OFFICIAL PUBLICATION OF THE COMMUNITY BANKERS ASSOCIATION OF ILLINOIS

Banknotes

January 2022
Volume 48 • Issue 1

CBAI Offers New Bankers Helping Bankers Network to Members

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BANKERS
HELPING BANKERS
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BANKERS HELPING BANKERS

The past several years have been good ones, by and large, for community bankers. The combination of lower federal taxes and robust economic conditions have resulted in record performance for many community banks nationwide. Against the backdrop of the pandemic, community bank performance has been upheld, largely due to fee income from the Paycheck Protection Program.

But even as we have enjoyed the good times, every one of us is aware of the storm clouds building on the horizon. The prospect of entering 2022 in a continued low-interest-rate environment is bad enough. Layer on other concerns like challenges from new (and historic) competitors, changing customer expectations, increasing scrutiny from regulators and a bevy of bad ideas from Congress, and it's enough to have any community banker concerned about their future. As an industry, we are at a watershed moment. We can continue the slow decline in the number of charters and watch our communities become worse off for it. Or we can fight for the future and our place in it.

The traditional value of a trade association has always been simple: We can live together, or you can die alone. That's why we come together for legislative and regulatory advocacy. It is why we work together to identify group buying discounts through endorsed providers. We are the embodiment of the simple truth that together we can do more than we could ever accomplish alone. There is no cavalry riding in to save the day. We are the only hope for our own survival and, as such, we must come together like never before. With these thoughts in mind, CBAI is proud to announce the launch of Bankers Helping Bankers (BHB), a collaboration with FedFis, a fintech providing data transformation for financial institutions, and the Independent Bankers Association of Texas (IBAT). The new program is supported by community banking associations nationwide, as well as the Independent Community Bankers of America (ICBA).

HOW IT ALL STARTED

"I'm willing to throw a punch." Those are the words that began the long march to the launch of Bankers Helping Bankers back in 2019. The willing puncher, IBAT President and CEO Christopher Williston, was commiserating with FedFis CEO Dave Mayo about the plight of community bankers' access to the latest technology and the confusion associated with selecting the proper tools. The lack of transparency and a preponderance of misinformation in the industry were making technology decisions more challenging than they needed to be. Mayo explained to Williston how FedFis' bank technology data could be used to help bankers make faster, better decisions when selecting new products and services. "It's math," Mayo said. "Not opinion. There is too much opinion in technology discussions, and it's killing the banks. Someone has got to punch back." So, with IBAT's support, FedFis got to punching. That led to the development of FinTegration Strategist, a product launched by IBAT and FedFis in 2020 that allows bankers seeking new technology products the ability to see what was running in all of the other banks like theirs.

"After successfully selling FinTegration Strategist for the first half of 2020, we revisited our initial plans and ultimately decided that the best way to help the most bankers as quickly as possible was to offer it without cost," Williston says. "That led us to expedite plans to launch Bankers Helping Bankers."

"Community bankers need answers," Mayo says. They've confided in Mayo that "misinformation, regulatory burden, changing customer expectations and warp-speed technological evolution are just too much for community banks to weather. We believe bankers can make the right decisions and thrive if they have the right information — period. That's why IBAT, FedFis and community banking associations around the country have partnered to pioneer an entirely new way for banks to band together — by forming a community of bankers in which conversations are driven by facts and data. The community banking associations have delivered the missing information that bankers needed to unlock the amazing opportunity that only a small number of banks have tapped into. Finally, there is hope for community banking, the backbone of our country."

Continued on next page...

WHAT IS BANKERS HELPING BANKERS?

Bankers Helping Bankers is much more than a data tool, although data tools are a major deliverable through the platform. "BHB is a collaboration hub online," Williston notes. "It's a place where bankers can talk to one another in a safe bankers-only community." Upon logging in, bankers are put into user groups with:

- Every bank in the country that is using their same core provider platform;
- Every bank in the country that is using their same online banking platform;
- Every bank in their state; and
- Every bank in the U.S.

"The FedFis data set contains the technology stack data on every bank in the country," Williston says. "We're leveraging that to put bankers into discussion in true user groups to have the conversations they need to have for real collaboration."

WHY MAKE IT FREE?

"It's not free," Mayo said. "It's free for bankers. Vendors are supporting community banking with their sponsorship of the BHB program because they know we are all in this boat together and we'd better work together, or we will all fail together. Bankers Helping Bankers is the place to join the fight."

HELPING COMMUNITY BANKING NATIONWIDE

Bankers Helping Bankers may have been born deep in the heart of Texas, but the vision is for it to help bankers far beyond the borders of the Lone Star State. "We have always believed that partnering with state banking associations was the imperative step to distributing BHB to banks around the country," Williston notes. "State associations are where the rubber meets the road. They have the relationships with the bankers — and they have their trust. If anyone else was delivering BHB, the noble intentions of the platform would be met with suspicion."

IBAT and FedFis are offering participation in BHB to all members of the 26 state trade associations that affiliate with ICBA. Additional states will be brought into the fold through collaboration with ICBA and other partnerships. "This is an opportunity for those state banking associations to add value to their membership," Williston said. "But we're not stopping there. We plan for a portion of all income from Bankers Helping Bankers to be distributed back to ICBA-affiliated state trade associations to ensure that we maintain independent voices for community banks throughout the country."

HOW DO I ACCESS BHB?

CBAI member banks now have full access to Bankers Helping Bankers. To learn more, visit www.bankershelpingbankers.com or email Stacy Workman at stacyw@cbai.com. ■

INSIDE THE PLATFORM

Bankers Helping Bankers is a social community at its core. Its intelligence layer powers the community engagement, acting as a social engine. BHB achieves this data driven engagement in these key ways:

SOCIAL PLUS:
BHB personalizes the bank's experience — recommendations, interactions, digital strategy and even discussions — by grouping banks' discussions by topics, partners and peers. This is a new, elevated conversation based on information bankers haven't had before.

FINTECH DIRECTORY:
All U.S. fintechs that provide a banking function (requires a sponsor bank) are included in the database. It is the only directory built by data, which ensures completeness. Search all of a fintech's features and app store data (number of installs, age of app and ratings) and view the digital experience of the fintech.

VENDOR DUE DILIGENCE:
The technology selection process for community banks has long been broken. Community bankers need vendors that integrate with a bank's current technology and pass the regulatory hurdle of "three live installs." Using algorithms, FinTegration Strategist precisely defines your recommended product shortlist.

BANK DIGITAL SNAPSHOT:
Find your bank peers, view that community bank's digital experience through its app(s), financial Key Performance Indicators (KPIs) and call report financial KPIs.

SMART VENDOR DIRECTORY:
BHB offers a definitive list of vendors with at least one live bank install. Learn where vendors serve their customers best by asset size and financial KPIs of their install base.

EDUCATION:
Get data-driven education and thought leadership to stay on top of news, industry trends and cutting-edge innovations.


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Contact Valerie Johnston at 800/736-2224 or cbaicom@cbai.com and let us know in what way you would like to participate!

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On page four of *Banknotes*, the names of those bankers who serve on the CBAI board of directors appear. Here is a listing of the members of the affiliated boards of directors and CBAI standing committees for 2021–22. Their time, consideration and thoughtful participation are most appreciated.

CCL denotes Certified Community Lender — a designation created to professionalize the position of a community-bank lender.

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Pat McShane, American Metro Bank, Chicago
Doug Parrott, State Bank of Toulon
David Pirsein, First National Bank in Pinckneyville
Gregg Roegge, Rushville State Bank
Preston Smith,
Washington Savings Bank, Effingham (Mattoon)
Bob Stachowski, First National Bank of Sandoval
David Stanton, PeopleFirst Bank, Joliet
Mary Sulser, Buena Vista National Bank, Chester
Dianna Torman, Prairie Community Bank, Marengo
Jim Weast, Warren-Boynton State Bank, New Berlin
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Mike Kelley, Community BancService Corporation
Kraig Lounsberry, Community Bankers Association of Illinois

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Doug Blunier, State Bank of Toulon
Quint Harmon, Pioneer State Bank, Earlville
Kerry Hoops, CCL,
German-American State Bank, German Valley

Continued on next page...

