the Independent Report

“Colorado banking at its best”
in this issue...

May/June 2018

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Cover by Bob Kissel:
Goose and goslings, Addenbrooke Park, Jefferson County, Colorado. To see more of Bob’s photos visit his website at www.flickr.com/photos/rekissel/sets.

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IBC Preferred Providers are selected by bankers just like you, so give them special consideration when considering their proposals for your bank! To learn more about IBC’s Preferred Providers contact the IBC at 303.832.2000. Please note: IBC endorses the listed companies but not all products offered by the company.

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<thead>
<tr>
<th>Contact</th>
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<tr>
<td><strong>Preferred Providers</strong></td>
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<tr>
<td><strong>Contact:</strong> Mary Ann Elliott-Supples</td>
<td><strong><a href="mailto:msupples@bbwest.com">msupples@bbwest.com</a></strong></td>
<td><strong>303.291.3700</strong></td>
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<td>Grow your customer relationship with mobile payments technology; highly competitive unbundled pricing; quick approvals and startups and high-touch training and support from Bankers’ Bank of the West’s Merchant Services Program.</td>
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<td><strong>Contact:</strong> Chuck Allor</td>
<td><strong><a href="mailto:charles.allor@deluxe.com">charles.allor@deluxe.com</a></strong></td>
<td><strong>719.599.4466</strong></td>
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<td>Massive buying power and inventory expertise to help you consolidate, simplify, and save. By consolidating buying power you receive the best prices on the items you need. Use a single source to management inventory, a customized automated online ordering system and more!</td>
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<td><strong>Contact:</strong> Eddie Hook</td>
<td><strong><a href="mailto:eddie.hook@harlandclarke.com">eddie.hook@harlandclarke.com</a></strong></td>
<td><strong>303.827.3649</strong></td>
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<td>Harland Clarke, a leading provider of best-in-class solutions, serves more than 11,000 financial institutions nationwide. Harland Clarke offers: Payment Solutions (checks, card services, forms, etc.); Integrated Multichannel Marketing Services and Security Solutions.</td>
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<td><strong>Contact:</strong> Steve Thomas</td>
<td><strong><a href="mailto:sthomas@ibtapps.com">sthomas@ibtapps.com</a></strong></td>
<td><strong>512.616.1100 ext. 110</strong></td>
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<td>IBT’s Core Processing platform enables you to meet the specific challenges of the marketplace efficiently and effectively. IBT’s Core Processing with i2 Suite is the right way to do business for you and your customers, reducing costs, improving efficiencies and enhancing compliance.</td>
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<td><strong>Contact:</strong> Jim Iannuzzi</td>
<td><strong><a href="mailto:jiamnuzzi@ihelploan.com">jiamnuzzi@ihelploan.com</a></strong></td>
<td><strong>610.234.0592</strong></td>
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<td><strong>Contact:</strong> Craig Johnson, <strong><a href="mailto:cjohnson@oncourselearning.com">mailto:cjohnson@oncourselearning.com</a></strong></td>
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<td>At OnCourse Learning, formerly BankersEdge, our high-quality training is specifically tailored to the complex needs of banking institutions. We now offer four simplified training options that have been designed with employee-specific responsibilities in mind. Our courses have been repackaged into topic-specific series, with more than 550 courses and growing.</td>
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<td><strong>Contact:</strong> Ryan Schremmer</td>
<td><strong><a href="mailto:ryan.schremmer@sbscyber.com">ryan.schremmer@sbscyber.com</a></strong></td>
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<td><strong>Contact:</strong> Stacy Sheehy</td>
<td><strong><a href="mailto:Stacy.Sheehy@spglobal.com">Stacy.Sheehy@spglobal.com</a></strong></td>
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<td><strong><a href="mailto:btate2@travelers.com">btate2@travelers.com</a></strong></td>
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<td><strong>Contact:</strong> Lauren Gonnella Copeland</td>
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- Bank Accounting and Consulting, LLC: 303-916-2566
- BKD, LLP: 303-861-4545
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- Computer Services, Inc: 970-212-7104
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- Gill Capital Partners: 303-296-6260
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- *ICBA Mortgage: 800-253-5356
- *ICBA Securities: 800-422-6442
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Every month for nearly 15 years, I have shared my thoughts with you on the top issues of the day in my monthly column. With this column, I pen my last message to you. It boggles my mind that 15 years have passed since my first monthly message, but here we are. Such a different world today than then. But community banking remains and is in many ways stronger today than it was when I arrived at ICBA in May 2003.

I could write a thesis on the myriad ways the world has changed over the past decade and a half. In my view, one word best captures our changed world: technology! Technology has affected every facet of our lives for both good and ill. And it will continue to impact our lives, our culture and society in ways we cannot even imagine today.

Whether those changes will work for the better or worse depends on how we relate and adapt to them. If community banking can adapt and assimilate to the ever-changing technological landscape, community banks and banking will flourish. And I believe community banks can and will adapt, because the greatest strength of community banks is their ability to evolve.

