges?
Fraud is one of the biggest problems we face in banking right now. We have always dealt with it, but not to the extent we do now. We have seen an increase during COVID-19, and the fraudsters seem to be getting more creative with finding ways to get your information. Consumers are more vulnerable than ever, and I stress to customers to make sure they are utilizing safeguards to protect themselves. If something seems too good to be true, it probably is, and you should always trust your gut feeling. If your conscience is doubting it, ask questions and dive in further to make sure it's legitimate.

What is your favorite initiative that your bank has implemented to support your community?
I am proud of so many, but there are two initiatives I am most proud of at Legence Bank. One is our Legence Loves Local campaign. We are very active in the communities we serve, and we are huge advocates for shopping local, supporting small businesses and helping support our local economies. We have a Feature Friday series where we do free videos to help market area businesses, let them share their story, promote their products and services, and post to our Facebook page to help spread the word to others.

Another initiative I am most proud of is our ongoing development and support for our in-house Go!Learn Financial Literacy Program. I helped create this program and continue to work with our team members on a new curriculum to serve as many individuals in our local communities as possible. I am truly proud of the impact it has on our local schools. We have visited so many classrooms, taught so many students, helped adults, nonprofits and more. We teach them how to save, the importance of building credit, balancing your checkbook, applying for a loan, and various other aspects of banking. We have two books for the younger children and work with our local libraries to continue education annually. Nothing is more rewarding than reaching out to these students, showing them that bankers are just like you and here to help!

"We all want to live a very long fruitful life, yet what we do with those years is truly what matters. ... Live your life to the fullest and take chances, whatever it may be."

If you weren't in banking, what would you be doing, and why?
If I wasn't a banker, I would like to do something affiliated with the ag industry. Farming is such an important part of being an American. It is part of our daily lives. I grew up on a farm, but I didn't realize the importance of it then, as I do now. I feel like farming is in my blood, as it was in my family for so many generations. My role at the bank allows me to deal with so many farmers, and so many of them have become family and great friends to me. I appreciate their 24/7 commitment and their hard work and dedication to their jobs. They provide for their families, but also have a huge obligation to help feed the world. Nothing is more satisfying to me than sitting down with them to review their financials and discuss opportunities for their future. I am blessed to be their trusted advisor and help them achieve success. ■

Commercial Lending Institute Meets for 2022 Session

The highly successful, three-day Commercial Lending Institute met January 25–27, at the CBAI Headquarters in Springfield. Jeffery Johnson, president and founder of Bankers Insight Group of Atlanta, GA, led the instruction. Jennifer Beals and Wes Johnson from BKD, LLP, also spoke at the institute. This institute graduated 16 students pictured and listed below.

Commercial Lending Institute

Garrett Brachbill, Scott State Bank, Bethany

*Olivia Bradley, Legence Bank, Eldorado

Jacob Cook, First State Bank, Sycamore

Donna Crooks, Legence Bank, Eldorado

Alondra Flores, State Bank of Toulon

Harold Gates, Legence Bank, Eldorado

Cody Guisti, Eureka Savings Bank, LaSalle

Colin Jennings, Foresight Financial Group, Inc., Winnebago

Eric Pompeo, Tompkins State Bank, Abingdon

Bridget Potter, Legence Bank, Eldorado

Ronald Redpath, BankORION

Spencer Roosevelt, Goodfield State Bank

Stefanie Runyen, DeWitt Savings Bank, Clinton

Mackenzie Schleich, Midwest Bank, Monmouth

*Joseph Springer, Buena Vista National Bank, Chester

Dustin Wilson, Legence Bank, Eldorado ■

**CDD Member*

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

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

Survey results remain confidential and free to CBAI member participants, thanks to sponsor **IZALE Financial Group**. Go to www.cbai.com to link to the survey. The deadline to participate is **Friday, April 15, 2022.** ■

How to Figure Out if Your Core Software Has Been Sunset (Without You Knowing It)

Charlie Kelly, Partner, Remedy Consulting

One of our senior directors got a call a few weeks ago from the CEO of a bank core provider. The CEO complained that one of our consultants mentioned to a client that his core system was no longer being supported. The CEO passionately argued that our consultant used the term "sunset" with the client as it related to his core system.

