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Banknotes

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CBSC Innovation Committee Embraces Change

Mike Kelley, President, Community BancService Corporation, Springfield, IL

"Community bankers need to see the innovation that is happening in this program, educate themselves and their team on the fintechs out there, and start to partner with these companies whose products align with your growth and strategic goals."

— Tracy Downs, German-American State Bank

CBSC Innovation Committee

Front Row (L to R): Tim Daley, ICBA (guest); Chris Gavin, Midwest Bank, Monmouth; David Loundy, Devon Bank, Chicago; Karen Burgess, First Community Bank & Trust, Beecher (guest); Marcie Bomberg, Wipfli, LLP, Milwaukee, WI; Tracy Downs, German-American State Bank, German Valley; Kraig Lounsberry, CBAI

Back Row (L to R): Mark Spehr, First Secure Bank, Sugar Grove; Mike Kelley, CBSC; Andrew Black, Princeville State Bank; Jason Knoedler, Bank of Springfield; Andy Tinberg, CNB Bank & Trust, N.A., Carlinville (Oak Forest); Michael Busch, Burling Bank, Chicago; Greg Ohlendorf, First Community Bank & Trust, Beecher

The financial services industry is undergoing a huge paradigm shift. Emerging technologies combined with ever-changing customer expectations and preferences for digital banking services are redefining how financial institutions deliver services. Remaining competitive in this constantly changing environment is an enormous task. While banks are transitioning from legacy technology environments, more agile fintechs are carving out market share and building digital products that compete for customers, such as loans, payment systems and investing.

Recognizing that fintechs represent both a disruptor and a potential partner to community banks, the Community BancService Corporation (CBSC) Board of Directors created an Innovation Committee and tasked it with helping member banks chart a path for fintech partnerships. The committee, led by Andy Tinberg, Sr. EVP and chief banking officer at CNB Bank & Trust, N.A., Carlinville (Oak Forest) has immersed itself in the fintech world and discovered that despite the inherent threats, community bank-friendly fintechs can be powerful allies in delivering digital bank services, operational efficiencies and improved security.

In March, the committee attended the Independent Community Bankers Association (ICBA) ThinkTECH Accelerator Program in Little Rock, Arkansas. Over the course of three days, the committee met with 11 fintechs that had been vetted by the Venture Center, ICBA's partner in the Accelerator Program. The services provided by the fintechs included digital lending, digital business account opening, big data management, wealth management, crypto investing, inventory financing and a middleware provider composed of a bunch of integration nerds (their words, not mine) who use APIs that make difficult core integrations possible.

"I was honored to have had the privilege to visit the Venture Center in Little Rock, Arkansas, with the rest of the CBAI Innovation Committee in early March. What an experience! It was a mentally intense couple of days as we heard from the 11 ICBA ThinkTECH cohorts and the value they could bring to each community institution," said Andrew Black, president/CEO of Princeville State Bank. "I think I can honestly say that everyone left Little Rock fulfilled and energized by the forward-thinking of the ICBA, the

Continued on next page...

Venture Center and each of these cohorts. I was impressed! Each of these cohorts was unique in its own way and has a noticeable desire to assist and keep community banking thriving and relevant, well into the future."

Additionally, the committee met with officials from Bank Tech Ventures, a venture capital firm that has invested in several proven fintechs that are popular with community banks. Investing in fintechs that are also partners is another option that appeals to many bankers.

"Witnessing the work of Charles Potts and the cohorts in the ICBA ThinkTECH Accelerator Program, along with the Venture Center leadership, was exhilarating. Community bankers need to see the innovation that is happening in this program, educate themselves and their team on the fintechs out there, and start to partner with these companies whose products align with your growth and strategic goals. We are fortunate as CBAI members to have this relationship with ICBA, and all bank executives should take advantage of the ThinkTECH Accelerator Program," said Tracy Downs, chief operating officer at German-American State Bank, German Valley.

The takeaway is that bankers tend to think of technology as innovation, but innovation must be considered from a holistic point of view. To achieve the best results, bankers should establish a big-picture vision of where they want to be in three to five years and how they want to interact with customers. Then, they should begin to write a strategic plan that aligns their fintech strategy with their business strategy. Bankers should examine their enterprise risk management plan to ensure it addresses security risks. Finally, adopting an innovation ecosystem is a significant cultural shift for most community banks. Embrace it. ■

Mike Kelley is the president of CBAI's Community BancService Corporation (CBSC). He can be reached at mikek@cbai.com.

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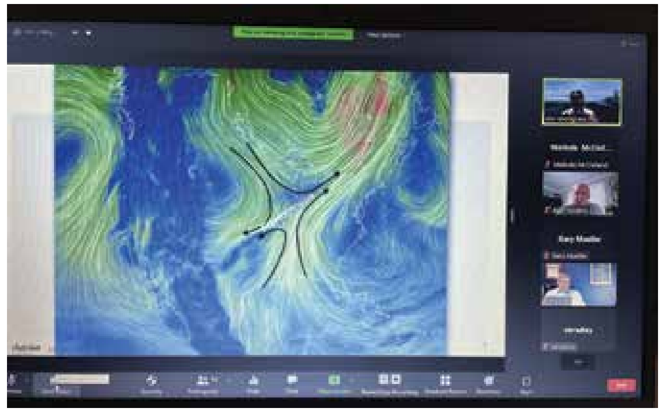
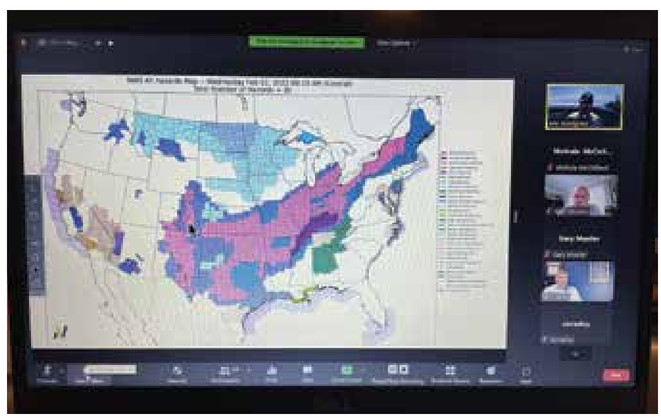
2022 Ag Lenders' **Conference**





CBAI's annual Ag Lenders' Conference, held virtually on February 2 due to the large snowstorm, helped participants develop the skills and tools to better understand the issues affecting the bank's farm and agribusiness customers and how to meet their credit needs. There were awesome discussions held between the bankers and the speakers throughout the day. The on-demand recorded session is still available for purchase and allows your bank to train your ag lenders on their own time with unlimited views from unlimited computers for up to six months. Please contact Melinda at CBAI (800/736-2224 or via email at melindam@cbai.com) for more details.

Topics covered in this one-day conference included a variety of issues facing agricultural lenders. The perfect person to kick off the conference with a viewpoint on the snowstorm and future weather outlook was Eric Snodgrass, principal of atmospheric science, Nutrien Ag Solutions, Champaign, Illinois, with his session, "Weather Outlook & Forecasting for 2022." His session was followed by "Future Mega Trends of Agriculture" and "Lending in the Agricultural Marketplace — 2022 and Beyond" with Dr. David Kohl, professor emeritus of agricultural and applied economics, Virginia Tech, Blacksburg, Virginia. Rounding out the day was "The Agricultural Input Conundrum" with Gary Schnitkey, professor of farm management and soybean industry chair in agricultural strategy, University of Illinois, Champaign-Urbana; and "How are High Crop Inputs Affecting your Farmers Cash Flow? Plus, What are the Major Tax Changes Affecting their Estate Tax Planning?" with Paul G. Neiffer, CPA, principal, agribusiness, CLA (CliftonLarsonAllen LLP).

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

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Kerry Hoops, Senior Vice President, German-American State Bank, German Valley
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Tom Schnelt, Vice President — Commercial & Ag Lender, Jersey State Bank, Jerseyville

Please save the date for next year's Ag Lenders Conference scheduled for February 1, 2023, at the Crowne Plaza Hotel in Springfield. ■

COMMUNITY BANK INNOVATION— THE TIME IS NOW

Greg M. Ohlendorf, President & CEO, First Community Bank and Trust, Beecher

Checking, savings, CDs, IRAs and loans pretty much sums up the product list for many banks. Toss in a bit of online banking, and there you have it.

That's tough to compete on. Is one interest-bearing checking account better than another? Whose fees are lower, and whose rates are higher? That's not much of a pitch. Oh, and you have to come into the bank lobby between 9 a.m. and 4 p.m. to open it. And don't forget the "great customer service" that's included!

I will go out on a limb and suggest that won't get it done anymore. Today's world is changing — rapidly, and disruptive fintech competitors are making it more challenging for community banks to stay relevant every day. But hope is not lost, at least for those institutions that are willing to be innovative.

I will step back in time a bit because I feel like we've been here before. Banking has gone through many evolutions, and history can be our teacher in some cases. During the 1990s, the internet and its wonders started to become mainstream. It was based on connecting many devices using telecommunications services in ways that hadn't been done before. Think back to the first ATMs. You may have had one in your parking lot that was only for your customers and not part of the cash station or other regional network. But soon, your customers could use their cards virtually anywhere.

Then came internet banking. Remember loading floppy disk after floppy disk to get the software on a PC to create the necessary connection to the bank? I can still hear my modem screeching until my computer was online. Soon commercial cash management solutions, image statements and mobile banking were all the rage.

While all banks have those services today, your bank may have been a market leader and brought these options to your customers before your neighboring banks did. My bank led our market in each of these categories. We bit the bullet early, spent the money necessary, and delivered a bit of the future to our customers so that we could stay ahead. I can remember our CIO, Karen Burgess, repeatedly saying, "If we get behind, we'll never catch up."

Well, that couldn't be truer today than it was three decades ago. We can't afford to get behind the innovation curve, or we'll never catch up. This is the challenge community banks are facing today. The disruptor fintechs are racing ahead with billions of dollars of venture capital at their fingertips, trying to outrun traditional banks in product after product.

So, what can we do?

Innovate. More and more technologies are available today to community banks than ever before. While there are thousands of disruptor fintechs, there are also thousands of friendly fintechs developing products to keep community banks vibrant and competitive in the new world. The challenge for community banks is to embrace this opportunity, find the appropriate fintech partners, and bring new products and services to their customers now.