Community banks have been adapting to their changing environments for more than two centuries, and they will continue to do so. That is what makes our nation’s community banks unique. And it is what makes representing community banks so much fun and such an honor. No other nation on earth has a community banking system like that of the United States. It is our nation’s secret economic weapon. It is what has separated the U.S. economic system from all other nations and made ours the greatest economic force on earth.

Community banks are the engines that create jobs, enable small communities and the rural countryside to thrive, and help entrepreneurs to get their start. Some of the greatest companies in the United States got their start from a community bank.

And our community banking system has held to its principles while at the same time adapting to its environment. That is why we continue to survive and thrive. Relationship banking, adaptability and a willingness to take chances are the hallmarks of community banks. These qualities will serve the community banking industry well as our financial world continues to evolve in the years ahead.

I leave ICBA in the hands of my very able successor and the most outstanding staff in the association world. It has been the greatest honor of my life to represent and advocate for our nation’s community banks. I will never be able to adequately thank all the thousands of community bankers who have helped and encouraged me over the years. Just know that I will always be grateful to you and hold a special place for you in my heart. You are the greatest men and women in America. And always know that it is you who make all of this work.

Thank you from the bottom of my heart. I wish all of you well and great success.

Farewell,

Follow Camden R. Fine on Twitter, @Cam_Fine.

Why are banks moving to a .BANK domain name?

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- Chip Register, SVP/Chief Information Officer, The Fauquier Bank

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2017 Bank & Credit Union Rankings

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Banks under $1 billion in assets
1. Metro Phoenix Bank - Phoenix, AZ
2. First Bank of Owasso - Owasso, OK
3. FinWise Bank - Sandy, UT

Banks $1 billion to $10 billion in assets
1. Sterling Bancorp, Inc. - Southfield, MI
2. Royal Business Bank - Los Angeles, CA
3. Arbor Bancorp, Inc. - Ann Arbor, MI

Credit Unions
1. Fox Communities Credit Union - Appleton, WI
2. Idaho Central Credit Union - Chubbuck, ID
3. Technology Credit Union - San Jose, CA

marketintelligence.spglobal.com/2017rankings

S&P Global Market Intelligence

Rankings previously released by SNL Financial, now an offering of S&P Global Market Intelligence. Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global. All rights reserved. For a complete list of all rankings, methodology and/or other criteria, please refer to the 2017 bank and credit union rankings reports.
THE IBC’S ADVOCACY DIFFERENCE

The IBC in the Halls of Congress Exclusively Advocating for the Community Banking Industry

Community bankers, including Team IBC, wrapped up hundreds of advocacy meetings with members of Congress on Capitol Hill as part of the 2018 ICBA Capital Summit. In meetings with each of Colorado’s House and Senate lawmakers and staff, IBC advocated for passing meaningful regulatory relief, modernizing the Bank Secrecy Act, ending credit union tax subsidies, passing a new Farm Bill, and reforming the housing-finance system. Community bankers can make their voices heard and continue the momentum by promoting ICBA’s nationwide regulatory relief petition drive and contacting Congress. At www.icba.org

Team IBC: IBC President John Sneed, FMS Bank; IBC Director Tom Chesney, AMG National Trust Bank; IBC Chairman Harry Devereaux, Guaranty Bank; IBC President-Elect Megan Harmon, The Eastern Colorado Bank; IBC Director Kyle Heckman, Flatirons Bank; IBC Director Quentin Leighty, First National Bank Monument; IBC Executive Director Barbara Walker; IBC Past President Dale Leighty, First National Bank Las Animas
THE IBC’S ADVOCACY DIFFERENCE

IBC Under The Gold Dome…Literally!

The IBC and Bank of Colorado’s President and IBC Director Shawn Osthoff, joined State Senator Owen Hill who is running for the 5th Congressional District for a reception on April 17th in the Gold Dome of the State Capitol. What a venue! Joining this event included Scott Davis of Bank of Colorado; Quentin Leighty of First National Bank Monument; Ashley and Jackie Burt of Gunnison Bank & Trust; Dave Reyher and Barbara Walker of the IBC; and several industry services representatives. State Senator Hill is a strong supporter of the community banking industry. We enjoyed getting to know him better. And his message to all voters...get involved and stay involved with your lawmakers whose actions impact our daily lives and businesses.

Making our way up the interior of The State Capitol Dome.

See that tiny black spot in the center of the State Capitol Dome? We were above that!
Looking down to the Rotunda … winding our way up the spiral staircase … to the view from the top!
As I pen my first column for the newly revamped Independent Banker as ICBA’s president and CEO, I’m filled with a tremendous amount of pride and optimism. I am proud of what ICBA has accomplished over its 88-year history and optimistic about what the future holds for community banks. ICBA’s incredible members, staff, state and regional partners, leadership bankers and, of course, the inimitable Cam Fine have given strength and momentum to our association and to the community banking industry more broadly. Now, the future is ours for the taking. We own what will happen next.