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Tom Schnelt, Jersey State Bank, Jerseyville

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Merchant and Manufacturers Bank, Channahon
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Jennifer Voss, Evergreen Bank Group, Oak Brook
Jennifer Wiedemann, Devon Bank, Chicago

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Amber Clendenen, Jersey State Bank, Jerseyville
Chris Crider, Anchor State Bank
Jamie Jones, The Clay City Banking Company
Amanda Hiett, Fairfield National Bank
Julie Kamp, Flora Bank & Trust
Abigail Regas,
Peoples Bank of Kankakee County, Bourbonnais
Shaun Schneider, First National Bank in Pinckneyville
Sarah Will, First Neighbor Bank, N.A., Toledo
Tony Williams, State Street Bank & Trust Co., Quincy
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Ryan Heiser, The Fisher National Bank
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Jake Pietkiewicz, The Frederick Community Bank, Paxton
Matt Turley, CNB Bank & Trust, N.A., Carlinville

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Gwen Alexander, MidAmerica National Bank, Canton
Bethany Dunham, Farmers National Bank of Griggsville
Lori Pieper, Community State Bank, Galva
Valerie Stocks, Apple River State Bank
Amy Thiede, CCL, Prairie Community Bank, Marengo
Brenda Vohland, Farmers State Bank, Elmwood
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CBAI's Women in Community Banking Conference

Inspires Attendees

On November 3, CBAI held its 14th **Women in Community Banking Conference** at the Northfield Inn and Conference Center in Springfield. Participants from all areas of banking throughout Illinois benefited from expert speakers, pertinent and informative topics and peer networking. This one-day conference, sponsored by the **Federal Home Loan Bank of Chicago,** was developed by a committee of female community bank professionals who shaped the agenda to address concerns facing women professionals, as well as pertinent banking issues for community banks.

"All of our speakers had a great message or valuable information to share. This was an interesting and engaging experience and a great escape from the everyday workday," said **Jessica Leighton, bookkeeper, North Central Bank, Hennepin.**

David Kemp of Bankers Management, Inc., opened the conference with his presentation entitled "Success: Building and Leading an Effective Team." Kemp discussed how great leaders are always part of a team, what makes a great team, and how to successfully lead and mentor.

"Dave is always fantastic! He is engaging and informative. This was a refreshing, uplifting and actionable conference!" said **Amber Floersch**, **assistant vice president, retail banking, Prairie Community Bank, Marengo.**

Next on the agenda were the community-banking roundtable discussions, where attendees had the chance to share ideas, issues and concerns regarding "hot topics" that keep them up at night. One of several networking opportunities, the roundtables are always a valuable benefit to attendees.

Kim Cullotta, Federal Home Loan Bank of Chicago, finished out the morning session with an inspirational message of how she took a risk and switched careers within the banking industry to a C-suite role at the FHLBank Chicago. Key topics included personal, yet calculated risks, being open-minded, seeing beyond money and titles, and the importance of networking.

Lynn O'Dowd shares her inspiring story through music and song.

The luncheon speaker, **Jeffery Bonnett, CBAI Chairman and CEO/CFO of Havana National Bank,** provided an association update and shared a little about his background in banking. He also wished Lisa Lippert, CBAI Controller, a Havana native, best wishes on her retirement.

Elaine Hand, Innerview, Inc., started off the afternoon with an interactive session that teamed up the different generations at the conference to work together, learn and have a little competitive fun! Next, participants learned how to avoid dangerous scenarios and when necessary, how to use the most effective self-defense techniques to prevail, while under extreme stress. This engaging session was presented by **first-degree black belt in Brazilian Jiu-Jitsu and Commando Krav Maga Instructor, Jimmy Matthew.** Techniques were also demonstrated with the help of his brother **Jason Matthew, co-owners of Matthew Martial Arts Consulting (MMAC)**, and **Nicole Horve**, an expert in Jiu-Jitsu and Taekwondo.

David Kemp speaks on the qualities and attributes of a great leader.

Nicole Horve, Jason Matthew and Jimmy Matthew demonstrate self-defense moves.

WOMEN IN COMMUNITY BANKING SUB-COMMITTEE

Chairperson Beth Cotner, Scott State Bank, Bethany

Ramona Knoblett, First Robinson Savings Bank, N.A.

Kathy Landess, Jersey State Bank, Jerseyville

Lori Pieper, Community State Bank, Galva

Valerie Stocks, Apple River State Bank

Brenda Vohland, Farmers State Bank of Elmwood

Nichole Weber, The Frederick Community Bank, Paxton

Closing out the conference was a session entitled **"Unleash Your Inner Superstar," with Motivational Speaker and Keynote Performer, Lynn O'Dowd.** Armed with her GoGaGa™ formula, the transformational process she developed to help her overcome fear and achieve success, O'Dowd combined personal inspiration, live guitar playing and singing, and an amazing finale where she transformed into Lady GaGa!

Thank you to our conference sponsor, Federal Home Loan Bank of Chicago, and speaker, Kim Cullotta (left).

"Lynn O'Dowd — inspiring! David Kemp — awesome! Had such a great time!" said **Jaci Lamb, teller, First Robinson Savings Bank, N.A. Bethany Dunham, assistant cashier, Farmers National Bank of Griggsville,** agreed, saying "Dave Kemp is always great to listen to. Loved the roundtable discussions and enjoyed Elaine!"

An evening social activity was offered the night before the conference. Held at the Northfield Center, participants enjoyed a meal of heavy appetizers and a night filled with Music Trivia, Music Bingo, a game of Heads and Tails, and a dance contest. Emceed by BPG Entertainment, the highly engaging and interactive event not only provided participants with opportunities to network with their peers from across the state but also proved to be a fun girl's night out!

Again, this year, attendees were invited to "dress down" for the conference for a minimum $5 donation to the Susan G. Komen for the Cure Breast Cancer Foundation. The event also included a basket raffle with items donated by CBAI's Women in Community Banking Sub-Committee. New this year, banks were invited to participate in fundraisers during October and share their stories and totals at the Conference. **Total funds raised from the "dress down" opportunity, basket raffle and community banks during October resulted in a $5,727 donation to Susan G. Komen for the Cure.** ■

CBSC FORMS

Innovation Committee

INNOVATION COMMITTEE

Andy Tinberg (Chairman)
CNB Bank & Trust, N.A., Carlinville (Oak Forest)

Jason Knoedler, Bank of Springfield

Chris Gavin, Midwest Bank, Monmouth

Tracy Downs, German-American State Bank, German Valley

David Loundy, Devon Bank, Chicago

Michael Busch, Burling Bank, Chicago

Greg Ohlendorf, First Community Bank & Trust, Beecher

Marcie Bomberg, Wipfli, Milwaukee, WI

Andrew Black, Princeville State Bank

Mark Spehr, First Secure Bank, Sugar Grove

John Rohn, Prairie State Bank & Trust, Springfield

Mike Kelley, Community BancService Corporation

Innovation is critical to the existence of community banking. The pace of change in our profession has been accelerating for decades. COVID-19 forced the gas pedal flat to the floor for bankers scrambling to keep up with the need for digital transformation. Community bankers quickly recognized the importance of adopting new technologies that streamline operations, strengthen cyber security, deepen customer relationships, attract new customers and capitalize on new business opportunities.

The dizzying pace of change has made it difficult to keep up. Considering the explosive growth in the number of fintech companies, identifying and vetting community bank-friendly products and solutions requires a significant investment of staff time and expertise; both of which are often in short supply. Individually it's hard to keep pace, but collectively we have a fighting chance. That's why in September, the Community BancService Corporation (CBSC) Board of Directors formed an Innovation Committee and tasked it with identifying, vetting and recommending community bank-friendly fintech companies for potential business partnerships.

At its inaugural meeting in October, a charter was unanimously approved to guide the committee's efforts. The charter directs the committee to:

- Increase CBAI member bank awareness and education of the opportunities fintechs offer community banks;
- Network within the fintech community to identify, evaluate and recommend community bank-friendly fintechs to the CBSC Board of Directors for potential endorsement and as subject matter experts for CBAI education, communication and special events; and
- Identify and refer prospective fintechs to the Independent Community Bankers of America (ICBA) Accelerator Program.

Andy Tinberg, senior EVP and chief banking officer at CNB Bank & Trust, N.A., Carlinville, (Oak Forest) leads a committee composed of bankers from diverse backgrounds and expertise. All share a passionate interest in evaluating and implementing emerging banking technology.

The Innovations Committee welcomed Charles Potts, ICBA chief innovation officer, to help facilitate the discussion. Potts presented an overview of the fintech marketplace. He provided examples of banks that have successfully implemented fintech solutions to improve efficiency and develop new and very profitable business lines.

As ICBA's chief innovation officer, Potts guides the ICBA's ThinkTECH Accelerator Program, which has graduated 26 fintech companies during the past three years. The Accelerator team vets hundreds of interested fintech companies each year, choosing just 10 to go through the Accelerator Program. The Accelerator is a 12-week "bootcamp" where bankers, accountants, lawyers, bank regulators and IT professionals meet with each fintech company to help them refine and mature their product to ensure a proper fit for community banks.

The committee hit the ground running with Potts and Chairman Tinberg selecting three fintech companies, each at different stages of product development, to present their solutions. Bankers heard individual pitches from the companies and were able to ask specific detailed questions about their products and business models. The evaluation format mirrors the procedures used by the ICBA Accelerator team.

Innovation Committee members quickly recognized the value of collaboration in the fintech evaluation process. They will continue meeting on a regular basis including planning a trip to Little Rock, Arkansas, early next year to participate directly in ICBA's ThinkTECH Accelerator Program.

