Independent Banker

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ANNUAL RANKING

TOP LENDERS 2022

SUCCESS STORIES FROM TERRY L. BUNNELL OF THE PEOPLES BANK, AND OTHER COMMUNITY BANK HIGH PERFORMERS

Pictured:
Bunnell, chairman, president and CEO, at Legacy Dairy, a Peoples Bank customer in Hiseville, Ky.

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ICBA

JULY 2022

Vol. 72, Issue 7

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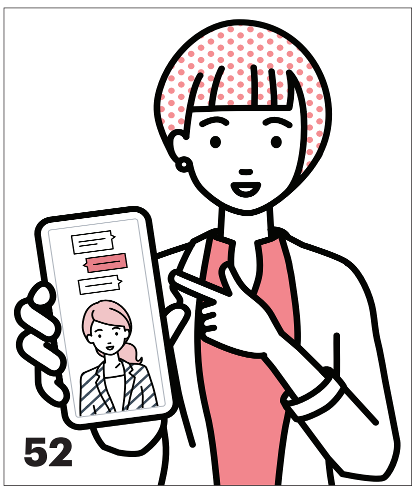
Cover: Photo by Linkes Photography



JULY 2022

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"Loan providers are multiplying, and we cannot underestimate the need for a frictionless loan, one that removes hoops for our customers and feels simple, efficient and effective."

Rebeca Romero Rainey
President and CEO, ICBA

As we kick off this year's lending issue, I want to pause for a moment to reflect on just how much lending has changed. Remember, not that long ago, when a loan card was handwritten on a one-page form? You would just rip off the top sheet, fill out the terms and provide a description of the collateral. From there, the loan assistant would key it in and produce loan documents. That was it. That was the process.

Fast forward to where we are today, and you almost can't believe it's the same product line. The pendulum has swung from a simple solution to the point of extreme detail and complexity. While it has had some benefits, like stronger risk management for our banks, it has made the customer process much more daunting. In fact, the loan process has grown more complicated in lockstep with today's financial landscape.

But community banks have adapted to address that shift. Over the past couple of years, we have drawn on technology to complement the human touch with digital efficiency and have been using behind-the-scenes automation more consciously to streamline the process. By implementing these new strategies, we have focused on what matters most: our customers.

Take, for example, how the Paycheck Protection Program (PPP) affected our infrastructure. The forced urgency behind that program lit a fire under us to implement new solutions quickly and efficiently, because our small business customers needed them. In fact, for many bankers, PPP compelled action around technologies they had been considering for years: everything from e-signatures to digital document processing and beyond.

That experience left me questioning what we could be doing now to anticipate what will come next. As we think about our ability to leverage technology, what are the low-hanging fruit? What new solutions can we stop kicking down the road?

It's smart business strategy to turn inward and ask the tough questions, particularly as we're up against such a competitive landscape. Loan providers are multiplying, and we cannot underestimate the need for a frictionless loan, one that removes hoops for our customers and feels simple, efficient and effective.

Today's lending environment is markedly different from that of a decade ago, but we have weathered bouts of economic volatility, inflation and restrictive regulations in the past, and we have flourished despite them. So, while this next round of uncertainty will bring with it new challenges, the strength of the community bank business model remains intact. We, as community bankers, will continue to adapt to meet our customers' needs. ■

Connect with Rebeca **@romerorainey**

Where I'll be this month

I'll be attending the 2022 Idaho, Nevada, Oregon and Washington Bankers Associations' Annual Convention in Coeur d'Alene, Idaho, and meeting with ICBA's board of directors.

Photo by Chris Williams

Photo by Chris Williams

“Working through any difficulty or crisis at your community bank won’t be a walk in the park, but it may lead to an experience for which you’re truly grateful.”

Brad M. Bolton
Chairman, ICBA

Brad M. Bolton is president and CEO of Community Spirit Bank in Red Bay, Ala.

As a community banker, you’re either going through a crisis or you’re preparing for one. Back in the late ’90s and early 2000s, our bank faced a significant challenge around loan quality. It stemmed from two major factors: 1. Getting too lax in our underwriting and 2. Making too many concessions to build business.

I was young in my career when this took place, but being part of that experience set the stage for how I lead today. It’s like throwing a rock into a pond when you’re dealing with credit quality issues: The ripple effects are real, leading to issues in all areas of CAMELS (capital adequacy, asset quality, management, earnings, liquidity and sensitivity). And today, CAMELS are a main area of focus for our bank.

In addition, weathering this storm exposed the importance of procedures. We brought in a consultant to help us enhance our loan policies, which are still in use today. In fact, we now manage our loan decisions by asking, “What would an independent third party do if they picked up this file and tried to understand the decision?” and documenting accordingly. That mindset forces us to think through every decision critically.

This experience also firmly shaped how we work with regulators. Building trust with examiners became so important that when I was promoted to senior lending officer in 2005, I made it my mission that they wouldn’t uncover a problem I had not already identified. When examiners came in, I told them upfront what the issues may be and how I was managing them. Over the years, that transparency has led to a mutual trust and respect.

Working through any difficulty or crisis at your community bank won’t be a walk in the park, but it may lead to an experience for which you’re truly grateful. In my case, we came out stronger, and when the 2008 crisis came along, we got through unscathed, because we had already buttoned up our loan operations.

So, as you read this month’s lending issue, I encourage you to consider what steps you can take to be stronger and better. Could you work more closely with your examiners, keeping your relationship manager informed of changes in the portfolio, even between examinations? Could you tighten up on business expansion? Is there education or training at ICBA Community Banker University that can help? Asking these questions may be hard, but I can attest to the fact that the answers will lead you to create an even better version of your community bank. ■

My top three
Tips for a strong loan portfolio

1. Know your limitations in terms of expertise—and pass on loans that don’t fit.
2. Adhere to the “5 Cs of underwriting” (credit, capacity, character, collateral, conditions).
3. Manage loan portfolio relationships proactively after the loan is funded.

Connect with Brad **@BradMBolton**

Simplifying CECL Compliance: Timing Is Everything.

by Shawn O'Brien, President, QwickRate

QwickRate®

ICBA Preferred Service Provider®

The CECL deadline is looming ever larger. You can't avoid compliance. But you can sidestep the stress of getting there.

For many banks, the biggest challenge is simply adopting an unfamiliar process for calculating reserves. Fortunately, regulators have made strides toward minimizing possible disruptions. In fact, they've addressed many concerns head on.

Where should banks start?

Regulators believe a bank's CECL solution should equal the sophistication of its loan portfolio. So they expect different banks to use different solutions to calculate reserves. For banks with fewer losses, overly engineered solutions add no value – one reason solutions based on call report data are popular.

Process complexity can vary greatly among methodologies. When evaluating solutions, don't mistake precision for accuracy. No current or past losses to work with? Future loss forecasts more often come from qualitative adjustments than from quantitative adjustments.

Methodologies such as loss rate, remaining life, migration or vintages are less complicated, but generally less precise. Likewise, other methodologies (i.e., probability of default, discounted cash flows) are more precise, but more difficult to develop. Is it worth the extra work? Many banks say no, preferring to continue using their Q factors to support or defend CECL, as they did for their ALLL reserve.

So where can you turn for practical assistance?

What to do?

QwickAnalytics® CECLSolver™ was developed with community banks and their challenges in mind. Getting started is simple and the tool is easy to use.

CECLSolver utilizes a weighted average remaining maturity (WARM) focus to automatically display historical losses over WARM periods. This eliminates the need to compile past information, enabling quick, easy analysis of different loss scenarios. CECLSolver also displays loss histories of selected peer groups (UPBR/state/custom) for identical periods. We'll help you with WARM calculations whether they're performed by your team (if data is available) or by ours.

> "QwickAnalytics is by far one of the best solutions we use with regards to our CECL modeling, Stress Testing, and UBPR comparisons."
>
> —Ryan D. Thomas, CRC, Assistant Vice President, Community Bank of Louisiana

We expect that banks will continue to address qualitative factors. Regulatory statements in regards to assessing the collectability of cash flows have caused many banks to stress — and there's no need to. We believe banks should continue to utilize qualitative adjustments currently conducted as part of their incurred loss calculation. They've been doing this successfully for years. Furthermore, you and your regulators are familiar with and believe in the process.

As for the CECL "forecasting" element, bankers should focus on what might cause future portfolio losses and diminish your ability to collect on loans. Document and quantify your answers, again not mistaking precision for accuracy. Focus on being directionally accurate, considering your portfolio plus possible scenarios. If your mortgage portfolio is significant, consider housing prices, unemployment levels, etc. Understand how they're trending and the potential negative effect of reversals. We can help you update current qualitative adjustments to reflect forward-looking perspectives.

Designed for community banks

CECLSolver provides banks with a portfolio-level solution based on call report information — plus the ability to perform more complex loan-level analysis as required. Our approach is to start, monitor and if necessary, adjust.

CECL compliance is as complicated as you want to make it — but delaying the inevitable isn't the wisest strategy. Schedule a demo today to see your historical numbers and how CECLSolver can help.

Shawn O'Brien is President of QwickRate, providing practical and affordable solutions for community banks for more than 30 years. An ICBA Preferred Service Provider.

Request a demo with your data. Find out why hundreds of community banks are already using CECLSolver to become compliant. **info@qwickrate.com**

CURRENCIES

Bite-sized information and inspiration for community bankers

Monson Savings Bank president and CEO Dan Moriarty reads *Little Frog and the Bright Lights* (illustrated by Ukrainian artist Max Stasiuk) to children from Educare Springfield.

Why Monson Savings Bank is fundraising for a Ukrainian illustrator and his family. Page 10

NEWS

Holding copies of *Little Frog and the Bright Lights*, Monson Savings Bank president and CEO Dan Moriarty, second from left, with members of Educare Springfield

Reading for Ukraine

Monson Savings Bank is well known in its community for lending a helping hand. The Monson, Mass., community bank recently purchased $1,000 worth of copies of *Little Frog and the Bright Lights* to fundraise for the book's Ukrainian illustrator, Max Stasiuk.

While attending a meeting hosted by nonprofit organization Spirit of Springfield, Dan Moriarty, president and CEO of the $620 million-asset bank, heard about the organization's efforts to support Stasiuk and his family during Ukraine's war with Russia. Stasiuk's wife and two children escaped to Italy, but he remains in Ukraine. Inspired by his story, Moriarty bought 100 books on behalf of Monson Savings Bank. "The human spirit of this gentleman alone was huge, and it just felt right to do," he says.

The community bank did not stop there. Monson Savings Bank team members planned a visit to Educare Springfield, an early education program for low-income families, on April 14 for a read-along with the preschool students. Each child was given a copy of the book and a Monson Savings Bank piggy bank to practice saving their money.

"This book, in some small way, is helping Max and his situation over in Ukraine, but also, we brought the books down to the Educare school," says Moriarty. "It helps with community foundation—meaning [we're] starting to develop relationships with individuals or families that we may not have had an opportunity to."

All the sale proceeds of *Little Frog and the Bright Lights* go to Stasiuk, while Spirit of Springfield has set up an online platform designated for book orders and donations.

—Tarra Willox

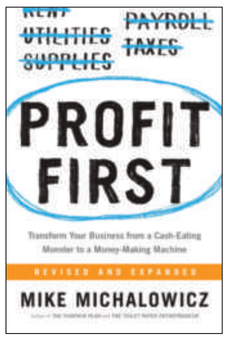
IN THIS ISSUE

"The most important technology to watch in community banking is not technology; it's the people responsible for evaluating and implementing the technology."

—CHASE NEINKEN, CHIMNEY

Read more on page 58

GOOD READS



Sustaining small business success

Community banks already tailor their lending to small businesses' needs and help them find support through SBA programs, but deepening relationships goes beyond transactions. In *Profit First: Transform Your Business from a Cash-Eating Monster to a Money-Making Machine,* Mike Michalowicz outlines a counterintuitive cash management plan that can help community bank clients "break out of the doom spiral" through four basic principles. He asserts that small businesses, much like the community banks who champion them, can outperform even larger competitors.

BANKER'S HOURS

BY CHRISTOPHER WEYANT

"I told you the self-service at my bank is amazing."

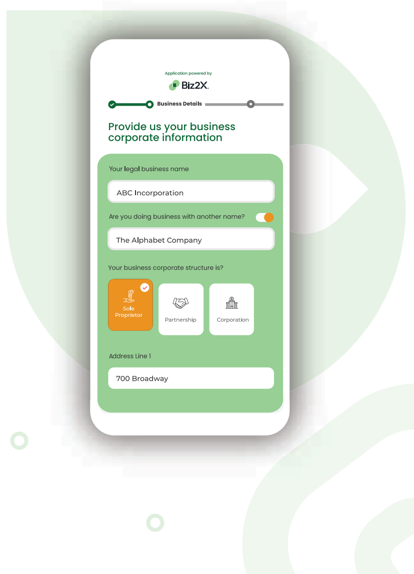
NEWS

ICBA-led coalition opposes FDIC climate risk scheme

ICBA, along with 44 state banking agencies, wrote last month to the Federal Deposit Insurance Corporation to speak out against the FDIC's proposed climate risk management framework. They asserted that it could omit lawful but climate-disfavored industries from the banking system, affecting large banks and posing severe effects to community banks.

"Although the FDIC's statement of principles for climate-related financial risk management only applies to large financial institutions … we are concerned community banks and their local communities will be negatively impacted if large financial institutions are pressured or required to 'de-risk' their loan portfolios and choke off lawful but climate-disfavored customers or industries from the financial system," the letter read.

The coalition, which includes community bank groups such as the California Community Banking Network and the Bluegrass Community Bankers Association, urged the FDIC to review its century's worth of bank data. Recommendations included conducting further studies to assess the efficacy of the current risk management framework, as well as addressing specific gaps in the framework to evaluate how climate-related risk may possibly threaten the financial system.

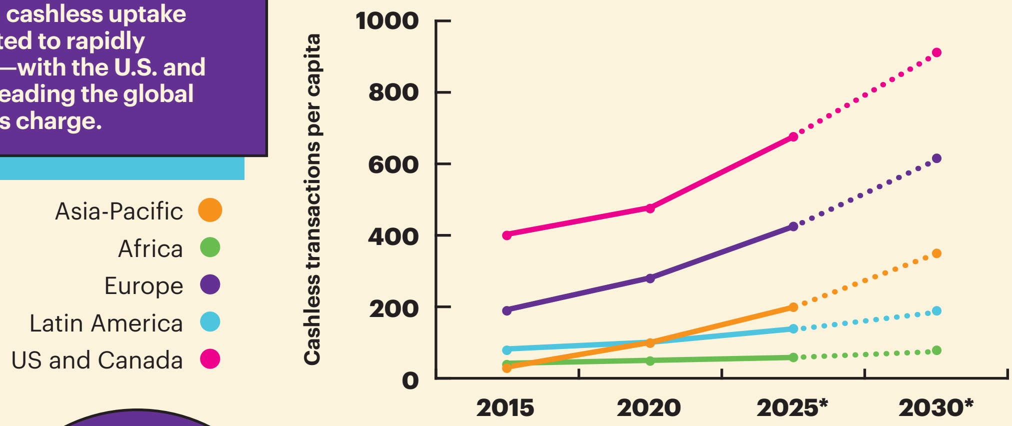


THE LEDGER

Inside the cashless payments matrix

Cash may have once been king, but the payments game is changing fast, accelerated by the pandemic. By 2030, cashless, electronic transactions are set to surpass their paper currency counterpart as the primary means of payment.

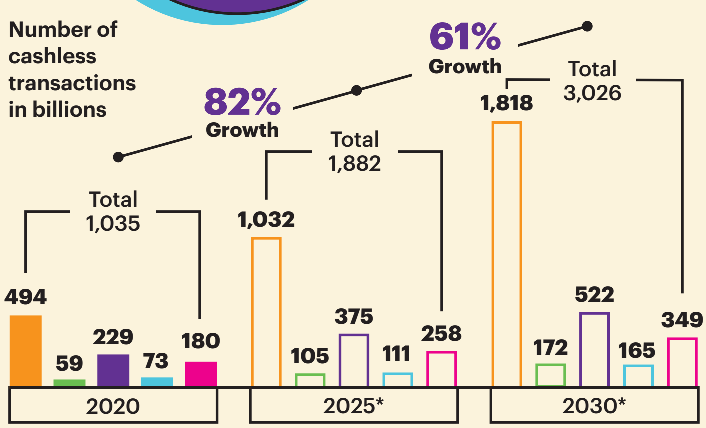
By 2030, cashless uptake is projected to rapidly increase—with the U.S. and Canada leading the global payments charge.



*Projections

80%

The projected increase in global cashless payment volumes from 2020 to 2025—from 1 trillion to nearly 1.9 trillion.



At the start of the next decade, cashless transaction volume will more than double worldwide—from $180 billion to $349 billion in the U.S. alone.

US and Canada
Africa
Europe
Asia-Pacific
Latin America

*Projections

Source: Payments 2025 & Beyond, PricewaterhouseCoopers, 2021

Two sisters, one historic bank

One hundred years ago, women in the United States had only recently received the right to vote, thanks to ratification of the 19th amendment in 1920. And as the country embraced the Roaring 20s, many women reconsidered their traditional roles, becoming leaders in business and finance.

Amid this transformation, two sisters in Cleveland, Ohio, decided that women deserved a banking institution of their own. In 1922, Lillian and Clara Westropp founded the state-chartered Women's Savings & Loan Company.