Now, I can see why a software executive would be upset if a consultant was telling clients that his core was no longer viable, but software can stay in the market a long time in "maintenance" mode. So, perhaps we should spend a few minutes on how software decisions are made at the core banking system providers.

Let me explain.

Over my career, I spent several years managing software development teams through the Project Management Office (or PMO), including quite a bit of time at a large core provider. One important thing I learned is not all software gets the same amount of attention from the development team and senior management.

Think of it this way. Each year, software companies have only so many resources to allocate to software development. Software development is an expense for a core banking systems provider. Based on the sales from the previous year, how much profit the management team wants to take, and how much they want to spend on developers, they budget how much ends up in that specific software development bucket. If you are a CEO or CFO managing the budget at your community financial institution, you fully understand a resource allocation issue at hand. **You have choices to make.**

So, let's use an example of how budget allocation works at a software provider. Let's say that a software provider has two main products in their software budget, and each of those products has three projects where they can allocate their software developers:

Example:

Product A
- **Maintenance on Product A**
- Product A — new functionality (roadmap item) 1
- Product A — new functionality (roadmap item) 2

Product B
- **Maintenance on Product B**
- Product B — new functionality (roadmap item) 1
- Product B — new functionality (roadmap item) 2

First, it is important to understand that maintenance is **required.** You have no option but to make sure that things like bug fixes, software outages, regulatory updates and third-party interface updates are covered. The software needs to work as the financial institutions are paying monthly fees. So, after you make sure you have enough developers to cover maintenance, the remainder of the budget can be allocated to new functionality.

Continued on next page...

The above example is extremely simplified because I have never seen a software product team with under 10–12 items on their development road map. But for simplicity's sake, let's say that 70% of the development budget of this theoretical provider goes to maintenance. That leaves the product managers of Product 1 and Product 2 to fight over the remaining 30% of development time across the four new functionality roadmap items. Now, change the four roadmap items to 24 roadmap functions that clients are clamoring for, and you see the dilemma that all software providers face. Which of those 24 projects will be funded this year, and which will have to wait another year?

So, why do you, as a customer, care about this? Why do you need to know about development roadmaps and software developer allocation when deciding whether to keep or change your current provider?

Here is why:

Old software, once developed, is something of a cash cow. Customers pay for it either on a monthly or annual basis. If the software provider can convince their current customers to remain on the product, and cover very basic maintenance, everything else is profit — all the revenue, very low expense. It is only after enough customers have left that software platform and the revenues do not cover maintenance that the software provider needs to either sunset the product or migrate customers to a newer version.

QUOTE

One important thing I learned is not all software gets the same amount of attention from the development team and senior management.

Oddly, it is in the software provider's best interest to keep some products in "maintenance-only" mode. Older products are often their most profitable. You, as the customer of a product that has gone into maintenance mode, have probably seen some of the signs of one of these cash cows:

- Roadmap items never get finished.
- You are paying for the provider to develop new functionality, which then the provider can offer their other customers.
- Quotes for customization or professional services seem exorbitant. (They may not have the development team available to customize.)
- The only items in their development release notes appear to be maintenance or bug fixes.

Generally, a bank will start a request for proposal (RFP) when they suspect that their product is just not keeping up with the times, but often they do not recognize these signs of an under-maintained product until we discuss changing out the software.

Think about it, the software provider would be insane to tell their customers that the product they currently pay for is no longer at the top of their development priority list. They hope customers renew their contracts and that new functionality is less important to the current customers than the base model you have had for many years. Maybe what the customer pays for the software currently is cheaper than replacing it with another product.