"The CBSC Innovation Committee is committed to identifying fintech partners who are nimble and can bring creative solutions to our community bank members. It's all about maximizing our customer's experience. The days of being a captive to our core for meaningful solutions need to be behind us," said Innovation Committee Chairman Andy Tinberg. ■

THE GOOD ENOUGH MYTH:

How the "Swiss Army Knife" of Business Tools Can Fail You

Michael Berman, Founder and CEO of Ncontracts

Today, I would like to share a story from The Financial Times that is very near and dear to my heart: *The Tyranny of Spreadsheets: How One of Our Most Powerful Tools Became One of the Most Misused.* If you've been using spreadsheets to manage processes like risk management, compliance, audit, vendor management, business continuity or any other non-numerical task, I encourage you to give it a read. It might make you rethink if it's the best way forward.

Our story begins in October 2020 when Public Health England (PHE), the government agency overseeing the U.K.'s COVID-19 response, used an Excel spreadsheet to track confirmed cases of COVID-19. Reports suggest that PHE underreported around 16,000 confirmed cases of COVID-19 to its national tracking numbers in October 2020 because a spreadsheet had reached its max size and was unable to update. (In case you're curious, Excel maxes out at 1,048,576 rows and 16,384 columns.)

At the time, U.K. cases were just beginning to surge, rising from around 7,000 cases per day at the beginning of October to 22,000 at the end of the month — making the addition of 16,000 cases a significant number.

Writer Tim Harford wanted to understand how a spreadsheet mistake could erase 16,000 positive COVID-19 cases from the U.K.'s contact tracing system. As part of his research, he dug into the history of the humble spreadsheet (spoiler alert: it dates back to an Italian textiles merchant in the 1300s), how spreadsheets came to be such a common tool and why they are extremely misused today.

Among my favorite takeaways from the piece: **Excel works for accountants because they have a double-entry system to create checks and balances for their work.** That makes them far more likely to catch inconsistencies and mistakes than those using spreadsheets for other, non-numerical purposes.

Harford writes, "For accountants, digital spreadsheets were revolutionary, replacing hours of painstaking work with a few taps on a keyboard. But some things didn't change. Accountants still had their professional training and their double-entry system. The rest of us did not, but that did not prevent Excel from becoming ubiquitous. It was, after all, easily accessible and flexible, a tool like a Swiss Army knife for numbers, sitting in your digital back pocket…

"When used by a trained accountant to carry out double-entry bookkeeping, a long-established system with inbuilt error detection, Excel is a perfectly professional tool. But when pressed into service by genetics researchers or contact tracers, it's like using your Swiss Army knife to fit a kitchen because it's the tool you have closest at hand. Not impossible, but hardly advisable."

Lots of people are misusing spreadsheets.

A group of geneticists used Excel to track results from a genetics study. One problem: The gene Membrane Associated Ring-CH-Type Finger 1 is abbreviated March1. You can probably guess what happened when that name was entered into the spreadsheet. It was converted into a date, a problem so bad that one study estimates that as many as 20 percent of genetics papers have errors resulting from autocorrection of March1 and other unfortunately named genes.

As the author puts it, "Microsoft's defense is simple enough: The default settings are intended to work in everyday scenarios. Which is the polite way of saying: Guys, Excel wasn't designed for genetics researchers. It was designed for accountants. But it's understandable that scientists picked up Excel and started to use it. It's powerful, it's flexible. It's ubiquitous. It may not be the right tool, but it's the tool that's right there."

Even Bill Gates thinks people use spreadsheets incorrectly

In trying to understand where Public Health England went wrong with its COVID-19 tracking spreadsheet, Harford spoke to numerous experts who all agreed that there need to be controls in place to ensure spreadsheets are accurate.

"I didn't understand it, so I showed it to some members of Eusprig, the European Spreadsheet Risks Group. They spend their lives analyzing what happens when spreadsheets go rogue. They're my kind of people. But they didn't understand what PHE had told me, either. It was all a little light on detail. They agreed that the basic problem was that whatever PHE had done wrong, it didn't have the right checks and controls to flag problems." Or as Gates put it, "It's good to have people double-check things."

We alter how we work to fit the needs of a spreadsheet — instead of the other way around.

When we use a spreadsheet, we need processes that can work with the spreadsheet. We send emails reminding people of tasks because a spreadsheet can't tell you what needs to be done. We hope that updates have been made and that no one downloaded the spreadsheet and is maintaining another version. We dig through spreadsheets looking for the information we need. It can hold information, but it can't offer reminders or reporting. It's easy for pieces of information to be lost or overwritten.

In the case of geneticists, the international committee that names genes renamed some genes just to make them work better with Excel.

As Harford notes, "The decision is understandable. But it also neatly illustrates the contortions we go through as a result of treating data as an afterthought, just something to slap together on a spreadsheet. That is a shame because history suggests that well-managed information can be transformative."

When a Good Tool Isn't Good Enough

Over the years, I've spent a lot of time sharing spreadsheet horror stories because, as *The Tyranny of the Spreadsheet* reminds us yet again, they are not the universally useful tool that many think they are. Here are two of the most recent:

"Unfathomable" spreadsheet loses 40,000 complaints. When Bristol City in the U.K. upgraded its complaint system, as many as 40,000 of its old complaints were moved over to an "unfathomable" spreadsheet that made it "virtually impossible" to find information about cases under investigation. Government employees would spend days or weeks looking for information in the unwieldy spreadsheet — even after a new employee was added to help with the task. Meanwhile, complaints entered into the new system are easy to track and resolve.

Lesson learned: Spreadsheets can be great for managing large amounts of data, but not so great at large amounts of task management.

Spreadsheet error delays flights over false safety concerns. A spreadsheet error caused Southwest to pause flights at Midway International Airport in Chicago in January 2021. An error created during a system update caused issues with aircraft weight and balance data. The airline said the error was only a paperwork problem and did not imperil any flights — but it had to be a stressful few hours while the airline sorted out the source of the problem. Plus, it incurred the cost of flight delays and bad press.

Lesson learned: When different versions of the same document exist, it can result in inconsistencies that cause stress, extra work and costly delays.

Excel is a good tool, but it's not always good enough for the job at hand. It was designed for accounting and numbers — not risk management. Using it for risk management poses numerous risks with one researcher comparing spreadsheet applications to "dark matter" in physics "in the sense that they pose a number of overlooked risks for organizations, including errors, privacy violations, trade secret extrusions and compliance violations."

When considering using Excel to manually manage risk management processes, make sure you weigh the cost savings of not buying a more specialized product versus the potential cost of having an exam finding or other oversight that results in a violation.

You wouldn't manage your institution's financials using an abacus or adding machine — tools that can help with math but provide little in terms of insight, graphing, sorting or other capabilities. Are you sure you want to use Excel to manage risk? ■

Michael Berman is the founder and CEO of Ncontracts, a leading provider of risk management and compliance solutions. His extensive background in working at Regtech and Fintech firms on legal and regulatory matters has afforded him unique insights into solving operational risk management challenges and drives Ncontracts' mission to efficiently and effectively manage operational risk. Berman is a subject matter expert on Regtech with notable presentations including the featured speaker at Independent Community Bankers of America, as well as numerous state association conferences; well-regarded host of monthly webinar series with up to 800 registrants; and published author of national and regional banking. He is the author of a book about strategic risk management, The Upside of Risk: Transforming Complex Burdens into Strategic Advantages for Financial Institutions, which is available on Amazon. Berman received his undergraduate degree from Cornell University, Ithaca, NY, and holds a J.D. degree from the University of Tennessee, Knoxville.

AN INSURANCE REVIEW OF 2021 AS WE LOOK FORWARD

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

We have faced many insurance challenges during 2021, with more to follow in the new year. But what have we learned moving forward, especially following a pandemic that posed an unprecedented public health emergency with lasting global implications, not to mention catastrophic weather events, stock market record highs, interest rate record lows, supply chain interruptions and employee shortages? The list goes on and on.

When forbearance plans began to expire in March of 2021, we expected an impact upon a borrower's ability to resume making mortgage payments. Fortunately, we have not witnessed a collateral protection fall-out nor a material increase in lending liability lawsuits. Non-performing loans remain at typical levels, as do force-placed and foreclosed exposures.

Emerging insurance opportunities for the financial sector include cannabis industry customers. At last count, 36 states and the District of Columbia legalized cannabis for medical or recreational purposes, but it remains illegal at the federal, state and many jurisdictional levels. Standard insurers have been reluctant to respond to the industry's growing insurance needs. The Secure and Fair Enforcement (SAFE) Banking Act and the related Clarifying Law Around Insurance of Marijuana (CLAIM) Act were reintroduced in both chambers of Congress, but they failed to clear the Senate.