I’m honored to be part of that future and look forward to leading ICBA as we write the next chapter of the community bank story. Together, we will build on our tradition of service and differentiation as we continue to make even more positive change happen for our industry, our customers and the communities we serve.

Mission: Flourish
As ICBA’s leader, I will always look to our mission for inspiration and as a barometer of our success. That’s why you’ll see that my column here in Independent Banker is titled “Flourish.” Every month, I want you to see what the ICBA team is doing to create and promote an environment where community banks flourish.

This mission is why ICBA has been, and always will be, there for you—fighting against threats like the disproportionate regulatory burden, unfair competition from tax-advantaged credit unions and, more recently, the specter of technology companies like Amazon that want to operate like banks but not be regulated like them.

It’s also why ICBA will help you navigate and harness changes in the industry by bringing you best-in-class education and innovative business solutions. Through advocacy, education and innovation, we will fulfill our mission by helping you fulfill your mission.

Opportunity is knocking
The future holds so much promise. There’s no telling what community banks can accomplish, especially when we face challenges head on and turn them into opportunities to flourish.

Thank you for your continued support of ICBA. I look forward to getting out and meeting with so many of you in the months ahead, so we can discuss more ways to help your community bank thrive.
IS YOUR WEBSITE WEARING A MULLET?
By: Lauren O’Connell, past director of the IBCEF and president of O’Connell Consulting Group, Inc., a professional marketing firm that specializes in developing customized marketing solutions for community banks to help them acquire new profitable customers and motivate existing customers to buy more and refer your bank more often. O’Connell Consulting Group is an Associate Member of the IBC.

Do you recall that popular hairstyle from the 80’s – the mullet – with its signature “business up front, party in the back?” Perhaps you sported one? What’s your first impression of someone still wearing a mullet?

More importantly, is your website wearing a mullet?

If you haven’t updated your website in 4 + years your financial institution might as well be wearing a mullet – you know what I mean. Your website creates a lasting impression of your brand – it says who you are, what you do, where you’re located and why someone would consider you for their banking needs. It should be user-friendly, easy to navigate, and reflect a web presence that’s up to date in terms of navigation, functionality, security and of course, technology. A website that looks outdated may communicate to users that your products, services and security are similarly antiquated.

Just like the impression someone with a mullet leaves, broken links, old product descriptions, typos and something that looks like it was developed long ago is not the best way to make a first impression with your prospects and customers. Because you know that old saying – “you never get a second chance to make a first impression.”

If your website is still wearing a mullet then you need to decide if it’s time to update your site so it leaves the right impression with your readers.

Here are a few things to help you decide if it’s time:
- Review your traffic reports – how is your site being used now and are those your intentions?
- Is the look and feel of your site consistent across computer, mobile and tablet use – as well as your sales materials and brochures?
- Are your key messages updated, visible and consistent on what makes you unique in your market?
- Do you rank high enough in search results?
- Is access to online banking the only reason people go to your site?

So, is it time to give your website a new “do” – time to ditch the mullet?

Let’s have a contest to see who sported the best mullet in the 80’s – send your best picture to Barbara at the IBC (bwalker@ibcbanks.org) and let’s see who had the best one! Please send your picture to Barbara by May 31, 2018.

And of course, contact me at 303-795-3539 or at lauren@oconnellconsultinggroup.com if you need help ditching your website’s mullet and developing an impactful strategy. I’m ditching my website’s mullet now too – stay tuned for our new one!
The IBC’s **Free Legal Hotline**

*Free Legal Advice for IBC Member Banks*

IBC Member Banks are permitted to contact Shapiro Bieging Barber Otteson LLP concerning simple legal questions involving the member bank.*

Our **Free Legal Hotline services**
include responding to inquiries on the following issues:

- Regulatory
- Consumer Compliance
- Account Opening
- Probate
- Powers of Attorney
- Conservatorship/Guardianship
- Uniform Commercial Code
- Uniform Consumer Credit Code
- UTMA
- Mechanic’s Liens
- Loan Documentation
- Foreclosures
- Garnishment/Levy
- Subpoenas

*The hotline service does not include responding to questions that require extensive review or research or that involve specialized areas of practice such as tax, ERISA, labor, municipalities, securities or anti-trust law; general review and/or revision of legal documents; or drafting or providing particular legal forms. The responding attorney will advise you if the matter about which you seek assistance is not included in this service.*

**Take advantage of this free value added service!**

**Receive the information you need when you need it.**

Contact the IBC for additional information at 303.832.2000.
The IBC’s mission is to provide high-quality educational programs in a timely manner to you and your employees with all levels of banking experience. We believe that the knowledge gained through these programs can result in success for you, your employees and your bank.