While that might sound challenging, there are some fantastic resources available to community banks today that were not around as recently as four years ago. The first that should be strongly considered is the ICBA ThinkTECH Accelerator powered by The Venture Center in Little Rock, Arkansas.

"Today's world is changing — rapidly, and disruptive fintech competitors are making it more challenging for community banks to stay relevant every day. But hope is not lost, at least for those institutions that are willing to be innovative."

This marvelous program (which is free to ICBA members) allows community banks to get a firsthand look at 10 new and innovative fintech companies each year, vetted and curated by the Accelerator. Those companies were selected for participation in the program from a list of several hundred applicants by a selection committee of 25–30 community bank C-level officers from around the country. This committee is looking for "shovel-ready" fintechs that can immediately impact a community bank's operation.

All your bank needs to do is sign up to participate in a 6.5-hour day getting to know the fintechs and their services. The program runs from January through April each year. Since the visit can be virtual or in person, you can engage as many of your subject matter experts as you'd like to meet with the fintech entrepreneurs. After your Accelerator visit, you can then schedule additional meetings to follow up with the companies that may interest you.

Since 2020, my bank has participated in five Accelerator programs with The Venture Center. We have worked with 13 companies to date and have one more under serious consideration. Only one of the companies didn't turn out as planned, but we are active with the rest.

We have improved our loan department workflows, expanded our cybersecurity defenses, streamlined the movement of secure documents between the bank and our customers, added robust capabilities in targeted marketing and CRM, improved our staff's ability to spot phishing emails, helped our schools with financial literacy for their students, and developed a fast and easy consumer loan product. And there's more to come over the next several months.

So, you probably think we have a dedicated 10-plus-person IT staff to pull this all off. Well, in our $200 million community bank, that's far from the truth. Still, working directly with the innovative fintech solution providers we have chosen has stretched our resources and capabilities significantly.

One of the enormous advantages we now have is direct access to the founders of these companies. I can pick up my cell phone and get these fintech entrepreneurs on a call the same day. If we have a product or service issue, they can harness the resources to fix it, often before the close of business. Try doing that with your core vendor.

There is work to do in getting a fintech relationship up and running successfully in your bank, but the skill set required isn't out of reach for most community banks. That said, there are some best practices to making a new fintech relationship successful.

My first recommendation is to start small. Not all new fintech partnerships require deep integration with your core systems, and some require none at all. These companies are easy first fruits to help your bank get on the innovation bandwagon. Solutions such as employee training for phishing, secure file transfer systems for moving documents between you and your custom-

Continued on next page...

DID YOU KNOW?

In the 2020 Conference of State Bank Supervisors Survey of community banks, more than 63% of participants stated that implementing emerging technologies was very important for meeting customer demand.

Source: Conference of State Bank Supervisors ers, or even cybersecurity detection and prevention systems won't likely require any core integration. Also, many of these solutions only affect one or two departments in the bank, making the employee lift simpler.

The process of selecting a fintech firm feels much like what you'd go through any time your bank adds a new vendor. We all must have robust vendor management systems in our banks, so we are well-versed in this process. With fintech firms, the only real difference is the length of time a company has been in business and how far along its product offerings are in the development cycle. You might not see financial statements as strong as those from some of your other vendors, but you can see how much cash they have on their balance sheets, which will help them get their product to critical mass in the marketplace before they are indeed profitable. But, these companies should all have SOC-2 documentation, appropriate levels of insurance coverages, and management resumes for you to review.

One advantage a bank has in bringing on a fintech is in contract terms and conditions. It's unlikely that you will have many chances to change the language of your core vendor's contract, but fintech firms are far more flexible in finding an agreement that works for both parties. Remember, they want and need new customers, so that's their priority. You may negotiate favorable installation fees or ongoing fees that can work in your budget. Additionally, some fintechs will allow you to opt out after a certain period should the solution not meet your needs or allow a shorter term for the agreement.

These factors can help a community bank "de-risk" a new relationship, which can be very positive when trying a new or innovative solution.

Admittedly, some fintech solutions will take more time and effort on the bank's side. If your current loan process is all paper-based and manual, getting it up and running on a fully integrated digital platform is a much greater lift, but the payoff, in the end, could be much more substantial as well. These projects will take more employee time and effort to complete and might be more suitable for a second or third fintech project. But, the risk of not taking on these projects is a further erosion of market share to the fintech disruptors.

"More and more technologies are available today to community banks than ever before. While there are thousands of disruptor fintechs, there are also thousands of friendly fintechs developing products to keep community banks vibrant and competitive in the new world."

So, the choice is yours. Stay relevant or fall behind. But trust me, the former path is a lot more fun and exciting than the latter. Get your younger staff members involved. They get the technology, which is a great way to help them grow in your bank to become tomorrow's leaders. Use the fintech revolution to move your bank forward. You'll be glad you did. ■

Greg M. Ohlendorf is president & CEO of First Community Bank and Trust, Beecher, Illinois. He joined his bank after graduating with a Bachelor of Science in business administration from Illinois Wesleyan University, Bloomington, Illinois, in 1985. Ohlendorf earned his MBA from Governors State University in 1990. Ohlendorf's responsibilities at the bank include strategic planning, commercial lending, financial management and technology integration, including all things fintech. A member of the CBSC Innovation Committee, Ohlendorf also currently serves as vice-chairman of ICBA's Operations and Payments Committee and is a member of the ICBA ThinkTECH Accelerator Selection Committee. He has also just published a 40-page hardcover book called Global Golf Travels *after successfully completing the* Golf Magazine *World Top 100 courses list as well as the* Golfweek Magazine *U.S. Top 100 Modern and Top 100 Classic courses lists, becoming only the second person to do so.*

Get Innovating OR Get Run Over

Andy Tinberg, Senior Executive Vice President and Chief Banking Officer, CNB Bank & Trust, N.A., Carlinville (Oak Forest)

The new buzzword in community banking is innovation. When we hear that word, we think technology, fintech, core conversion, teams of IT staff, regulatory pushback, etc.

Webster's New World Dictionary defines innovation as "the process of making changes. A new method."

Innovation is not nearly as daunting as it can seem at first blush. We need to step away from the mindset of "this is the way we have always done it," and think about changing how we deliver solutions to the customer. It is always difficult to accept change, and it's disruptive to our daily lives. The truth is, innovation creates disruption, and disruption creates opportunity.

Innovation at community banks is less about implementing technologies and more about instilling a mindset. Management must search out creative ideas to drive efficiency, improve profitability, reduce exposure to cyberattacks, etc. and demonstrate a willingness to adopt good ideas. We must take our teams to a place where they are encouraged to think creatively. Every idea is worth hearing. Staff needs to be encouraged and rewarded to identify new processes, products and delivery methods. We must establish a *Culture of Innovation*.

Complacency is an existential threat to community banking. Competition from credit unions, neo banks, fintech banks and a growing list of others, persists. As community bankers, we must leverage our strengths and improve upon our weaknesses. Community banks own the customer relationship — PERIOD. We should be quick to run from any innovation that jeopardizes that truth. Our smaller size makes us nimble and responsive to customer needs. But our smaller size can create some challenges as well, including the inability to scale. This is where strategic partnerships can add value.

There will be instances where we may need to establish strategic partnerships with fintech, legacy tech or others to implement the targeted innovation effectively. It doesn't hurt to start with a call to our core processor to see if they can help with our new idea. With estimates of the number of fintechs in

existence today exceeding 30,000, there are plenty of other potential partners for community banks if (it took everything in my power not to write "when") our core can't deliver. News flash, the core is no longer king.

As we dip our toes into the world of fintech to explore solutions beyond the core offering, we should involve as many on our team as it makes sense. The culture of innovation in our bank will swell as our teams are awakened to the nearly endless offerings from fintech. The positive impacts on our bank and brand from a robust culture of innovation are simply too numerous to list here. We should expect to see creative ideas that drive cost savings and efficiency coming from line staff early in the process. Many of those ideas can be implemented without the need to bring on a partner. Those early ideas from staff often take the form of streamlining a process or tweaking an existing product offering — the low-hanging fruit.

The world of fintech is exploding with entrants delivering solutions to our challenges of today and tomorrow. Many of these offerings are core agnostic and can be quickly implemented to drive earnings, reduce exposure to cyberattacks, provide better management reporting, and more. Because many fintechs are early on in their life cycle, they may be more willing to listen to tweaks to their product to get it to provide the unique solution we require. Fintech partners can often be more flexible with their contract terms and pricing serving to de-risk that partnership. Fintech is an exciting and refreshing change from dealing with stoic core processors whose approach to our specific request is all too often "take it or leave it."

Is innovation that important for main street community banks? Make no mistake, those community banks that insist on looking to their core for all their tactical needs will be disadvantaged. While the one-stop shop offered by core processors may make vendor management easier, it won't get our offering to best of breed. The marketplace has spoken, and it envisions the future of financial product offerings as unbundled from the core. The folks want more. Now.

To remain competitive and relevant, community banks must embrace a culture of innovation, which is the first step to ensuring a curated solution. Through innovation, community banks will reduce costs, improve operational efficiency, reach new customers, improve the customer experience, and drive shareholder value.

Get on board. The bus is leaving the station. ■

Andrew E. Tinberg is the senior executive vice president and chief banking officer of CNB Bank & Trust, N.A., Carlinville (Oak Forest). Tinberg's responsibilities at the bank include oversight of the bank's sales and service efforts. He currently serves as chairman of CBSC's Innovation Committee.

IN THE KNOW

64% of consumers worldwide have used one or more fintech platforms, and 60% of consumers seek financial institutions that provide social media or mobile banking apps.

Source: Tipalti Inc.

A Banker's Perspective on the **BankTech Venture Fund**

David Loundy, Chairman & CEO, Devon Bank, Chicago

***Disclaimer:** As of this writing, my own board of directors has not finished deciding what it thinks of my ideas, as they are frequently suspect. I may be a lawyer, but I am not YOUR lawyer, and none of this is legal advice — see above re: my ideas being suspect. This may sound like a sales pitch because it is — I am trying to sell my proposal to myself by giving anyone who wants it the opportunity to poke holes in my logic.*

I used to do computer law before I joined my family business — Devon Bank. I have seen the value technology offers in general. I have also seen the difficulty of integrating technology into a community bank. Having two "digital native" kids who are never out of reach of an always-connected device, or three, I also see the absolute imperative for community banks to up our technology game or be left behind in the dust. This is why I felt it was important to participate in the CBAI's new Innovation Committee, and I thought it worth going to visit the ICBA's ThinkTECH Accelerator at The Venture Center in Little Rock, Arkansas, when the Innovation Committee put together a field trip.