So, let's go back to the CEO at the top of this article. If you were the CEO of a small core provider where profit margins are already tight and then you lose some customers, you now hit the tipping point where you need to start laying off developers. Or, at a minimum, struggle to maintain the software without having the resources, or the interest, to update new functionality.

If this was a larger core, the CEO could migrate his customers to a new product and officially sunset the older product. But smaller cores cannot do that, as they never had the resources to build a newer product. The CEO is in a bad place, and although he didn't declare a sunset of his product, he also has not built new functionality into the product. From our perspective, it would be hard to recommend that CEO's core to one of our clients who are in RFP mode.

So, how can you use what we discussed? If you are responsible for making vendor decisions at your bank, keep an eye on the indicators above. If you realize that some of your software providers are not delivering on their roadmap items, decide if that is important to you. If the product is not customer-facing, the price is low, and your team does not require cutting-edge functionality, that might be okay. Consider finding a consultant that knows market pricing during your next renewal and see if you can get a better deal.

However, if a laggard product is client-facing or drives revenue for the bank, it may be time to look at other vendors to see what else is out there. If you are already in the process of an RFP, have a product you like, but haven't spent a lot of time on the product roadmap, consider talking to the vendor's client references before buying and ask about that product's history in developing new functionality. How many items have been delivered from the roadmap in the past 18 months or so? ■

Charlie Kelly is a partner at Remedy Consulting and host of BankTalk Podcast. Remedy Consulting helps financial institutions (FI) thrive through specialized consulting services in system selections, core contract negotiations, outsourcing/in-house advisory, bank mergers and acquisitions, and FI strategic planning. As a trusted advisor to banks and credit unions, Remedy Consulting has executed more than 700 system selection and vendor negotiations since 2016. Clients receive cost reductions on their vendor contracts and increased efficiency with Remedy's Price Repository. To learn more about Remedy Consulting, visit www.remedyconsult.net.


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Illinois Supreme Court Ruling Favors Mortgagees and Purchasers of Foreclosed Property

Jerry Cavanaugh, CBAI General Counsel, Springfield, IL

"Void *ab initio*." Now that I have the "Legal Latin" out of the way in the first three words of this column, I'll explain the relevance of the phrase to the foreclosure case discussed below. Void *ab initio* means that there was a jurisdictional defect at the very beginning of a case, such that the case should never have been allowed to come before a court. ***Everything*** in the process that follows (e.g., judgments, court orders, sales of property, etc.) are void and not only must the property be returned to its pre-litigation owner ("Mortgagor"), but Mortgagor is also entitled to income, rents and any other revenue of which (s)he or it (in the case of a non-individual) was deprived during the years that ownership of the property was withheld from Mortgagor following a void judgment.

It is very rare that an Illinois mortgage foreclosure case reaches the level of the Illinois Supreme Court. However, in its opinion issued January 21, 2022, in the case of **PNC Bank, N.A. v. Kusmierz**, the Supreme Court upheld lower court judgments in favor of a mortgagee bank and the third-party purchaser of foreclosed-upon property, thereby extinguishing Mortgagor's challenge that the foreclosure should have been deemed void *ab initio*. The specific details of each case determine the outcome, and so:

> ***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.***

In this case, Mortgagor's void *ab initio* claim was based on a Section of Illinois' Code of Civil Procedure ("the Code") that requires service of summons upon a resident of Cook County to be accomplished by either: (1) the Sheriff's Department; or (2) a process server who/that has been authorized by court order to accomplish service. In this case, service of the summons was performed by a private process serving agency that had not been appointed by court order until three days after service was actually made, and so Mortgagor asserted that the service of summons for him to appear in the foreclosure case was legally defective and everything that followed, including the default judgment against him, the judicial foreclosure sale (at which Mortgagee Bank submitted the winning bid) and the subsequent sale of the property by Mortgagee Bank to the current owner, should have been void. There was no dispute that the challenged service of process had occurred in April of 2011. Mortgagor filed his suit to undo everything related to the foreclosure in September of 2018.