According to the 2021 Travelers Risk Index, cyber threats are again the leading business concern, although 61% of business leaders surveyed said they feel "extremely or very" confident in their company's cyber practices. Yet, fewer than half have adopted basic preventative measures. Multi-Factor Authentication (MFA) remains a paramount issue with most underwriters. Community banks have MFA on most access points, but many do not for remote access to email through a website or cloud-based service on non-corporate devices that can help reduce an intruder's ability to gain access to a user's corporate email account. Threat actors often use email access to perpetrate schemes against banks as well as their clients and customers.

Ransomware attacks are real and have interrupted businesses across the country. It is the latest and most successful business model for criminals! It's no wonder that U.S. regulators have ordered banks to report significant computer-security cyberattacks within three days of incidents. The new rule requires disclosure of major attacks if they have or will likely impact their operations, the ability to deliver banking products and services, or the U.S. financial sector's stability. The ruling becomes effective April 1, 2022, with full compliance by May 1, 2022. While we all struggle to cope with these ongoing electronic exposures, the best advice is to test your systems and procedures for effectiveness before an incident occurs.

"Never fear, we will adapt, pivot and look ahead as we continue to reopen, recover and rebuild."

Working from home is now old hat, but every employer has considered whose insurance handles what, such as employer-provided equipment in employee-owned premises. Consider, too, the inability to supervise all employees the same (Employment Practices Liability component), varied work conditions (Workers Compensation exposure), etc.

Employees are assets, but they also bring the potential for liability upon their employers; namely, fiduciary liability insurance is intended to protect the sponsoring employer from claims of mismanagement and legal liability arising out of their role as fiduciaries for any Employee Retirement Income Security Act (ERISA) plan. A fiduciary liability policy also covers legal costs to defend against claims or errors and a breach of fiduciary duty. The ERISA Act also imposes personal liability upon each individual fiduciary.

While litigation alleging excessive fees against plan fiduciaries is nothing new, there's a growing number of plaintiff's law firms bringing a flood of similar claims against retirement plan sponsors, fiduciaries and service providers.

Incentives to return to the office or get vaccinated have prompted the U.S. Department of Health and Human Services and the Department of Justice to weigh in by releasing a jointly published guidance document on "long COVID" as a disability under the Americans with Disabilities Act. Common standards of care (civil rights; disability; age), critical care resources (public health), etc. are the general rules of the day. The Center for Disease Control (CDC) still recommends those showing symptoms not return to work until at least 10 days have passed since onset. Employers can monitor and exclude employees from the workplace to protect the common good. The federal government, despite having strict requirements for federal employees, does not mandate that individuals receive vaccinations before returning to work. However, federal, state and local laws do generally permit private employers to require a vaccination to be in the office, though there are limits and exceptions.

Move over Katrina, Harvey and Maria because Hurricane Ida from Fall 2021 is now one of the costliest storms in U.S. history with losses approaching $100 billion, plus the distinction of record-setting rainfall and flooding in states more than 1,000 miles away from where the hurricane first made landfall. This, in addition to another bad wildfire season, puts continued pressure on property underwriters across the nation for 2022.

Relationships matter during a hardening insurance market due to underwriter turnover, retirements, remote workplace, greater underwriter scrutiny and an influx of submissions for which open communication and transparency are key. Start your renewal process early with a complete submission. Without it, renewal terms and conditions may be significantly changed or no longer available. Having multiple bidders is ineffective and nonproductive.

In summary, we've had challenges in the past, such as rate increases, reduced capacity and coverage non-renewals, particularly in the umbrella/excess market. Although rates will continue to rise through the close of 2021 and into 2022, buyers should expect a less-challenging market, particularly those with a strong risk profile. Never fear, we will adapt, pivot and look ahead as we continue to reopen, recover and rebuild. ■

Patti Tobin, CIC, Insurance Advisor, Area Financial Institutions Director, Community BancInsurance Services, a division of Arthur J. Gallagher & Co., the exclusively-endorsed insurance representative of CBAI/CBSC can be reached at 217/414-4485 or patti_tobin@ajg.com.

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

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In Memoriam

Eugene (Gene) Carter

Eugene (Gene) Carter, 85, of Park Ridge, IL, passed away on October 28, 2021. He was the founder and operator of **Park Ridge Community Bank**. He is survived by his wife, Judy, son Tom (Ali), and brother Bob. He is also survived by grandchildren Joe (Laura), Sam (Patsy), Paul, Lou, Tom, Jr., Darma (Nolan), Sarah (Marc), Gwen, Mack, Will, Rachel, Risi, Ali and Ben; and great-grandchildren Pierce, Mick, Charlotte and Finn. He was preceded in death by his parents, Joseph and Florence Carter, as well as his brother Roy (Linda), his sister Eleanor, and brother-in-law Tom. ■

Joseph (Joe) J. DeMay

Joseph (Joe) J. DeMay, 62, of Lake in the Hills, IL, passed away peacefully on November 28, 2021, at home with his family. Joe was born August 3, 1959, in Harvard, IL, the son of Joseph and Judith DeMay. He married Kendra Rutledge on June 7, 1986.

Joe spent his entire career in community banking. He worked at the **First National Bank of Marengo** for 25 years, eventually serving as their president. He was most recently employed at **Prairie Community Bank** for a span of 10 years, ending his career as their executive vice president and senior credit officer.

Joe was incredibly invested in his community. He was a founding member of the Lake in the Hills Rotary Club and Lake in the Hills Ribfest. He served as the chairman of the Lake in the Hills Planning and Zoning Commission and was a charter member of the School District 158 Education Foundation.

You could find Joe on the golf course every Sunday morning, Wednesday and Thursday evenings, and during almost any other minute of free time he had when the weather was good (or not-so-good). He loved attending concerts with his friends and loved traveling frequently to Las Vegas, Northern Michigan and especially Walt Disney World. He was a foodie until the end, and enjoyed a good poker game.

He is survived by his wife, Kendra, his daughter Tatum, his mother Judy, his sister Deborah Reising, and by his uncles, aunt, nieces, nephews, cousins and brothers- and sisters-in-law.

He was preceded in death by his father, Joseph DeMay and parents-in-law Jack and Gerry Rutledge. ■

Karl Dean Tauber

Karl Dean Tauber, 86, of Belleville, formerly of Champaign, passed away on November 20, 2021. He was born November 19, 1935, in East St. Louis, to Karl and Thelma (Mills) Tauber.

Karl attended Wilson Grade School, Landsdowne Jr. High and East St. Louis Senior High. He then went on to study at Illinois Wesleyan University in Bloomington, graduating in 1957. Karl was proud to have played semi-pro baseball for the Chicago White Sox minor league team during the early part of his life.

In 1991, Karl purchased and founded American Bank, which became **First Mid Illinois Bank and Trust**, before retiring in 2001 after 42 years in banking. Some of his proudest career accomplishments were being named outstanding banker of the year by Community Bankers Association of Illinois and graduating from the Graduate School of Banking at the University of Wisconsin, Madison.

Karl was also the president of Champaign-Urbana Jaycees, chairman of Illini Industries Development and Corporation, president of the Champaign-Urbana Kiwanis Club, and president of the Illini Quarterback Club. He enjoyed community service projects and participated in the Champaign-Urbana Chamber of Commerce. He also was the treasurer of the Community Bankers Association of Illinois and the chairman and founder of Champaign-Urbana Mass Transit District. He was a member of the Business Education Alliance and treasurer for the Highland Schools Foundation.

Survivors include his wife, Janet Mushill Tauber; three children, Kevin Tauber, Linda (Mike) Olson and Allan (Andi) Tauber; two stepdaughters, Denise (Bruce Mueller) DeMarse and Diana Mushill; a stepson, Jeremy (Erica) Mushill; six grandchildren, Donyelle (Austin) Theis, Jonathan Tauber, Caynin Mushill, Seth Himes, Madelyn Himes and Alayna Mushill; and a great-grandson, Colton Theis. He was predeceased by his parents and siblings. ■

Seven Myths
About Central Bank Digital Currencies

Nasreen Quibria, Vice President of Emerging Payments and Technology Policy, ICBA

Separating fact from fiction on central bank digital currencies and a possible U.S. digital dollar can be challenging. In the latest edition of our Digital Dollar Digest series, ICBA is here to help dispel any misconceptions and debunk the most common myths.

Myth 1: The Federal Reserve will issue a U.S. digital dollar.

No decision has been made yet on a U.S. central bank digital currency, or CBDC. But if the U.S. moves forward with a CBDC, the Federal Reserve will need legal authority from Congress, as Fed Chairman Jerome Powell has said. Federal legislation is required to establish the roles and responsibilities of the various stakeholders — including the Treasury Department, Fed and private sector — and consider their part in the design, security, issuance, distribution and support for a CBDC.

Myth 2: The U.S. is far behind in CBDC research.

Some CBDC advocates are clamoring for the Fed to rush a digital dollar, afraid the U.S. is falling behind global adversaries like China. Others see an urgency to address the growing systemic threat posed by private digital assets working on the fringes of the financial system.