**2018 IBC Training Schedule**

IBC On-Site Conferences

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<th>Commercial Lending Institute</th>
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<tr>
<td><strong>Analyzing Financial Statements</strong></td>
<td>Wednesday, May 30</td>
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<td><strong>Cash Flow Analysis</strong></td>
<td>Thursday, May 31</td>
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<td><strong>How to Write an Effective Credit Memo</strong></td>
<td>Friday, June 1</td>
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<td><strong>Community Banker Roundtables</strong></td>
<td>First National Bank, Durango</td>
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<td>FMS Bank, Greeley</td>
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<td>Bankers' Bank of the West, Denver</td>
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<td>United Methodist Church, Wiley</td>
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<th>Denver</th>
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<td><strong>FDIC Directors College</strong></td>
<td>Wednesday, July 18</td>
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<td><strong>BSA/AML Mile High Summit</strong></td>
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<td><strong>45th Annual Convention</strong></td>
<td>Wednesday – Friday, September 19 – 21</td>
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<td><strong>IT and Operations Conference</strong></td>
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**IBC and ProBank Austin Co-Sponsored Live Seminars**

| Mortgage Lending – Start to Finish           | Tuesday, September 11                                            |
|                                              | Aurora                                                           |
| **2018 TRID Compliance: The Final Frontier** | Wednesday, September 12                                          |
|                                              | Aurora                                                           |
| **2018 Mastering HMDA**                      | Thursday, September 13                                            |
|                                              | Aurora                                                           |
| 2018 Real Estate Lending Compliance          | Tuesday-Thursday, September 25-27                                 |
|                                              | Colorado Springs                                                 |
| 2018 ACH Processing Compliance               | Wednesday, October 3                                              |
|                                              | TBD                                                              |
## 2018 Webinar Schedule

### Auditing & Accounting

<table>
<thead>
<tr>
<th><strong>Call Report Series:</strong> Examining Bank Assets, Liability &amp; Income in Call Report Preparation</th>
<th>Tuesday, June 5</th>
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</thead>
<tbody>
<tr>
<td>Auditing Your Loan Portfolio: Consumer, Commercial &amp; Real Estate</td>
<td>Tuesday, July 10</td>
</tr>
<tr>
<td><strong>Call Report Series:</strong> Preparing Call Report Basic Lending Schedules: Coding, Classification &amp; Loan Loss Allowance</td>
<td>Wednesday, July 25</td>
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<tr>
<td>CECL: Making Strategic Decisions Regarding Methodologies, Processes &amp; Governance</td>
<td>Wednesday, August 8</td>
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<tr>
<td><strong>Call Report Series:</strong> Call Report Preparation: Schedule RC-R, Regulatory Capital &amp; the Capital Conservation Buffer</td>
<td>Tuesday, September 18</td>
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<tr>
<td><strong>Call Report Series:</strong> Complex Call Report Lending Schedule Preparation</td>
<td>Thursday, October 25</td>
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<tr>
<td>Auditing for HMDA Compliance, Including Data Collection Rules</td>
<td>Thursday, December 6</td>
</tr>
<tr>
<td><strong>Call Report Series:</strong> Improving Efficiency in Call Report Preparation: Documentation, Accuracy &amp; Common Errors</td>
<td>Tuesday, December 11</td>
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</tbody>
</table>

### Collections

| **Consumer Debt Series:** Real Estate Loan Workouts, Deeds in Lieu, Short Sales, Foreclosures, Deficiency Judgments & Receiverships | Tuesday, May 22 |
| **Consumer Debt Series:** Reducing Consumer Loan & Collection Losses: Workouts, Forbearance, Restructuring & More | Thursday, July 19 |
| **Consumer Debt Series:** Maximizing Recoveries on Charged-Off Loans | Tuesday, September 11 |
| **Consumer Debt Series:** Proper Repossession Notice & Sale of Non-Real Estate Collateral | Thursday, November 8 |

### Compliance

| **Analyzing TRID Tolerance Cures: Clarifying the Confusion** | Wednesday, May 9 |
| **Top Escrow Compliance Exam Issues, FAQs & Field Audits** | Tuesday, May 15 |
| **Red Flags in Residential Appraisal Compliance** | Thursday, June 7 |
| **Marketing Series:** Advertising Compliance to Electronic, Website, TV & Radio Promotions | Tuesday, June 19 |
| **Reg E Requirements for Debit Card Error Resolution:** Processing, Disclosure & Investigation | Thursday, June 21 |
| Maintaining Required FDIC Records: Compliance, Issues & Retention | Thursday, July 12 |
| Wire Transfer Security: Regulatory Guidance, Risk Management & Monitoring | Tuesday, July 24 |
| Fair Lending Comparative File Review | Tuesday, August 14 |
| Final Preparation for CFPB’s TRID Amendments, Effective October 1 | Thursday, August 16 |
| Managing Pensional Credit Under Reg E | Thursday, August 30 |
| Complying with Reg Z Rules for HELOCs: Disclosure, Documentation, Statements & Maintenance | Wednesday, September 5 |
| Imaged Documents & Checks: Regulations & Legal Concerns | Thursday, September 6 |
| New BSA Officer Training: Requirements & Real-Life Scenarios | Thursday, September 13 |
| Vendor Outsourcing: Due Diligence, Contracts, Risks & Oversight | Thursday, September 20 |
| HMDA Reporting: Lessons Learned, Common Mistakes & FAQs | Friday, September 21, 9:00-10:30am |
| Compliance Officer Training: Risk Assessments, Monitoring & Testing | Wednesday, September 26 |
| Proper Preparation of the TRID Loan Estimate & Closing Disclosure | Tuesday, October 2 |
| Payment Systems Rules & Regulations for ACH, Cards, Wires & Checks | Tuesday, October 16 |
| **Compliance Series:** Job-Specific Compliance Training for Deposit Operations | Tuesday, October 30 |
| Analyzing Common TRID Compliance Violations | Thursday, November 1 |
| **Compliance Series:** Robbery, Preparedness: Requirements & Proven Strategies | Tuesday, November 27 |
| **Cyber Series:** Compliance Questions & Issues in Deploying Mobile Remote Deposit Capture | Wednesday, December 5 |
| Auditing for HMDA Compliance, Including New Data Collection Rules | Thursday, December 6 |
| BSA Officer Reports to the Board | Thursday, December 20 |