NOTE: CBAI members that do not do business in Cook County or make loans secured by a mortgage on property in Cook County should not assume that the Code's specifications regarding who is entitled to serve a summons in Cook County do not apply to you; it is the residence of the person upon which the summons is being served that is determinative. A Cook County resident could own a hotel, a restaurant or even a farm in Peoria County, for example, and service of a foreclosure summons upon that owner would have to be accomplished by the Cook County Sheriff or a court-authorized process server.

Anyway, let's get back to the Supreme Court's decision. The Code has an exception to voidness resulting from defective service of process that protects innocent, "*bona fide* third-party purchasers." That exception states that if a purchaser of foreclosed-upon property (other than the mortgagee that purchases the property at the foreclosure sale) acquires title to the property, the acquisition and subsequent ownership is not subject to a voidness assertion unless the defective service was apparent on the face of the summons and thus would have been clearly recognizable. In this case, the Supreme Court determined that the court appointment three days ***after*** service had already been made was not evident from the face of the summons; furthermore, Mortgagee Bank filed its foreclosure suit in 2011 in DuPage County and the Mortgagor was served at his residence in Palatine, IL. Although Palatine is, in fact, located in Cook County, the summons made reference to a zip code address but did not effectively communicate that the address was in Cook County. Without knowledge of whether Palatine was in Cook County or a county adjoining Cook County, compliance with the Code's Cook County service limitations was not clearly required or indicated on the face of the summons.

While the Code's *bona fide* purchaser rule protected primarily the current owner in this case (i.e., the purchaser of the property from Mortgagee Bank), the Supreme Court's examination of a second

Continued on next page...

legal argument against Mortgagor's suit to reverse the foreclosure and everything thereafter inured to the benefit of both the *bona fide* third-party purchaser ***and*** Mortgagee Bank. That second rationale for ruling against Mortgagor was the doctrine of "laches." Laches is effectively the same concept as a statute of limitations, but it is a common law concept which courts will employ in the interests of equity and fairness. It is premised on the reluctance of the judicial system to reward parties who have been unreasonably tardy in asserting their rights, particularly if their unreasonable delay has compromised or harmed the positions of other parties.

While a statute of limitations has a fixed deadline before which a suit must be filed, laches is more subjective. If the court finds that the suit was brought with unreasonable delay (and the filing party cannot excuse or justify the length of the delay) and where that unreasonable delay has caused one or more other party(ies) to incur expenses or otherwise be in a worsened position attributable to the filing party's unreasonable delay, laches will prevent filing parties from achieving the objectives of their lawsuits.

In this case, noting that Mortgagor had received service of process in April of 2011, that the judicial foreclosure sale was held in June of 2012, and yet Mortgagor waited until September of 2018 to file his suit to overturn the foreclosure, the Court found that the first part of the laches test (unreasonable delay) had been met. Furthermore, the facts that the current owner bought the property from Mortgagee Bank, spent thousands of dollars in improvements and paid property taxes and insurance premiums during Mortgagor's unreasonable seven years of delay prior to asserting his alleged rights was clear evidence that, as to that purchaser, there was a prejudicing, compromising or worsening of condition due to Mortgagor's tardiness. But the Supreme Court went further and extended the benefit of the laches rationale to Mortgagee Bank, because Mortgagee Bank's legal and financial positions were worsened by the delay in the sense that Mortgagee Bank might have pursued alternative legal and/or collection paths had Mortgagor filed his suit in a timelier manner. ■

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, 217/529-2265, or jerryc@cbai.com or CBAI paralegal Levette Shade at levettes@cbai.com.