To lay my cards on the table, I know that my bank's technological development is cyclical. Traditionally, we go from somewhat ahead to a little behind. I know that our institutional technological sophistication is a bit low, and our implementation speed is way too low. In part, our core, and its implementation waiting lists, keep us reigned in from running ahead of the pack. Additionally, staff resources needed to learn about, evaluate, and implement technology constrain our progress. I am sure this sounds familiar.

The visit to the Accelerator showed me that "a little behind" is perhaps too generous, and the speed at which we are falling behind is increasing. A number of the presenters made clear that my bank's customers are getting a wide variety of financial services from other providers. We are already being left behind, and we don't even know to what extent. So, I asked my staff about this. They don't know either. They are working on finding an answer. Just the fact that it takes so much effort to find an answer shows that we don't know how to use our technology to extract benefits from the data we already have about why we lose business we only vaguely know we must be losing. I am sure this sounds familiar, too.

Our trip to the Accelerator was timed to coincide with a meeting of the BankTech Venture Fund (BTV Fund), which is supported by The Venture Center and ICBA. Thus, we had a chance to meet the 11 companies in the Accelerator "cohort" for this year, plus the five companies in which the BTV Fund has already invested.

Of the 16 companies, two don't fit my bank's business model. Two more require a strategic discussion to see whether they are worth analysis. One of them I referred to my relevant department head before the company CEO left the room, and one of them I classify in my "OH MY GOD, WHY AREN'T WE DOING BUSINESS WITH THEM ALREADY?!?" category. Needless to say, we are already following up with that one. Every other company I thought worth at least further examination. I probably get five or six emails from tech vendors trolling for business every day. Most inquiries don't make it out of the spam filter. This makes the relevancy rating of the companies we saw itself notable and, for that reason, I encourage all community banks to look at what the ICBA Accelerator is doing now and in the future.

All of this is a lead-in to the discussion of the BTV Fund. This is where my past life meets my current life, to perhaps influence my future life. Lawyers and bankers all have, at some point, that "I am on the WRONG side of the desk" moment. I have been intrigued because I believe the BTV Fund is a rare opportunity to sit on BOTH sides of the desk as both the beneficiary and benefactor of money. Let me explain.

Every so often, I am presented with an opportunity to invest in a private placement investment in a start-up. Usually, the minimum price tag is too high for me, and the opportunity is not relevant to my bank. I also know that the conventional wisdom is that if you invest in 10 private placements, three will be total busts, six will be straddling breakeven, and hopefully one will return enough to make your investment in all 10 worthwhile. This is not the kind of investment security that would be enticing to a regulated financial institution.

"We invest in our communities all of the time. How about in our industry? Theoretically, community investments will produce a return to our banks. Theoretically, so should helping to ensure the vibrancy and relevance of community banking."

So, why did I just recommend to my bank board we make a rather sizable investment? Because there are a number of angles from which you can look at an investment in the BTV Fund.

First, as an investment, the BTV Fund knows it is trying to appeal to banks that are typically much more conservative investors than "venture capitalists." The Venture Center received 200 or so applications and let 11 companies into this year's cohort, its fourth. The BTV Fund sees these companies and ones that have not come through the Accelerator. It has made five out of an anticipated 30–35 investments so far. It has access and the ability to be selective. These are companies that are selected by community bankers as being beneficial to community bankers. They are well-tailored to our industry and have a high level of industry feedback to use to refine their offerings. Those that have been accelerated have been beaten on by a parade of community bankers and have been taught who we are and what we need, in great detail. ICBA (and now CBAI) is bringing in investors to write the checks to make the companies scalable, and the bank clients to make them viable. This is not the standard venture capital risk profile. In fact, the manager thinks of the fund as a "strategic investment" fund rather than a venture fund. Oh, and the companies are intended to be noncompetitive with our banks, and, ideally, mutually supportive of each other.

Second, you can look at this fund as R&D. The Community BancService Corporation (CBSC) is the CBAI subsidiary that evaluates vendors to see which merit the CBAI's endorsement. The BTV Fund performs a similar function, at a deeper level of analysis, on a larger scale, with higher stakes. Finding tech companies, evaluating the choices, doing due diligence and selecting the winners has a cost, takes time and requires the right skills — which not all of our banks have in abundance. While doing your own due diligence is still required before hiring a vendor, I found it valuable that an investment in the BTV Fund potentially gives us preferred access to pre-screened and vetted companies (perhaps most importantly, with a particularly large level of industry support). I don't find it hard to project that having meetings with two of the 16 companies we met, if taken to their logical conclusions, over the course of a few years, may very well recoup 50–100% of the investment I proposed to my board in cost savings/incremental returns — independent of any returns from investing in the BTV Fund.

Third, I see an investment in the BTV Fund as an investment in our industry's future. It is a statement that we are taking steps to not be left behind. We invest in our communities all of the time. How about in our

IN THE KNOW

The Venture Center was awarded the top prize in the Best Fintech Accelerator/ Incubator category at the second annual Finovate Awards.

Source: FIS Global

Continued on next page...

industry? Theoretically, community investments will produce a return to our banks. Theoretically, so should helping to ensure the vibrancy and relevance of community banking.

So, how much should a bank invest? Carey Ransom, the BTV Fund manager, threw out a guideline of $1 million per $1 billion in assets. The BTV Fund's minimum is $250,000. The CBAI is discussing putting together a "feeder fund" to allow for smaller investments.

Let's use my bank as an example of how to approach this question. Our bank is roughly $450 million in assets. We do a lot of mortgages that average a bit over $250,000 each. Our typical bond purchase is in the $500,000 to $1 million range.

Using the $1 million per $1 billion formula, we would be investing $450,000 — one-tenth of one percent of assets — in the future of our industry. The investment hopefully will perform better than any of our loans or bonds, long-term. Our total risk would be about that of two portfolios of mortgages — while lacking in collateral coverage, it would be supported by 30–35 potential "borrowers" rather than two. Our risk/"R&D cost" per invested company would be about $13,000 — less than a car loan each. But instead of just having a vendor recommendation and a due diligence package as the output of our research, we would have partial ownership (and maybe a service discount!).

Some banks just won't be able to go there at all. Some will have a much higher risk tolerance and will write The Big Check. All investors will need to get their board's approval, figure out whether it is a bank or holding company investment to make, make sure any investment fits their investment policy or revise their policy accordingly, and decide relatively quickly as the fund closes late in June. I don't know where my own bank will end up on this spectrum. But I do know that this is a rare opportunity to hopefully share in the success of companies chosen and nurtured to aid in our success by people whose jobs are supporting our success. And that merits my attention. ■

David Loundy is the chairman and CEO of Devon Bank in Chicago and a member of the CBSC Innovation Committee.


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Should Your Board Members Be **Proud**?

A Vendor's Take on the ICBA ThinkTECH Accelerator Program

Don Shafer, Co-Founder & Chief Evangelist, Quilo Solutions

CBAI asked me if I would write a short article about the value of the ThinkTECH Accelerator program from the perspective of a fintech startup, suggesting that I might have a unique perspective since, during the last 30 years, I had brought three of my previous startups to CBAI for endorsements — Banking Solutions, Inc.; BancLeasing and Kasasa.

Here is my take. Technology is moving way too fast for any one bank or any of the core providers to keep up. It is not that cores don't want to create new technology, because I know they do WANT to integrate the new technology into their systems. But they face huge obstacles because a massive amount of programming is necessary to implement this technology into their legacy systems that were designed 15–30 years ago. They were not built to accommodate the need to be nimble and, admittedly, it just takes too long to bring to market the innovation their clients need to have for a competitive advantage. That is why community banks are often late to the dance with innovation and are playing catch up.

Just look at what has happened in our industry over the last two years. Nearly 70% of consumers responding to surveys state they have borrowed money from BNPL fintechs like Affirm, Sezzle, Paypal, Klarna, Afterpay (which was acquired by Square) and many others.

Upgrade and Lightstream are just two of the fintechs that have reached multi-billion-dollar valuations by offering installment loans to prime borrowers to pay down their credit card debt. Discover has jumped into this market in a big way. Why? According to Experian, 42% of Americans with a credit card owe an average balance of $6,600 with interest rates averaging about 17%. When a banker looks at their number of DDAs and does the math, one can quickly see that their existing customers owe millions of dollars to Amex, Chase, Citi, etc., and are paying sky-high interest rates.

The major credit card issuers are offering their cardholders installment loans to replace individual credit card charges. What percentage of a community bank's account holders are using those cards? I would guess 85–90%.

Fintechs are signing up small businesses to offer instant financing to their customers at the point of sale or service. Every day, there are bank customers who have no intention to borrow money when they leave their house in

the morning, but when they take their pet to the vet, go to the dentist or visit a med spa, they walked out the door with an installment loan provided by Care Credit, Cherry Credit, Green Sky or some other fintech.

What is the common thread to all of these threats? They are fully digital. No one is told they have to come into a branch and sign some documents so they can get funded.

And when one fully grasps that all these fintechs are starting to cross-sell these borrowers, offering high-interest deposit products, it should become clear why we continue to lose our share of wallet and why we are failing to acquire younger customers.

Being part of the ICBA Accelerator program has been inspirational for me. Why? I have been working with community bankers for 30 years and know that almost everyone in our industry talks about the need to embrace technology and digital transformation, but that is all most of them do — talk about it. Few ever do anything. Most are still running their bank like it's 2010.

Everyone involved in this amazing program, the men and women at the ICBA ThinkTECH Accelerator program and the Venture Center who collaborate to bring this program to our bankers, are working their butts off DOING SOMETHING to get people to act. They evaluate more than 300 fintechs per year to find the top 10 that they believe can have a real impact on a bank's performance. Then, they go the extra mile and set up one-on-one meetings with every ICBA member bank that signs up to get a 30-minute presentation from each of the 10 chosen fintechs — all in one day. Again, these people are doers, as are the bankers who are participating. They are proving themselves as doers by actively seeking out what technology and innovation are available that they can use NOW to push their institution forward. These bankers know that if they are to remain relevant and prosperous, they cannot afford to kick the can down the road for their successors to make the changes.