The bank acquired a federal charter and was reorganized as Women's Federal Savings & Loan in 1935. By 1950, it was the second-largest savings and loan in Cuyahoga County, with assets of more than $20 million. President Lillian Westropp led the bank until her retirement in 1957 and was soon replaced by her sister, Clara Westropp, who died in 1965. Women's Federal merged with Charter One Financial Inc. in 1993. *—Julie Kendrick*

Phoro courtesy Cleveland Memory

From left, Clara Westropp, Ann Celebrezze and Lillian Westropp at the grand opening of the Women's Savings & Loan Company

SOCIAL NETWORK

What community bankers are posting about

Community Bank of the Chesapeake
@cbtcconnects

We are proud to support the Rappahannock Area YMCA (The Y)! The Y is dedicated to building healthy, confident, connected and secure children, adults, families and communities. Through their various programs and services, they cultivate values, skills and relationships that better our lives and communities. #exceedingexpecations #communitybanking #healthyliving #communitysupport #banklocally #ymca

Minnesota Lakes Bank
@mnlakesbank

This weekend we had the opportunity to co-sponsor the Westonka Food Shelf Farmers Market. We are very grateful to work alongside other members of our community to make this a great place to live! @BackChannelBeer #farmersmarket #banklocally

BankNorth
@banknorth

The Enderlin School hosted a career fair today. Daryn Christl, loan officer in Enderlin, was there to visit with students about career opportunities available in the banking industry. #banklocal #valuesbasedbanking #bankingisfun

DEFINING FINANCE

"ESG"

ESG (n): The initialism for environmental, social and governance—a set of nonfinancial criteria used to vet a publicly traded company's financial and ethical impact. ESG investing is also known as sustainable, responsible, impact or mission-related investing.

During the screening process, analysts and outside experts assign a public company an ESG score based on several factors, such as carbon emissions (environmental), fair labor practices (social) and diversity of board members (governance).

ESG fund assets under management are growing rapidly in the U.S.: They reached $357 billion in December 2021, up 51% from a year prior.

QUICK STAT

74%

The increase in Environmental, Social and Governance (ESG) reporting mandates within the last four years

Source: Perillon

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PORTFOLIO

Deep dives into topics that matter to community banks

Misti Stanton, VP and diversity, equity and inclusion (DEI) officer at Mercantile Bank, Grand Rapids, Mich.

> “I think it’s about building the relationships internally with your colleagues to be able to say, ‘How can we create the best environment where we can continue to be the best bank we can?’”

—MISTI STANTON, MERCANTILE BANK

Community banks work hard to create inclusive spaces for their associates. See page 30

FOCUS LENDING

A helping hand for young homebuyers

As house prices skyrocket, student loan debt grows and wages stagnate, many Gen Zers and millennials are watching their homebuying dreams move out of reach. But there are ways community banks can help mortgage-seekers get on the property ladder. By Beth Mattson-Teig

Millennial and Gen Z borrowers chasing the American Dream of buying that first home are facing stiff obstacles amid inflationary pressures, soaring home costs and, for many, a staggering burden of student loan debt.

Frankly, say observers, it is getting tougher to make the numbers work for a variety of first-time homebuyers—regardless of age.

"I don't think the issue is a lack of financing alternatives," says Ron Haynie, ICBA's senior vice president of mortgage finance policy. "There is ample supply of credit. It's a question of the supply of affordable properties that first-time homebuyers can get into and buy."

Median home prices have been rising at a double-digit clip, including a 15.7% year-over-year increase in the first quarter of 2022, according to the National Association of Realtors (NAR). Mortgage rates are also rising for the first time in a while, with the 30-year fixed-rate mortgage hovering at 5.5% in early May—up nearly 250 basis points from lows around 3% seen in 2021. That increase in mortgage rates has a big impact on what a buyer can afford, notes Haynie. "So, there are a lot of headwinds against first-time buyers."

The student loan challenge

According to the 2022 Home Buyers and Sellers Generational Trends Report published by the NAR, there are some clear generational trends in the homebuying market. Younger millennials and Gen Z buyers—those born after 1980—represent 45% of the total homebuyer market.

An added challenge for those younger prospective homebuyers is a heavy load of student debt that puts added pressure on monthly budgets. More than 43 million Americans hold student loans; the combined volume of student debt has almost doubled over the past decade to $1.75 trillion, according to the Education Data Initiative.

"Definitely, student loans can be an issue for some people, especially for those individuals who come out of college with jobs that are not equal in pay to what they have in student loan debt," says Mark A. Burmis, senior vice president and retail lending manager at $450 million-asset Chelsea State Bank in Chelsea, Mich.

So how can community banks help? They can step in to assist first-time homebuyers of all ages with educational resources and financial counseling. The relationship banking

Photo by Ridofranz/iStock

model allows community bankers to have conversations with prospective borrowers about whether they're ready to buy, how much they can afford to buy, and if they even want to buy now when home prices could be near a peak.

"That can be a tough conversation to have," says Haynie. With the hot housing market, it is important to counsel customers so they think about all the potential factors and don't get caught up in a bidding war or get in over their heads, he says.

Plenty of tools in the box

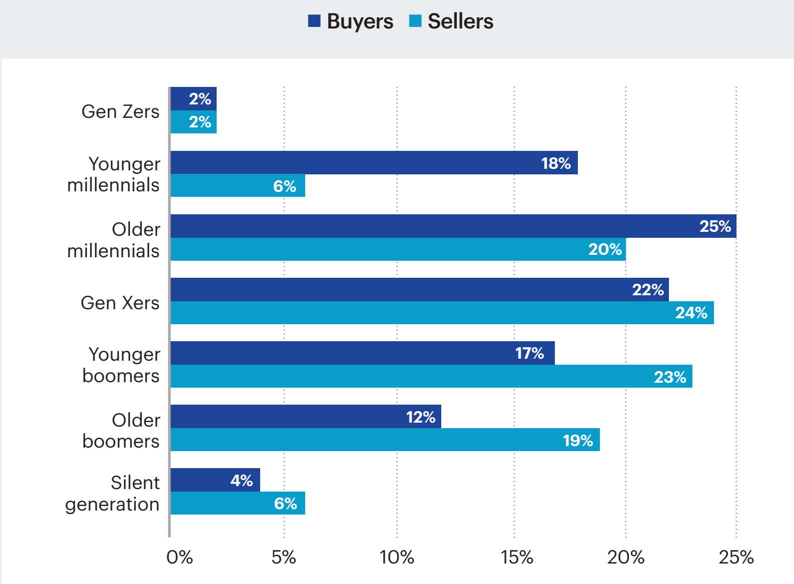
For customers who decide buying is the right choice, community bankers have a variety of products and services available to help. For banks selling loans in the secondary market, options include loan products available through the Federal Housing Authority, Freddie Mac and Fannie Mae that offer lower down payments, competitive rates and flexibility on qualifying. Federal Home Loan Banks, as well as state and local housing finance agencies, also provide grant programs for qualifying buyers to assist with down payments and closing costs.

Chelsea State Bank offers loans through Freddie Mac's HomeOne and Fannie Mae's HomeReady programs, says Burmis. The community bank also hopes to participate in a new tax-exempt savings program for first-time homebuyers that was approved by the state of Michigan in April. The new law allows individuals to set aside money for a home purchase down payment, and money saved via the program is free from state income tax. Starting in 2022, single participants will be eligible to receive up to a $5,000 deduction each year and $10,000 for joint filers, as long as their maximum account balance does not exceed $50,000. "It's all about helping customers the best that we can," says Burmis.

Mansfield, Ohio-based Mechanics Bank offers a number of mortgage options for loans it holds in its portfolio. One of these is the 10/1 ARM, which offers a fixed rate for the first 10 years of the loan, after which it shifts to a variable rate. According to Mark Masters, president and CEO of the $805 million-asset community bank, one of the reasons the product is popular is because most buyers make a change within that first decade. Perhaps they sell and move to another home, or they refinance the existing loan to pull out equity and make improvements.

"It's very attractive to first-time homebuyers, because it offers a lower rate, a lower payment and the flexibility they need," says Masters.

Share of buyers and sellers by generation



Source: 2022 Home Buyers and Sellers Generational Trends, National Association of Realtors

Flexibility needed

Community banks that are going to hold a loan in their portfolio have more flexibility in the underwriting and structure. And although banks follow fair lending laws and don't offer special treatment for younger borrowers, flexibility can be beneficial for millennial and Gen Z customers who have embraced the "gig economy" of non-W-2 income. "If you're self-employed or have several different things that you do, sometimes it's more difficult to get qualified for a secondary market mortgage," says Haynie. "That's where our members as portfolio lenders have an advantage, because they are able to look at the situation in a broader context." Obviously, all banks have a credit policy, he adds, but they can also choose what they will accept for verification of income.

For example, Mechanics Bank does not base its loan decisions on credit scores. "Credit experience is important to us," says Masters. "However, there is more of an opportunity for us to help first-time homebuyers than they might find elsewhere, because we're not just focused on this one number, the credit score."

The community bank's lenders listen to the borrower's story and take their whole situation into account. "It's not just about their income and their debt and their credit history; it's about other things that are contributing to their life in general," Masters says. "Once

Tips for creating educational resources

Millennial and Gen Z homebuyers do their homework, and their first stop for research is often online. Community banks need to offer online resources and tools, such as online mortgage calculators and FAQs, that can help answer questions and serve that appetite for information.

The Consumer Finance Protection Bureau offers a variety of information and resources that are helpful for both homebuyers and bankers looking to create more educational content to assist customers at ***consumerfinance.gov/consumer-tools/mortgages*** we hear their story, we understand their obligations." For example, if a borrower is in an entry-level job, their income has the potential to increase, he notes.

Providing educational resources

First-time homebuyers face a steep learning curve when it comes to the mortgage process, so community bankers have an opportunity to deepen relationships by providing informational resources online, in person and through educational seminars. Chelsea State Bank partnered with a local title company and realtor to host a first-time homebuyer seminar in April that covered a variety of topics, such as budgeting, how to improve credit, down payments, debt-to-income ratios and available homeownership grants.

Budgeting is especially important for first-time homebuyers, notes Burmis. Some of the loan programs available through Fannie and Freddie will allow people to go up to 50% debt-to-income (DTI) on their total back-end ratio, which includes all of one's debt. What that means is if an individual makes $5,000 per month, $2,500 can go to payments such as student loans, car loans and the mortgage. However, it is also important for the customer to think about expenses that are not included in that DTI calculation, such as car insurance, income taxes, phone bills, groceries and 401(k) investments.

"At the end of the day, 50% DTI might be a little bit too high for a particular individual, but it can be approved," says Burmis.

While the borrower needs to be the one to set their budget, the lender can provide some guidance on what a prudent number is, or what other expenses need to be considered along with the DTI when budgeting, notes Burmis. Chelsea State Bank hopes to hold additional seminars in the future. "We're trying to be more focused on financial literacy in the communities we serve, and we believe that if we can help our communities to be more educated, the whole community will prosper and benefit from it," he adds.

Other helpful resources community banks can provide include online tools, such as mortgage calculators, that appeal to customers of all ages. However, the best thing community banks can do is talk to customers about their unique situation and their goals for buying a home now or at some point in the future.

At Mechanics Bank, even if the bank decides it can't make the loan, lenders take the time to explain why. For example, if a loan applicant has an abundance of credit card debt inhibiting their ability to borrow, lenders can help them through credit counseling services, or perhaps restructure that debt, so that at some point they will be in a better position to buy their first home, he says.

Hopefully, adds Masters, that borrower will return to the bank when they are in a stronger position and the bank will be able to make the loan. ■

Beth Mattson-Teig is a writer in Minnesota.

FOCUS LENDING

5 ways to shake up your lending strategy

A new approach to loan protocols is just one way for community banks to grow in new and different directions. Assessing best practices, rates, marketing efforts and more can position loan producers for future success in unpredictable market conditions. By Cheryl Winokur Munk

Amid changing economic conditions and rising rates, it's a good time for community banks to re-evaluate their loan strategy with an eye on adaptability. Here, we offer some factors to consider when assessing a community bank's current and future loan strategy.

1. Consider risk-based pricing for all loans

Risk-based pricing is well-established in the consumer arena, but for small business or commercial loans, it also pays to avoid a cookie-cutter approach. If a bank lumps borrowers into only one or two buckets of risk, some high credit borrowers will pay more, and some lesser-quality borrowers will get too favorable a deal, according to John Bourquard, a principal in the loan review consulting division at accounting and advisory firm Forvis, LLP in Indianapolis, Ind. Community banks need to assess whether their "risk-rating system is granular and dynamic enough to truly capture the risk," he says.

Particularly for small businesses, community banks should make sure they use up-to-date tools to assess risk, such as relying more heavily on the owner's personal credit, says Joel Pruis, who leads the commercial and small business lending practice at Cornerstone Advisors in Scottsdale, Ariz. This, he notes, can help ensure loans are competitively priced for high-quality businesses and that community banks aren't attracting the wrong type of borrower.

2. Don't be afraid to raise rates

As interest rates rise more broadly, community banks would err by accepting tighter spreads instead of bumping up their commercial loan rates strategically, according to Matt Pieniazek, president and CEO of Darling Consulting Group in Newburyport, Mass. "There's a reluctance to choke off volume by being the pioneer," he says. That said, he acknowledges that someone has to be first, and by raising rates, banks can afford some incremental slowdown of loan activity, because their spreads will be larger.

Photo by Fizkes/iStock

Pieniazek also believes community banks should change their lax policies on prepayment penalties. Often, they don't impose these penalties or the penalties don't have teeth, but if rates go down, these borrowers are a flight risk, and community banks should seek to be paid for the risk they accept.

Given rising rates and recessionary concerns, community banks also need to negotiate terms and rates for new loans and those coming up for renewal, says Lynn A. David, president of Community Bank Consulting Services, Inc. in St. Louis, Mo. Community banks may start with a laundry list of six things they want and end up with three through negotiation, but, he says, "if you don't ask for it, you're not going to get it."

Since many commercial loans, including agriculture loans, reset annually, there's wiggle room for community banks to renegotiate. For commercial loans, David suggests offering one-year adjustable loans tied to a specific index instead of leading with a fixed-rate loan for five years. Also look at the ability to collect additional collateral as a tactic to offer lower rates and reduce risk. Additionally, community banks that don't already make use of personal guarantees for small businesses and partnerships should start doing so, he says. With looming recession concerns, "you don't want to wait before the loan starts to go south before you start asking for a personal guarantee," notes David.

> "[With looming recession concerns], you don't want to wait before the loan starts to go south before you start asking for a personal guarantee."
>
> —LYNN A. DAVID, COMMUNITY BANK CONSULTING SERVICES, INC.

3. Break down the growth

One of the biggest mistakes community banks make is citing a growth goal, say 8% or 10% per year, without looking at what may be missing from their portfolio, Pruis says. Banks need to evaluate the type of markets they are in today, where they have good market share and where they don't. This, he stresses, will help them determine growth opportunities.

4. Focus on the client experience

Especially as market conditions change, lenders need to focus more on the customer experience, says Emily Sayer, national sales director for market research firm Avannis in Centennial, Colo. She offers the example of a bank that spent a large chunk of money on technology to improve loan satisfaction but later discovered that the real issue driving customer dissatisfaction was the slow response time from their loan officers. Because it didn't do the research upfront, the bank spent money on the wrong solution, she says. "They were chasing technology without even knowing what their customers thought."

The example underscores the importance of surveying borrowers post-loan to help determine—based on bank-specific and customer-specific data—what's working and where improvements are needed. Even though something might seem like a good idea, or work well for other community banks, says Sayer, the cost might not be justified for another community bank or benefit that bank's customers to the same extent.

5. Double down in core markets

Community banks often make the mistake of trying to grow loans in a particular segment without thinking holistically about what other products and services will help retain those clients long-term, according to Pruis. If a community bank's target market includes professional services companies like lawyers or engineering firms, for example, offering an array of payroll or treasury management products is essential. Pruis warns that community banks that don't offer ancillary products are less likely to win the loan business—or worse yet, retain it long-term. ■

Cheryl Winokur Munk is a writer in New Jersey.

Learning about lending

ICBA Community Banker University offers regular courses on lending topics. Visit ***icba.org/education*** for forthcoming events.

Fueling growth through innovation

By Charles Potts, ICBA

Demand for digital solutions continues to accelerate, making innovation an imperative for community banks looking to excel in today's evolving market.

That's why ICBA makes innovation a priority and provides community banks with the information and tools necessary to grow and succeed in today's competitive landscape. More than new solutions, culture change and mindset shifts, innovation is a journey that requires iterative steps toward sustainable growth.

Business thought leader Gary Hamel got it right when he said, "Innovation is the fuel for growth." Greg Ohlendorf, president and CEO at $200 million-asset First Community Bank and Trust in Beecher, Ill., understands this well. As a three-time participant in ICBA's ThinkTECH Accelerator program, Ohlendorf has had a front row seat to community bank innovation through collaborative fintech partnerships.

In fact, First Community Bank and Trust has partnered with eight of our ThinkTECH Accelerator program's alumni with impressive results.

Take its partnership with Surfly, which uses technology to personalize and innovate digital interactions in real-time cut call times from 30 to 60 minutes down to five minutes per call.

Rockland Trust Company, with $20 billion in assets and branches in Massachusetts and Rhode Island, also partnered with one of the companies that came through our Accelerator program: Agent IQ. Agent IQ offers a platform designed to integrate with a bank's digital banking platform to deepen customer relationships through increased engagement. Rockland Trust had more than 57,000 logins and 500 to 600 conversations at its soft launch, managed seamlessly through Agent IQ's platform.

It's stories like these that keep ICBA and its members pushing their limits, and why we continue to foster community bank fintech collaborations through our ThinkTECH Accelerator program.

Each year, we ask community bankers about the challenges they're facing, and their responses inform and drive the selection criteria and process for our ThinkTECH Accelerator program and participants. This year, our community bank members expressed interest in growing their revenue and profitability, customer base and markets, and their businesses across the board. And we responded with an exceptional group of partners through our Accelerator program and a collaborative community willing to share their experiences, knowledge and expertise for the benefit of the overall industry.

Bringing innovation to you

Another step ICBA is taking to help community bankers meet their growth goals through innovation is engaging more bankers where they are. We are taking aspects of our programs to state associations, growing our educational outreach program to include new webinars and podcasts and working to raise awareness through new initiatives in development.