MARCH 2022

1 **2022 Supervisory Priorities Explained**

2 **BSA Exam Manual Update: Identifying and Mitigating BSA Risks**

3 **Appraisal Requirements: A Comprehensive Regulatory Summary**

7 **CFO Forum Group I** — Shazam Education Center, Springfield

8 **Board-Approved Policies: Tools to Streamline Your Process**

9 **Key Ratio Analysis: Calculating and Interpreting the Numbers Correctly!** — Shazam Education Center, Springfield

9 **Opening Accounts Online: CIP, CDD, Documentation and More**

9 **2022 ACH Rules Update, Including Faster Payments**

10 **Basic Personal and Business Tax Return Analysis** — Shazam Education Center, Springfield

10 **Operations/Technology Group A** — CBAI West Conference Room, Springfield

15 **2022 Security Officer Workshop** — Shazam Education Center, Springfield

15 **Real Estate Escrow Accounts and Flood Insurance**

16 **Operations/Technology Group C** — Shazam Education Center, Springfield

16 **Writing Teller Procedures**

17 **Business Development** — Live E-Classroom Seminar

17 **ACH for P2P Transfers: Perils and Protections**

18 **Seminar for the Community Bank Attorney** — Shazam Education Center, Springfield

22 **Operations/Technology Group D** — Drury Hotel, Mt. Vernon

22 **Breaking Down the Anti-Money Laundering Act and Preparing for Impact**

23 **Business Development...The Basics and Beyond** — Shazam Education Center, Springfield

23 **Your Advisory Role** — Live E-Classroom Seminar

23 **An In-Depth Look at Regulation Z's Amended Qualified Mortgage (QM) Rule**

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

24 **Twenty Common Mistakes in Consumer Collections**

24 **Fair Lending Cornerstones: Best Practices and Current Agency Guidance**

25 **Operations/Technology Group B** — DoubleTree by Hilton, Lisle

29 **Top 25 Safe Deposit Compliance Issues**

30 **Medallion and Signature Guarantee Risks, Rules and Best Practices**

31 **Administering Construction Loans** — Shazam Education Center, Springfield

APRIL 2022

4 **New Beneficial Ownership Rules: Update and Implications**

5–6 **Compliance Institute: Lending** — Shazam Education Center, Springfield

5 **Payment Systems Bootcamp**

6 **Minor Accounts: Ownership, CIP, Access, Changes and Transactions**

7 **Bank Operations Bootcamp** — Shazam Education Center, Springfield

7 **Converting Accrual Statements into Cash Flow**

12 **Surviving a BSA Exam: Recent Hot Spots**

12 **ACH Origination: Internal, Loans, Transfers and More**

13 **Asset/Liability Management: Investments, Liquidity and Interest Rate Risk Seminar** — Shazam Education Center, Springfield

13 **The Latests in Social Engineering Attacks** — How to Protect Against Complex Threats

14 **CEO Forum Group VIII** — CBAI West Conference Room, Springfield

14 **Call Reporting Basics**

19 **IRA and HSA: 2022's Hottest Issues and Answers**

20 **Writing Effective Credit Memos and Loan Narratives**

20 **Board-Level Policies: What is Required and Why**

21 **Maintaining Superior Team Performance** — Live E-Classroom Seminar

22 **CEO Forum Group VII** — DoubleTree by Hilton, Lisle

26 **Preparing for Your Next IT Exam** — Shazam Education Center, Springfield

26 **Compliance Training for the Frontline**

27 **Branch Manager Group A** — CBAI West Conference Room, Springfield

27 **Ambassadorship and Growth** — Live E-Classroom Seminar

27 **Ag Lending Compliance**

28 **DEI: Keeping it Compliant**

CBAI Webinar

Member News

Sulser

Mary Sulser, CEO of **Buena Vista National Bank,** will be retiring on April 1, 2022, on the 28th anniversary of her hire date at the bank. She will remain on the bank and holding company boards. Sulser has worked in the community banking industry for 39 years. She was hired at Buena Vista as an assistant vice president/loan officer. After serving in various officer capacities, she was promoted to president/CEO on April 1, 2014.