But, look at the numbers. There are more than 3,500 ICBA member banks, but only 120 banks participated. That's just 3% of talkers versus doers.

If you sincerely plan on being a player in this industry, whether a provider of services or a bank that needs them, then you are asleep at the wheel, and your board should be upset if your institution is not engaged in this amazing program. You are paying dues. The value a bank can derive by participating in this program is worth way more than the annual dues.

It's not too late to get involved. Contact Mike Kelley, president of CBAI's Community BancService Corporation, at mikek@cbai.com for more information. ■

Quilo is a fully digital lending platform that empowers banks to underwrite, approve, instantly fund and service personal loans for their account holders AND provide instant financing for the customers of their small business clients who sell products and services that cost hundreds or thousands of dollars. Quilo was voted Best of Show by bankers at the ICBA National Convention in San Antonio, Texas, in March.

Quilo was recently approved as CBSC's newest preferred service provider.

Public Pension Update

Dana Sparkman, CFA, Senior Vice President/Municipal Analyst, The Baker Group, Oklahoma City, OK

Municipal bond investors finally have some good news regarding public pension plans after worrying about growing unfunded pension liabilities for many years. The Pew Charitable Trusts reports that aggregate state retirement systems are over 80% funded for the first time since 2008, following record investment returns for the fiscal year ending in 2021.

In an effort to earn higher returns in an era of low-interest rates, pension fund managers have broadly been shifting asset allocations to a higher concentration of risky assets such as private equity and hedge funds. The National Association of State Retirement Administrators (NASRA) reports that alternative investments comprised 21% of the investment portfolios of public pension funds surveyed in 2021 compared to only about 5% in 2005. According to NASRA, investment returns have historically accounted for 61% of public pension fund revenue from 1991–2020, making it a large contributor to the overall performance of a pension plan. This strategy of taking on more risk to potentially earn a higher return proved very profitable during 2021 as risky assets outperformed assumed rates of return and most public pension plans earned returns greater than 25%, with some plans even hitting their highest single-year return in their history.

This is great news for municipal employers that participate in those pension plans, especially following investment underperformance in 2020 and a period of increasing annual required contributions. Most public pension plans now have better-funded positions and lower net pension liabilities, which should lead to lower growth in annual required contributions from municipalities and will help to relieve some budget pressure for those municipalities. The Pew Charitable Trusts estimates that contribution levels increased by 8% per year on average over the past 10 years, but the most underwater plans had contributions increase by 16% on average over that same time period. For some municipalities, coming up with funds for those rising contribution levels has become very difficult, and pension contributions have become a significant budget item. However, many state and local governments may be well-positioned today to make excess contributions and pay down some pension liabilities, since 2021 was also generally a year of large budget surpluses and revenue growth. For example, Connecticut has paid $1.7 billion from surplus cash into its state employee and teachers' pension funds in the last two years, and they may add an extra $6.3 billion over the next five years, according to Bloomberg. See chart on page 25.

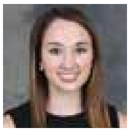
While most public pension plans have recently improved financially, investors should remain wary of municipalities that have exposure to troubled pension plans for a few reasons. First, a single year of outstanding investment performance unfortunately may not be enough to pull underfunded plans out of worrisome territory, and the previously discussed increased allocation in highly risky assets makes plan assets sensitive and investment returns volatile. Moody's has calculated that, in some instances, it would only take about a 5% loss next year to reverse the positive effects of a 25% return in 2021. Further, Moody's anticipates a greater than one-in-six chance that a pension plan with a 7% assumed annual return will suffer a loss of 5% or more in a given year.

Second, unfunded pension liabilities are still very high and represent a large amount of debt. Moody's estimates that net pension liabilities are still above $4 trillion, larger than the municipal bond market, even after the high investment returns realized in 2021 when adjusting for a conservative investment return assumption. Many states have enacted reforms to their pension plans to help keep liabilities down in the future, but the impact of those reforms will be felt further down the road because they are often effective only for new hires.

"Most public pension plans now have better-funded positions and lower net pension liabilities, which should lead to lower growth in annual required contributions from municipalities and will help to relieve some budget pressure for those municipalities."

Lastly, keep in mind that the statistics presented are aggregated to show broad trends. Individual states' plans may differ and may not be as well-positioned as the average plan, and some municipalities even have their own local plans, which could have drastically different funded positions and investment outcomes.

Despite the fact that it is comforting to know that net pension liabilities have generally fallen and that municipalities may benefit from lower pension contributions, prudent municipal bond investors should continue to carefully monitor individual municipalities' specific exposure to pension liabilities. ■

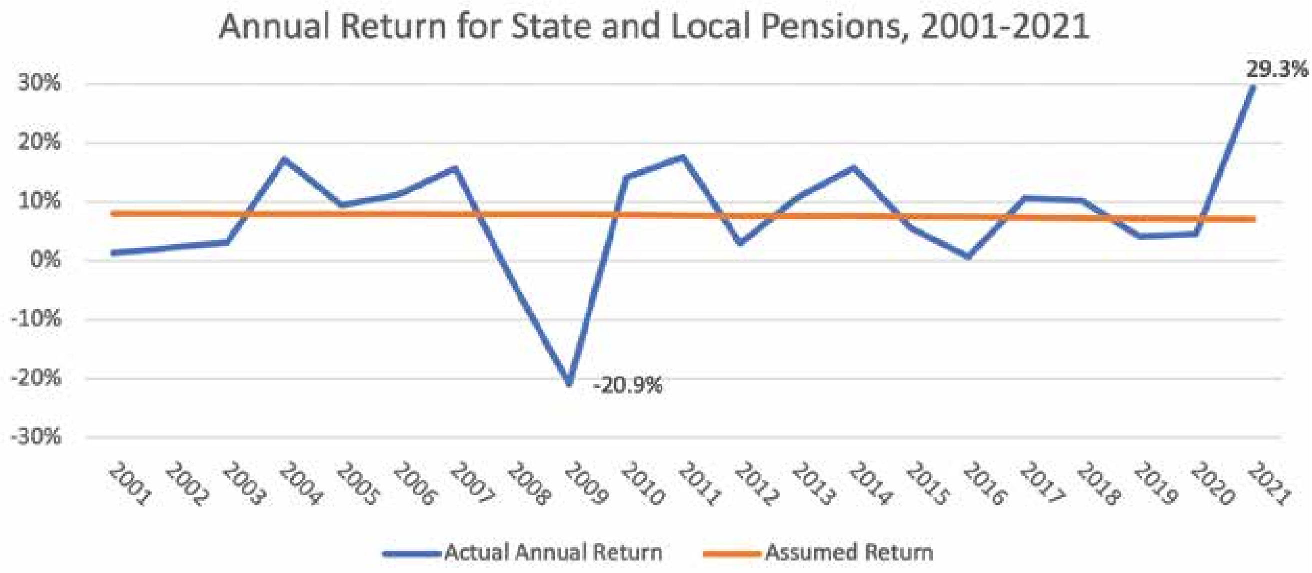


Dana Sparkman, CFA, is senior vice president/ municipal analyst in The Baker Group's Financial Strategies Group. She manages a municipal credit database that covers more than 150,000 municipal bonds, providing clients with specific credit metrics essential in assessing municipal credit. Sparkman earned a bachelor's degree in finance from the University of Central Oklahoma, Edmond, as well as the Chartered Financial Analyst designation. Contact: 405/415-7223, dana@gobaker.com.

DID YOU KNOW?

Roughly 6,000 public sector retirement systems exist in the U.S. Collectively, these plans have $4.5 trillion in assets, 14.7 million active members and 11.2 million retirees, and $323 billion in benefit distributions annually.

Source: U.S. Census Bureau and Public Plans Data



Source: Public Plans Database; Census of Governments

HELOC LOAN FRAUD *IS ON THE RISE*

Ryan Hillestad, Insurance Advisor, CBIS, A Gallagher Company

The insurance industry has seen an increase in home equity line of credit (HELOC) fraud as scammers continue to find new ways to attack your bank and customers. As we know, a HELOC is a type of revolving credit in which homeowners borrow against the amount of home equity in their residence — their ownership stake as a mortgage gets paid down. Homeowners are approved for a specific amount, which becomes their credit limit, and it may have some restrictions on its use.

As customers continue to see their home values rise, they are wanting to take advantage of borrowing up to 85% of the appraised value of their home, minus the amount still needed to pay on their regular mortgage. Many HELOCs have a fixed, low-interest rate with a pre-determined period of repayment, at the end of which time the credit can be renewed.

Now is the perfect time for consumers to take advantage of their increased home equity to pay down credit card debt or make home improvements with a HELOC loan. With record-level inflation that we haven't seen in decades, it's no wonder borrowers want to improve their position. The danger is not closely monitoring their account, or they may forget they even have one. Unfortunately, criminals are privy to this lack of awareness and find HELOCs an attractive target. Data shows thieves can gain access to these accounts and siphon off thousands of dollars by stealing identities and fooling lenders in the process. Anyone with equity in their homes can become a victim, especially homeowners with good credit and older adults who've paid off their mortgages.

Take, for example, this claim involving counterfeit HELOC checks that resulted in a loss of nearly $500,000. The scheme was fairly straightforward. Counterfeit HELOC checks with forged signatures were presented and approved for payment on three different accounts at the same bank. The bank reviewed the HELOCs to ensure sufficient funds remained available to fund each check but did not review the signatures or notice the dissimilarities in the font and logo on the counterfeit checks from legitimate HELOC checks.

Once criminals find success, they often continue to steal from the same accounts or attack other accounts at the same institution using the same methods over and over. Further, another scheme that often emerges after fraudulent activity unravels, is how easy it is for fraudsters to change email addresses, phone numbers and contact preferences. Frequently, this important information is changed in the days leading up to a crime, often with a simple phone call to the bank. Because the answers to commonly used control questions can often be found online through a quick search, we suggest treating any change of contact information as a red flag, recognizing this may be the initiation point of fraud.