The demands on community banks in this evolving economic environment to grow, attract and retain quality business will only get more challenging. We've developed an ecosystem to foster growth through innovative partnerships and community involvement. Innovation is taking place all around us at a pace unlike anything we have ever experienced. It's time to get on board. ■

Charles Potts (*charles.potts@icba.org*) is ICBA executive vice president and chief innovation officer

FOCUS RISK MANAGEMENT

9 ways to manage credit risk

Effects of the pandemic and other factors creating unpredictability have changed how community banks approach their credit and lending operations. These experts share nine tips and credit risk best practices to offer stability in an ever-changing market. By Judith Sears

Illustration by erhui1979/iStock

Inflation and rising interest rates to combat inflation are defining the current business environment. Both affect the cost of goods and cash flow, creating a vise for many borrowers and portending increased credit stress in the near future.

Bankers and industry observers have several recommendations for how community banks can come up with risk ratings and rankings that foster safe growth in a volatile economic climate.

1. Stress test your loan portfolio

Community banks are not technically required to stress test, but most routinely assess various repayment scenarios for their portfolios.

David Ruffin, principal of IntelliCredit, which offers cloud-based solutions for credit risk analysis, suggests pairing stress testing with loan reviews. For example, a loan vendor might test a loan that's performing at 1.2 debt service coverage (DSC) to see what happens if DSC goes to 0.85. The results can be extrapolated to the rest of a portfolio. "It's a cost-effective approach," he says.

2. Pay attention to industry concentrations in your portfolio

If you've carved a niche in a sector that is struggling, be sure you're alert to the warning signs. "We have forward indicators that the Fed will raise interest rates four to six times over the next year," says Gary Lewis, managing director of lending and deposit solutions for Jack Henry & Associates. "Understanding the impact of a rising rate environment on a concentrated portion of your lending portfolio is critical."

The commercial real estate sector, for example, is weathering the transition of more remote workers while also facing higher costs. CRE borrowers are routinely locked into

> “Our customers don’t just rely on us to facilitate transactions. They rely on us to bring understanding. The credibility of that relationship has so much value in uncertain circumstances.”
>
> —JOHN BELLER, THE BANK OF CAVE CITY

long-term contractual obligations with tenants. If their financing costs go up, they can’t renegotiate the contracts. “These are sectors that are not going to be able to immediately move,” says Robert Hemsath, CEO of $440 million-asset MCBank in Goldthwaite, Texas. He adds that MCBank’s stress testing includes looking at how high interest rates can go before borrowers can’t service their debts.

3. Migrate credit risk categories promptly

If your portfolio review turns up weaknesses, change risk grading credits immediately. Ruffin notes that early detection of credit risk reduces levels of nonperformance and gives banks greater flexibility in managing problem loans out of the bank. It also makes a good impression on regulators. “Regulators are fearful of banker complacency,” he observes.

4. Aggressively gather up-to-date financial information

Hemsath notes that while updating financial information annually has been an accepted rule of thumb, MCBank now updates financial information every six months. “We’re moving to enhanced monitoring and contact with our customers to assess risks,” he says.

5. Look beyond financial statements

John Beller, CEO of $160 million-asset Bank of Cave City in Cave City, Ark., says that in the aftermath of the pandemic, his community bank is scrutinizing an array of operational and industry factors. The Bank of Cave City, whose loan portfolio is 60% to 70% agriculture-related, nevertheless found that the pandemic affected ag borrowers very differently. Farmers that sold to commodity or aggregate buyers who sell to grocery stores flourished, while those buyers selling primarily to restaurants have struggled.

“We’re not used to thinking about asymmetry of risk in that way,” Beller acknowledges. “We’re moving away from just thinking about financial statements to thinking about operations a little more fully. There are a lot of risks around operations that we don’t always have eyes on. We’re looking to gain a more contextual understanding of all the ways these systemic issues impact our customers.”

6. Identify which businesses can pass along their costs

Being able to pass along at least some costs is key to surviving an inflationary environment. “Most small businesses will react well,” Hemsath says. “The key is to know which businesses can and can’t pass along costs and at what point they price out where consumers can’t afford it anymore.”

7. Strengthen customer relationships

This is usually a given for community banks, but it’s worth underlining how strong customer relationships add to a bank’s ability to evaluate individual loan risk. Relationship managers who really know their customers may make all the difference. “Our customers don’t just rely on us to facilitate transactions,” Beller says. “They rely on us to bring understanding. The credibility of that relationship has so much value in uncertain circumstances.”

8. Boost employee training

Regular training on how to conduct stress testing, how to do forward-looking cash projections and how to analyze financial statements ensures your community bank offers good guidance.

9. Solicit regulators’ input—before the examiners arrive

Both Hemsath and Beller believe regulators have been constructive and helpful in the recent economic cycle. Both community bankers take the initiative to talk with regulators outside of regular examinations. “It’s a positive interaction,” Hemsath says. “They gather information from the industry and can be more effective as regulators. We’re all in this financial system together.” ▪

Judith Sears is a writer in Colorado.

Getting more out of virtual learning

By Lindsay LaNore, ICBA

When the pandemic started in early 2020, virtual learning received an unexpected boost. It not only provided a safe learning environment; it also proved convenient and economical and allowed for wider training options.

It looks like online education is here to stay as a viable alternative to in-person classes, but many educators have noticed that remote learners don't always focus in the same way they would during live events.

So, how can we get more out of virtual learning? For leaders, it starts with supporting a culture of learning. It means talking about, and preparing for, remote learning sessions in advance—not the morning of. It also means allowing employees to be fully engaged by not giving them interfering priorities during a session.

For learners, remote sessions should be seen as an opportunity to focus on a new topic, new growth and greater success, and not the fastest way to earn Continuing Professional Education credits.

In practical terms, it helps to break the learning process down into the following three elements.

1. Body

If you are learning remotely, put yourself in a quiet, distraction-free environment, such as a home office with a closed door or a dedicated training room at the bank. Make sure you're comfortable—but this doesn't mean reclining on a couch! A comfortable chair and desk plus soft lighting are important for providing the body with an environment conducive to learning. Remote learning is getting much more immersive, so make sure your location has a functioning webcam and microphone as well as strong Wi-Fi. And remember the advice we always give children: Get plenty of rest and eat a good breakfast beforehand.

2. Brain

Staying present is critically important, so ignore the urge to multitask. A reaction such as "I really liked the class being virtual because I could still be at work and available" isn't something learning professionals (and bosses!) want to hear. Remove distractions. Turn your phone off or commit to only looking at it during breaks. Turn off emails. Better yet, leaders should establish training stations or devices for employees that do not have email capabilities.

3. Behavior

Stay engaged. Turn on webcams, ask questions, participate in the breakout sessions, be on time and don't leave early. Make it known to colleagues that you are learning. If this requires sticking a note to your door, do it. Speaking of notes, make sure to take them during the session, then make an action item list to tackle after the training and share your knowledge with your team. Put what you learned into immediate practice and be creative about it. All these actions encourage growth and bring learning to life. It is critical that leaders encourage this.

Whether you are in the learner's or supervisor's seat, the phrase "You only get out what you put into it" should be top of mind as every community bank looks to continue enriching its professional development practices and overall success. ■

Lindsay LaNore (*lindsay.lanore@icba.org*) is ICBA's group executive vice president and chief learning and experience officer

Illustration by z_wei/iStock

(L to R) Mercantile Bank's Tina L. Van Valkenburg, VP & human resources (HR) specialist; Brett Hoover, SVP & HR director; Misti Stanton, VP & DEI officer; and Johnna Staat, HR AVP

FOCUS PEOPLE

What does it mean to be inclusive?

For a workplace to be truly inclusive, its employees should feel accepted for who they are and valued for their unique perspectives and backgrounds. We asked community bankers and experts for their advice on ensuring employees feel a sense of belonging. By Roshan McArthur

Recently, there has been an increased focus across all industries on diversity, equity and inclusion, or DEI. The latter part of this equation, inclusion, refers to the goal of every single employee feeling able to bring their whole self to work—to feel valued and accepted just as they are. This could be as simple as ensuring there are meat-free options for vegetarians at every company event, or as involved as establishing culturally specific employee resource groups.

If community banks put in the effort to foster a sense of belonging, the result is a stronger workplace culture, greater employee loyalty and, ultimately, a better experience for customers. So, how can community banks build truly inclusive cultures, where everyone feels like they belong? We asked three leaders in the field.

Making change, slowly but surely

Paige Kindle, product marketing specialist at $402 million-asset Consumer Financial Services Bank in Benton, Ky., is one of these leaders. She realized her workplace needed to take a closer look at diversity, equity and inclusion, and she wanted to play a role in making that happen.

"We did take pride in the fact that we were majority staffed by females," Kindle says. "We had plenty of women in leadership roles; we had a couple of women on our board. But that's kind of where the conversation stopped."

Kindle wanted new hires to feel welcome, all team members to feel included and all perspectives to be heard. To that end, she and her colleagues set up an internal focus group that met monthly, starting in January 2021. It was conceived as

QUICK STAT

83%

of millennials are actively engaged when they believe their organization fosters an inclusive culture, compared with 60% when they don't.

Source: "The Radical Transformation of Diversity and Inclusion: The Millennial Influence," Deloitte University Leadership Center for Inclusion, 2015

a safe space for open and honest conversations about what inclusion might look like for the community bank, as well as a place to share life experiences. They adapted an existing diversity survey, filled it out themselves, analyzed the results and then sent it to the whole bank. It was a process that generated, according to Kindle, "some real raw and honest feedback."

As a result of that feedback, Consumer Financial Services Bank is taking a closer look at organizations and underserved communities it hadn't been involved with before. Last August, for example, it became the first financial institution in its region to take part in the Eighth of August Parade, a festival celebrating the emancipation of enslaved people in Paducah, Ky.

The community bank has also taken a hard look at its workplace culture. In March, it brought in DEI trainer Justin J. Grooms for an in-person workshop. Grooms grew up in western Kentucky and understands the region's political and religious climate, which Kindle believes was essential to the workshop's success. As part of the process, Consumer Financial Services Bank assembled a panel of team members including

“I think a lot of people have this preconceived notion that DEI is just about race. And I’ve made a very conscious effort to explain to everybody that it so much bigger than race.”

—PAIGE KINDLE, CONSUMER FINANCIAL SERVICES BANK

representatives of the LGBTQ community, biracial employees, a single parent, a woman whose husband is paraplegic and another with mental health issues. “Our trainer facilitated the conversation,” says Kindle, “and it was just raw, honest, open dialogue about what their lives are like. It was eye opening for our team.

“It changed a lot of perceptions,” she adds, “because I think a lot of people have this preconceived notion that DEI is just about race. And I’ve made a very conscious effort to explain to everybody that it so much bigger than race. It is disabilities, it is veterans, it is women. It affects so many people, especially from a mental health standpoint, because I think we’ve truly learned over the past couple years that mental health does play a factor in your work, and we are moving past the stages of you leave your personal life at the door.”

Misti Stanton, DEI officer at $5.2 billion-asset Mercantile Bank in Grand Rapids, Mich., stresses the

Tips for building an inclusive workplace

Diversity and inclusion strategist and ICBA LIVE 2022 speaker Denise Hamilton is the founder of WatchHerWork, a platform that helps professional women close the achievement gap. Here, she offers a few tips about how community banks can make their workplaces more inclusive for their staff and customers.

1. Have patience and empathy.
“A lot of the business relationships that [community] banks have, they’ve been in development for 20 or 30 years,” Hamilton says. “That same care, that same development time, that same patience, that same devotion—devote it to diverse populations, and you’ll get the same result.”

2. Listen and be curious.
“It starts with being legitimately interested in people,” Hamilton explains. “If you have a large Vietnamese community in your region, do you know the food that they eat? What religions are popular in their communities? Do you take the time to get to know the communities that you’re hoping to do business with?”

3. Be open to feedback.
“When you hire diverse staff team members, they’re going to bring things to you, and it’s really tempting to dismiss what they say, or to be defensive about what they say.” She advocates staying open to that feedback and truly listening.

4. Communicate, communicate, communicate.
“If your minority employees are voicing the fact that there’s no diversity in leadership, but you’re not in a position to make a change … what is your communication back?” she asks. “You don’t have to do everything that your employees say to do, but you need to be in regular communication with them. And they need to see that you’re committed to the growth.”

5. Stay optimistic.
“If you approach this work with ‘Oh, we’ll never get this done. This is too hard. It’s too much. We can’t figure it out,’ it’s going to be really, really hard to make productive, positive change. So that optimism piece, I believe, is critical.”

> “[We] all have different perspectives, we all have different backgrounds, we have different experiences, but how do we still value and welcome that in this space, and still get the work done in a respectful and equitable manner?”
>
> —MISTI STANTON, MERCANTILE BANK

importance of not trying to create a DEI policy that is one-size-fits-all. “I think you run into trouble when you try to design something that fits everyone,” she says. “We all don’t fit in the same size chair. We don’t all like to stand when we work. So really, I think it’s about building the relationships internally with your colleagues to be able to say, ‘How can we create the best environment where we can continue to be the best bank we can? What does that look like?’

“And that means knowing that we all have different perspectives, we all have different backgrounds, we have different experiences,” she adds, “but how do we still value and welcome that in this space, and still get the work done in a respectful and equitable manner?”

A work in progress

There is, Stanton says, a beginning and a middle, but no end, to this work. It’s a work in progress. “We don’t expect perfection, we expect effort, we expect respecting who we are and how we do business. It’s about how we continue to bring that collectively together to do the things that we want to do, to make sure we’re creating opportunity for our customers and for our colleagues.

Stanton says the ongoing work of inclusivity is different than any other maintenance work, such as annual budgeting or assessing policies and procedures. “This is part of who we are,” she says, “and if you want that to be part of who you are, it’s a continual process. There’s no ‘we made it.’”

In short, Stanton believes, it’s about taking care of each other. “It’s about simply respecting dignity, and ‘I hear you, I see you,’ even if you don’t agree,” she says. “We have a job to do as an organization. And so how do we do that respectfully, even if we don’t agree?”

As with any change, whether cultural or procedural, the process of bolstering inclusivity requires patience. “Rome wasn’t built in a day,” Kindle says, “and you cannot change some people’s perceptions or their viewpoints overnight.” Instead, she suggests training team leaders to have honest conversations with their teams about what their personal lives look like. “You may think you know what someone’s going through, but you truly don’t know what their backstory is until they tell you.” ■

Roshan McArthur is a writer in California.

Three chords and the truth

Country music evokes portfolio management themes.

By Jim Reber, ICBA Securities

Image by GSO Images/Getty

The title of this month's column, courtesy of legendary songwriter Harlan Howard, defined for him what country music is all about. Other musicians of the genre have offered thoughts on its varied messages: heartbreak, regret and redemption, to name some of the more popular. This sounds like a lot of conversations I've had with community bank portfolio managers this year.

Since country music ultimately is an exercise in catharsis, maybe we should look at some song titles you may have heard of and wind our way back into their relevance to bank management, especially in 2022.

Portfolio market losses (as it may have come to your attention) are at their biggest levels in at least 15 years. Unless your community bank's collection of investments consists solely of cash and money-market equivalents, you're probably more than 8% underwater. But before deciding to drown one's sorrows, there's reason for some hope (more C&W themes).

"I Walk the Line"

This Johnny Cash standard about discipline, self-denial and perseverance worked into the conversations about risk tolerances early in the pandemic. In mid-2020, community bank balance sheets were flooded with cash and there was nowhere to lend it, while interest rates were pushed to record lows by both fiscal and monetary policies. The temptation was to toss the playbook (i.e., investment policy) aside and greatly extend average maturities. While it's true that the average community bank's investment portfolio is much longer now than in 2019, overall balance sheets are built for a rate hike environment, thanks to still-ample supplies of cash, and depositors who are (so far) showing little inclination to walking the line with their money.

"You Never Even Called Me by My Name"

David Allen Coe knows the value of a straightforward moniker. Brokers, on the other hand, are adroit at assigning nicknames, acronyms and initialisms to their products and services. It seems that regulators are complicit in this exercise too. Sometimes, this can be a blessing; I mean, who remembers Fannie Mae's birth name?

> **"In spite of Buck Owens' claim that his song was about a man who's sad and lonely, the community banking industry is in great shape by most every measure, mainly because it has reacted according to its instincts."**

Still, it helps to have a glossary handy to sort through the debris of shorthand foisted upon the investing public by these service providers. Terms such as DCPCs, Canary, BQ, FICO or GWAC are casually tossed around in commentary and actual offerings. And for the record, Fannie Mae came to life in 1938 as the Federal National Mortgage Association.

"Cost of Livin'"

I don't know that this harkens directly back to how a community bank might manage its bonds, but it does strike me that the lyrics refer to "four dollars and change at the pump" despite it being a hit for Ronnie Dunn a full 11 years ago. So perhaps the takeaway from this song is that the interest rate cycle is a multiyear process. We had near zero yield on short-term rates for the past two years. And probably, one day, rates (and energy prices) will go through a correction. A quick check of U.S. crude oil prices show that they were nearly as high in 2008, 2011 and 2013 than they have been this year.

"I'll Never Get Out of this World Alive"

No compilation of country music would be complete without a ditty by Hank Williams. I'm not sure this is the most challenging moment of Mr. Williams' career, but it was probably in the sub-25th percentile. In this one, he claims:

A distant uncle passed away and
left me quite a batch
And I was living high until that
fatal day
A lawyer proved I wasn't born
I was only hatched.

I imagine some of the capable chief credit officers reading this story could write a song that stitches together similar tales of woe from would-be borrowers. Lucky for us, community banks have their safe-and-sound lending practices in place, which enables us to suggest…

"Act Naturally"

In spite of Buck Owens' claim that his song was about a man who's sad and lonely, the community banking industry is in great shape by most every measure, mainly because it has reacted according to its instincts. Earnings will not likely hit records this year but are far ahead of the numbers in the post-Great Recession era from 2011 through 2015. The business model continues to perform well. And as we heard from the Buckaroos in 1962, your community bank might even win an Oscar without rehearsing. All it's got to do is act naturally. ■

Jim Reber, CPA, CFA (*jreber@icbasecurities.com*), is president and CEO of ICBA Securities, ICBA's institutional, fixed-income broker-dealer for community banks

Education on Tap

2022 webinar series takes a summer break

ICBA Securities and its exclusive broker Stifel Financial will go on hiatus from its Community Banking Matters series for several months but will resume our schedule in the fall. Look for announcements in this space beginning in September.