Far from being a laggard, the Fed began investigating a CBDC as far back as 2016 and became more active last year. The Federal Reserve Board established a lab, while the Federal Reserve Bank of Boston, in collaboration with MIT, built and tested a hypothetical digital currency, the results of which are expected soon.

Myth 3: A CBDC is a panacea for financial inclusion.

U.S. digital dollar backers say it would provide a public good that will enable the unbanked to participate in formal financial services. However, unbanked individuals' trust issues, preference for cash and lack of broadband access could impede adoption goals.

Myth 4: A U.S. digital dollar will collect a lot of personal data.

There is concern that a U.S. digital currency could collect extensive personal data. While the Fed already has access to vast amounts of data from automated clearing house (ACH), wire and check transactions, it has indicated data privacy would be an important policy goal for a U.S. CBDC.

Other central banks that have launched or are exploring CBDCs are aligned with the U.S. vision for limiting data capture and enhancing privacy. The European Central Bank's Fabio Panetta has said the ECB has no commercial interest in user data and has been testing a digital euro that detaches a person's identity from their payments.

The Bahamas, which launched the first national digital currency, has taken a tiered approach to segregate digital wallets. The lowest tier does not require strict know-your-customer (KYC) and anti-money-laundering requirements, though it limits the amount of national digital currency that may be held. The other two tiers use a risk-based approach to KYC associated with amount limits — an approach the U.S. may consider emulating.

Myth 5: A CBDC will harm community banks.

While the launch of a national digital currency could affect the community bank business model, it also could provide opportunities for community bank innovation.

If a CBDC were to decrease deposit funding available to community banks, it would weigh on bank profitability and credit extension. However, central banks recognize the vital role of commercial banks in the financial system, and the degree of impact may be mediated based on policy and design decisions, as highlighted by the Bank for International Settlements.

Community banks focused predominantly on payments are vulnerable to continuing threats to their financial structure (from "buy now, pay later" schemes eroding card volumes to crypto exchanges taking consumer direct deposits) and should be prepared for the evolving digital era. While a future digital dollar could present some risks, it could also provide new avenues for business transformation.

Myth 6: A U.S. CBDC will mean FedAccounts for all.

Broadly establishing FedAccounts — in which the public could deposit, store, transfer and withdraw money directly with the Fed — would require substantial new infrastructure and transfer massive technological and operational risk to the central bank. The Fed is not equipped to function like a retail bank. Instead, the Fed would more likely adopt a private-public partnership model to distribute CBDC to the public.

Myth 7: A CBDC is built on blockchain technology.

While some global CBDC projects use distributed ledger technology, or blockchain, as the underlying technology in the pilot or production phase, it isn't a requirement. Advanced economies are finding blockchain technology presents issues of immaturity, performance and scalability. The People's Bank of China, which is further along, ultimately used a conventional centralized structure for its core system. However, China is exploring using blockchain in other ways, such as for issuing CBDCs and for cross-border transactions.

As more details become available, ICBA will continue to monitor CBDC developments to help educate community bankers on this emerging payments technology, keeping you informed about the digital dollar's potential benefits and risks.

Meanwhile, stay tuned for the next installment of the Digital Dollar Digest as we explore more issues with the future of money. ■

Nasreen Quibria is ICBA vice president of emerging payments and technology policy. Please contact her at nasreen.quibria@icba.org with your views to help ICBA best position community banks on a future U.S. digital dollar.


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CDD SPOTLIGHT

QUESTIONNAIRE

Tyler Hodge

Vice President/Branch Manager
New Holland Banking Center,
A Division of The First National Bank in Tremont

What do you find the most challenging about your job?
I find that time management can be a challenging and stressful part of my job. As a manager, I want to be as available as I can possibly be for both my employees and my customers. In community banking, you wear multiple hats, so juggling appointments, meetings, strategic planning and loan closings while maintaining a healthy work/life balance can become difficult. I do find these challenges ultimately rewarding because of the variety every day can have.

What do you find the most rewarding about your job?
For me, just being able to help customers or employees reach personal or career milestones is very rewarding, whether that be on the lending side helping a young couple purchase their first home or helping someone dig out of a tough financial situation or on the supervisor side of seeing an employee hit a goal or grow in their position. One of the best parts of working in community banking is how much you are able to help your customers and the community.

How did you get involved with CBAI?
I first got involved with CBAI when I got hired here at The First National Bank in Tremont. Our bank is very active with CBAI, and the education seminars helped tremendously with learning my new position. As I became more comfortable, I joined the Career Development Division (CDD) and ended up graduating from The Community Banker's School in 2018. I now serve as the Group 7 Director for the CDD and love every second of it.

What is something most people don't know about you?
I unfortunately don't have any hidden talents or useful party tricks, but I'd say most people that don't know me well wouldn't know that I'm originally from Arizona. I was born in Phoenix and lived there until I was eight. I'm a huge Arizona sports fan, and my dad and his side of the family still live out there, so I still make a trip every year to go see them.

What are the biggest challenges your community bank faces today, and what are you doing to combat these challenges?
I think a challenge that most banks face is staying relevant in an ever-changing world. We have to be able to pivot on the fly to be able to provide great customer service no matter what is thrown at us. The past couple of years have shown that we need to be open-minded and willing to adopt change in order to stay competitive.

What is your favorite initiative that your bank has implemented to support your community?
We have recently completed construction on a new facility for the New Holland Branch that I manage. We were able to donate our previous space to the village to use as their community center, along with the historical society. This has provided a nice facelift to the community.

If you weren't in banking, what would you be doing, and why?
If I wasn't in banking, I would probably be doing something financially in the world of sports. Sports and fitness have always been a big part of my life since I was young, so coupling that with my financial background would be a natural fit. ■

CDD Fall Meeting

Nearly 50 members gathered for the 2021 Annual Fall Meeting of CBAI's Career Development Division (CDD) on November 18 at the Northfield Center in Springfield. The evening before the meeting, CDD members participated in a fun but competitive axe throwing event where they demonstrated their throwing expertise and unleashed their inner warrior! Members agreed it was a very enjoyable experience.

This year's Fall Meeting began with Greg Ohlendorf, president & CEO of First Community Bank & Trust, Beecher, and Daniel Schutte, managing director of accelerator programs at The Venture Center, who continued the fintech series and explored how community banks can and do work with fintech firms to help them improve their product and service delivery methods. Beauceron Security, FI Works and BotDoc each pitched to CDD members, and then Ohlendorf and Schutte questioned the firms exactly like they would at an Accelerator "Demo Day," which is held in Little Rock, AK. After each pitch, Ohlendorf and Schutte provided a recap of what they saw, discussed what they liked or didn't

Katie Ashworth receives the Banker of the Year Award from Bob Stachowski.

like as bankers, and identified queues bankers should look for from the firms that gave pitches.

During the Annual Business Meeting Luncheon, **Bob Stachowski, CDD Chairman and Group 11 Director with The First National Bank of Sandoval,** conducted the election of even-numbered group directors. Members were then updated on the status of CDD regarding membership and finances. Stachowski reported that dues from the more than 150 members remain the largest source of income; however, the Fall and Spring Meeting make a significant financial contribution. **Katie Ashworth with CNB Bank & Trust, N.A., Carlinville,** was elected as CDD Chairman, and **Cameron Ohlendorf, First Community Bank & Trust, Beecher**, was elected as CDD Secretary/Treasurer.

During the luncheon, the **CDD Career Banker of the Year** was announced. **Katie Ashworth, CNB Bank & Trust, N.A., Carlinville,** was honored with this prestigious award.

After lunch, former CDD members who are current CBAI Board Members and bank presidents/CEOs participated in a panel moderated by **CBAI SVP of Governmental Relations Jerry Peck**, where they discussed their experiences during their tenure in community banking and took questions from the audience. Panelists included **Rick Klinedinst, president/CEO, MidAmerica National Bank, Canton; Kim McKee, president/CEO, North Central Bank, Hennepin;** and **Doug Parrott, president/CEO, State Bank of Toulon.**

The final session of the day was titled "Cryptocurrency and Cybersecurity," and was presented by Matt Janoski with Wipfli LLP.

The CDD members also participated in a "dress down" day where members wore jeans for a $5 donation, which raised $190 and benefited CBAI's Foundation for Community Banking. ■

The *Top Scams* Affecting SENIOR CITIZENS Right Now

AND WHAT COMMUNITY BANKS CAN DO TO HELP

Aimee Leeper, Director of Marketing, CRA Partners

Older adults are targets for financial exploitation because they tend to possess more wealth than others, accumulated over their lifetime through hard work and saving. A decline in mental faculties for some seniors also makes them more vulnerable, especially residents of nursing facilities targeted by predators who take advantage of their victims' memory loss. The Consumer Finance Protection Bureau (CFPB) reports that Suspicious Activity Report (SAR) filings on elder financial exploitation quadrupled from 2013 to 2017. One-third of the individuals who lost money were ages 80 and older, and adults ages 70 to 79 had the highest average monetary loss.