> ***"Now is the perfect time for consumers to take advantage of their increased home equity to pay down credit card debt or make home improvements with a HELOC loan. With record-level inflation that we haven't seen in decades, it's no wonder borrowers want to improve their position."***

While it is impossible to prevent all fraud, there are additional steps a community bank can take to mitigate its exposure to large HELOC fraud losses. We offer the following suggestions:

Scrutinize HELOC checks in the same manner as for regular deposit account checks, and verify the signatures on all checks written in excess of $25,000 (or the amount of your FI Bond deductible if a lesser amount). While forged signatures are often very realistic and difficult to detect, this is still an important best practice to follow when used in conjunction with other control measures.

Initiate a positive pay system where the borrower must advise the bank in advance if they are going to draw from their HELOC.

Notify borrowers when a draw has been requested through an automated email, text or notification on an app. Positive pay could be included with the process; requiring an affirmative reply from your customer to process the transaction. Borrowers could also be notified when a draw has been posted to their account using the same technology. We suggest including the loan officer or relationship manager in the process as they are in the next best position to recognize irregular or out-of-character transactions.

Impose daily limits on HELOC draws, and scrutinize all internal transfers of HELOC funds, especially those involving personal checking or savings accounts. Many criminals will try to pose as account holders and call the bank to learn more about the accounts, order checks and attempt to increase daily withdrawal limits. Next, the fraudsters access the accounts online and transfer funds from your HELOC to the account they created and withdraw or transfer the money.

In other words, they're using your personal info, credit score and the worth of your home to steal money. One reason criminals can get away with this crime is that few documents are needed to open a HELOC, especially if the HELOC is being taken out from the lender that holds your mortgage. ALL need to be aware.

Remind your customers to be vigilant about reviewing their accounts. It's fortunate when community banks have brought the fraudulent activity to the attention of their customers. Borrowers may only become aware when receiving a call about a late payment, a receipt of written notification of a missed payment, or when they check their credit report and spot inaccurate information. Sometimes this is the only way to uncover inaccurate information relating to these types of accounts. Encourage your customers to receive their annual free credit reports from Equifax, Experian and TransUnion. Banks and customers alike need to continue to check mail and be conscious of any changes. Customers need to create complex passwords for their online accounts.

Notify law enforcement and file a police report when fraud is suspected. This tells credit grantors to be on alert before extending additional credit under the homeowner's name. A copy of the identity theft report, whether from federal, state or local law enforcement, may need to be submitted to the credit agencies.

The bottom line is, identity thieves are always finding new ways to carry out crimes, but we all can stop them from using HELOCs and alleviate headaches by monitoring account activity and credit reports. Quick actions reduce potential severity. ■

For more on this subject, please contact Ryan Hillestad, insurance advisor, Community BancInsurance Services, A Gallagher Company, the exclusively-endorsed insurance representative of CBAI/CBSC, at 800/982-6564 or ryan_hillestad@ajg.com.

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

IN THE KNOW?

The Federal Trade Commission received more than 2.8 million fraud reports in 2021, totaling a loss of more than $5.8 billion.

Source: Federal Trade Commission

IN THE KNOW

Stablecoins share many of the risks associated with other cryptocurrencies and may present enhanced cybersecurity risks compared to traditional digital assets.

Source: FINRA

What's Next in the Stablecoin Debate — and What It Means for Community Banks

Brian Laverdure, Vice President of Payments and Technology Policy, ICBA

While stablecoins have drawn increased scrutiny from policymakers in Washington, the policy response has only just begun. Here's a look at the policy outlook and what it means for community banks.

POLICY QUESTIONS AND NEXT STEPS

While greater scrutiny by policymakers is an encouraging step toward bringing stablecoins within the regulatory perimeter, there are still many unresolved issues that need to be addressed.

For instance, members of Congress have not yet determined how they will act on the President's Working Group's (PWG) request for a legislative remedy. If Congress cannot agree on a legislative path, then the Financial Stability Oversight Council (FSOC) might act to address the risks outlined in the PWG report.

The PWG report said its member agencies encouraged FSOC to consider using its authority to designate stablecoin arrangements as "systemically important payment, clearing and settlement (PCS) activities." If FSOC determines that a stablecoin arrangement qualifies as systemically important, then regulators may "establish risk-management standards for financial institutions that engage in designated PCS activities, including requirements in relation to the assets backing the stablecoin, requirements related to the operation of the stablecoin arrangement and other prudential standards."

However, the PWG report did not resolve all outstanding questions about the regulation of stablecoins and the wider world of decentralized finance.

While the PWG acknowledged that stablecoins that qualify as securities will be subject to federal securities laws and Securities and Exchange Commission (SEC) oversight, it stopped short of examining which stablecoins should be considered securities. Some legal scholars contend that the SEC should deem stablecoins to be "investment contracts" because they are primarily used to trade speculative digital assets.

The PWG report also recognized that stablecoins could be considered commodity futures, options or swaps, thereby falling under the jurisdiction of the Commodity Futures Trading Commission (CFTC) and subject to the Commodity Exchange Act.

The CFTC has already begun to play a role in regulating the sector. For instance, the agency last year used its enforcement powers to fine Tether $41 million for misleading claims that its U.S. dollar token was fully backed by reserves. And in recent congressional testimony, CFTC Chair Rostin Behnam said his agency "is well situated to play an increasingly central role in overseeing the cash digital asset commodity market."

Meanwhile, federal departments and agencies have only just begun responding to President Biden's executive order on digital assets, which directs them to submit reports to the White House in the coming months.

COMMUNITY BANK IMPACT AND ADVOCACY

Although consumers are not yet using stablecoins to buy their morning coffee, efforts are underway to make stablecoin payments more widely available. The threat of disintermediation is real, especially considering the critical role of stablecoins in the growth of a decentralized finance (DeFi) ecosystem designed to eliminate the need to use centralized parties, including banks.

With the stablecoin debate touching on numerous policy considerations, ICBA is urging policymakers to:

- Resolve the debate about classifying digital assets as securities, commodities or banking products because regulatory uncertainty inhibits wider adoption and affects community banks' ability to compete in a rapidly evolving digital economy.
- Work together to develop a comprehensive approach that will bring stablecoins within the federal regulatory perimeter to address serious risks to financial stability, consumer protection and national security.
- Prevent unregulated entities from issuing stablecoins.
- Maintain the separation of banking and commerce to prevent Big Tech firms from quickly scaling and monopolizing the stablecoin marketplace.

Meanwhile, ICBA is studying various proposals from policymakers and academics to understand the full potential impact on community banks. Among the most important questions are:

- How can a level playing field be maintained if stablecoin issuance is limited to FDIC-insured depository institutions? A level playing field is essential to ensuring large national banks do not dominate the stablecoin market and disadvantage community bank customers.
- What issues, if any, can stablecoins address that cannot be solved by other actions or solutions, such as instant payments or greater access to financial services and bank accounts?

As the debate continues, ICBA will be at the table representing community banks and their communities every step of the way. Community bankers with thoughts or questions about the development of stablecoins and their impact on community banks can follow me on Twitter and contact me directly at brian.laverdure@icba.org. ■

Brian Laverdure is ICBA vice president of payments and technology policy.

48th Annual Convention & Expo

CBAI is excited to announce its Closing General Session Speaker at its 48th Annual Convention & Expo, "Community Bankers — We've Got Some Famous Friends," scheduled for September 29–October 1, 2022, at the Marriott St. Louis Grand in St. Louis.

CLOSING GENERAL SESSION SPEAKER

Joe Torrillo is a 25-year veteran of the New York City Fire Department who spent the first 15 years of his career in Engine Company 10, across the street from the South Tower of the World Trade Center. In 2001, Torrillo helped design a Fisher-Price action figure as part of their "Rescue Heroes" line named "Billy Blazes," modeled after a NYC firefighter. Ironically, the press conference to introduce the figure was set for September 11, or 9/11 — the emergency phone number in New York. It was on the way to the press conference that American Airlines flight #11 struck the South Tower at 8:46 a.m. Fearing for his brother firefighters at Engine Company 10, Torrillo diverted to the scene to render assistance.

At 9:03 a.m., while wearing borrowed firefighter gear, the second jet flew over Torrillo's head and crashed into the North Tower. During the rescue operation, Torrillo was found buried alive with life-threatening injuries. He was removed on a spine board and placed on the deck of a boat on the Hudson River when the North Tower collapsed and buried him again. Rescued a second time, Torrillo was taken by boat to a trauma center in New Jersey. By the time the sun had set on September 11, 2001, Torrillo miraculously survived the collapse of both Towers. Because he was wearing borrowed clothing, he was misidentified at the hospital and declared missing for three days.

Sadly, "Billy Blazes" would come to represent the 343 New York City firefighters who sacrificed their lives in the rescue effort.

GOLF TOURNAMENT

CBAI is pleased to announce the Golf Tournament at CBAI's 48th Annual Convention & Exposition is being held Thursday, September 29, 2022, at **Gateway National Golf Links**. Tall grasses, lakes, wood-tie bunkers and occasional giant cottonwoods complete the landscape. In view of the magnificent Gateway Arch, you will cross occasional stone bridges and glide on raised boardwalks through quiet wetlands. Designed by the renowned golf course architect, Keith Foster, Gateway National remains the only true links-style course in the St. Louis metropolitan area, and it is the only public-access course in the region to feature bent grass fairways. Enjoy golf as it was meant to be played at this stunning, links-style course.

REGISTER NOW FOR EARLY BIRD PRICING

"Community Bankers — We've Got Some Famous Friends!" Wherever we're from, wherever we go, our "famous friends" and our community bankers are the ones that make our communities special. You don't want to miss CBAI's 48th Annual Convention & Expo, September 29–October 1, 2022, as we roll out the red carpet in St. Louis! Early-bird registration is open until June 30. For more information or to register, call Tracy McQuinn at 217/529-2265 or visit www.cbai.com today. ■

CBAI Career Development Division Spring Meeting
June 26-27, 2022
St. Louis, MO

Roxanne Emmerich with The Emmerich Group is the Featured Speaker on Monday

For more information, contact Melinda at melindam@cbai.com or at 800/736-2224.

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CDD SPOTLIGHT

QUESTIONNAIRE

Jason Enos

CDD Group Director and Vice President of Lending, The Fisher National Bank

What do you find most challenging about your job?