Fall balance sheet conference

The 2022 Balance Sheet Academy will be held in Memphis, Tenn., from Oct. 17–18. This is an intermediate-level program that addresses topics such as interest rate products, bond swaps and private-label securities. Up to 12 hours of CPE credit are offered. For more information, contact your Stifel representative or visit ***icbasecurities.com***

FOCUS COMPLIANCE

One step ahead of fraud

Though fraudulent activity and erroneous transactions are inevitable in this day and age, community banks don't have to surrender to these ever-evolving threats—in fact, staying vigilant to consumer guidelines and establishing their own security safeguards mean that banks can stay ahead of the game. By Mary Thorson Wright

Despite banks' efforts to thwart fraudulent or erroneous credit transactions, they still do occur. Merchants, service providers and banks sometimes make inadvertent errors, and fraud is an exponentially expanding threat.

The Federal Trade Commission (FTC) reported more than 390,000 credit card fraud incidents in 2020. According to the December 2021 *Nilson Report*, payment card fraud losses in the United States reached $10.24 billion in 2020 and accounted for 35.83% of global card fraud, even though they accounted for only 22.4% of total card volume.

Unauthorized credit transactions are a notable example of card fraud. This type of transaction is one not performed or authorized by the consumer, although it appears on their account. Common causes are lost or stolen cards; skimming information from the magnetic strip in an electronic device; obtaining confidential details via phishing emails or text messages; or fraudulently using account numbers and expiry dates obtained through other means to conduct a transaction.

What is a community bank's responsibility for a customer's erroneous or fraudulent transaction? And how can banks handle them for the best outcomes?

Ready for Regulation Z

Creditors must, under Regulation Z—the Truth in Lending Act, make certain initial and periodic disclosures to consumers about the terms and conditions of open-end accounts, including the consumer's right to billing error resolution, according to the Consumer Financial Protection Bureau (CFPB). A creditor, for consumer-purpose open-end accounts, could be the bank itself or a third-party service provider. In any case, the bank is ultimately responsible for the account disclosures and operation of consumer compliance, including billing error resolution.

Vigilant consumers may identify erroneous or fraudulent transactions soon after they occur. Many quick-equipped banks are also able to flag, intercept and resolve unauthorized or suspicious charges before an account holder is even aware of the issue. In many cases, however, unauthorized changes may not be identified until they receive a statement, or later.

A billing error, generally, is a "reflection on or with a periodic statement of an extension of credit that is not made to the consumer or to a person who has actual, implied or apparent authority to use the consumer's credit card or open-end credit plan," notes the CFPB. The transaction may be wholly erroneous, or it may be partly erroneous in the amount reflected or the number or type of transactions.

Creditors must conduct an efficient, effective resolution process, as specified in Section 1026.13 of Regulation Z. The process should include identifying the nature of the customer's dispute; determining if an investigation is required; and ensuring that all the procedures, timing and notice requirements are met and documented. Creditors should take note of CFPB guidelines published in May 2020 pronouncing flexibility in enforcement of billing error resolution time frames that exceed the regulatory limits due to the COVID-19 pandemic, "so long as the creditor has made requisite good faith efforts to obtain the necessary information and make a determination as quickly as possible."

"One of the primary responsibilities of community banks is being proactive," notes Rebecca Kruse, executive vice president and chief operating officer for ICBA Bancard. "We know fraud is going to happen. There are steps banks can take to actively prevent it, but it is critical that banks are prepared to respond quickly and effectively. The ICBA Incident Response Plan is a good place to start. Fraud detection, generally provided by the processor, should have the ability to set up custom rules quickly to address fraud trends identified."

> **"There are steps banks can take to actively prevent [fraud], but it is critical that banks are prepared to respond quickly and effectively."**
>
> —REBECCA KRUSE, ICBA BANCARD

Fraud resources

ICBA members can find more information by searching for "A Guide for Incident Response" on ***icba.org***.

Fraud prevention steps to take

Kruse suggests ways for community banks to increase success in preventing and mitigating the damage from fraud:

- **Be able to quickly shut down the merchant, point of sale or merchant category code.** This allows customers to still use their cards while foiling a BIN (Bank Identification Number) attack. BIN attacks, using a known BIN and systematically generating and testing the remaining digits of a card number to conduct fraudulent transactions, have increased.
- **Monitor card networks and implement speedy and effective communication.** For instance, VISA and MasterCard each have a program to identify when BIN attacks are happening and send notice to the bank.
- **Identify other cards that might be at risk.** This is generally done by analyzing the affected cards and the transactions that have occurred to determine if a pattern exists: where they have happened, similarities in the merchants, transaction amounts and time frames.

"About 85% of fraud attempts that we see are conducted online," Kruse says. "3D Secure, a security protocol designed to provide an additional layer of security for online credit card and debit card transactions, is helpful, because the bank authenticates the cardholder before the transaction is authorized.

"The ultimate tool is a cross-channel fraud detection system," she adds. "Detecting fraud down a silo for card transactions, ACH or other types is good, but it doesn't reflect how customers conduct transactions. The most effective fraud detection works across different channels at the same time in real time."

Kruse emphasizes how important it is for community banks to have proactive fraud guidelines in place.

"It's critical to have a robust set of fraud rules to detect and prevent fraud during the transaction," she says, "but it is equally important to plan ahead and be nimble enough to respond—because fraud will occur." ■

Mary Thorson Wright is a writer in Virginia.

Image by jittawit.21/iStock

FOCUS SECURITY

On the cutting edge of security

New ways to upend security at branches can leave community banks vulnerable to criminal episodes. From cameras and recorders to network-based solutions and even biometrics, we highlight four of the newest technologies that can protect bank assets, associates and customers. By Jen A. Miller

While cybersecurity is a consistent concern for community banks, physical crime is still a problem. Albuquerque, N.M., saw more than 20 bank robberies or attempted bank robberies in early 2022, and in March, authorities apprehended a man suspected to have conducted at least 12 bank robberies in southern California.

Upgraded security technologies, including better cameras, lighting and controlled lobby access, can make workers and customers feel comfortable coming into a bank, according to Charlie Crawford, chairman and CEO of $288 million-asset Hyperion Bank, which has locations in Philadelphia and Atlanta. "It's important for the customers and employees to come into a safe environment," he says.

Community banks can avail themselves of both upgraded classic technology and new tech that makes it easier to identify a crime as it's happening or who did it after the fact. Here are four technologies to know.

High-definition cameras

Cameras aren't new technology, but they've improved. High-definition cameras "provide a much better picture of what happens during a robbery or other incident that a bank might want to document," says Joel Williquette, ICBA's senior vice president of operational policy risk.

When upgrading, he recommends banks reevaluate camera placement to cover parking lots and vaults and to account for changes in customer traffic patterns, which might have shifted during the pandemic.

Better cameras became key during the pandemic, when most or all customers were wearing masks, says Bill Wayland, vice president of banking for ADT Commercial. "The better the picture around the face and height and physical characteristics of the bad guy, the better chance [authorities] had in catching them."

Community banks are also now more likely to install high-definition cameras above teller lines pointing down at where cash is counted for customers, Williquette adds. "This is often helpful in resolving disputes about the amounts of money given to a teller or distributed from the teller."

Hyperion Bank has also put its security feed and stored security images in a cloud-based system "where we can access it from our computers and phones," says Crawford.

Biometrics' legal status

Biometric technology—fingerprints, palm prints and facial measurements—is becoming more popular in identifying customers and staff members, says Joel Williquette, senior vice president of operational policy risk for ICBA.

However, biometrics also come with mounting regulation. More than a dozen states either have biometric privacy laws already on the books or have bills proposed regarding what can be taken and how it can be stored, according to Bloomberg Law. Community banks should ensure any biometric option they're considering does not violate these laws or won't be in violation should a proposed bill in their state pass.

Stronger barrier technologies

Physical barriers between bank employees, bank assets and criminals are getting better and stronger. Wayland says that some community banks have added "bandit barriers," which are bullet-resistant partitions that go across the teller line up to the ceiling. They "protect the tellers as they're doing their transactions," he says. If a robber were to shoot a gun, the bullet embeds in the barrier instead of passing through.

Some community banks are also requiring an extra step to get into a bank lobby. During the worst of the pandemic, Hyperion kept its lobbies open—its locations don't have drive-thru ATMs—but designed private access areas where customers had to be buzzed in from the lobby.

To support that, the community bank also added a Ring camera outside the entrance so when somebody's trying to get in, explains Crawford, "[employees] can see who they are without physically going to the door."

David Uberig, business development manager, financial, at security vendor Hanwha Techwin, notes that safe technology itself is also improving. Safes for bank branches, cash drops and inside ATM machines can now be constructed of a combination of steel and high-strength concrete composite instead of steel plating alone, which "gives them strength and ability to withstand impacts and resist cutting blades," he says.

QUICK STAT

20+

The number of bank robberies or attempted bank robberies in Albuquerque, N.M., in early 2022

Source: FBI

Analytics, powered by AI

While cameras can help community banks see what's going on inside and outside their branches at all times, a human isn't always watching those feeds. Artificial intelligence and analytics can help security systems be smart about when to ring the alarm, according to Uberig.

For example, object-based analytics can tell if an object crossing toward a drive-thru ATM is innocuous, like a pedestrian, deer or shadow, or a threat, such as a vehicle approaching an ATM in the wrong direction to attempt a "hook and chain" robbery. Object-based analytics can better identify if something left in a bank vestibule is worth investigating (a person loitering) or not (an expected delivered package).

Analytics can also help save community banks time during an investigation, Uberig notes.

"We could scrape through 24 hours of video," he says, "or we have an analytic that detected when somebody entered an area." The analytic would flag it and "go straight to that video and verify if it's what you're looking for." ■

Jen A. Miller is a writer in New Jersey.

Overregulation is strangling rural America

After the CFPB released its report on the financial issues facing rural America, ICBA emphasized that leveling the playing field and easing rural community banks' regulatory burden would drive prosperity in these areas. By Mark K. Scanlan, ICBA

ICBA and the community banks it represents have always been steadfast advocates for boosting rural economic activity.

Now that the Consumer Financial Protection Bureau (CFPB) has announced it is focusing attention on financial issues facing rural America, ICBA is reaching out to the agency to offer observations and recommendations.

While the CFPB raises important points about larger economic trends affecting the financial resilience of rural families and the negative impact of bank consolidation, its report on rural challenges published this spring doesn't address several key factors, including government-subsidized competition from the Farm Credit System (FCS) and the credit union industry, and the regulatory burden.

As ICBA shared with the CFPB in a recent letter, access to financing is not the only way to enhance rural prosperity. Community banks are more than willing to serve rural communities. A lack of prosperity is the result of a regulatory burden that restricts investments, job growth, innovation and competition in key rural sectors. Meanwhile, tax burdens on banking and rural sectors make it harder for rural businesses and citizens to access low-cost credit. These same burdens drive community bank consolidation.

Inflation also threatens the future of these communities if it's not dealt with by reasonable policies from Washington.

Key problems that community banks can help solve

In researching the specific issues raised by the CFPB, ICBA found community banks play a vital role in supporting rural communities while addressing the following issues.

Banking deserts. Community banks have consistently been the only banking presence in one out of every six U.S. counties. The largest banks have reduced their national branch presence by 20% over the past 10 years, while community banks have operated between four and five bank branches to every large bank branch within mostly rural areas.

The Congressional Research Service, cited in a recent CFPB blog, notes that "community banks were almost three times more likely than noncommunity institutions to locate their offices in a nonmetro area in

2011 and were four times more likely to operate offices in rural counties."

Discriminatory/predatory lending. ICBA also pointed out that despite industry and branch consolidation by the largest banks, community banks have maintained a presence in the overwhelming majority of African American-majority communities and Hispanic American-majority communities over the past three years. Community banks also originated more than 40% of Paycheck Protection Program (PPP) loans to minority small business borrowers, more than any other type of lender.

Manufactured housing. Community banks maintain lending to minority and low- to moderate-income borrowers, financing more of these loans than other lenders. In 2020, community banks made 97% of all low- and moderate-income (LMI) loans and 99% of all manufactured housing loans to minority borrowers.

> **Tax burdens on banking and rural sectors make it harder for rural businesses and citizens to access low-cost credit. These same burdens drive community bank consolidation.**

ICBA recommendations for helping rural America

Pass the ECORA Act. The bipartisan Enhancing Credit Opportunities for Rural America Act (ECORA Act H.R. 1977 and S. 2202) would give community banks tax benefits like those the Farm Credit System (FCS) and credit unions receive. It would exempt interest income to banks from agricultural real estate loans and rural home loans (in communities with 2,500 or fewer residents).

The ECORA Act would allow community banks to provide lower interest rates on these loans and allow financially stressed farmers to qualify for land loans or refinance existing farm real estate loans. Lower mortgage payments would also help attract more people to smaller rural communities.

Enhance the farm bill's rural safety net. ICBA supports increases to farm, housing and rural development guaranteed loan programs, including increasing guaranteed farm operating and ownership programs to a threshold of at least $2.5 million versus the current $1.825 million limit.

This would provide enough capital for family, young, beginning, small and minority and socially disadvantaged farmers to start or expand farming operations. ICBA also urges that community banks be able to participate in any program to help resolve "heirs' property" legal title questions.

Require credit unions to comply with the Community Reinvestment Act (CRA). The CFPB should urge the administration to mandate that credit unions comply with CRA.

Prohibit credit unions from acquiring community banks. The U.S. banking sector has lost more than 100 community banks from large credit unions acquiring smaller community banks. This happens due to lax regulation and credit unions leveraging their tax benefits to inflate the purchase prices of community banks above book value.

Don't let the FCS cherry-pick loans. The FCS uses its status as a government-sponsored enterprise (GSE) to offer below-market rates to the largest, financially strongest farm borrowers. This destabilizes community bank portfolios, driving community banks out of agricultural lending and accelerating bank consolidation.

ICBA will continue to reach out to the CFPB to discuss solutions to better the lives of rural Americans. We'll connect the CFPB with members of ICBA's Agriculture–Rural America Committee to share the views of rural bankers across America.

By sharing these stories, we can emphasize that community banks are providing solutions to the issues raised by the CFPB. And with better regulatory and tax policies, community banks can preserve the hope of a brighter future for rural America. ■

Mark K. Scanlan *(mark.scanlan@icba.org)* **is senior vice president of agriculture and rural policy for ICBA.**

ICBA's

Top Lenders 2022

Last year, community bank loan producers were faced with both record-low interest rates and a glut of deposits. But as they always do, they came through for individuals and businesses in their communities with a combination of personalized service and prudent risk management practices. Here, we highlight some of last year's most successful loan producers in the areas of agriculture, commercial and consumer/mortgage lending.

By Ed Avis • Photo by Linkes Photography

The Peoples Bank helped the Jones family of Legacy Dairy in Hiseville, Ky., relaunch their business. From left, Ally Jones; bank chairman, president and CEO Terry L. Bunnell; and Doug, Genelle and Jagger Jones.

AGRICULTURE

Ag lending in the South: Relationships matter

When the owners of a small family dairy asked The Peoples Bank in Marion, Ky., for funding to reopen the business after years of inactivity, chairman, president and CEO Terry L. Bunnell listened. He sensed the family's passion and liked their idea of starting with selling milk at farmers' markets, roadside shops and small grocery stores. Another bank might not have taken a chance on them, but The Peoples Bank did. That was about four years ago; today, the dairy is successful and growing.

"We worked with them with loans to buy equipment and vehicles for delivery and the beginning operational cash needs of the business," Bunnell says. "The passion they brought to the business is what we're all about. We want to help people succeed and grow a business, help them accomplish what they've set out to do." Bunnell's relationship with the

Terry L. Bunnell of The Peoples Bank worked closely with Doug and Ally Jones of Legacy Dairy.

Photo by Linkes Photography

dairy owners is not unusual. He attributes the agricultural lending success of The Peoples Bank—a $114 million-asset institution with a loan portfolio that is about 25% ag related—to its one-on-one connections with borrowers. Those relationships show the borrowers that their bank cares about their businesses and wants to help them succeed. In return, those relationships help the bank grow.

"I believe you have to interact with your customers on a regular basis," Bunnell says. "You've got to engage with them to understand their needs. I believe a mistake that is often made is that we assume all farming is the same, and it's clearly not. Our customers have different needs, and we have different ways to solve those needs."

Close-knit relationships

Connections with borrowers has also played a key role in the success of $457 million-asset First Southern Bank in Florence, Ala. However, First Southern's ag lending also benefited last year from the addition of three loan production offices, says Joe Beaver, the community bank's president and CEO. The bank, which attributes 31% of its loan portfolio to agriculture, opened loan production offices (LPOs) in Mississippi, Florida and Alabama.

"We identified areas that we feel like are a good fit for us and what we do, and we identified the right lender in those areas," Beaver explains. In each new market opened in 2021, the community bank found an experienced ag lender who was seeking a new position.

Another element to First Southern's ag lending success is its robust crop insurance business. The bank provides crop insurance to farmers in 11 states.