During her banking career, Sulser promoted and represented community banking on many levels. Locally, she served as president of the Randolph County Bankers Association, taught banking classes to area bank employees, and attended functions related to the progress and growth of the region. On a state level, Sulser became active with the Community Bankers Association of Illinois. In her early years, she was part of CBAI's Career Development Division and was named Educator of the Year. She transitioned to the Association's regional leadership and boards and became CBAI's Chairperson in 2011/2012. In 2012, she was named one of Northwestern Financial Review's Outstanding Women in Banking. In 2019, Sulser was named CBAI's Outstanding Member. On a national level, Sulser served on various committees and participated in annual lobbying events for Independent Community Bankers of America in Washington, D.C.

The Federal Home Loan Bank of Chicago (FHLB) welcomed newly-elected chairpersons of the board for 2022–2023. **James T. Ashworth, CNB Bank & Trust, N.A., Carlinville,** has been elected chairperson of the board. Joseph Fazio III, Commerce Bank, West Bend, WI, will serve as vice-chairperson and **Michelle L. Gross, State Bank of Bement,** will serve as vice chairperson — elect. Ashworth has been a member of the FHLBank Chicago Board of Directors since 2013. Fazio has been a director since 2017, and Gross has been a director since 2015.

James T. Ashworth is vice chairperson of CNB Bank & Trust, N.A. Ashworth joined the bank in 1978 and has served in many capacities, including vice chairman since 1989 and president and CEO from 1989 to 1997. He has also served as vice chairman and president and CEO of its holding company, CNB Bank Shares, Inc., since 1989. Ashworth served as chairman of the Community Bankers Association of Illinois (CBAI) and as an elected director of the Independent Community Bankers of America (ICBA), as well as on CBAI's Legislative Committee and ICBA's Regulation Review Committee.

Michelle L. Gross has served as executive vice president/chief operating officer, information systems officer, and director of the State Bank of Bement since 2012, in addition to being community bank president of the State Bank of Bement-Monticello facility. She has worked at the State Bank of Bement since 1996 in roles with increasing responsibilities, including as vice president and information systems officer from 2008 to 2012. Gross currently serves as a director at the State Bank of Cerro Gordo and Bement Bancshares, Inc. She is a former director at The First National Bank of Ivesdale.

Itasca Bank & Trust Co. recently added three new officers. **Thomas R. Hogan,** CTFA, has been appointed vice president and trust officer, where he will serve as the main point of customer contact in the bank's Trust Department. **Bill Dierking** and **Sam Vardalos** have both been appointed to the position of vice president and commercial loan officer.

Northwest Bank, Rockford, recently announced the upcoming retirement of President and CEO **Tom Walsh,** effective June 30, 2022. Walsh was appointed president and CEO of the bank in August 2010. He has spent more than 40 years in the banking industry, with the last 23 years in senior management roles in the Rockford market. Since joining Northwest Bank, Walsh has overseen the senior leadership group and has been largely responsible for the strategic vision and performance of the bank.

Kevin Botma recently retired from **Providence Bank & Trust, South Holland.** Botma was one of the bank's founding members in 2004. He will remain on the board of directors for both the bank and holding company.

First National Bank and Trust Company, Clinton, is celebrating its 150th anniversary this year. First National Bank and Trust Company was granted its original charter on January 20, 1872, under the name of the DeWitt County National Bank, and was the first nationally chartered bank in DeWitt County. They continue to operate under that original charter today. Today, First National Bank and Trust Company serves two states, Illinois and Wisconsin, has five locations, employs close to 50 local people and has $400 million in assets. As part of the 150th anniversary celebration, the bank has some exciting initiatives planned along with a client appreciation event later this summer.

Claude E. Hudson and Rockney L. ("Rocky") Weber recently announced their retirements from the **Washington Savings Bank Board of Directors.** Weber joined the board of directors in 1979 and served as chairman from March 2006 until April 2021. Hudson joined the board of directors in July of 1997. In addition to his time on the board, he served as president and CEO of the bank from 2001 through December of 2013. **Lisa Wortman** was elected to the board of directors in January of 2022. Wortman, together with her husband, John, are involved in real estate development as well as in the convenience and liquor store industry. They own 20 stores in Central Illinois and Missouri under the Jack Flash trademark.