### Director

| **Director Series:** Regulator Expectations in Capital Planning | Wednesday, June 6 |
| **Director Series:** Assessing Credit Risk for Directors | Thursday, July 26 |
| **Compliance Series:** Regulatory Requirements for the Board & Senior Management | Tuesday, August 28 |
| Roles, Responsibilities & Liabilities of Community Bank Directors | Tuesday, October 22 |
| * Please note: Director Series is presented from 9:00 – 10:30am |

### Frontline and New Accounts

| **Handling Powers-of-Attorney & Living Trust Documents for Deposit Accounts & Loans** | Thursday, May 3 |
| **New Accounts Series:** Opening Business Accounts, Entities, Documentation, Authority & Regulatory Requirements | Tuesday, May 8 |
| **IRA Series:** Current IRA Issues, Including Divorce, IRS Levies, Bankruptcies & Creditor Claims | Wednesday, May 16 |
| Understanding the Procedural Differences Between Substitute Checks, ACH Imaged Checks & New Warranties Under Reg CC Effective July 1, 2018 | Friday, June 8, 9:00 – 10:30am |
### Frontline and New Accounts Cont.

<table>
<thead>
<tr>
<th>Event</th>
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<tbody>
<tr>
<td>Overdraft Disclosure Requirements, Regulations, UDAAP &amp; Legal Risks</td>
<td>Thursday, June 14</td>
</tr>
<tr>
<td>Safe Deposit Issues: Drilling, Unpaid Rent, Death &amp; Unclaimed Property</td>
<td>Wednesday, June 20</td>
</tr>
<tr>
<td><strong>New Accounts Series</strong>: Opening Trust Accounts: Compliance, Documentation, Signing Authority &amp; Deposit Insurance Issues</td>
<td>Tuesday, June 26</td>
</tr>
<tr>
<td>Notary Essentials, Legalities &amp; Best Practices</td>
<td>Thursday, June 28</td>
</tr>
<tr>
<td>IRA Series: Understanding IRA Beneficiary Designations, Death Distributions &amp; Required Minimum Distributions</td>
<td>Wednesday, July 11</td>
</tr>
<tr>
<td>Handling Federal Benefit Payments: Protections, POAs, Delinquency &amp; Death</td>
<td>Monday, July 6, 9:00-10:30am</td>
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<tr>
<td><strong>New Accounts Series</strong>: Opening Minor Accounts: Signature Cards, Access &amp; Ownership</td>
<td>Tuesday, August 21</td>
</tr>
<tr>
<td>How to Originate &amp; Onboard a New ACH Business: Set Up, Risk Assessment, Registry, Audit &amp; Third-Party Senders</td>
<td>Friday, September 21, 9:00-10:30am</td>
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<tr>
<td>IRA Series: IRA Conversions, Recharacterizations &amp; Excess Contributions</td>
<td>Thursday, September 27</td>
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<tr>
<td>Medallion &amp; Signature Guarantee Rules &amp; Risks</td>
<td>Thursday, October 4</td>
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<tr>
<td><strong>New Accounts Series</strong>: Opening Accounts for Nonresident Aliens</td>
<td>Wednesday, October 10</td>
</tr>
<tr>
<td>Stop Payment Versus Written Statement of Unauthorized Debit (WSUD): Which Is It?</td>
<td>Monday, October 29, 9:00-10:30am</td>
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<tr>
<td>Improving Teller Performance: Head Teller Development</td>
<td>Tuesday, December 4</td>
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<tr>
<td>Your Depositor Has Died: Actions to Take &amp; Mistakes to Avoid</td>
<td>Wednesday, December 12</td>
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<tr>
<td>Closing or Changing Deposit Accounts for Consumers &amp; Businesses</td>
<td>Wednesday, December 19</td>
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### Human Resources