Agriculture: Less than $300M in assets

Rank	Bank Name	City	State	Ag Lender Score
1	Red River State Bank	Halstad	MN	95.32
2	First State Bank	Randolph	NE	94.65
3	Security Bank Midwest	Chancellor	SD	94.61
4	Anchor State Bank	Anchor	IL	94.50
5	Prairie Sun Bank	Milan	MN	94.07
6	Bank of Lindsay	Lindsay	NE	93.22
7	First State Bank Minnesota	Le Roy	MN	93.20
8	Bank of Hartington	Hartington	NE	92.13
9	The Citizens State Bank and Trust Company	Council Grove	KS	92.06
10	The State Bank of Wynnewood	Wynnewood	OK	92.05
11	Lincoln State Bank	Hankinson	ND	91.73
12	Security Bank	Laurel	NE	91.47
13	State Bank of Bern	Bern	KS	91.42
14	Cedar Valley Bank & Trust	La Porte City	IA	91.21
15	Campbell County Bank	Herreid	SD	91.14
16	Metz Banking Company	Nevada	MO	91.08
17	Progressive Ozark Bank	Salem	MO	90.96
18	The Peoples Bank	Marion	KY	90.74
19	Silex Banking Company	Silex	MO	90.60
20	Horizon Financial Bank	Munich	ND	90.56

▸ The Peoples Bank
Marion, Ky.
Asset size: $114 million
Consumer lender score: 90.74
Rank in category: 18

Methodology
Using FDIC data for 2021, we calculated a lender score out of 100 for each community bank. The score combines the average of the bank's percentile rank for lending concentration and for loan growth over the past year in each lending category. We then adjusted each score for loan charge offs in each category at certain percentile thresholds.

"Being in the crop insurance business lends significantly to our understanding of ag lending," Beaver says. "It also indirectly benefits our lending business. Because of our crop insurance business in Florida, I met an experienced ag lender, and circumstances worked out that we had an opportunity to bring him on board. And in New Albany, Miss., the person who led our crop insurance group had previous experience as a lender, and he moved back into that role when we opened the loan production office there."

First Southern's new LPOs have pumped up the community bank's ag portfolio, but, like Bunnell, Beaver knows that it's ultimately the relationships with farmers that lead to lending success.

"It's about understanding what the farmers need, building those relationships, building that trust and standing by them when the times get tough," he says. ▶

"I believe a mistake that is often made is that we assume all farming is the same, and it's clearly not. Our customers have different needs, and we have different ways to solve those needs."

—TERRY L. BUNNELL, THE PEOPLES BANK

Agriculture: $300M to $1B in assets

Rank	Bank Name	City	State	Ag Lender Score
1	NSB Bank	Mason City	IA	92.38
2	Iowa State Bank	Orange City	IA	92.28
3	BTC Bank	Bethany	MO	92.13
4	American Bank, National Association	Le Mars	IA	92.01
5	MBT Bank	Forest City	IA	91.38
6	First Southern Bank	Florence	AL	91.10
7	First State Bank	Buxton	ND	91.03
8	First Community Bank of the Heartland, Inc.	Clinton	KY	90.71
9	First FarmBank	Greeley	CO	90.53
10	Bank of Pontiac	Pontiac	IL	90.35
11	Green Belt Bank & Trust	Iowa Falls	IA	90.33
12	BankNorth	Arthur	ND	90.33
13	Classic Bank, National Association	Cameron	TX	89.96
14	United Prairie Bank	Mountain Lake	MN	89.86
15	Primebank	Le Mars	IA	89.61
16	Cattlemens Bank	Altus	OK	89.46
17	Stock Growers Bank	Forman	ND	89.43
18	Elkhorn Valley Bank & Trust	Norfolk	NE	89.21
19	Citizens Bank Minnesota	New Ulm	MN	88.81
20	Farmers and Merchants State Bank of Pierz	Pierz	MN	88.77

Agriculture: More than $1B in assets

Rank	Bank Name	City	State	Ag Lender Score
1	United Bank of Iowa	Ida Grove	IA	87.89
2	Wood & Huston Bank	Marshall	MO	87.37
3	Fidelity Bank & Trust	Dyersville	IA	84.36
4	Independence Bank	Havre	MT	83.75
5	The First National Bank In Sioux Falls	Sioux Falls	SD	83.20
6	Bravera Bank	Dickinson	ND	83.07
7	Southern Bancorp Bank	Little Rock	AR	82.78
8	Plumas Bank	Quincy	CA	81.80
9	First Bank of Berne	First Bank of Berne	IN	81.59
10	Minnwest Bank	Redwood Falls	MN	80.86
11	CBI Bank & Trust	Muscatine	IA	80.66
12	Dakota Community Bank & Trust, National Association	Hebron	ND	79.36
13	Citizens Alliance Bank	Clara City	MN	78.86
14	Guaranty Bank & Trust, N.A.	Mount Pleasant	TX	78.15
15	Guaranty Bank and Trust Company	Belzoni	MS	78.10
16	OakStar Bank	Springfield	MO	77.95
17	PrimeSouth Bank	Blackshear	GA	77.55
18	American State Bank	Sioux Center	IA	77.46
19	Exchange Bank	Grand Island	NE	77.39
20	Vista Bank	Dallas	TX	77.26

CONSUMER AND MORTGAGE

Helping consumers get ahead

One of the missions of Lead Bank in Lee's Summit, Mo., is to help consumers who have difficulty accessing the financial system, especially those who have been historically marginalized. So, when the community bank's leadership learned of a fintech that needed a bank partner to launch a credit-building tech product, they were intrigued.

"Our CEO, Josh Rowland, went to a meeting of the Financial Health Network, an organization that helps consumers improve their financial health, and they said, 'We should introduce you to this fintech who has this product and needs a partner,'" says Greg Bynum, president of the $738 million-asset bank.

That meeting four years ago led to the launch of Lead Bank's Credit Builder Account program, which is accessed through an app developed by Self Financial, a fintech. Self Financial handles the technology, including access to online accounts and an app, as well as marketing aspects of the program, and Lead Bank provides the compliance and access to the banking

Lead Bank
Lee's Summit, Mo.
Asset size: $738 million
Consumer lender score: 96.6
Rank in category: 2

Above: Lead Bank takes the lead with, from L to R, president and COO Greg Bynum; VP and associate general counsel Shakita Miller; EVP, general counsel and chief risk officer Julie Pine; CEO and vice chairman Joshua C. Rowland; and EVP and chief technology officer Mike Beattie.

Photo by Steve Puppe

system. It is available to consumers in all 50 states.

Why did this program help propel Lead Bank onto *Independent Banker*'s Top Lenders list? Because the Credit Builder Account program begins with a $1,000 loan to the consumer, which is deposited into a certificate of deposit at the community bank instead of being disbursed to the borrower. The borrower makes monthly payments over the course of 12 months. Assuming the borrower makes the payments on time, they end the year with an improved credit score and $1,000 in savings.

"In our four-year relationship with Self, we've helped in excess of a million consumers establish or improve their credit scores," Bynum reports. "We've been really happy with it. It's a way to help consumers get access to financial services in a financially responsible way. Some banks see fintechs as competitors, but if you can combine the strengths of the banking industry and the strengths of the fintech, it can really be a win-win."

Two years ago, Lead Bank and Self expanded the program to include a secured credit card. Since the successful Credit Builder Account participants end the program with $1,000 in the bank, they have the cash to secure the card. More than 500,000 customers have received secured cards through the program.

Taking the lead on financial literacy

Teaching people about wise money management is a key part of the Credit Builder Account program, Bynum says. "We do a lot of financial education to help consumers know what behaviors help their credit scores. For example, if their outstanding credit card balance gets above 30% of what's available, that tends to hurt their credit score, so we send a little notice that says they may want to pay it down."

Self and Lead Bank will probably

Consumer/mortgage: Less than $300M in assets

Rank	Bank Name	City	State	Consumer Lender Score
1	Citizens Guaranty Bank	Irvine	KY	94.06
2	The Miners National Bank of Eveleth	Eveleth	MN	93.72
3	First Security Bank of Deer Lodge	Deer Lodge	MT	93.39
4	The National Iron Bank	Salisbury	CT	93.37
5	The First National Bank of Gilbert	Gilbert	MN	93.35
6	Bank of Billings	Billings	MO	92.94
7	Second Federal Savings & Loan Association of Philadelphia	Philadelphia	PA	92.25
8	Bristol Morgan Bank	Oakfield	WI	92.01
9	Simmesport State Bank	Mansura	LA	91.74
10	Lowry State Bank	Lowry	MN	91.42
11	Eclipse Bank, Inc.	Louisville	KY	91.40
12	Collins State Bank	Collins	WI	90.94
13	Wrentham Co-operative Bank	Wrentham	MA	90.55
14	First Federal Savings and Loan Association	Aberdeen	MS	90.44
15	First Security Bank	Byron	MN	90.43
16	Wahoo State Bank	Wahoo	NE	90.41
17	Waterman Bank	Waterman	IL	90.38
18	Woodsfield Savings Bank	Woodsfield	OH	90.37
19	Citizens Bank of Morgantown, Inc.	Morgantown	WV	90.34
20	Bank of Holland	Holland	NY	90.04

Consumer/mortgage: $300M to $1B in assets

Rank	Bank Name	City	State	Consumer Lender Score
1	Quontic Bank	New York	NY	97.94
2	Lead Bank	Lee's Summit	MO	96.60
3	North Shore Bank of Commerce	Duluth	MN	96.03
4	First Central Savings Bank	Glen Cove	NY	94.25
5	Passumpsic Savings Bank	Saint Johnsbury	VT	92.25
6	The Garrett State Bank	Garrett	IN	91.96
7	Beacon Community Bank	Charleston	SC	91.43
8	First Bank	Burkburnett	TX	90.80
9	Bank of San Francisco	San Francisco	CA	90.73
10	Haverhill Bank	Haverhill	MA	90.53
11	First Capital Bank	Laurinburg	NC	90.39
12	Sullivan Bank	Sullivan	MO	89.51
13	Chickasaw Community Bank	Oklahoma City	OK	89.37
14	American National Bank of Minnesota	Brainerd	MN	89.04
15	First Savings Bank of Hegewisch	Chicago	IL	88.20
16	Farmers State Bank	Cameron	MO	88.07
17	The Bank	Jennings	LA	87.81
18	1st Colonial Community Bank	Cherry Hill	NJ	87.67
19	1st National Bank of Scotia	Scotia	NY	87.04
20	First Federal Bank & Trust	Sheridan	WY	86.93

At left, Lead Bank's CEO and vice chairman Joshua C. Rowland with Greg Bynum, president and chief operating officer.

add more banking products in the future, but they are not rushing things.

"We're being very methodical about what products we introduce," Bynum says. "We're surveying consumers about what they need; that's how we came up with the secured credit card. It's important for us to do it in a financially responsible way so that we're always helping the consumer develop good financial habits and improve their credit."

Consumer/mortgage: More than $1B in assets

Rank	Bank Name	City	State	Consumer Lender Score
1	Metro City Bank	Doraville	GA	98.27
2	Northpointe Bank	Grand Rapids	MI	96.28
3	Martha's Vineyard Bank	Edgartown	MA	93.95
4	North Easton Savings Bank	South Easton	MA	92.70
5	MidFirst Bank	Oklahoma City	OK	91.91
6	Leader Bank, National Association	Arlington	MA	91.41
7	Kennebec Savings Bank	Augusta	ME	90.85
8	Main Street Bank	Marlborough	MA	90.69
9	The Lyons National Bank	Geneva	NY	89.28
10	TriState Capital Bank	Pittsburgh	PA	88.18
11	Bradesco BAC Florida Bank	Coral Gables	FL	87.71
12	Bell Bank	Fargo	ND	86.47
13	Southern First Bank	Greenville	SC	86.11
14	Blue Ridge Bank, National Association	Luray	VA	85.89
15	The Superior National Bank and Trust Company of Hancock	Hancock	MI	85.40
16	The Canandaigua National Bank and Trust Company	Canandaigua	NY	85.13
17	The Fidelity Deposit and Discount Bank	Dunmore	PA	85.05
18	Northway Bank	Berlin	NH	84.61
19	First Federal Savings Bank of Twin Falls	Twin Falls	ID	83.46
20	Anderson Brothers Bank	Mullins	SC	83.04

COMMERCIAL

A sweet spot for underserved commercial clients

"Doing well by doing good" could be the unofficial community banking motto. But in the case of $163 million-asset New Haven Bank, in New Haven, Conn., it is particularly apt. The community bank has succeeded while lending to nonprofits, mom-and-pop businesses and many other clients not well served by megabanks.

New Haven Bank is a Community Development Financial Institution (CDFI), meaning that at least 60% of its business must be conducted in low- to moderate-income areas. And it is the only locally owned bank in the city.

"We serve a market that the larger financial institutions really don't serve well," says Maureen Frank, the community bank's president and CEO, adding that its average loan size is about $400,000. "We've really developed a sweet spot."

She explains the bank has focused on serving New Haven's underbanked community since it was launched in 2010 after

New Haven Bank
New Haven, Conn.
Asset size: $163 million
Consumer lender score: 90.00
Rank in category: 19

Photo by Steve Puppe

L to R, New Haven Bank's Tom Whitbread, William Hice, Maureen Frank, Iris Velazquez, Michael Aquilino and Richard Venditto focus on serving underbanked communities.

Photo courtesy of New Haven Bank

a mutual savings bank in town went public and was absorbed by a larger institution.

"When that happened," she recalls, "the former mayor of New Haven challenged the CEO of that institution to set aside funds so that a community bank with mission-driven objectives could be formed. So that's where the capital to start New Haven Bank came from."

PPP for the people

The Paycheck Protection Program (PPP) was important to New Haven Bank's success in 2020 and 2021. The community bank netted $32 million in loans those years, including about 200 loans in 2021 for $21 million.

"We lent to retailers, restaurants, nonprofits, small mom-and-pop stores, barber shops, beauty salons, day cares, churches ... we did not turn anybody away," Frank says. "We embraced the spirit of the PPP and handled anybody who came our way. More than half of our loans were to

Commercial: Less than $300M in assets

Rank	Bank Name	City	State	Commercial Lender Score
1	Barwick Banking Company	Barwick	GA	99.54
2	State Bank	Rock Springs	WY	98.55
3	California International Bank, N.A.	Westminster	CA	96.09
4	Kendall Bank	Valley Falls	KS	96.00
5	United Bank of Philadelphia	Philadelphia	PA	95.83
6	PeopleFirst Bank	Joliet	IL	95.57
7	CapTex Bank, National Association	Trenton	TX	94.41
8	Unity National Bank	Houston	TX	94.07
9	The Home Savings And Loan Company of Kenton, Ohio	Kenton	OH	93.52
10	North Valley Bank	Denver	CO	92.87
11	American Bank of Beaver Dam	Beaver Dam	WI	92.82
12	SouthernTrust Bank	Goreville	IL	92.17
13	Embassy National Bank	Lawrenceville	GA	92.00
14	Southern Bank	Sardis	GA	91.59
15	BCBank, Inc.	Philippi	WV	91.45
16	FMS Bank	Fort Morgan	CO	91.27
17	Eagle Bank	Polson	MT	90.93
18	First Colorado National Bank	Paonia	CO	90.45
19	New Haven Bank	New Haven	CT	90.00
20	Ergo Bank	Markesan	WI	89.66

"We embraced the spirit of the PPP and handled anybody who came our way. More than half of our loans were to noncustomers."

—MAUREEN FRANK, NEW HAVEN BANK

noncustomers." She says that a third of the noncustomers commented that their current bank at the time either would not give them a PPP loan or would not help them with the process. In contrast, New Haven Bank expended energy making sure all of them were served.

"We spent a lot of time with small businesses whose finances might not have been very sophisticated," Frank says. "For some of them, their payroll was just a checkbook register."

Attention to detail

That kind of close attention is part of the community bank's normal routine. For example, to better serve nonprofit clients, New Haven Bank works to understand the business models and funding sources of each. That diligence pays off: Frank says the bank has not had to deal with any delinquent loans among its nonprofit clients.

The future looks bright enough that New Haven Bank is currently seeking locations in two nearby towns, West Haven and Hamden.

"We're excited about expanding," Frank says. "We're one of the very few banks that received a charter after the financial collapse in 2008, and we're still going. Any de novo is a challenge, but it's been rewarding, and I think we've helped a lot of people and hope to continue to do that as we grow."

Ed Avis is a writer in Illinois.

Commercial: $300M to $1B in assets

Rank	Bank Name	City	State	Commercial Lender Score
1	MRV Banks	Sainte Genevieve	MO	97.87
2	Quaint Oak Bank	Southampton	PA	97.74
3	Flagship Bank	Clearwater	FL	96.82
4	Crown Bank	Edina	MN	96.30
5	Dundee Bank	Omaha	NE	95.72
6	Asian Bank	Philadelphia	PA	95.35
7	SouthPoint Bank	Birmingham	AL	94.89
8	Falcon National Bank	Saint Cloud	MN	94.71
9	American State Bank	Arp	TX	93.88
10	Simply Bank	Dayton	TN	93.69
11	OptimumBank	Ft. Lauderdale	FL	93.32
12	Greenwoods State Bank	Lake Mills	WI	93.25
13	Plains State Bank	Humble	TX	93.07
14	Bank3	Memphis	TN	92.83
15	Prime Alliance Bank	Woods Cross	UT	92.68
16	Mechanics & Farmers Bank	Durham	NC	92.49
17	Bank of Wisconsin Dells	Wisconsin Dells	WI	92.21
18	Texas Heritage National Bank	Daingerfield	TX	92.02
19	CommerceOne Bank	Birmingham	AL	91.48
20	First IC Bank	Doraville	GA	91.30

Commercial: More than $1B in assets

Rank	Bank Name	City	State	Commercial Lender Score
1	State Bank of Texas	Dallas	TX	97.34
2	Cogent Bank	Orlando	Fl	96.97
3	CFG Community Bank	Baltimore	MD	96.44
4	Encore Bank	Little Rock	AR	96.34
5	Poppy Bank	Santa Rosa	CA	96.19
6	MVB Bank, Inc.	Fairmont	WV	94.15
7	Forbright Bank	Chevy Chase	MD	94.11
8	Bankwell Bank	New Canaan	CT	93.97
9	Woori America Bank	New York	NY	93.23
10	Pacific National Bank	Miami	FL	92.96
11	TriState Capital Bank	Pittsburgh	PA	92.10
12	Southern States Bank	Anniston	AL	91.67
13	One Community Bank	Oregon	WI	91.35
14	Metropolitan Commercial Bank	New York	NY	90.63
15	Summit Community Bank, Inc.	Moorefield	WV	90.47
16	Transportation Alliance Bank, Inc.	Ogden	UT	89.78
17	Israel Discount Bank of New York	New York	NY	89.75
18	Park State Bank	Duluth	MN	89.21
19	Blue Ridge Bank, National Association	Luray	VA	88.83
20	Central Bank	Storm Lake	IA	88.22

The rise of customer self-service

Prompted by the pandemic, DIY banking services have grown at an increasingly quick rate. And as consumers—especially Gen Z and millennials—continue calling for more mobile options, community banks are stepping forward with new innovations and new tech partnerships.