Seniors are often targeted through the internet, mail, phone, in-home visits and free offers specifically tailored to large groups of seniors. Though they are always changing, we'll discuss the most common elder scams happening now, and a way banks can help combat this problem.

Medicare & Health Insurance Scams

Perpetrators may pose as a Medicare representative to get personal information or provide bogus services at makeshift mobile clinics, then use the information to bill Medicare and pocket the money. Some even make false offers for free medical supplies or checkups that require the victim to provide their Medicare information and credit card number for supposed "shipping and handling" fees.

Consumers also report phony "free" back, neck or knee brace offers. Scammers claim to be a Medicare or medical supply representative or a health insurance company. If interest is shown, they will ask for sensitive information such as Medicare numbers or Social Security numbers.

Another of the latest Medicare scams to pop up is where scammers are emailing, calling and even knocking on doors, claiming to be from Medicare and offering all sorts of pandemic-related services if you "verify" your Medicare ID number. Among the offers is to send new cards they claim to contain microchips. Some posers have been asking for payment to move beneficiaries up in line for the COVID-19 vaccine.

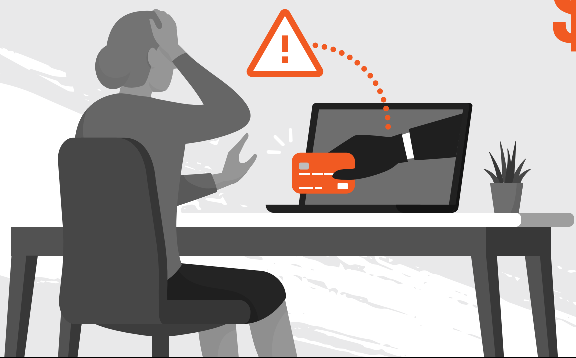
COVID-19 Scams

Speaking of COVID-19, many who have already received their vaccine posted selfies on social media showing off their vaccination card. Scammers immediately pounced. Often appearing in the pics was the information on the card showing name, birth date and information about where the shot was received. That gives scammers valuable data for identity theft.

Another COVID-19-related scam centers around a Federal Emergency Management Agency (FEMA) program that will pay up to $9,000 for funeral expenses if you lost a loved one to the disease. While this is a legitimate program, and you can reach out to FEMA to apply for these benefits, unfortunately, FEMA reports that scammers are contacting people and pretending to offer to register them for assistance.

Zoom Phishing Emails

With this con, you receive an email, text or social media message with the Zoom logo, telling you to click on a link because your account is suspended, or you missed a meeting. Clicking exposes you to the risk of an upload of malware, where personal information could become available for identity theft.



Senior citizens lost almost **$1 BILLION** in scams in 2020, according to an FBI report released December 2021.

A total of 105,301 people over the age of 65 were scammed, with an average loss of **$9,175**, and almost 2,000 older Americans lost more than **$100,000**, the report said.

Source: https://abcnews.go.com/Politics/senior-citizens-lost-billion-scams-year-fbi/story?id=78356859

Telemarketing/Phone Scams

Seniors were raised in an era that valued politeness and good manners, but this makes them more vulnerable to fraud. Often, they are less likely to hang up the phone or simply say "no" to criminals pretending to be telemarketers or representatives of a company. Some telemarketing scams include:

1. The pigeon drop — The con artist tells the individual that he/she has found a large sum of money and is willing to split it if the person will make a "good faith" payment by withdrawing funds from his/her bank account.

2. The fake accident ploy — The con artist gets the victim to wire or send money on the pretext that the person's child or another relative is in the hospital and needs the money.

3. Charity scams — Money is solicited for fake charities.

Internet Fraud

If you've ever seen a pop-up window telling you that your computer has a virus, then you've come close to this type of fraud. Pop-up browser windows simulating virus-scanning software fool victims into downloading a fake anti-virus program, or an actual virus that opens personal information to scammers. Scammers are also sending fake text messages alleging there is big trouble with your internet account, a credit card, bank account or shopping order on Amazon or other popular retailers. They want you to click on links and provide personal info.

Similar issues are popping up via ads on social media. Phony retail sites are using photos lifted from real online stores to make their fake store look legitimate. They run ads where you click and wind up on their fake site, where you place an order with your payment info and never receive the goods, or you get a cheaper knock-off version, often shipped direct from overseas.

Solutions

Endorsed CBAI service provider, **CRA Partners**, delivers **Senior Sentry** training to nursing, Veteran and HUD senior homes that educate the elderly on how to avoid financial fraud and scams. They offer a variety of Community Reinvestment Act (CRA) compliance programs established to create safe and secure living environments for the elderly with help from local banks. Learn how partnering with them can satisfy your bank's CRA requirements. ■

Aimee Leeper, director of marketing at CRA Partners and Senior Housing Crime Prevention Foundation (SHCPF), can be reached at aimee.leeper@shcpfoundation.org or 901/529-4783.

Is Your Investment Portfolio Properly Anchored?

Andrew Okolski, Senior Financial Strategist, The Baker Group, Oklahoma City, OK

Many financial institutions saw record investment growth in 2020–21 as large stimulus payments bloated balance sheets and far outpaced loan demand. This surge in deposit growth, mixed with the large drop in interest rates, led to collapsing margins and applied huge stresses on earnings and overall capital levels. As institutions fought to stay afloat and stem the massive tide of liquidity, one of the few ways they could generate additional spread was through the addition of longer duration assets. In fact, when we look at overall industry levels today, we can see that many investment portfolios have more optionality and price volatility than they have had in quite some time.

This is quite important given that 2022 will likely be another year of operating in an extremely volatile rate environment. On one hand, we have inflation fears and the possibility of a Fed rate increase highlighting the potential dangers of a rising rate environment. On the other, we have "recovery fatigue" and the never-ending risk that COVID isn't quite done with us highlighting the dangers of a prolonged low-rate environment. In fact, several countries in Europe are currently reporting their worst COVID spikes to date, and there is early word of yet another new variant (B.1.1.529) coming out of South Africa.

For many institutions, the additional duration that was added in 2020–21 is just now starting to pop up on their radar as they begin working on their 2022 budgets. More importantly, given the recent jump in yields, year-end asset and liability management (ALM) results will likely begin to highlight some of the capital at risk measured by examiner favorites like economic value of equity (EVE) and net economic value (NEV). We must remember that EVE/NEV results get worse as rates rise, even if the "structure" of our balance sheet does not change. Therefore, we feel it is critically important that management teams begin getting a better handle on their optionality and duration risk now.

Continued on next page...

In an effort to help those discussions, let's take a quick look at some of the most popular investment sectors offering relative value.

To start us off, one way to offset longer duration assets is to add floating rate products. While this can be a successful strategy for some balance sheets, all too often these products do not offer enough yield to relieve capital and earnings pressures. In addition, if next year's rate environment leans toward prolonged lower rates, the resets on these floaters will only further complicate our earnings situation. So, while these investments could be part of the solution, we certainly should not solely rely on them.

Mortgage-backed securities (MBS) are another extremely popular sector that many institutions are currently using to better control their duration. Ten-year and higher coupon 15-year/20-year MBS offer fantastic cashflows and liquidity, even in a rising rate environment. However, they lack the ability to truly roll down the curve or stabilize our portfolio's overall risk position. If rates fall lower, we once again have to worry about prepayment risk, while extension risk is a real possibility if rates continue to drift higher. Now please don't get me wrong, MBS have been and continue to be some of the absolutely best relative value for depository institutions. It is our opinion that we should absolutely continue to purchase this sector. However, we must also understand that there is no one bond type that does it all. The good news is that there are plenty of alternatives that can hedge some of these risks so that we can continue to enjoy the benefits of this sector.

Bullet securities are consistently sought after to help "anchor" portfolio risk levels. When rates go up, callable agencies, MBS, and just about every bond with optionality extend. The opposite is also true; when rates fall, callable agencies, MBS, and high optionality bonds all shorten considerably. While bullet securities help fight against these contraction and extension risks, they also typically offer some of the lowest yields available. So, what is a portfolio manager to do? We need bonds that anchor our portfolio shorter when rates go up but also anchor our portfolio longer if rates fall or stay low.

It is our opinion that bullet alternatives are that "anchor." Searching out bonds that perform like bullets but offer yields closer to the MBS and other bonds we typically buy is key right now. While there are several sectors that accomplish this goal, we feel that Agency commercial mortgage-backed securities (CMBS) currently offer some of the best value. Fannie Mae DUS, Fannie Mae ACES, and Freddie Mac Ks are all specifically structured to provide the exact behavior our portfolios currently need. They protect against prepayment risk in a lower rate environment while their shorter legal final maturities (< 10 years) offer limited extension risk. They also roll down the curve with their final maturities ensuring that with each passing month, their remaining average life and price volatility will decline.