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<tr>
<th>Event</th>
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<tbody>
<tr>
<td>Understanding Employee Leave Policies</td>
<td>Wednesday, June 27</td>
</tr>
<tr>
<td>Managing the Employment Termination Process: Before, During &amp; After</td>
<td>Tuesday, September 25</td>
</tr>
<tr>
<td>The Fair Labor Standards Act: Do’s &amp; Don’ts of Exempt &amp; Nonexempt Pay Issues</td>
<td>Wednesday, October 3</td>
</tr>
<tr>
<td><strong>IRA</strong></td>
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<tr>
<td>IRA Series: Current IRA Issues, Including Divorce, IRS Levies, Bankruptcies &amp; Creditor Claims</td>
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<td>IRA Series: IRA Conversions, Recharacterizations &amp; Excess Contributions</td>
<td>Thursday, September 27</td>
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<tr>
<td>IRA Series: Top 10 IRA Rollover Mistakes</td>
<td>Tuesday, November 20</td>
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### IT

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<th>Event</th>
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<tbody>
<tr>
<td><strong>Cyber Series</strong>: Beginning IT Officer Training</td>
<td>Tuesday, June 12</td>
</tr>
<tr>
<td>Wire Transfer Security: Regulatory Guidance, Risk Management &amp; Monitoring</td>
<td>Tuesday, July 24</td>
</tr>
<tr>
<td><strong>Cyber Series</strong>: Expanding &amp; Improving Your Required IT Risk Assessment Program</td>
<td>Tuesday, August 7</td>
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<tr>
<td><strong>Cyber Series</strong>: Cyber Threats: Prevention, Detection &amp; Response</td>
<td>Thursday, October 18</td>
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<tr>
<td><strong>Cyber Series</strong>: Compliance Questions &amp; Issues in Deploying Mobile Deposit Capture</td>
<td>Wednesday, December 5</td>
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### Lending

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<tr>
<td>Analyzing TRID Tolerance Cures: Clarifying the Confusion</td>
<td>Wednesday, May 9</td>
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<tr>
<td>Finance Charges: Getting It Right!</td>
<td>Thursday, May 10</td>
</tr>
<tr>
<td><strong>Consumer Debt Series</strong>: Real Estate Loan Workouts, Deeds in Lieu, Short Sales, Foreclosures, Deficiency Judgments &amp; Receiverships</td>
<td>Tuesday, May 22</td>
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<tr>
<td>Consumer Loan Documentation</td>
<td>Wednesday, May 23</td>
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<tr>
<td>Compliance Series: Job-Specific Compliance Training for Lenders</td>
<td>Wednesday, May 30</td>
</tr>
<tr>
<td>Increasing Fee Income Without Raising Fees</td>
<td>Thursday, May 31</td>
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<tr>
<td>Red Flags in Residential Appraisal Compliance</td>
<td>Thursday, June 7</td>
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<tr>
<td>Protecting the SBA Guaranty Start to Finish</td>
<td>Wednesday, June 13</td>
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<tr>
<td>Determining a Legal Entity for Purposes of Beneficial Ownership</td>
<td>Friday, July 6, 9:00-10:30am</td>
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<tr>
<td>Auditing Your Loan Portfolio: Consumer, Commercial &amp; Real Estate</td>
<td>Tuesday, July 10</td>
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<tr>
<td>Loan Review: Consumer, Commercial &amp; Real Estate</td>
<td>Tuesday, July 17</td>
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<tr>
<td><strong>Consumer Debt Series</strong>: Reducing Consumer Loan &amp; Collection Losses: Workouts, Forbearance, Restructuring &amp; More</td>
<td>Thursday, July 19</td>
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<td><strong>Call Report Series</strong>: Preparing Call Report Basic Lending Schedules: Coding, Classifications &amp; Loan Loss Allowance</td>
<td>Wednesday, July 25</td>
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<tr>
<td>Securing Loans with Cash: Using Deposit &amp; Brokerage Account to Reduce Loss Risk</td>
<td>Thursday, August 2</td>
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<tr>
<td>Commercial Loan Application Dangers Zones</td>
<td>Thursday, August 9</td>
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<tr>
<td>Fair Lending Comparative File Review</td>
<td>Tuesday, August 14</td>
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<td>Final Preparation for CFPB’s TRID Amendments, Effective October 1</td>
<td>Thursday, August 16</td>
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<tr>
<td>Stress Testing Your Loan Portfolio: Regulatory Expectations &amp; Enhancing Credit Risk Management</td>
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<tr>
<td>Complying with Reg Z Rules for HELOCs: Disclosure, Documentation, Statements &amp; Maintenance</td>
<td>Wednesday, September 5</td>
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</tbody>
</table>
### Lending Cont.