Bank of Springfield (BOS) has announced a number of promotions throughout their branch locations. **Bob Cock-**

rell was named senior vice president, chief risk officer. **Gregory Marantz** was named senior vice president, credit and risk management, and **Jennifer Marantz** was named senior vice president, director of corporate communications.

Shane Fee was named the regional president over Quincy, Clayton, O'Fallon and Kansas City. **Kris Weidenbenner** was named market president and serves Clayton and O'Fallon.

Additional promotions in the Springfield office include **Monica Dyson**, named vice president, chief marketing officer; **Diana List**, named vice president, teller operations; and **Nat Seiz**, named vice president, credit. **Austin Fee**, located in Kansas City, was promoted to vice president, commercial lending.

Brian Anderson and **Jarrod Rickord**, both located in Springfield, were promoted to assistant vice presidents. Anderson was named AVP/branch manager, and Rickord was named AVP, credit. **Diane Blickhan** was named assistant vice president, commercial lending, in the Quincy location.

Additional promotions in Springfield include **Evan Chastain**, assistant loan officer; **Xavier Collier**, financial accounting officer; **Katie Connor**, human resources officer; **Laura Coomer**, compliance officer; **Schyler Hollis**, commercial lending officer; **Shauna Johnson**, deposit operations officer; **Josh Purdy**, trust operations officer; **Samantha Sarff**, retail operations support officer; **Amanda Traeger**, compliance specialist officer; **Richard Weerts**, compliance specialist officer; and **Jennifer White**, collections officer. **Richard Dunker** was named business development officer in the Quincy location, and **Shelby Stiltz** was named loan administration officer in Jacksonville.

Don Cler recently retired as president of **Villa Grove State Bank**, after more than 35 years in banking and 20 years in that role. Cler will still be representing the bank remotely as senior loan consultant, managing and building a portion of the bank's loan portfolio. He will also remain on the board of directors.

Connie Unruh, financial literacy coordinator at **First National Bank and Trust Company, Clinton,** recently received the Accredited Financial Counselor (AFC) designation, which provides financial advisors with practical training in all aspects of personal finance and must meet educational, experience and ethical requirements. Along with her academic coursework, Unruh completed 1,000 experience hours, which consisted of client coaching and financial literacy classes. ■

Foundation Report

First National Bank in Tremont held a dress down day in December in honor of the Foundation's 25th anniversary.

Edward and Elena Pugh, Young & Associates, Inc., Kent, OH, made a contribution to the Foundation in honor of its 25th anniversary.

Board and committee members of the CBAI corporate family donating travel expenses to the Foundation are **Shawn Davis, CNB Bank & Trust, N.A., Carlinville; Carol Jo Fritts, First Neighbor Bank, N.A., Toledo; Dan Graham, Flora Bank and Trust; Rick Hiatt, Illinois Society of Professional Farm Managers and Rural Appraisers, Pontiac; Ken Scott, Preferred Bank, Casey; Alan Stremlau, Illini State Bank, Tonica; Amy Thiede, Prairie Community Bank, Marengo; Jim Weast, Warren-Boynton State Bank, New Berlin; Julie Welborn, Fisher National Bank;** and **William Wubben, Apple River State Bank, Scales Mound.**

The Foundation received $144 from CBSC and CBAI board members as a result of the "dress-down" board meeting in December. ■

Staff News

Kim Cordier is now an administrative assistant in the Communications Department. Cordier replaces **Bobbi Watson,** who retired January 31, 2022. Cordier had previously served as an administrative assistant in the Education & Special Events Department since 2018. ■

Welcome New Associate Member

SimpleNexus
2600 Aston Boulevard, Suite #500
Lehi, UT 84043
Sarah Jensen, Marketing & Event Coordinator
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