With high volatility likely to continue over the near and moderate term, balance sheet managers can utilize Agency CMBS, along with other bullet alternatives, to better control duration and extension/contraction risk. MBS purchases can then be used to offer the solid yield and near term cashflows we need for future reinvestment and/or loan demand. Written investment strategies will also help keep institutions on track with their preferred risk/reward balance in the portfolio. This proactive management approach will go a long way towards alleviating potential future regulatory issues centered around EVE/NEV results. Our focus for 2022 needs to be on properly measuring and managing our risk position instead of letting fear or the markets drive future performance. ■

Andrew Okolski is a senior financial strategist at The Baker Group. He works directly with clients in a broad range of areas including ALM, education, portfolio management, interest rate risk management, strategic planning, regulatory issues, and wholesale market strategies for financial institutions. Contact: 800/937-2257, andyo@gobaker.com.

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CDD Spring Meeting

June 26, 2022
Cardinals/Cubs Game
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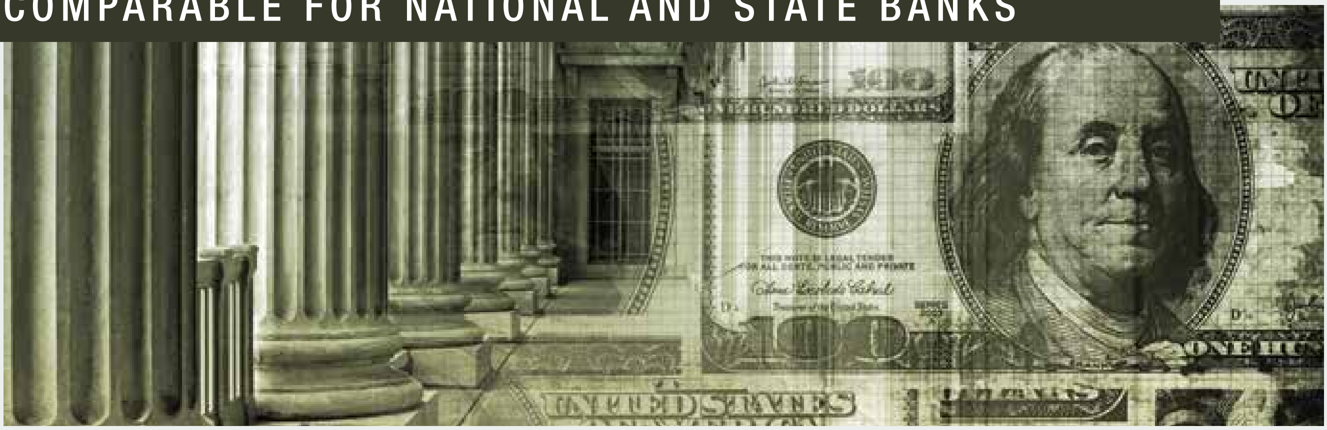
June 27, 2022
CDD Spring Meeting
Hilton at the Ballpark,
St. Louis

VS

More Info Soon!

Bank Not Liable for Depositor Scamming Investors

COMPARABLE FOR NATIONAL AND STATE BANKS



Jerry Cavanaugh, CBAI General Counsel, Springfield, IL

In its recent decision in the case of *Praither v. Northbrook Bank & Trust Company,* the Illinois Appellate Court for the First District upheld a trial court's dismissal of a case against a bank in which scam victims sought to hold Bank liable under theory that Bank had an affirmative obligation to protect them from a scam being perpetrated through deposit accounts at Bank.

Three accounts at Bank were central to the case; two were purportedly investment fund accounts (collectively, "Investment Accounts") into which Victims had wired money from personal bank accounts or from an IRA Custodian. The third account was for administration of the Investment Accounts by partnership ("Administrative Account"). As general partner, Crook controlled Administrative Account.

Victims alleged that two scams were being perpetrated by Crook. First, they alleged that the Investment Accounts were being used to operate a Ponzi scheme in which new investment deposits were being used to pay prior clients/investors. Second, Victims alleged that some deposits intended for Investment Accounts were instead redirected to the Administrative Account, where Crook could use the funds for his own purposes.

Crook was arrested, convicted, sent to prison for 10 years and ordered to pay $7.5 million in restitution. Apparently speculating that they would never recover $7.5 million from an inmate, Victims then targeted Bank.

In their complaint, Victims' allegations against Bank included negligence and non-compliance with Illinois' Fiduciary Obligations Act ("the Act"). Victims cited several anecdotal incidents in which money intended for Investment Accounts found its way to the Administrative Account, and other incidents where money invested by late investors corresponded with payments distributed to earlier investors (i.e., the Ponzi scheme).

In furtherance of their case, Victims actually gave Bank the benefit of the doubt that Bank was compliant with Customer Identification Program (CIP)/"Know Your Customer" regulations and had a compliant Bank Secrecy Act money laundering policy. It was Victims' assertion that with those guardrails in place, Bank should have identified questionable deposits into, and disbursements out of, the Administrative Account. The Court rejected Victims' negligence charge against Bank after finding that negligence only applies when a breach of duty is involved, and because there was no business relationship between Victims and Bank, Bank owed no duty of care to Victims that would sustain a negligence complaint.

The Court noted that at one time, Bank ***did*** contact Crook directly to explain some of the deposits into the Administrative Account, and Crook responded that the investment agreement provided for a fee to be paid into the Administrative Account by investors (which was true according to the investment materials distributed to Victims). Although Bank did not do a "deep dive" into investigating the accuracy and completeness of Crook's explanation, the Court concluded that, without further knowledge to the contrary, Bank was not obligated to investigate the details.

Victims' allegation that Bank violated the Act by being complicit in Crook's account

Continued on next page...

misdeeds was also futile, because the Act is actually a shield ***against*** liability on the part of fiduciaries rather than a sword to be used to impose liability. The Court noted that the intent of the Act was to codify a reversal of the common law theory that a fiduciary was liable if it "negligently assisted a fiduciary who misappropriated the principal's funds." The Act was designed to turn that burden of liability around, with the stated purpose of the Act being "to facilitate the fiduciary's performance of his responsibilities by limiting the liability of those who deal with him." The Court stated that requiring a bank to suspend deposits until a thorough investigation of their validity could be completed "would pour molasses into the gears of commerce." The Court added that pursuant to the Act "the depository bank is relieved of the duty to ensure that the funds are properly applied" and that it is instead the principal (i.e., the investor) has the burden of "employing honest fiduciaries."

Although the Court ruled in favor of Bank on the counts of negligence and violation of the Act and thus upheld the trial court's dismissal of Victims' suit against Bank, there remains some gray area for future/different cases, and so:

The description of the outcomes of any case(s) referenced in this column are for informational purposes only, and do not represent any legal advice or recommendation as to any course of action that a bank should, or should not, take in a specific situation. Any actual dispute between a bank and a customer regarding any banking relationship calls for the consultation with, and reliance on, actual legal advice from the bank's own attorney.

Those gray areas include whether in real time and by the bank employee dealing directly with the wrongdoer, the bank had actual knowledge or should have had knowledge in good faith of the illegality of a transaction. The requirements that the misappropriation be evident in real time and by the banker dealing directly with the wrongdoer means that a misappropriation found a week later by someone in the bookkeeping department is not "actual knowledge" or "bad faith" that can be attributable to the bank for liability. Thus, as the disclaimer above indicates, each case presents a "specific situation," the facts of which require close legal scrutiny. ■

Legal Link is a free CBAI member benefit. For answers to your general, banking-related legal questions, contact CBAI general counsel Jerry Cavanaugh at 800/736-2224 (Illinois only), 217/529-2265 or jerryc@cbai.com or CBAI paralegal Levette Shade at levettes@cbai.com.