By Elizabeth Judd

This summer,

IncredibleBank customers may find themselves driving up to an ITM and speaking live with a bank employee via video long after all branches have closed.

Having broadened its digital offerings during the pandemic, IncredibleBank will use ITMs, or interactive teller machines, as part of its expansion model, where brick-and-mortar branches will serve as hubs, and self-service options like ITMs will act as the metaphorical spokes.

The $1.7 billion-asset community bank in Wausau, Wis., is experimenting with new self-service capabilities not out of pandemic fears but because self-service enhances and improves the customer experience.

"We want to give our customers better hours of service," says Kathy Strasser, IncredibleBank's chief operation/information officer. "If we have drive-thru ITM capabilities until 11 o'clock at night, we don't have to have as many people sitting in a bank branch. We can have employees working remotely, servicing customers who want to handle [their banking] at night, if they so desire."

IncredibleBank found itself in the enviable position of having ventured deep into self-service long before anyone had heard of COVID-19. For many community banks, though, "the pandemic shined a spotlight on digital channels," says Mark Schwanhausser, director of digital banking at Javelin Strategy & Research.

"The pandemic," he says, "was a sort of stress test that highlighted digital weaknesses" and prompted community banks to offer self-service options as quickly as possible.

Wins in self-service

The pandemic brought with it swift changes in customer behavior. For instance, an April 2020 Capgemini Research Institute survey found that 45% of consumers had increased their use of digital channels in the earliest days of COVID-19.

Asked which self-service product proved most indispensable during the pandemic, many community bankers would likely cite mobile check deposits. While banks were already offering mobile deposit capabilities well before 2020,

Illustrations by Shinsuke Kubo / iStock

the pandemic spurred new customers to use these capabilities, often for the first time.

"We saw an increase in mobile banking deposits that has continued to trend up," says Greg Sullins, executive vice president of strategy, quality and productivity for $4.1 billion-asset Wilson Bank & Trust in Lebanon, Tenn.

In contrast, a self-service product that some community banks fully deployed only after the pandemic is online account opening. Without this, banks that had shuttered their branches—essentially, all banks in the spring of 2020—would have found themselves missing out on new opportunities to sign up customers.

"The biggest self-service area in my eyes was digital onboarding, whether it was on the loan or the deposit side," says Kevin Tweddle, senior executive vice president of community bank solutions for ICBA. "From a digital perspective, that's where I think community banks moved the needle the most."

Numbers support Tweddle's assertion. In a March 25 study by Javelin, 80% of applicants who successfully established checking accounts had touched online or mobile banking at least once in 2021—up markedly from levels five years earlier.

Using an online, self-service model to open accounts is an activity that apparently cuts across traditional demographic divides. "We had 90-year-olds to 16-year-olds opening new accounts this way," says Sullins, noting that his bank opens 2,000 new accounts a month. What's more, he observes that by leveraging digital capabilities, employees focus more on the customer experience than on handling recurring tasks. He estimates that there has been a 300% productivity improvement for staff supporting online channels.

Digital onboarding arguably had the greatest impact on commercial lending at Wilson Bank & Trust. Before the pandemic, the community bank offered a handful of self-service checking and savings products for consumers, but it did not offer a single fully self-service product for its business customers. Thanks to a partnership with Newgen Software, says Sullins, both business and consumer customers can now go online to open checking and savings accounts, as well as HSAs and CDs.

The PPP catalyst

Experts agree that an important catalyst for change was the Paycheck Protection Program, or PPP. Strasser says IncredibleBank began to provide more self-service options for commercial customers after businesses began applying for PPP loans.

"The CARES Act and PPP were rocket fuel to the mission of getting loans in the hands of businesses that needed it," says Charles Potts, executive vice president and chief innovation officer for ICBA. "There's no doubt that the pandemic accelerated the digital plans for many bankers in a very good way."

Another necessary ingredient in the rise of community banking

> "We're blending self-service solutions with our branch network, and that's kind of our secret sauce. … We believe those are the differentiators that allow us to compete head to head with the digital-only solutions, as well as the larger institutions."
>
> Greg Sullins, Wilson Bank & Trust

Self-service and the branch: What lies ahead

Experts debate whether bank branches will become extinct once self-service alternatives proliferate. Although all the evidence is not yet in, it seems branches are likely to evolve to play a different but vital role.

At Encore Bank in Little Rock, Ark., for instance, staff regularly use mobile technologies to help branch customers. Executive vice president Erin Simpson points out that bank employees might hand a customer an iPad rather than a stack of papers to fill out. In other instances, they might send a link to be opened on a customer's mobile phone because a particular process can be completed more easily or efficiently that way.

Kathy Strasser, chief operating officer of IncredibleBank in Wausau, Wis., notes that because of the community bank's self-service options through digital channels, customers may only need to visit a branch if they help with something. She anticipates that as customers grow comfortable performing routine transactions electronically, they may visit branches less often. When they do visit, however, they will expect higher levels of knowledge and advice from the employees they interact with there.

self-service was the wealth of potential fintech partnerships.

At $2 billion-asset Encore Bank, for instance, a partnership with MANTL, which builds digital tools such as an omnichannel account opening platform, made an enormous difference, according to Erin Simpson, EVP and chief operations officer for the Little Rock, Ark.-based community bank.

"We use MANTL to allow our consumer customers to open and fund deposit accounts and order debit cards and checks online," she says.

Encore Bank also began providing QR codes to make digital banking processes easier and faster. By scanning a QR code, a customer can open an account, order checks and debit cards, receive disclosures and electronically sign up for new products.

Efficiency benefits all

The efficiencies of digital processes can be tremendous. Simpson notes that the average time to open an account is now seven to eight minutes, while some new accounts have been opened in as little as three minutes. "With the old method of opening accounts," says Simpson, "someone sits across the desk from you, inputs the data into a system, generates paper disclosures to review, and the whole process typically takes 30 to 35 minutes."

What's more, improved video technology is making self-service less cold and impersonal. Sullins notes that customers appreciate performing banking tasks "from the convenience of their homes," while still having ample opportunity to ask questions and be assisted by a trained banker over video chat.

Video is also making self-service a reality for processes that once seemed impossible to perform other than face to face. Sullins says that his community bank may soon introduce a digital notary product in which documents would

45%

of consumers increased their use of digital channels in the earliest days of COVID-19

Source: Capgemini Research Institute

Digital adoption is blind to demographics

When it came to embracing self-service options during the pandemic, no single age group or segment of society led the charge. The move to self-service “crossed all demographics,” observes Kathy Strasser, chief operating officer of IncredibleBank in Wausau, Wis., noting that customers of all ages and backgrounds began using online and mobile banking options at much higher rates.

Arguably, the most profound behavioral changes occurred within the senior set. According to an April 2021 Capgemini survey, older age groups showed a strong increase in the adoption of digital payments in the pandemic. In the months immediately after COVID-19 struck, 45% of 46–55-year-olds and 43% of 56–60-year-olds reported that they were using digital payment channels more than they had previously.

Greg Sullins, executive vice president at Wilson Bank & Trust in Lebanon, Tenn., points out that customers exhibit preferences that don’t always conform to predictable patterns. In the first quarter of 2022, for instance, Sullins found that almost 50% of new accounts opened in his bank’s branches belonged to Gen Z and millennial customers.

be signed as the notary and customer interact over video screens

With so many promising new self-service options popping up, community bankers find themselves wrestling with a few existential questions.

The pandemic underscored that “consumers want it all” when it comes to customer-service options, emphasizes Javelin’s Schwanhausser. That said, offering an array of channels has its drawbacks, especially given that checking accounts have the best odds of success when they are completed within a single channel. In 2016, says Schwanhausser, 65% of successful checking account applicants using bank branches could open an account in a single channel, but by 2021, that number had declined to 49%.

Potts points out that the term “self-service” is often used loosely, given that a few bank transactions, such as types of commercial lending, still require human intervention. The lure of what he calls “Amazonification”—or the idea that every process can be completed remotely and in nanoseconds—can prove problematic.

One idea is for bankers to stop attempting to digitize all transactions and perform them at lightning speed, devoting themselves instead to perfecting the self-service processes that hold the greatest promise. Potts notes that “abandonment of transactions is a real problem” whenever customers put aside what they’re doing to change devices or phone a customer-service rep, because a percentage will never return. Arguably, he says, “seamless” and “frictionless” should be the watchwords of the day.

Simpson agrees. She says that “the goal for us is to eliminate any unnecessary keystrokes or calls for our customers.” She continues: “We want customers to get their accounts opened and any services they need without having to reenter data or sign any forms they don’t need to.”

Maintaining humanity

Many community banks also want to ensure that self-service does not impinge on customers who prize personal interactions and enjoy visiting a branch.

At Wilson Bank & Trust, says Sullins, "we're blending self-service solutions with our branch network, and that's kind of our secret sauce. ... We believe those are the differentiators that allow us to compete head to head with the digital-only solutions, as well as the larger institutions."

Providing omnichannel solutions is central to IncredibleBank, as well. "We want to allow customers to bank with us the way they want to bank with us," says Strasser. "We're going to continue to bring forward self-service options, but we're never going to force our customers into a channel just for the benefit of the bank."

Interestingly, one of the oldest and most revered self-service banking channels—the ATM—saw a decline in usage during the pandemic. When Americans found themselves staying home during lockdowns, their need for cash plummeted.

Even now, as stay-at-home orders have been rescinded, the use of ATMs has not necessarily rebounded. In early April 2020, 24% of users reported visiting ATMs with high frequency, down from 34% who expressed the same prior to COVID, according to the Capgemini study.

"Our ATM usage continues to go down," says Sullins. He explains that cash is less important as debit cards and mobile payment products like Venmo and Zelle take its place.

Looking to the future

The shift to self-service is placing new demands on community bankers. The good news, according to Tweddle, is that they are ready to meet this challenge.

"The beauty of community banks is that they're nimble," he says. "They can partner with a fintech and bring a digital onboarding solution live in a short period of time. So, while once they might have been behind, during the pandemic they've caught up quickly and are even accelerating their digital transformations."

That nimbleness is evident at IncredibleBank. Strasser is currently exploring how the popularity of a creative retail strategy like curbside pick-up could be tailored to signing financial paperwork or moving coins and cash. She is convinced that customers who prefer not to park and walk into a branch might specify an arrival time within a mobile app; using Bluetooth, a banker would know when the customer has pulled up and would proceed to the curb to complete a handoff.

Taking this one step further, Strasser is contemplating how Uber drivers might be harnessed to facilitate banking transactions outside the branch. While the regulatory fine points still need to be ironed out, she emphasizes that exercises in radical rethinking are important.

"In banking, we limit ourselves too much," Strasser says. "Obviously, we have to meet regulatory requirements, and we will—but we're thinking differently, because our customers expect us to think differently. We have to try to knock down the walls." ■

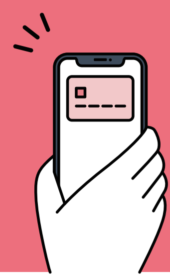
> "We're going to continue to bring forward self-service options, but we're never going to force our customers into a channel just for the benefit of the bank."
>
> Kathy Strasser, IncredibleBank

Elizabeth Judd is a writer in Maryland.

80%

of applicants who successfully established checking accounts touched online or mobile banking at least once in 2021 — up markedly from levels five years earlier

Source: Javelin Strategy & Research



Podcast:
How people power innovation

ICBA's *Communities of Innovation* podcast recently featured Kathy Strasser of IncredibleBank, who talked about the important role people play in technological innovation. Visit ***icba.org/podcast*** to listen.

TECH TIPS FROM INDUSTRY INNOVATORS

Charles Potts, ICBA executive vice president and chief innovation officer (bottom left), with members of the 2022 ICBA ThinkTECH Accelerator cohort

THE 2022 ICBA THINKTECH ACCELERATOR spotlighted some of the hottest, most innovative fintech providers. We asked each of this year's cohort to weigh in on how community banks can harness some of today's most exciting technologies and solutions to bolster business and enhance their customers' experiences.

BY KATIE KUEHNER-HEBERT

TIP #1: Assess your legacy systems

According to Don Shafer, co-founder and chief evangelist of Quilo, by Qoosh Technology in Staten Island, N.Y., one major pain point for community banks is relying too heavily on core providers to build new technologies into decades-old legacy systems, which can delay launches for community banks—to their detriment.

"These legacy systems were not designed to be nimble and quick to adapt—which is why community banks are nearly always late to the dance with providing the innovation they need to have a competitive advantage," Shafer says. "Therefore, you see more progressive community bankers partnering directly with fintechs."

Such partnerships are greatly facilitated by open banking and the use of APIs, which gives banks more flexibility to pick the best of breed across each technology, says Ryan Canin, CEO of DocFox Inc., in Boston, Mass. That way, he notes, they're not "controlled by their vendor's strategy, but rather they can pick technologies to support the bank's strategy."

Multicloud SaaS platform adoption to leverage the latest technologies at an optimum cost while ensuring robust cybersecurity infrastructure is a must, says Anand Naik, co-founder and CEO of Sequretek in Little Rock, Ark. Customers would thus "feel confident and secure" while adopting next-generation banking and financial services.

Community banks using multiple loan origination systems and account opening solutions for different types of customers and products introduce challenges in regard to getting a 360-degree view of relationships—and opportunities to cross-sell, says Chris Sommers, chief product officer of Accrue by Core10 in Franklin, Tenn. Community banks should seek platforms and systems that can handle multiple banking functions, plus single-sign-on solutions to ensure a "pain-free experience" of managing access for both customers and bank employees.

Then there's the legacy core itself.

"I think every bank needs to go through a cloud migration process," says John Mizzi, co-founder and CEO of Vero Technologies in Brooklyn, N.Y. "That's the only way they're going to continue to evolve and scale, by then adopting conduits to take advantage of cloud-based banking technologies on an integrated basis."

TIP #2: It's all about the data

Another major pain point is the inability of community banks to efficiently access their data because the data lives in multiple systems, says Kim Snyder, founder and CEO of KlariVis in Roanoke, Va.

"There's tremendous value in the data that banks have about their customers, but they haven't been able to efficiently take advantage of that. Even when systems are owned by the same vendor, they don't talk to each other," Snyder says. "Solutions are now available to solve that challenge for banks so they can better understand specific customers' needs and demands."

Saroop Bharwani, founder and CEO of Senso in Toronto, Canada, agrees. For community banks to be more agile and competitive against bigger players, they must invest in a consolidated view of their data to better "predict, identify and engage."

TIP #3: Keep up with consumer digital demands

Twenty years ago, investment accounts were all paper based, but now that wealth management services can be handled digitally, community banks can offer more of the products and services customers demand by incorporating more app features, says Andrew Glaze, founder and CEO of WealthStack in Austin, Texas.

"There's a new wave of product development around consumer choice, and community banks can tap into that by providing a seamless and easy platform," he says.

There's also been a substantial shift in consumer behavior to invest in alternative assets, including crypto- and blockchain-supported products, and fractional investing in farmland, fine wine, sports memorabilia and other collectibles, says Ben Soppitt, co-founder and CEO of UnifiMoney in San Francisco, Calif. Community banks involved in the digital wealth management space need to adapt to the environment "to survive and thrive."

TIP #4: Use internal tracking for all things digital

To optimize the digital experience for customers, community banks need to make sure their staff is well versed in the technologies offered and that they have the tools to help customers adopt them "as seamlessly and painlessly as possible," says John Findlay, CEO of

LemonadeLXP in Ottawa, Canada.

Indeed, investing in internal resources across the board to handle emerging technologies is paramount, says Chase Neinken, co-founder and president of Chimney in New York City, N.Y.

"I would encourage bank executives and leaders to focus more resources on developing the proper infrastructure to support technology enablement in the coming years instead of spending on the technology itself," Neinken says. "When we look five years out, there will certainly be no lack of amazing technology. The bottlenecks will come internally from community banks trying to scale innovation centers overnight to support new technology."

Katie Kuehner-Hebert is a writer in California.

Ones to watch: the 2022 ICBA ThinkTECH Accelerator cohort

ACCRUE BY CORE10

Franklin, Tenn.

Founded: 2016 (Accrue launched in 2020)

Accrue is a digital lending and account opening platform for banks, as well as an Integration-as-a-Service for core providers and other fintechs.

Chris Sommers, chief product officer

What to watch:

"Community banks need to plan for wider acceptance, circulation, and lending against digital assets and stablecoins. As more Americans hold digital assets, they're going to demand a means to bank with them and treat them as they do traditional assets."

Impressions of ThinkTECH:

"For a young startup to get in front of so many forward-thinking community banks in such a short period of time is the experience of a lifetime, and one for which we're incredibly grateful."

CHIMNEY

New York City

Founded: 2020

Known for its homeowner engagement tools, Chimney is transforming the way financial institutions engage customers and fund loans.

Chase Neinken, co-founder and president

What to watch:

"The most important technology to watch in community banking is not technology; it's the people responsible for evaluating and implementing the technology. Can they keep up?"

Impressions of ThinkTECH:

"The main thing we took away was a much deeper understanding of the challenges facing community banks today and how the ecosystem works—the technology landscape, the thought leaders and the internal thought processes."