The most challenging thing about my job is it seems there are not enough hours in the day. As a community bank, we wear many different hats and try to be involved in our community as much as possible. Sometimes I just wish there was more time to be able to do it all.

What do you find most rewarding about your job?

The most rewarding part of my job is being able to help people finance their house. Whether it's their first home or a vacation home, it is nice to be able to fit every customer with a loan that works best with their finances.

How did you get involved with CBAI?

In the summer of 2012, I attended my first year of Community Bankers School, followed by my second year in 2013. Throughout my time in banking school, I got introduced to the atmosphere and fellowship surrounding CBAI. After graduation, I joined the Career Development Division (CDD) within CBAI and developed contacts that have benefited me greatly.

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

I would be an account or case manager for a company, maybe a tech company. I really enjoy managing a customer's requests for what they need. I do this as a loan officer right now and it is one of my favorite parts of my job, so I would want it to be incorporated into any other job that I would potentially have.

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

The biggest challenge is our competition in the marketplace. We just opened a new branch in a bigger community and are faced with the challenge of being the small fish in a big sea. We are always facing competition from fintech companies and are now facing it from national and global banks as well. We are combating this by doing what we have always done: providing superior customer service. We like to be involved in our communities, and it makes a lasting impression with the residents. It may take a little longer than an advertising campaign, but the outcome is a stronger relationship with the customer.

What is the best advice you've ever received?

The best advice I've ever received is that it can take "seven touches to make an impression." This has been something that I remember every day. It can be very frustrating to have a good interaction with a potential customer and have them choose to go a different way. Whether they see me working a booth for a community event, volunteering for a charity or serving on a board of directors, each time is an impression. The more impressions that I am able to facilitate, the more likely I am to be on the forefront of a customer's mind.

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

My favorite initiative is the honor parade that we participate in each year. The honor parade recognizes and supports our local heroes: members of the military, firefighters, police, EMTs and so many more. Each year, our bank decorates a truck in red, white and blue and has one or two local heroes ride in the truck bed. The streets are lined with residents supporting these local heroes. To be a part of this each year is very special to me. ■

Illinois Retirement Mandate Now Affecting Employers with as Few as Five Employees — Bankers Can Be the Source of Their Solution

Nathan White, CPFA, AIF®, Midwestern Securities

Mandate is a word we know well working in the banking industry and, for the past couple of years, it has been pervasive in our personal lives as well. From the countless rules and regulations dictating how we can operate our banks to the various requirements and restrictions put in place during the pandemic, many people are tired of the state telling them what to do.

One state mandate that should be high on all employers' minds is the Illinois Secure Choice Act. This law requires Illinois employers to offer their own retirement program or adopt the state-run Illinois Secure Choice Savings Program for their employees. When the law first went into effect in 2019, it was focused on employers with 25 or more employees. However, **that threshold has now dropped to five or more employees**, meaning many small-business owners now must abide or risk facing financial penalties of up to $250 per employee, per year.

Illinois Secure Choice is an elective payroll deduct, auto-enrollment Roth Individual Retirement Account (IRA) program. It is governed by the state of Illinois and administered by a private-sector financial services company. Employees have the option to opt-out of the program if an employer enrolls in the program.

What's new? There are two new phases to the program:

Phase 4 — November 1, 2022
Employers with 16–25 employees that do not offer a program and have been in business for at least two years must adopt the program by this deadline.

Phase 5 — November 1, 2023
Employers with 5–15 employees that do not offer a program and have been in business for at least two years must adopt the program by this deadline.

Understandably, many business owners don't fully trust a state-run program to be in their best interest. The good news is that employers have options, and you, as their trusted banking partner, are in a position to help provide them with better alternatives to the state-run plan.

One of those alternatives is the CBAI 401(k), which isn't just for CBAI member banks. Since opening to all businesses in January 2020, 15 non-bank employers have joined the CBAI 401(k) plan. Many of these businesses are offering a retirement plan for the first time ever.

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

- Attract and retain quality employees
- Enhance their benefits to be more competitive in the marketplace
- Save time
- Reduce workload
- Ensure compliance
- Reduce liability
- Improve employee retirement readiness

Small-business owners are too busy running their businesses to be burdened with more administrative tasks. One of the attractive features of the CBAI 401(k) is that it outsources the greatest amount of work and liability that is legally allowed, freeing up your commercial customers' time so they can remain focused on growing their business while offering a competitive retirement benefit.

Two of the main issues facing business owners today are hiring/retaining employees and personal tax liability. A 401(k) plan is a creative solution for both of these issues.

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

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

While the CBAI 401(k) is open to employers of all sizes, another option for small businesses could be a SIMPLE IRA. SIMPLE IRAs can be ideal for business owners with 100 or fewer workers who would like their employees to share responsibility for their own retirement savings, but who don't want the complexity, cost and administration of a 401(k). A Simple IRA is essentially a light version of a 401(k).

Both the CBAI 401(k) and a Simple IRA provide higher contribution limits and a greater amount of control and customization by the employer. Most important is that they both allow for an employer match, which is what really makes a retirement program an employee benefit. The CBAI 401(k) allows for pre-tax or Roth, plus a wide variety of employer match formulas. A SIMPLE IRA only allows employee pre-tax contributions and is limited to a 3% employer match. When compared to a state-run payroll deduct Roth, both programs provide for a greater chance of employees being able to retire successfully and have a greater appreciation of the plan as being part of a benefits package.

Another potential benefit to business owners who join the CBAI 401(k) or start their own plan is that they may be able to claim a tax credit of up to $5,000 for three years for the ordinary and necessary costs of starting a qualified plan. This makes adopting a plan other than the state-run plan an even more attractive option for employers.

Now's the time for action. If this sounds overwhelming, don't worry. You don't have to be an expert in retirement plans to be able to help your commercial customers find a retirement plan that is right for them and can satisfy the state mandate. Here are two easy steps you can take now to make your institution better equipped to be a hero to local business owners.

Join us online on Thursday, May 26, for our free webinar on the updates to the Illinois Secure Choice Savings Program, and learn how the CBAI 401(k) Plan can be a solution for your bank and your local commercial businesses. Gather your top local businesses or commercial customers to have lunch at your bank and watch the webcast together from 12–1 p.m. We will provide the education, and you will appear as their local source for quality retirement plan options. Watch your inbox for invitations to the webinar, or scan the QR code on this page to register today.

If this date and time don't work for you, you could gather a group of your commercial customers and schedule a presentation with our team exclusively for your customers. If you can fill the room with your top prospects, we can present a personalized program for your group.

Scan this QR code with your smartphone's camera to register for the **free** Illinois Secure Choice & Your Retirement Options webinar on **May 26**, presented by Midwestern Securities and CBAI.

Reach out to me, Nathan White, CPFA, AIF®, director of retirement plans at Midwestern Securities, at nwhite@midwesternsecuries.com or 309/699-6786 with any questions about the CBAI 401(k) or anything discussed in this article. I would be happy to help you be the hero to all your local business owners. ■

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

10 Ten Steps to a Pain-Free Vendor Management Process

Michael Berman, President, Ncontracts

The directive came from on high, and there is no escaping it: You are responsible for your institution's vendor management process. You've seen the guidance. You know it's a big job. But where to begin?

Take a deep breath, let it out and allow me to be your guide through the vendor management process.

Vendor management is the process of continually assessing the risks a third-party vendor and its subcontractors pose to your institution. It relies on policies, procedures and tools to monitor and mitigate those risks. It ensures that vendor risk exposure is consistent with an institution's risk appetite and manages every step of the vendor management process lifecycle.

1. Decide who is involved.

Just because you've been tasked with vendor management doesn't mean it's solely your responsibility. Vendor management touches nearly every single department and business line.

Both board and management oversight are necessary for successful vendor management. The board approves significant vendor agreements, documenting how it reached that decision. There also needs to be proof that significant vendor agreements are overseen and reviewed annually by the board and whenever there is a material change to the program. Management is responsible for a period review of the vendor's operations to ensure the vendor is controlling risk and living up to the contract's terms.

It may be practical to have department heads oversee their vendors and report critical information back to you. Conversely, it may be best for you to take the lead. Every institution will have its own approach. The important thing is to make sure vendor management isn't siloed and that different departments and business lines collaborate to ensure vendor management is comprehensive.

2. Select a central location for vendor-related information.

Vendor management requires collaboration, and that means there needs to be one single place where all policies, procedures and documentation will be stored. You'll save yourself a lot of headaches down the road if you make it easy to find up-to-date information and a system with a clear audit trail. Contracts, business plans, risk analyses, due diligence and documents related to oversight activities, including board and committee reports, should be kept for a defined period of time.

3. Identify your vendors.

If your institution doesn't have much of a vendor management process now, chances are there is no master list of vendors. That means you need to hunt down contracts and vendor agreements. The bad news is that these are likely to be spread out across the institution in various computers, file folders, filing cabinets, offices and branches. Don't forget to check in with accounting for a list of invoices paid over the past year or two. You may uncover vendors with lost contracts.

4. Review contracts.

Once the contracts are gathered, go through them to see what services each vendor provides and when the contract expires. Make note of duplicate services, expiration dates and autorenewals. Pay attention to provisions promising reports, audit results and other notable documentation.

Also, look out for pricing information. If a contract is more than a few years old or it auto-renewed, it's possible your institution can renegotiate it, saving money and making you look like a vendor management rock star.

5. Identify critical, significant or high-risk vendors.

Different agencies use different terminology, but it all comes down to the same thing. A critical/significant/high-risk vendor is a vendor that performs or provides critical functions or services, including payments, lending, deposits, clearing or IT. It also includes those that:

- Could cause the institution significant risk or significantly impact customers if they failed to meet expectations.
- Require significant resources to implement, manage or bring in-house.
- Touch-sensitive customer information.
- Could materially impact earnings, capital or reputation.

It's important to identify high-risk vendors because they present a particularly large risk to your institution. If the guy who cuts a branch's grass goes out of business, it's an inconvenience. If your mobile banking provider gets hacked, you've got a real problem on your hands.

Develop a scale for identifying vendors. Many institutions use critical, moderate and low, but others prefer more gradient.