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FEBRUARY 2022

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1 **New Resources for Fighting Synthetic Identity Fraud**

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2 **Converting a 1040 Personal Tax Return to Cash Flow Part 1: Schedules B & C**

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

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

3 **The Impact of Evolving Marijuana Laws on Your Institution**

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

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

7 **Senior Lender Group V** — DoubleTree by Hilton, Lisle

8 **Senior Lender Group II** — Shazam Education Center, Springfield

8 **BSA Officer Reports to the Board**

8 **The Green Book & Government Payments Explained**

9 **Senior Lender Group I** — Shazam Education Center, Springfield

9 **Onboarding: The New Normal**

10 **Senior Lender Group III** — Shazam Education Center, Springfield

10 **CEO Forum Group III** — CBAI West Conference Room, Springfield

11 **CEO Forum Group VI** — Shazam Education Center, Springfield

11 **Senior Lender Group IV** — Shazam Education Center, Springfield

11 **CEO Forum Group V** — DoubleTree by Hilton, Lisle

15 **Lending on Low Income Housing Tax Credit Projects**

16 **The "C" Conference** — Crowne Plaza Hotel, Springfield

16 **Wowing the Client** — Live E-Classroom Seminar

16 **Writing New Account Procedures**

17 **High-Risk Cash-Intensive Businesses: Managing & Monitoring**

17 **Deep Dive into Force-Placed Flood Insurance**

18 **CFO Forum Group II** — Shazam Education Center, Springfield

22 **Lending to Tenants-in-Common Projects**

23–24 **Lenders Guide to Mortgage Loan Compliance** — Shazam Education Center, Springfield

23 **Converting a 1040 Personal Return to Cash Flow Part 2: Schedules D, E & F**

24 **Leading Service Excellence** — Live E-Classroom Seminar

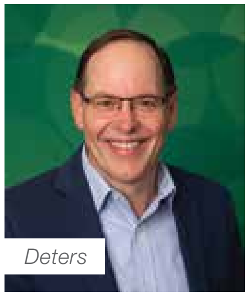
24 **Advertising Compliance**

27–3 **ICBA Live** — San Antonio, TX

CBAI Webinar

Member News

CBAI is pleased to announce three additions to the Community BancService Corporation (CBSC) Board of Directors.


Deters

Chuck Deters serves as CEO and director of **Prime Banc Corp.** and **Dieterich Bank, Effingham**. He joined the bank in 2008 as vice president of business development. In 2011, he was named president of Prime Banc Corp. and was appointed a director of Prime Banc Corp. and Dieterich Bank. He currently serves as the CEO for both Prime Banc Corp. and Dieterich Bank, a position he has held since 2014. Deters previously worked at Consolidated Communications for more than 20 years in multiple senior management positions. He is a graduate of Eastern Illinois University with a bachelor's degree in accounting. Deters resides in Teutopolis with his wife, Anita. They have four children and two grandchildren. Deters participates in CBAI's CEO Forum, as well as legislative events, the annual convention and group meetings.


Field

Mark Field is president and chairman of Liberty Bank. He has served as chair of the CBAI and CBSC Boards, as well as chairing several committees. He is also a member of the SHAZAM-ITS (Illinois Transfer System) board. He served on the State Banking Board of Illinois from 1997 until 2004, and his second appointment to the board has spanned from 2012 to the present. Field is a founding member of the U.S. Faster Payments Council and is chairman of the CBSC Faster Payments Committee. He is a two-time winner of CBAI's Outstanding Member Award, receiving it in 1996 and 2021.


Tinberg

Andy Tinberg is senior executive vice president and chief banking officer at **CNB Bank & Trust, N.A., Carlinville, in the Oak Forest branch**. He has been a community banker for more than 38 years. His recent community banking experience includes serving as President of Interstate Bank, Oak Forest, IL from 1988–2008. Tinberg joined CNB Bank & Trust, N.A., in 2009. He holds a BS in finance from Northern Illinois University, DeKalb, and is a graduate of the Graduate School of Banking in Colorado and an alumnus of DePaul School of Law. Tinberg has been married to his wife, Susan, for 34 years. They have two daughters, a son and a son-in-law. They have lived in Oak Forest for more than 30 years. Tinberg previously served on the CBSC Board from 1994 until 1996 and on the CBAI Board from 1996 to 1997. He currently serves as chairman of the Innovation Committee.

Nancy Timmons, Scott State Bank, Bethany, was recently recognized for 50 years in community banking with a handsome eagle award from CBAI. Timmons started working at the bank's Niantic location on November 8, 1971.

Marilyn Wente, First National Bank in Steeleville, recently celebrated 50 years in community banking and was honored with an award from CBAI.


Wiley

Becky Wiley recently retired from **Clay City Banking Company** after 21 years. She served as vice president, COO and CFO.

Steve Kelso retired from **Farmers State Bank of Hoffman** on December 31, 2021. **Phil Palm** will be taking over the CEO responsibilities.

Shield Compliance, CBAI associate member, announced the appointment of three new hires who will support the ongoing development of the company's comprehensive Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) compliance management platform for banking legal cannabis-related businesses (CRBs).

The new hires include **Cami Cantrell, executive vice president**, payments and strategic alliances; **Melissa Timmer**, client success project manager; and **Lauren Potts**, business analyst.

Shield recently released a cannabis banking playbook detailing how financial institutions can serve CRBs compliantly while gaining the financial rewards of this market. Based on the experiences of pioneering bankers, the playbook outlines the risks, operational impacts and go-to-market solutions available to financial institutions interested in serving the legal cannabis industry.

Kirk Gross Company, Waterloo, IA, recently announced two new additions to its staff. **Hal Snow,** AIA/NCARB, was hired as vice president of architecture, and **Suzanne Meyers-Warrick** joined as business development manager.

Midwestern Securities is excited to announce that Chief Compliance Officer **Jeffrey L. Weber**, CLU®, ChFC®, RICP®, has earned the Certified Regulatory and Compliance Professional (CRCP)® designation. Weber successfully completed the capstone week and accompanying exam of the rigorous two-part course of instruction on the foundation, theory and practical application of securities laws and regulations, put on by the FINRA® Institute at Georgetown this November. ■

Foundation Report

Goodfield State Bank donated $2,500 to the Foundation in honor of its 25th anniversary.

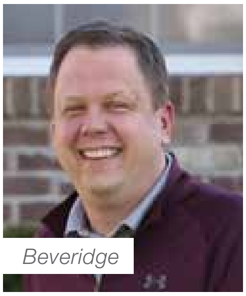
Fairfield National Bank made a $1,000 contribution to the Foundation.

Board and committee members of the CBAI corporate family donating travel expenses to the Foundation are **Sheila Burcham, Community Trust Bank, Irvington; Kevin Day, State Bank, Waterloo; Chuck Deters, Dieterich Bank, Effingham; Carol Jo Fritts, First Neighbor Bank, N.A., Toledo; Dan Graham, Flora Bank and Trust; Julie Kamp, Flora Bank and Trust; Patrick McShane, American Metro Bank, Chicago; Doug Parrott, State Bank of Toulon; David Pirsein, First National Bank in Pinckneyville; David Stanton, PeopleFirst Bank, Joliet; Ken Scott, Preferred Bank, Casey; Alan Stremlau, Illini State Bank, Tonica; Dianna Torman, Prairie Community Bank, Marengo; Jim Weast, Warren-Boynton State Bank, New Berlin; and William Wubben, Apple River State Bank.**

The Foundation received $250 from CBSC and CBAI board members as a result of the "dress-down" board meeting in October.

Career Development Division (CDD) members participated in a "dress down" day where members wore jeans for a $5 donation, which raised $190 and benefited CBAI's Foundation for Community Banking. ■

Staff News



Beveridge

Patrick Beveridge joined the CBAI staff as CFO on December 13, 2021. Beveridge replaces **Lisa Lippert**, who retired as controller on December 31, 2021, after 22 years with the association. Beveridge had most recently served as controller for the Springfield Pepsi Bottling Company since 2005.

Julie Holm joined the CBAI staff as an administrative assistant on December 13, 2021. She replaced **Linda McCord**, who retired on December 31, 2021.

Bobbi Watson, executive assistant of communications is retiring from CBAI on January 31, 2022, after 28 years with the association. "I have enjoyed my stay here at CBAI for the past 28 years. I have decided to move on to the next chapter of my life. It has been a great experience working with everyone."

Jack Kuebel, CBSC vice president of member services downstate Illinois, will retire January 31, 2022. Kuebel joined the staff in September of 2020. Previously, he had served as vice president of correspondent banking for Quad City Bank & Trust. Kuebel will be replaced by **Jeff Rabenort,** who will join the staff on December 30. Rabenort most recently served as vice president of sales and marketing at Bankers Bank. ■

CONSUMER LENDING INSTITUTE

The highly successful three-day Consumer Lending Institute, which met October 18–20, 2021, in the SHAZAM Education Center at the CBAI Headquarters in Springfield, attracted 11 bankers. **David Kemp**, president and founder of **Bankers Management, Inc.** of Atlanta, GA, led the instruction. **Kathy Enbom**, principal from **Wipfli**, taught the unit dealing with regulatory compliance. ■

Row 1 (L to R)
Blake Masse, Washington Savings Bank, Mattoon
Steve Moyer, Great Rivers Bank, Barry
John Cirilli, Better Banks, Morton
Kacie Tull, Crossroads Bank, Effingham
Stella Eyman, The Peoples State Bank of Newton
Kevin Euler, Bradford National Bank, Greenville

Row 2 (L to R)
Clayton Engel, German-American State Bank, German Valley
Ty Molzen, First Community Bank of Moultrie County, Sullivan
Noah Young, Peoples State Bank of Colfax
David Kemp, Bankers Management, Inc., Atlanta, GA
Travis Straube, Great Rivers Bank
Spencer Roosevelt, Goodfield State Bank

Banknotes

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Springfield, IL 62703-5184