- **Consumer Debt Series**: Maximizing Recoveries on Charged-Off Loans  
  Tuesday, September 11
- **Mortgage Lender Training Part 1**: Life-of-Loan Reg B Requirements, Including Application, Monitoring & Disclosures  
  Wednesday, September 12
- **HMDA Reporting**: Lessons Learned, Common Mistakes & FAQs  
  Friday, September 21, 9:00-10:30am
- **Compliance Officer Training**: Risk Assessment, Monitoring & Testing  
  Wednesday, September 26
- **Proper Preparation of the TRID Loan Estimate & Closing Disclosure**  
  Tuesday, October 2
- **Mortgage Lender Training Part 2**: Mortgage Life-of-Loan: Processing, Underwriting & Notices  
  Thursday, October 11
- **Commercial Real Estate Basics**: Multi-Family, Commercial Rentals, Hotels  
  Friday, October 12, 9:00-10:30am
- **Understanding Title Insurance Policies, Commitments & ALTA Endorsements**  
  Wednesday, October 17
- **Analyzing Common TRID Compliance Violations**  
  Thursday, November 1
- **Lending to Churches & Other Nonprofit Organizations**  
  Tuesday, November 6
- **Consumer Debt Series**: Proper Repossession, Notice & Sale of Non-Real Estate Collateral  
  Thursday, November 8
- **How to Obtain & Perfect a Security Interest in Unconventional Collateral**  
  Tuesday, November 13
- **Mortgage Lender Training Part 3**: Mortgage Life-of-Loan: Decision-Making, Appraisals, Post-Closing Requirements  
  Wednesday, November 14
- **Your Borrower Has Died**: Actions to Take & Mistakes to Avoid  
  Thursday, November 29
- **Dealing with Joint Signers in Consumer & Real Estate Lending**  
  Thursday, December 13

### Marketing

- **Marketing Series**: Advertising Compliance for Electronic, Website, TV & Radio Promotions  
  Tuesday, June 19
- **Marketing Series**: Developing, Maintaining & Sustaining Brand Loyalty  
  Wednesday, July 18
- **Marketing Series**: Advertising & the New Media Mix: What’s Right for Your Bank?  
  Wednesday, August 15
- **Marketing Series**: Measuring the ROI of Your Digital Marketing Strategy  
  Wednesday, September 19

### Operations

- **ACH Error Resolution**: Unauthorized, Authorization Revoked, or Stop Payment?  
  Thursday, May 24
- **Increasing Fee Income Without Raising Fees**  
  Thursday, May 31
- **Understanding the Procedural Differences Between Substitute Checks, ACH Imaged Checks & New Warrants Under Reg CC Effective July 1, 2018**  
  Friday, June 8, 9:00 – 10:30am
- **Reg E Requirements for Debit Card Error Resolution: Processing, Disclosure & Investigation**  
  Thursday, June 21
- **Maintain Required FDIC Records: Compliance, Issues & Retention**  
  Thursday, July 12
- **Handling Federal Benefit Payments**: Protections, POAs, Delinquency & Death  
  Friday, July 13, 9:00-10:30am
- **Wire Transfer Security**: Regulatory Guidance, Risk Management & Monitoring  
  Tuesday, July 24
- **ACH Rules & Responsibilities for RDFIs**  
  Tuesday, July 31
- **Managing Provisional Credit Under Reg E**  
  Thursday, August 30
- **Imaged Documents & Checks: Regulations & Legal Concerns**  
  Thursday, September 6
- **How to Originate & Onboard a New ACH Business**: Set Up, Risk Assessment, Registry, Audit & Third-Party Senders  
  Friday, September 14, 9:00-10:30am
- **Payment Systems Rules & Regulations for ACH, Cards, Wires & Checks**  
  Tuesday, October 16
- **Stop Payment Versus Written Statement of Unauthorized Debit (WSUD): Which Is It?**  
  Monday, October 29, 9:00-10:30am
- **Compliance Series**: Job-Specific Compliance Training for Deposit Operations  
  Tuesday, October 30
- **Form 1099 Reporting**: Third-Party Vendors, Foreclosures, Debt Forgiveness & More  
  Wednesday, October 31
- **ACH Liability & Warranties for ODFIs: Reducing Your Exposure**  
  Wednesday, November 7
- **Managing & Mitigating Card-Not-Present Fraud**  
  Wednesday, November 28
- **Handling Government ACH Payment Returns & Reclamations**  
  Tuesday, December 18

### Security & Fraud

- **FFIEC Third-Party Risk Guidance**: Appendix J for Vendor Business Continuity Issues & More  
  Thursday, May 17
- **Conducting the Annual Physical Security Review**  
  Wednesday, August 22
- **Vendor Outsourcing**: Due Diligence, Contracts, Risks & Oversight  
  Thursday, September 20
- **Compliance Series**: Robbery Preparedness: Requirements & Proven Strategies  
  Tuesday, November 27
- **Managing & Monitoring Card-Not-Present Fraud**  
  Wednesday, November 28