"I would encourage bank executives and leaders to focus more resources on developing the proper infrastructure to support technology enablement in the coming years instead of spending on the technology itself. When we look five years out, there will certainly be no lack of amazing technology." —Chase Neinken, Chimney

ICBA's ThinkTECH Accelerator

The ThinkTECH Accelerator program was launched in 2019 through a partnership between ICBA and The Venture Center in Little Rock, Ark., to connect community bankers and fintech visionaries to develop solutions specifically for the industry.

Daniel Schutte, The Venture Center's managing director of Accelerator programs, encourages every community banker to participate in the program to become even more competitive against bigger players and nonbanks for nontraditional financial services.

"Ultimately you'll have to find those niches and deliver products into them, but no other industry, or segment of your industry, is in the position to do it to the extent you can," Schutte says. "We can help you start to explore via the ICBA ThinkTECH Accelerator, and we're here as a resource for you on your journey."

icba.org/thinktech

KLARIVIS

Roanoke, Va.

Founded: 2019

KlariVis is an enterprise dashboard and analytics platform.

Kim Snyder, founder and CEO

What to watch:

"More community banks will be moving their core to the cloud. Then, banks can better afford all the best-in-class applications."

Impressions of ThinkTECH:

"It was a phenomenal program. Getting to talk to so many different banks across the country, all with different makeups and different priorities, was really helpful in defining our market and where our product fits within that. The feedback from those banks helped us better determine where we should focus our R&D resources."

LEMONADELXP

Ottawa, Canada

Founded: 2018

LemonadeLXP is a digital growth platform that turns frontline staff into digital experts and supports digital banking customers.

John Findlay, CEO

What to watch:

"Using machine learning and AI to personalize the digital banking experience will be an important element to enhancing the digital customer experience. I also think that some type of cryptocurrency is going to be important as we move away from paper money."

Impressions of ThinkTECH:

"Learning about the community bank space and being introduced to senior level folks. Also getting to know other companies in our cohort and previous cohorts, being able to learn from them about what is and what is not working."

DOCFOX

Boston

Founded: 2016

DocFox automates business and commercial account opening for all business types.

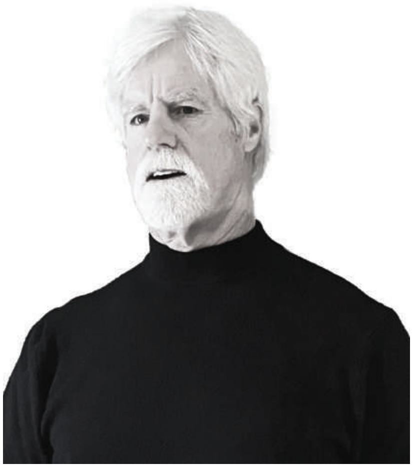
Ryan Canin, CEO

What to watch:

"Up until now, you've seen very little digital disruption in the commercial banking space; most of it's been for retail banking. But now more innovation is happening for commercial banking—including account opening."

Impressions of ThinkTECH:

"It was so valuable to have an audience with a diverse set of banks across asset size, geography, verticals and across levels of tech adoption. With this diverse exposure, we could be better informed about which types of banks would be the right fit for us and our products."



QUILO, BY QOOSH TECHNOLOGY

Staten Island, N.Y.
Founded: 2021

Quilo is a digital lending platform for personal loans. Banks can also provide instant financing to customers of their business clients.

Don Shafer, co-founder and chief evangelist
What to watch:
"A digital lending platform for personal loans, which can help meet banks' strategic goals: book more loans; increase the number of businesses banking relationships; act on digital transformation; and acquire more Gen Zers and millennials to remain relevant."
Impressions of ThinkTECH:
"The team evaluates more than 300 fintechs per year to find the top 10 they believe can have an 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."

"I think every bank needs to go through a cloud migration process. That's the only way they're going to continue to evolve and scale, by then adopting conduits to take advantage of cloud-based banking technologies on an integrated basis."
—John Mizzi, Vero Technologies

SENSO

Toronto
Founded: 2018
Senso is an intelligence and engagement platform to help mortgage lenders build long-lasting relationships by proactively engaging borrowers leading up to their next financing.

Saroop Bharwani, founder and CEO
What to watch:
"Increased access to consumer data that is pulled via APIs—payroll data, credit data, banking data—and the amalgamation of that data into one place."
Impressions of ThinkTECH:
"Without the program, it would have taken us a few years to do what we did in three months. If an entrepreneur is going to launch products for community banks, there's no better place to do it than the accelerator program."

SEQURETEK

Little Rock, Ark.
Founded: 2013
Sequretek's Percept XDR cloud security platform helps secure community banks' IT infrastructure, assets and applications, by monitoring, detecting and responding to cyberthreats on a 24/7 basis.

Anand Naik, co-founder and CEO
What to watch:
"Adopting AI/ML-based algorithms will help community banks be more proactive and predictive of their customers' real-time needs, to service them promptly, securely and efficiently."
Impressions of ThinkTECH:
"We found tremendous value in participating in ICBA's ThinkTECH Accelerator. We thank you for giving us this opportunity and platform to engage with a broad spectrum of community banks across the country. This program also helped us to work with cohort companies in defining next-generation solutions for the member banks."

UNIFIMONEY

San Francisco
Founded: 2019
UnifiMoney is a digital wealth management platform that community banks can provide to their customers to invest in multiple types of assets passively and actively, including ETFs, metals and cryptocurrencies.

Ben Soppitt, co-founder and CEO
What to watch:
"There will be a lot more crypto- and blockchain-supported solutions."
Impressions of ThinkTECH:
"It was extremely effective for us, and we improved our go-to-market approach. We learned a huge amount from the collective experience and intelligence of the community banks we met, and we built an incredible pipeline of progressive and innovative banking partners through that."

VERO TECHNOLOGIES

Brooklyn, N.Y.
Founded: 2020
Vero is an end-to-end commercial lending platform that includes loan servicing operations so banks can offer new credit products without adding headcount or investing in new systems.

John Mizzi, co-founder and CEO
What to watch:
"More utilization of opening banking infrastructure with APIs that enable banks to adopt and layer on new products efficiently without having to go to some massive core integration."

Impressions of ThinkTECH:
"Before the accelerator, getting in front of banks was a tall hill to climb. But this program helped us to identify the banks where the services we provide are a strategic priority—it was like finding a needle in a haystack."

WEALTHSTACK

Austin, Texas
Founded: 2020
WealthStack is a digital investment platform that offers simple IRAs to small businesses and their employees through partnerships with community banks.

Andrew Glaze, founder and CEO
What to watch:
"Increasing use of APIs and truly open cores to create an Apple Store-like ecosystem allow more and more connectivity and less of the siloes we see today."
Impressions of ThinkTECH:
"I'm exceedingly grateful for the lessons I learned about how community banks work and what matters to each of them—from small town banks in New Mexico to business banks in Boston, to Korean American banks in L.A." ■

GUEST EXPERTS:
Lending

This special advertorial section features industry partners whose products and services are transforming lending landscape by boosting loan volume, streamlining the lending process, and offering customized solutions for all community banks.

Explore this section to learn how your community bank can increase lending proficiency and profitability by partnering with one of our Power Lending Partners.

Independent Banker

Guest Experts:
Lending

Independent Banker

5 leadership strategies employed by progressive community banks

Challenge / Solution: What's a financial institution to do when market volatility comes knocking? Follow the 5 leadership strategies adopted by progressive community banks and take a people-first approach to creating a more profitable operating environment.

What's a community bank to do when market volatility comes knocking? Follow the five leadership strategies adopted by progressive community banks and take a people-first approach to creating a more profitable operating environment.

1. Put customers first
Community banks are well recognized for offering personalized support to customers and that's a culture top leaders know how to maintain.

According to research conducted by Fannie Mae, consumers prefer to perform tasks, such as learning about the mortgage process or filling out an application, online.

However, as consumers move deeper into their mortgage journey, they appreciate being able to speak to a loan officer or to perform tasks in-person. Community banks understand this and demonstrate a people-first approach to operations by adopting mortgage technology like Fusion Mortgagebot that supports a true omni-channel environment.

2. Focus on employee development
According to recent surveys, maintaining staff motivation and morale is the biggest leadership issue. Record high origination volumes over the last few years have stretched resources thin, while the waning activity now creates concerns over job security.

Leaders are taking a proactive stance to ward off worker disengagement through new approaches to employee development initiatives, focusing on career journeys instead of single opportunities.

3. Update communication strategies
Technology has changed how we communicate both within a business and across society. Consider that 28 percent of Americans aged 12 and up listened to weekly podcasts in 2021, a 17 percent increase over the previous year. Progressive leaders use these preferences to better engage both employees and customers.

4. Encourage internal cooperation and commitment to overall goals
While it's true that culture is a great asset, the people first approach doesn't always take on life within the internal structure of the financial institution.

Leaders understand how to unite teams behind organizational goals, often using advancements in technology to promote unity by making it easier to share information.

5. Use Technology to Drive Down Costs
Mortgage leaders see the writing on the wall as 65 percent of respondents to Fannie Mae's December 2021 survey say they expect further declines in 2022.

For progressive leaders, however, thinning margins provide an incentive to shave costs through adopting technology like Fusion Mortgagebot. Recent advancements, such as cloud-based services and APIs, make it easy to create end-to-end digital workflows or to streamline operations, creating sustainable and repeatable processes capable of decreasing costs.

"Technology is the single biggest area that lenders turn to when it comes to improving margins," according to David Lykken, President of Transformational Mortgage Solutions.

To learn more about these strategies, download Finastra's white paper, "Developing leaders in mortgage lending."

Steve Hoke, VP & GM, Mortgage, Origination and Analytics Solutions

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Guest Experts:
Lending

Winning the Competitive Loan Battle

Loans are high priority over the next year and while Vericast's 2022 Financial Services TrendWatch report shows that 86 percent of people are happy with their primary financial institution, many are open to working with a different financial institution for lending.

59.7% of people would consider another lender for a mortgage loan, auto loan or credit card

Factor in rising inflation, expected rate hikes, and the increased popularity of FinTechs, competition for loans will be fierce.

6 Ways to Stay Competitive In an Open Lending Market

1. Market your rates in your messaging. Interest rates are expected to creep up this year. Make sure people are aware of your competitive rates by highlighting them in your marketing.

2. Target "in-market" customers and prospects. The key lies in striking while the iron is hot. You must reach prospects with your best offer when they're in the market for a loan. Stay top of mind with customers with stress-free, preapproved offers.

3. Offer multi-loan preapprovals to existing customers. With multichannel multi-loan preapprovals, customers can review and accept prescreened offers at every touchpoint, driving loyalty and revenue.

4. Adopt an always-on, omnichannel approach. Implement an effective 24/7/365 strategy that puts loan offers at shoppers' fingertips to accept anytime, anywhere. Communicating through multiple channels is a proven method of increasing loan acquisition and driving revenue.

5. Set up an alerts program. Receive notifications from multiple credit bureaus whenever a credit inquiry is submitted for your customers. Monitoring these inquiries and countering with a quick, preapproved offer via your customer's preferred channel will help you stay ahead of the competition and win market share.

6. Make loan shopping easy. If it involves too many steps, requests too much information, or takes too long, consumers will abandon the process.

In a perfect world, your customers would never inquire about a loan from a competing institution. But times have changed with multiple channels and a myriad of borrowing options now available.

Go to Vericast.com to download our 2022 Financial Services TrendWatch report for the five key marketing trends impacting our industry — plus actionable insight for improving loyalty, increasing acquisition and growing relationships.

Contact Vericast to learn more about how strategic, data-driven marketing improves program optimization, achieves explosive loan growth, and gives your financial institution a much-needed competitive advantage.

VERICAST

Stephenie S. Williams, Vice President,
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vericast.com/Acquisition

Is your NSF strategy letting you down?

Challenge: As net-interest margins compress, many bank leaders are looking to use non-interest income to fill the gap. But with neobanks and megabanks slashing NSF fees, community banks are in a tough spot.
Solution: Creating a more diverse income stream requires a comprehensive strategy that drives both sides of the balance sheet and includes broadening your definition of account holder relationships, implementing flexible retail products, and optimizing your programs for better engagement.

For community financial institutions, NSF fees represent a reliable source of non-interest income (NII). The big question is how they should balance their dependence on NII with the competitive threats from other institutions cutting NSF out completely. The return on average assets for Ally after eliminating NSF fees presumably fell by a quarter of 1%. If other institutions (banks holding +$1B in assets) were to follow, their ROAA would fall by nearly 4%. Neobanks and megabanks can afford to cut NSF fees thanks to diverse income streams. Banks need to plan for this and examine alternatives.

What are the viable alternatives?
One of the most common sources of NII is interchange fees charged to retailers and merchants every time a consumer uses their debit or credit card. In recent analysis of client data, we found that the consumers with the most point-of-sale activity and highest loan balances were also the youngest. When you look at these types of accounts holistically, you see that they're far more profitable than older, more financially established account holders.

Kasasa checking products are proven to drive these types of behaviors, with 45% more non-interest income, lower non-interest expense, and even 1.75X more likely to take a loan — driving both sides of the balance sheet.

The future of NII is the future of income in general.

1. Use consumer segmentation and predictive analytics.
Broaden your definition of account holder relationships so you can deliver a world-class account holder experience. Recognize that consumers have different product entry points and it's your job to communicate all the ways you can help them.

2. Implement flexible retail products.
Select products and tools that drive engagement (such as interchange). The best products deliver a win-win for your institution and the consumer.

3. Continuously monitor and optimize programs.
Engage with new relationships from the start and monitor for the behaviors that you want. The ability to analyze and respond quickly to shifts in consumer behavior will help you improve profitability and long-term growth.

4. Leverage consulting and enterprise tools that drive results.
Armed with micro and macro perspectives on the industry as a whole, as well as enterprise tools, you can stay ahead of your competition. You can also improve marginal engagement with existing relationships through communication, especially 1:1 tools such as SMS text and customized email campaigns using behavioral triggers.

As you examine your institution's strategy for generating NII, aim to make your account holders feel as empowered as possible. What products and services can you offer that help account holders reach their financial goals and feel good about their money?

Turning to Technology in a Tight Market

In a tight originations market, are you doing everything you can to help your business succeed? As originations drop, home prices rise, regulations increase and margins compress, it can be tempting to hunker down, and save every penny. But forward-thinking lenders and community banks are using this market slowdown to invest in their futures by upgrading their origination technology. Now is the time to add the most advanced tech capabilities for your success – now and in the future.

As technology advances and borrowers demand capabilities that increase speed, convenience and transparency, many lenders are struggling to meet those needs with an outdated LOS that is cumbersome to maintain and unable to scale to their growth expectations. To manage their businesses effectively and stay competitive, lenders need technology that can handle peak volumes when interest rates are low, but still be able to perform accordingly when rates go up and origination volumes drop.

In the white paper, "What's Now and What's Next in Mortgage Originations Software," Black Knight notes that a true all-in-one model encompasses all of the best-in-breed tools a lender needs in a single space to enhance efficiencies, drive down origination costs and increase profitability. This includes a point-of-sale solution, loan officer workspace, fee management services, compliance support, a product, pricing and eligibility (PPE) engine, eClose capabilities, business intelligence and more. The industry-leading Black Knight Empower loan origination system embodies this ideal all-in-one platform that cuts the bloat from the loan life cycle by solving problems such as:

- Costly and inefficient processes
- Slower turnaround driven by outdated information or a manual approach
- Points of failures or delays
- Bottlenecks that can extend turn times

The Empower LOS is able to help lenders reduce costs and improve efficiencies with innovative digital capabilities and automation that are seamlessly integrated with the origination system. The definition of "digital mortgage" has expanded far beyond web-based or mobile platforms and includes advanced solutions that are critical to streamlining the loan process. For example, artificial intelligence can be leveraged to replace repetitive, manual tasks, such as reviewing documents and identifying any missing information or discrepancies. Daily tasks can also be streamlined and simplified using a digital approach, as well as enable loan officers to easily follow along online with consumers throughout the loan approval process.

Lenders can also automate tasks associated with loan processing, underwriting and closing using the power of digital. Lenders can add automation to their workflows for increased turntime speed and higher borrower satisfaction.

Read Black Knight's full complimentary white paper to learn how the scalable, "lights out" digital ecosystem within the Empower system can drive down costs, automate workflows and set up community banks for success – no matter what the evolution of the mortgage industry brings.

Guest Experts:
Lending

Capitalizing on Today's Mortgage Opportunities Requires Modern Solutions

Challenge: Given the rising rate environment and industry anxiety regarding volume, banks previously considering a mortgage-business expansion may have gotten cold feet. Staffing concerns, compliance challenges and overhead costs only add to banks' reservations about increasing focus on their mortgage businesses. ***Solution:*** Promontory MortgagePath equips banks with the tools and support needed to deliver mortgage services profitably.

The Mortgage Bankers Association predicts industry volume will hit $2.526 trillion in 2022, making this one of the largest years in history and providing ample opportunities for success. Community banks' hyper-localized knowledge of their market conditions and consumers puts them in a unique position to meet their communities' specific mortgage needs.

Rising origination costs have strained community bank resources, stifling their ability to capture market share from larger banks and independent mortgage lenders. Promontory MortgagePath levels the playing field by providing community banks with comprehensive mortgage technology and end-to-end fulfillment services that help them build value and expand relationships with their customers.

Promontory MortgagePath's solutions give community banks mortgage businesses that can thrive in all market conditions by providing all the technology, including a POS and LOS, and back-office operations, including processors, underwriters, and closers, required to manage and grow their businesses profitably.

Its proprietary point-of-sale technology, Borrower Wallet®, serves as the gateway to the curated tech stack powering the company's fulfillment services, enabling community banks to deliver the digital experience today's borrowers expect without losing the community-banking personal touch. Banks retain autonomy over their product and loan pricing strategies while Promontory MortgagePath processes and underwrites each loan according to the bank's credit policy and closes the loan in the bank's name.