6. Conduct due diligence.

You have a list of low, moderate and critical vendors. You know what kind of documents they are supposed to supply you. It's time to collect them. Hunt down documents you've been promised, and set up alerts to keep you apprised of any developments related to your vendor like financial troubles, lawsuits, legal or regulatory difficulties, reputation issues, etc.

Due diligence should be conducted before a contract is signed and throughout the duration of the relationship. Not every vendor requires the same amount of due diligence. Concentrate your efforts on critical vendors because they pose the most risk. Things to look at include:

- **Financial Condition:** Audited financial statements, filings, annual reports, litigation, etc.
- **Business Approach:** Does it use subcontractors? How well are they monitored?
- **Internal Controls:** What kind of internal controls, systems and data security and privacy protections does the vendor have? Does it have audit coverage? What are its business resumption, continuity and contingency plans? How strong are its management information systems? Does it have insurance coverage? What are its underwriting criteria?
- **Marketing:** How will the vendor use the institution's name on materials and websites?

IN THE KNOW

In a survey conducted by the Conference of State Bank Supervisors, more than 70% of participants ranked cybersecurity as their top concern.

Source: Conference of State Bank Supervisors (CSBS)

Continued on next page...

7. Risk assess your vendors. A risk assessment is a broad exercise that covers everything from an institution's overall approach to enterprise risk management (ERM) to the practical elements of what resources are available to identify, manage and mitigate risk.

First, you need to understand your institution's risk appetite. The risk appetite is set by the board as part of the strategic plan. It's important to consider whether the costs, benefits and risks of working with a third-party align with the institution's comfort zone and overall strategy. Potential risks include operational, transaction, compliance, reputational, financial and cybersecurity risk, among others.

This is typically done by measuring and scoring two key forms of risk: inherent risk and residual risk.

INHERENT RISK
Inherent risk scores represent the level of risk an institution would face if there weren't controls to mitigate it. For example, think of the risk of a cyberattack if the institution didn't have any defenses in place. It's very likely the institution would be attacked, and it could have a huge impact.

RESIDUAL RISK
Residual risk is the risk that remains after controls are taken into account. Residual risk is greatest when the inherent risk is high and the controls for mitigating the risk aren't effective. It decreases when controls are effective. In the case of a cyber breach, it's the risk that remains after considering deterrence measures like firewalls and intrusion detection testing.

To measure residual risk, it's necessary to determine how effective controls are. This comes down to two factors: the impact of the control and how likely it is to work. For example, a firewall can be very important for keeping out hackers because it covers the entire institution. Updating the virus protection on a single computer has a much smaller impact.

The overly cautious might be tempted to label every risk a significant or high risk, but that's a terrible idea. If every risk is labeled with the highest possible risk level, the board won't know where to deploy resources. Higher residual risks should be addressed more frequently, and their control effectiveness reviewed more aggressively.

Those vendors with the highest residual risk will require the greatest attention.

> *"These 10 steps will help you develop an organized vendor management process. Instead of struggling to make sense of an unwieldy collection of third parties, you'll have a clear path to getting your vendor management house in order."*

8. Engage in ongoing monitoring. The threat landscape is always changing, so it's important to assess the effectiveness of controls to understand whether your third-party vendor is performing as expected. Controls should be tested regularly, and the institution should track whether vendors are meeting service-level agreements, performance metrics and other contractual terms and complying with legal and regulatory requirements. This ongoing due diligence should monitor the quality of service, risk management practices, financials and controls and reports. The results, along with the institution's policies and procedures, should be used to decide if a vendor needs to be terminated or put on probation.

9. Track findings. Findings from the oversight process should be periodically reported to the board or a committee. This is particularly true for weaknesses, which should be identified, documented and quickly remediated. It's important that someone is accountable for following up with systems in place to be sure nothing falls through the cracks.

10. Negotiate contracts. Contracts are more than pricing agreements. They are important documents that outline terms and conditions, and it's important to have policies and procedures in place for negotiating strong contracts that protect your institution's best interests.

More than a checklist of must-haves in a written agreement, these are the items that should be easy to understand and track. They should be specific and detailed to provide measurable benchmarks. The board should sign off on contracts with critical vendors. Contracts should outline the rights and responsibilities of both the vendor and the financial institution. Topics to address include confidentiality, dispute resolution, subcontracting, business continuity and contingency plans, frequency of data reports and audits, data privacy, and ownership of intellectual property.

These 10 steps will help you develop an organized vendor management process. Instead of struggling to make sense of an unwieldy collection of third parties, you'll have a clear path to getting your vendor management house in order. ■

Michael Berman is president of Ncontracts, a CBSC Preferred Service Provider. He can be reached at michaelberman@ncontracts.com.


Holland


Sheller

CBAI's

Annual "C" Conference

CBAI's Annual "C" Conference was held in conjunction with CBAI's Capital Conference on February 16, 2022, at the Wyndham Springfield City Centre. This conference, developed for the C-level community banker, included inspiring and educational general sessions, concurrent sessions and an opportunity to network at the Legislative Reception the evening before the event. The annual event included nearly 70 attendees from community banks across the state. Those in attendance indicated The "C" Conference was "a wonderful opportunity to bring the whole C-level team together!"

The conference opened with Jody Holland's presentation entitled, "Creating A Bold Culture." Dale Sheller from The Baker Group provided the session, "Investment Portfolio Strategies in the Face of Rising Interest Rates" before the networking lunch. Bankers then had the opportunity to attend breakout sessions geared toward their position at the bank. The conference ended with Jody Holland's session, "Leading Change."

The Federal Home Loan Bank of Chicago and Independent Community Bankers of America (ICBA) graciously sponsored this event!

Look in future issues of *Banknotes* for the date and information on the 2023 "C" Conference! ■


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Powerful Powers of Attorney

Jerry Cavanaugh, CBAI General Counsel, Springfield, Illinois

I occasionally get inquiries from CBAI members who are cautious, if not reluctant, about following an instruction from a Power of Attorney (POA) Agent. Perhaps the bank is concerned that the Agent might be engaging in an act of self-interest or otherwise acting in a manner inconsistent with the intent of the POA Principal. As I will explain below, assuming that nobody in the bank: (1) is complicit in the performance or concealment of an unauthorized act by the Agent; or (2) has ***actual knowledge*** that the Agent's instruction to the bank was unauthorized, the bank not only ***can*** comply with the Agent's instruction but arguably ***must*** do so.

At the starting point, the POA Principal controls every aspect of the authority granted to the Agent, including its duration, the types of business activities that are within its scope, and any customized limitations or conditions on those authorized activities. The preamble statutory language that the Principal is obliged to read (or to have read to her/him) emphasizes that the Principal must choose a trustworthy Agent, because the Principal is figuratively handing over the keys to her/his kingdom. The preamble text informs the Principal that if (s)he does not remove or condition any of the powers itemized on the POA form, the Agent has full authority to act in that area, just as if (s)he was the Principal herself/himself. The powers are itemized in 15 categories, including "real estate transactions," "financial institution transactions," "safe deposit box transactions," and, at the end of the list, "all other property transactions." The Principal has two opportunities to eliminate or reign in any category of powers. (S)he can eliminate the entire broad category by literally drawing a line through that itemized power on the form or, (s)he has a subsequent opportunity on the form to (in narrative words) impose as many conditions and/or restrictions on the Agent's authority as the Principal chooses. If (s)he neither strikes out a category of power nor conditions or limits it, the Principal is granting full authority to the Agent, who is now authorized to act with the same legal effect as if (s)he were the Principal. The Principal, while alive, maintains control over the POA and may revoke or amend it at any time. Otherwise, the Agent's authority continues unconditionally until the death of the Principal, the legal separation or dissolution of marriage if the Principal and Agent are spouses, or the intervention of a court that finds one or more acts of the Agent to have been improper.

During the time that the unconditional, unrestrained POA authority is possessed by the Agent, financial institutions are protected from liability after receiving a copy of a document "purporting to establish" a POA agency, meaning a bank has no obligation to trace the origin or legitimacy of the POA form, provided, as I wrote

Continued on next page...

above, the bank is acting in good faith and lacks ***actual knowledge*** of an impropriety. That statutory good faith reliance protects the bank as if it was dealing directly with the POA Principal. Not only is a bank given the freedom to presume that the POA document is authentic, but it is also protected from liability when it presumes that the Agent's actions and instructions conform to the POA document (i.e., the bank has no due diligence obligation to investigate whether the Agent's acts or instructions comply with the POA Principal's wishes).

Furthermore, while all of the above describes how and why a bank is allowed to comply with the instruction from the Agent, subsection (d) of Section 2-8 of the POA Act actually provides that a bank "shall" comply with the instruction from a POA Agent unless there is "reasonable cause" to disregard the Agent's instruction. You can ask your bank's attorney what would constitute "reasonable cause" sufficient to ignore a POA Agent's instruction without liability exposure, but I will suggest a "gut feeling" that the Agent is engaging in self-interest at the expense of the Principal would fall short. Ownership of the account still rests with the Principal, so the bank is not violating any customer confidentiality law by informing the Principal about transactions on her/his account. But this is another situation for which the bank should consult with its legal counsel before phrasing something in such a way that might cause the Agent to argue that (s)he was being wrongly accused and/or defamed by the bank.

In sum, unless conditioned or restricted by the Principal when (s) he executes the POA form (or the grant of authority is subsequently revoked or amended by the Principal), a POA Agent has unrestricted authority … subject to her/his fiduciary responsibility to the Principal, for which the bank is not a referee ... to cause a bank to take actions to the same extent as the Principal could have, and a bank is not **legally or contractually** obligated to second guess the Agent or investigate the Agent's acts. ■

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 (Illinois only), 217/529-2265 or jerryc@cbai.com, or CBAI Paralegal Levette Shade at levettes@cbai.com.

MAY 2022

3 **3rd Quarterly Compliance Meeting** — Crowne Plaza Hotel, Springfield

4 **3rd Quarterly Compliance Meeting** — Chicago Marriott, Naperville

4 **BSA Compliance for Commercial Accounts: Beneficial Ownership & Beyond**

5 **HR Group D** — Drury Hotel, Mt. Vernon

5 **CEO Forum Group IV** — Grizzly Jack's Grand Bear Resort, Utica

5 **Maintaining Consumer Accounts: Adding Names, Changing Names, Removing Owners, Changing Product Types & More**

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

6 **HR Group B** — Crowne Plaza Hotel, Springfield

6 **CEO Forum Group VI** — CBAI West Conference Room, Springfield

9 **Group #7 Meeting** — Crestwicke Country Club, Bloomington

9 **Senior Lender Group V** — Chicago Marriott, Naperville

10 **Group #4 Meeting** — Pontiac Elks Country Club

10 **Beginner ACH Seminar** — Shazam Education Center, Springfield

10 **Senior Lender Group II** — CBAI West Conference Room, Springfield

10 **Reducing Mortgage Delinquency: Proactive Protection of the Bottom Line**

11 **Senior Lender Group I** — CBAI West Conference Room, Springfield

11 **Decoding ACH Return Reason Codes**

11 **Cybersecurity Threats, Trends & Proactive Strategies for Financial Institutions** — CBAI West Conference Room, Springfield

12 **Senior Lender Group III** — CBAI West Conference Room, Springfield

12 **CEO Forum Group III** — Shazam Education Center, Springfield

12 **Cybersecurity Threats, Trends & Proactive Strategies for Financial Institutions** — Chicago Marriott, Naperville

13 **Senior Lender Group IV** — CBAI West Conference Room, Springfield

13 **CEO Forum Group V** — Chicago Marriott, Naperville

16 **Group #3 Meeting** — Lake Carroll Golf Course, Lanark

17 **Group #5 Meeting** — Weaver Ridge Golf Club, Peoria

17 **BSA/AML** — Shazam Education Center, Springfield

17 **Construction Loan Nuts & Bolts: Documentation, Sample Scenarios & Avoiding Errors**

17 **Consumer Underwriting 101: From Application to Approval**

18 **Call Report Seminar** — Shazam Education Center, Springfield

18 **Handling Trusts & Other Fiduciary Accounts**

19 **CEO Forum Group II** — Drury Hotel, Mt. Vernon

19 **HR Group A** — Shazam Education Center, Springfield

19 **Building a Successful Cross-Selling Platform**

19 **The New ACH Rules on Prenotification & Micro-Entries**

20 **HR Group C** — Grizzly Jack's Grand Bear Resort, Utica

20 **Branch Manager Group B** — Grizzly Jack's Grand Bear Resort, Utica

23 **CFO Forum Group II** — CBAI West Conference Room, Springfield

23 **Group #9 Meeting** — Jacksonville Country Club

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

24 **Group #11 Meeting** — Effingham Country Club

24 **Basics of Banking** — Shazam Education Center, Springfield

24 **CBAI's Leadership Academy** — Zoom

24 **Community Reinvestment Act: Preparing for Regulatory Changes**

25 **Group #12 Meeting** — Kokopelli Golf Club, Marion

25–26 **Regulation Z University** — Shazam Education Center, Springfield

25 **Enhanced Due Diligence & Risk Assessment of ACH Customers**

JUNE 2022

1 **When a Business Owner Dies, Sells or Delegates Authority**

1 **Faster Payments Basics**

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

2 **Interpreting Call Reports for the Board**

3 **Operations/Technology Group B** — Chicago Marriott, Naperville

6 **Group #8 Meeting** — Mattoon Country Club

7–8 **IRA Institute** — Northfield Center, Springfield

7 **Compliance for Lenders** — Shazam Education Center, Springfield

7 **Measure It to Manage It: Understanding Analytics & How to Determine Online Success**

8–9 **Advanced Compliance Institute** — Shazam Education Center, Springfield

8 **Building a Better Board**

9 **Group #1 & #2 Meeting** — Guaranteed Rate Field, Chicago

CBAI Webinar

Continued on next page…

JUNE 2022 CONT'D

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

9 **Electronic Payment Fraud: When Is Your Institution Liable?**

13 **Group #6 Meeting** — Macomb Country Club

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

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

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

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

15 **Maintaining Business Accounts: Changing Principals, Changing Signers, Resolutions, Changing Products & More**

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

16 **Decoding the Examination Process: 10 Essential Techniques to Thrive During Your Next Exam**

21 **How to Reduce Risk in Account Administration** — Shazam Education Center, Springfield

21 **Consumer Lending Collateral Considerations & Documentation**

22 **Collections & Bankruptcy** — Shazam Education Center, Springfield

22 **Commercial Lending: Risks, Rewards, Controls & Common Mistakes**

23 **HR Seminar** — Shazam Education Center, Springfield

23 **Identity Theft Red Flags & FACT Act Compliance**

26–27 **CDD Spring Meeting** — Hilton at the Ballpark, St. Louis

28 **Mortgage Loan Origination: Critical Timing Requirements**

30 **Overdrafts Under Fire: Clarifying the Confusion**

CBAI Webinar

Member News


(L to R) Rabenort and Putbrese

First Community Bank, Xenia-Flora, is celebrating its centennial anniversary in 2022. Jeff Rabenort, CBSC vice president of member services, recently presented a plaque to **Michael Putbrese,** president, to commemorate the occasion.

Richard S. Dennis, a current board member at **Alliance Community Bank, Petersburg,** celebrated 50 years in community banking in March. Dennis is the former president and CEO of Athens State Bank (aka Alliance Community Bank). CBAI honored Dennis with an award in recognition of his achievement.

The Farmers & Merchants State Bank of Bushnell recently announced **Michael Steelman** has retired from his position of chairman/CEO after 38 years of distinguished service. Steelman has served as a director of the Federal Home Loan Bank of Chicago since 2011, including chairman from 2018 to 2019. He will continue to serve as a director on the board of Farmers & Merchants State Bank and Prairieland Bancorp, Inc., as well as chair emeritus (past chair), and senior counsel, working part-time for the bank. Former President and COO **Douglas Allaman** has been named chairman/CEO of the bank. Allaman directs the lending department of the bank, serves as farm manager and director of compliance, and is also a director on the board.


(L to R) Aylesworth and Rabenort

The Farmers Bank, Mt. Pulaski, is celebrating its 150th anniversary this year. Jeff Rabenort, CBSC vice president of member services, recently presented a plaque to **Tricia Aylesworth,** vice president, to commemorate the occasion.

Becky Helton, Marine Bank, recently retired after 51 years in community banking from the Bank's Wealth Management & Trust Department. Helton worked in Trust Operations for the majority of her banking career and headed up the Trust Operations Department at Marine Bank for the last 22 years.


(L to R) Shofner and Rabenort

First National Bank & Trust Company, Clinton, was recently recognized for its 150th anniversary. Jeff Rabenort, CBSC vice president of member services, presented a plaque to Josh Shofner, president, in honor of the milestone.

First National Bank and Trust Company, Clinton, was named "Large Business of the Year" at the Clinton Area Chamber of Commerce Business Expo.

Bradford National Bank, with locations in Greenville, Highland and Marine, has announced that **Kurt Vonder Haar** has joined the bank. Vonder Haar will serve as the bank's business development director.

Ag and Business Relationship Manager **Braden Newman** recently joined the team at **First National Bank and Trust Company, Clinton.**

The Baker Group recently welcomed **Frank Coffey Jr.** as an account executive in the Springfield office. He has a series 7, series 6, series 63 and state insurance license.

The board of directors of **BankORION** and its parent company, Orion Bancorporation, Inc. announced the promotions of **Valerie A. Johnson** to assistant vice president, project development officer; **Jeremy T. Lewison** to assistant vice president, operations officer; **Aleshia V. Chiesa** to assistant vice president, marketing director; and **Lindsey J. Uttech** to human resources director. ■

Foundation Report

College Ave Student Loans became a Silver-level donor of the Foundation with a contribution of $2,500.

Board and committee members of the CBAI corporate family donating travel expenses to the Foundation are **Rick Hiatt, Illinois Society of Professional Farm Managers and Rural Appraisers, Pontiac; Kraig Lounsberry, CBAI, Springfield; Chad Martin, Goodfield State Bank; David Rennegarbe, First National Bank, Okawville; and Jim Weast, Warren-Boynton State Bank, New Berlin.** ■

Interest Rate Risk and Investment Strategies Seminar

August 1, 2022 | Springfield, IL

Illini Golf and Country Club

AUG

Springfield, IL
Illini Golf and Country Club
1601 Illini Road
Springfield, IL 62704
217.546.2830

WHO SHOULD ATTEND

Financial institutions' CEOs, CFOs, investment officers, board members, and those who are directly or indirectly responsible for financial management functions will benefit from this seminar. ***There is no cost for this seminar.***

AGENDA

Sunday, July 31, 2022
Saputo's
Cocktails 6:00 pm
Dinner 7:00 pm

Monday, August 1, 2022
Breakfast 7:30 am
Seminar 8:30 am
Lunch 11:30 am
Golf 12:30 pm

CPE SPONSORS

3 hours of Economics and Finance CPE credits will be earned for your attendance.

Two years after the pandemic left financial institutions drowning in excess liquidity at historically low interest rates, the industry faces a new challenge... rising interest rates. The Fed has quickly pivoted from supporting the economy to fighting inflation and institutions are now facing the first rising rate environment in years. Regulators have watched with concern as loan and investment durations extended to record highs in a search for yield and will have a renewed focus on the Investment Portfolio and Interest Rate Risk Management. Portfolio managers can no longer be reactive, but must be proactive in managing their investment portfolio and balance sheet in the face of rising rates and a flattening yield curve. This seminar will examine all of these concerns and present actionable strategies to better prepare your institution for the uncertainty ahead.

Join us for an in-depth discussion of the following topics:

- **Economic and Market Update —** Review of current economic conditions and the outlook for growth, inflation, and interest rates
- **The Powell Pivot —** Update on rate hikes, tapering, and the outlook for Federal Reserve monetary policy
- **Interest Rate Risk —** How to ensure you are prepared for the heightened regulatory focus coming in the years ahead
- **Liquidity Risk Management —** Best practices for managing liquidity risk as rates rise
- **Investment Portfolio Strategies —** Adapting your strategy and finding the best relative value for rising rates and a flattening yield curve
- **MBS/CMO Market —** Balancing prepayment and extension risk in an uncertain mortgage rate environment
- **Municipal Market Update —** The latest on managing municipal credit risk and finding the best relative value

Register online at **GoBaker.com/illinois**. For more information call Skoshi Heron at 888.990.0010.

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