Promontory MortgagePath not only reduces overhead costs while also adding a viable source of revenue growth, but it also simplifies offering mortgages by automating and managing the manual and technical aspects of origination. As a result, banks can focus on higher-level growth strategies, such as product mix, credit risk appetite, and customer service. While market conditions may have changed, the flexibility of Promontory MortgagePath's fulfillment solution enables community banks to seize the opportunity mortgage origination presents while reducing the cost and risk.

PROMONTORY
MortgagePath

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mortgagepath.com

CONNECTIONS

A meeting place for community bankers

"Pretty quickly, we had success out of the gate [with HOA lending], and we said, 'Hey, let's connect people so we could make the job easier.'"

—TOM KIENTZ, ACADEMY BANK

The community bank continues forging new banking relationships with HOAs. Page 72

Photo by Jason Tracy.

Academy Bank COO Tom Kientz notes that the community bank was eager to expand its deposit and loan services. "One of the very quick things we turned to were HOAs," he says.

Photo by Jason Tracy

At home with HOA banking

Looking for an avenue to increase its deposit base, Academy Bank tapped into a market it hadn't explored before: homeowners associations. Today, the community bank has successful relationships with HOAs across the country. By William Atkinson

Academy Bank in Kansas City, Mo., is a full-service commercial bank with 80 branch locations in Arizona, Colorado, Kansas and Missouri. It provides a wide range of financial solutions for business and individuals, including commercial and business banking, treasury management, and mortgage services. The $2.3 billion-asset community bank is a wholly owned subsidiary of Dickinson Financial Corporation, a $3.5 billion-asset holding company also headquartered in Kansas City.

In 2017, Academy Bank was searching for additional product lines that would help it to grow its deposits. "We were looking at ways to increase our deposit base and impact the communities we serve," says Tom Kientz, chief operating officer. "One of the very quick things we turned to were HOAs ... and we quickly learned we could earn more of their business if we had a lending solution. We found that if we found a niche or product line to serve their lending needs, we could fulfill their relationships."

> "We quickly learned we could earn more of [HOAs'] business if we had a lending solution. We found that if we found a niche or product line to serve their lending needs, we could fulfill their relationships."
>
> —TOM KIENTZ, ACADEMY BANK

Name:
Academy Bank

Assets:
$2.3 billion

Location:
Kansas City, Mo.

Academy Bank entered this new market by creating HOA-specific products on both the loan and deposit sides, and then began marketing its services.

Initially, the community bank tasked a handful of bankers with the HOA business.

"Other people connected to it—HOA attorneys, accountants—said, 'If you could solve the lending side of it, you could get the relationship,'" Keintz says. "Pretty quickly, we had success out of the gate, and we said, 'Hey, let's connect people so we could make the job easier.'"

Today, Academy Bank offers a full suite of HOA products (see sidebar, page 74). They include everything from low-cost HOA checking and high-earning money market accounts to treasury management products. According to Kientz, if an HOA has an FDIC-insured bank account of more than $250,000, it often takes multiple banks to manage the funds—but Academy Bank can handle accounts of that size on its own.

Solving pain points

Academy Bank's foray into HOA banking fully involves a renewed focus on service. For example, the community bank's marketing material highlights its commitment to attend annual HOA meetings and notes that the bank's representatives are happy to visit HOAs in their communities.

"We will do that if we are invited," says Kientz. "The biggest pain point the bank and HOAs saw was every year or every two years, an HOA board turns over completely. In order for them to conduct their banking, they have to go to the bank, fill out new paperwork and go to the individual owners—or ask all five new board members—to go to the bank." Academy Bank suggested that it sends one of its banking representatives to the board meeting and take care of the paperwork then and there.

HOAs appreciate the personalized and detailed service, and moving into the HOA banking market has been good for Academy Bank in general. It has grown a healthy deposit base and firmly established a solid brand presence in the HOA-run neighborhoods it serves.

What does the future hold for Academy Bank as it relates to serving HOAs?

"I think the biggest opportunity we see now is making it easier for homeowners to make their [HOA] payments," Kientz says. "We offer the traditional process through ACH, but we need to explore how to allow those HOAs—whether it's PayPal, Venmo, Cash App, any of the P2P services—how to make them easier on the HOA boards themselves, so they're not collectors. We have not perfected that yet, but that is something we're willing to do.

"There are a lot of opportunities we can sell," concludes Kientz. "We take them as they manifest."

William Atkinson is a writer in Illinois.

All in on HOA banking

Academy Bank's homeowners association offerings are comprehensive, including:

- Low-cost HOA checking accounts
- HOA high-earning money markets, which maximize HOAs' interest potential
- Two bank charters (which doubles FDIC coverage)
- Collateralized deposits (which feature deposit insurance beyond FDIC limits)
- HOA loans (for things like repairs, major renovations, and other cash flow needs)
- ACH origination (which speeds up collection processes for HOAs by allowing residents to pay annual or monthly dues electronically)
- Bill pay (allowing HOAs to efficiently pay their vendors through Academy Bank's online bill paying service)
- HOA lockboxes (which eliminates the need for HOAs to handle checks that members send in for dues)

L to R, Arkansas governor Asa Hutchinson, FNB president/CEO Sam T. Sicard and Fort Smith, Ark., mayor George McGill.

A gift that will keep on giving

It may be celebrating its 150th anniversary, but First National Bank of Fort Smith didn't want presents this year. Instead, it gifted $500,000 to its local Boys & Girls Club for an ambitious renovation. By Paul Sisolak

Just as much a part of western Arkansas history as its hometown, $1.84 billion-asset The First National Bank of Fort Smith (FNB) was founded on Feb. 29, 1872—just 55 years after the incorporation of Fort Smith, Ark.

But instead of touting its own accomplishments during its 150th anniversary, FNB turned the spotlight onto another cherished community institution: the Fort Smith Boys & Girls Club. The clubhouse at the Jeffrey location, a community gathering place since 1978, was in dire need of improvements. So, in March, FNB announced it would donate $500,000 to the extensive renovation effort.

FNB president and CEO Sam T. Sicard says the motivation for the donation was simple.

"We wanted to celebrate by announcing a gift [for] our community to show our gratitude [for being able to] serve this community over 150 years and give back some of the profits we've accumulated over the years," he says.

Sicard's family has a long history in Fort Smith and at the bank, having held leadership positions since 1907. A fifth-generation leader, Sicard succeeded his late father, Samuel M. Sicard, who was FNB's president for 34 years.

Sicard, who became president and CEO in 2011, says the half-million-dollar gift was made possible because of the lack of loan provisions due to PPP forgiveness, minimal past-due loans, the sale of a few bank assets, and their loyal customers and dedicated bankers. All in all, 2021 was a record year for profits.

"Several things helped the stars align for a record year," he says. "We wanted to celebrate that. We try to make contributions and give back a portion of our profits, particularly when we have good years."

A lasting connection

This is not the first time FNB has supported the Fort Smith Boys & Girls Club. In 2019, the community bank was a partial sponsor of the $2.25 million renovation of the organization's Hunts Park Sports Facility. In return, the facility was renamed First National Bank Field, according to Jerry Glidewell, Fort Smith Boys & Girls Club executive director.

"Our relationship with the bank goes back several years," he says. "Sam has served on our board of directors, and he's our current board president. FNB has been very supportive of nonprofits in our city and different community events. They're very involved."

Glidewell says that the Boys & Girls Club explored the possibility of renovating the Jeffrey location a few years ago, but the Hunts Park project took precedence. Last year, talks resumed.

"When our campaign for our Jeffrey renovation and expansion came about again, First National donated the half a million dollars to get a jumpstart," Glidewell says.

Proposed renovations to the clubhouse include expansions to program space and the innovation lab (including STEM activities and robotics); art and music rooms and a dance studio; and new futsal courts with LED lighting to accommodate pickleball and basketball.

"We think it's going to be a great learning and education center and give kids primarily from low-income households a chance to explore the arts, science and tech, with a STEM focus, that they might not have an opportunity to do otherwise," says Sicard.

Glidewell estimates that the construction will begin by the end of 2022, once the club reaches its $3 million renovation campaign goal. So far, FNB and other donors have raised $2.3 million.

Putting community first

At FNB's sesquicentennial celebration in March, Sicard and FNB announced the donation to the Boys & Girls Club. The ceremony was attended by Arkansas governor Asa Hutchinson and Fort Smith mayor George McGill.

"It means so much to us," Glidewell says. "It's rewarding, as a nonprofit director, to see local businesses give back to the community. [FNB] truly is a local bank."

Today, FNB's reach extends to a dozen locations spanning the Arkansas River Valley, six in northwest Arkansas and nine Oklahoma branches, with its headquarters still in the eight-story white-brick building built in 1910. It's evidence that, like the Boys & Girls Club, Fort Smith's community legacy is alive and well.

"Being a community bank means community comes first," says Sicard. "Ultimately, the community decides where they bank. That's our plan: to continue to serve this region."

His perspective is influenced by his father, who was frequently asked in the 1990s when he would sell FNB. "He said we'll continue to be a community bank," Sicard recalls today, "as long as the community wants one." ■

Paul Sisolak is deputy editor of *Independent Banker*.

> "We think it's going to be a great learning and education center and give kids primarily from low-income households a chance to explore the arts, science and tech, with a STEM focus, that they might not have an opportunity to do otherwise."
>
> —SAM T. SICARD, THE FIRST NATIONAL BANK OF FORT SMITH

Finding common ground

Despite possessing varying backgrounds, these community banks share similar approaches to innovating their technology and customer experiences. By Colleen Morrison

Community banks are as diverse as the communities they serve, so when it comes to innovation, it's no surprise they have differing priorities. And with the financial services landscape shifting so rapidly, more than ever community banks are working to calibrate offerings to stay ahead of their customers' needs.

"What worked well 20 years ago are not the same things that work today," says Anne Benigsen, senior vice president and chief information and security officer at $455 million-asset Bankers' Bank of the West in Denver, Colo. "In the end, the more services and new products we offer, the more we lift up communities as a whole."

Benigsen recently connected with customers Copper France, president and CEO of $187 million-asset Bank of Commerce in Rawlins, Wyo., and Isaiah Ortega, chief information officer of $380 million-asset Centinel Bank in Taos, N.M., to discuss their individual innovation philosophies and experiences.

Innovation is not one size fits all...

Isaiah Ortega: About 18 months ago, our bank undertook an internal and external, customer-facing technology gap analysis. We

QUICK STAT

66%

of community banks rate fintech partnerships as important to their organization.

Source: Cornerstone Advisors

> “What worked well 20 years ago are not the same things that work today. In the end, the more services and new products we offer, the more we lift up communities as a whole.”
>
> —ANNE BENIGSEN, BANKERS’ BANK OF THE WEST

looked at where we have gaps and where things are not working well … then, we prioritized the list of projects based on those with the most challenge and went looking for partners. We found powerful players doing things on their infrastructure as software-as-a-service that we couldn’t do ourselves.

Copper France: Innovation is about being the eyes and ears of the community, but it’s not just about “How can this be better for the customer?” It has to be about employees as well. If we want to attract and retain quality help, the employee’s experience has to carry equal weight to the customer’s. For example, when we were vetting vendors for online account opening technology, we focused on ensuring we were not creating additional work for staff.

Anne Benigsen: I agree. When I look at technology, I am really looking at two things: Does it consolidate things we do? Or does it meet an entirely new need? It’s like both Isaiah and Copper said: We have to ask, “Where are the gaps?”

…and must include the core provider.

France: Another consideration is how the core fits into things. For the products we’ve evaluated, core integration is a high priority and an expectation.

Ortega: We really are looking at the cores to create open banking for us, using APIs and integration in an interwoven way that makes it easy for both customers and bankers to operate in today’s landscape.

France: Right, and core providers do seem to be opening up to fintech integration. They recognize that it has to happen for them to stay relevant. Similarly, fintechs or providers have to realize that their products must integrate when necessary, and they need to be relevant cost-wise. They should keep in mind they have clients at small banks in rural America, and their pricing model has to reflect that.

Community banks and technology providers must also stay apprised of how industry developments affect current and future needs.

France: We’ve got to listen and look at the market, and ask ourselves, “Is this the next internet and mobile banking?” Cryptocurrency, for example. What role does it play in community banking?

Ortega: Agreed. We have to keep a close eye on those major shifts, like virtual currency, faster payments systems and others. I’m seeing the industry move, for example with FedNow, and that conversation should be happening at a fintech level.

Benigsen: That’s what’s valuable about the [ICBA ThinkTECH] Accelerator. It lets fintechs know what community banks need. ICBA acts as a hub, sharing information on everything from cryptocurrency to FedNow to ISO 2022 changes. ■

Colleen Morrison is a writer in Maryland.

The innovation journey continues

For more information about the ICBA ThinkTECH Accelerator program and to view product demos from the 2022 Accelerator cohort, visit ***icba.org/thinktech***

Tigh Livermont: Rodeo royalty

Tigh Livermont, a customer service representative at $1.5 billion-asset Security First Bank in Lincoln, Neb., competes in rodeos and recently won the title Miss Indian Rodeo 2022.

For Tigh Livermont, a lifelong rodeo enthusiast, being crowned rodeo queen was an ambition and a dream come true.

When I was five or six years old, my parents took me to the Black Hills stock show. I saw Miss Rodeo America ... They were getting ready to pack up and leave and I wanted her autograph so terribly bad. She welcomed me with open arms and said she'd love to give me an autograph, and I held on to that for many, many years. I still have that autograph sheet, and I just wanted to be like her and embody kindness and always welcome people with open arms.

Both my mother and uncle competed in rodeos, as well as my grandfather, so it was kind of a family tradition. From then on, I competed in high school rodeo, and then after I got done with that, I got started with the rodeo competing. I've held two titles so far.

Security First Bank was one of my sponsors. They sponsored my application for Miss Indian Rodeo. I'm grateful that I work for a community-oriented bank, and they definitely do look out for their employees.

I want to inspire somebody who thought that they couldn't do something. There were always so many things in my path ... I never thought I'd be able to get over them in order to get where I am today. I always learned that if you really want it, you're going to work for it. And that's inside and outside of the arena.

—Peyton Giffels

Photo: Jodie Baxendale

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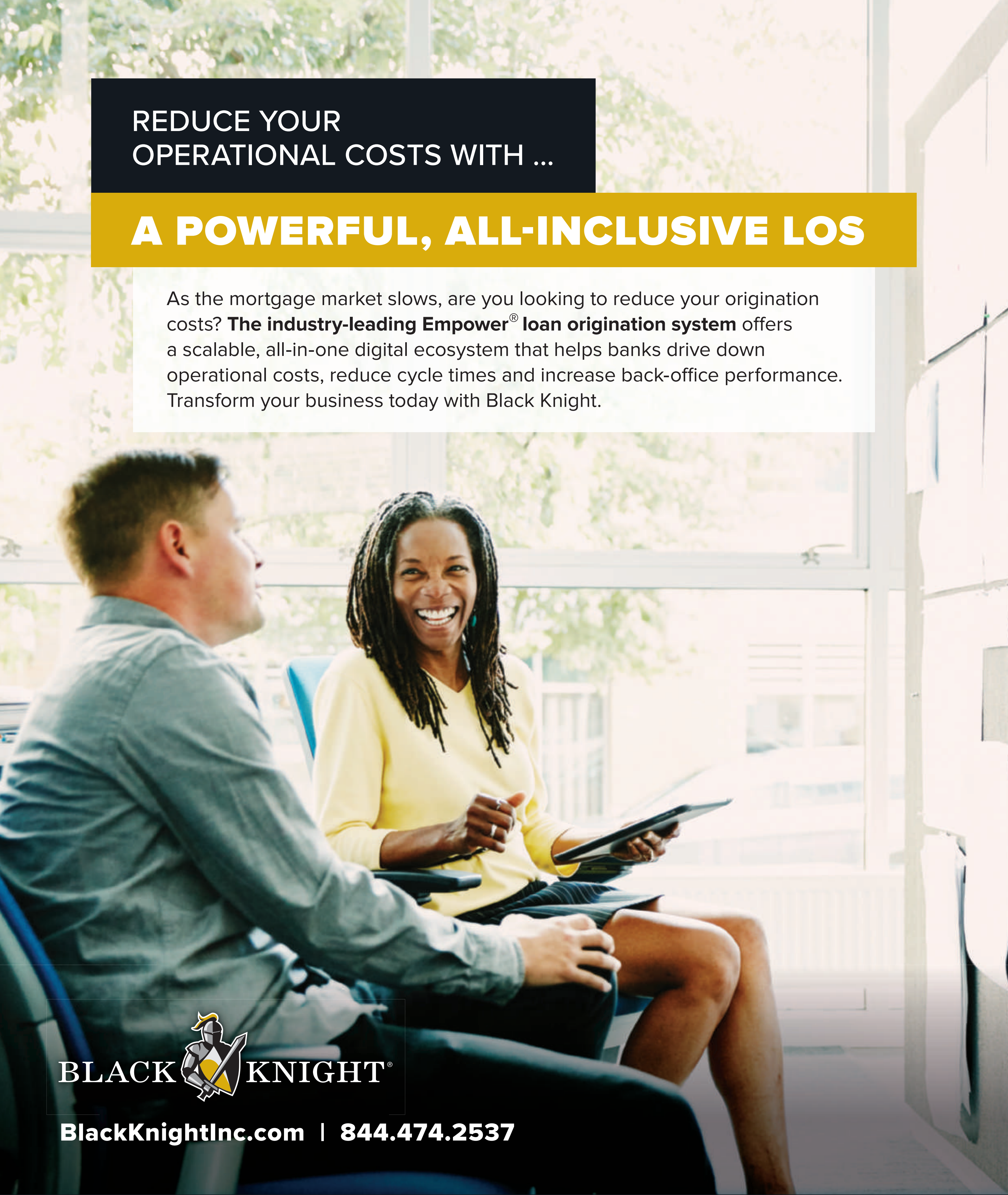
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