### Senior Management

- **FFIEC Third-Party Risk Guidance**: Appendix J for Vendor Business Continuity Issues & More  
  Thursday, May 17
- **Increasing Fee Income Without Raising Fees**  
  Thursday, May 31
- **Understanding Tax Reform**: Community Bank Taxation in 2018 & Beyond  
  Monday, July 23, 9:00-10:30am
- **Stress Testing Your Loan Portfolio**: Regulatory Expectations & Enhancing Credit Risk Management  
  Thursday, August 23
- **Vendor Outsourcing**: Due Diligence, Contracts, Risks & Oversight  
  Thursday, September 20
PAYMENT NETWORKS SCRAP SIGNATURE REQUIREMENT
By: Bankers’ Bank of the West Bank Card Division, an IBC Preferred Provider

In April, Visa® will become the last of the four prominent payment networks in the U.S. to drop the signature requirement for point-of-sale purchases made in North America using EMV chip card technology. When the change becomes effective, merchants will still have the option of requesting a signature from the purchaser, and they are compelled to do so if required by state or local law.

A faster, more convenient checkout experience will be viewed as an improvement by most busy consumers, although a few could have lingering questions about card security. Following are a few facts to help your staff respond to questions from customers who use consumer cards.

- Industry leaders don’t think ditching the signature requirement will jeopardize cardholders’ information.

- A substantial decline in counterfeit card fraud at point of sale following the U.S. liability shift for EMV chip acceptance less than two years ago has been documented, according to Visa. The company has reported a 66% drop in fraud at chip-enabled merchants since the shift was implemented—which is welcome news for consumers and merchants alike.

- In practice, merchants have seldom compared signatures on cards and receipts—and many had eliminated the signature for smaller-dollar transactions well before the networks’ “no signature” decision.

- The ongoing development of advanced authentication methods—such as multi-factor authentication, biometric technologies and tokenization—are significantly stepping up card security.

- Under the Fair Credit Billing Act of 1974, which applies to consumer cards, issuers cannot hold customers liable for more than $50 in case of fraudulent and contested transaction. (In fact, most issuers have voluntarily adopted a zero-liability approach to consumer cards.)

- The consumer’s best defense against fraud is to monitor transactions and statements closely. Online banking makes it convenient and easy to check card transactions frequently for abnormal activity.

- Reporting card theft, loss or fraud is easy—and the sooner, the better. Notify your card issuer directly.

For generations, community banks have been a trusted source of information for many thousands of Americans. In the shifting financial services environment, community bankers who approach industry changes as “teachable moments” will reap great rewards: confident, financially savvy customers.

Bankers’ Bank of the West is an IBC preferred provider of merchant services as well as a legacy sponsor of the Independent Bankers of Colorado. If you’d like to arrange for a complimentary analysis or consultation regarding bank card services, or receive information on any of the bank card programs we offer, call our Bank Card Division at 800-601-8630 or email bankcards@bbwest.com.

BASTION OF AG IS LAND VALUES
IBC’s 30th Annual Agriculture & Natural Resources Conference

The more than 75 attendees at the IBC’s 30th Annual Agriculture and Natural Resources Conference were thankful for beautiful weather and excited for the forecasted spring storm! It was about the only bright spot as news from the conference provided a fairly grim forecast for the next couple years. After a busy ag loan renewal season, 67 bankers representing 27 banks were in attendance. Pertinent topics of commodities, livestock, weather, precision agriculture and much, much more were discussed over a period of a day and a half! A recurring theme throughout the conference was keeping an eye on sanctions and trade agreements including NAFTA and TPP. THANK YOU TO ALL WHO ATTENDED.

Randy Blach, CEO, CattleFax, noted record beef, pork and poultry production is on the way. Colorado’s cattle market is growing compared to surrounding states which are either decreasing or remaining status quo. He predicts the Colorado cattle market will not be harmed by the drought. In addition, Randy recommended attendees keep an eye on international beef imports and exports – especially the Mexican and Canadian markets. Lastly, he cautioned bankers to manage their risk as oil prices move higher, as well as, inflation and interest rates!

Lynn Paulson, Senior Vice President, Director of Agribusiness Development, Bell Bank, brought a unique and welcomed banker/producer perspective to the conference. Lynn suggested attendees review family living expenses, family stress levels/divorce, health insurance costs, possible addictions, and succession plans. Lynn left us with this: The three “Cs” of lending – conservative in the good times, courageous in the tough times, and consistent all the time.

Larry Jones, Senior Relationship Manager, Farmer Mac, provided trends, tools, tips, and Colorado transaction information. In addition, Larry provided information about the myriad programs Farmer Mac offers. Larry encouraged participants to take advantage of Farmer Mac discounts available through its partnership with ICBA.

A silver lining was provided by Dr. Russ Schumacher, Associate Professor, Colorado Climate Center and Colorado Climatologist. He predicted moisture for the weekend and the possibility of additional moisture in the coming weeks. Dr. Schumacher indicated one of the biggest drivers of seasonal climate over North America is ENSO (El Niño/Southern Oscillation). Thus far we experienced have La Niña conditions: Cool ocean near South America and warm in the western Pacific. Typically this brings warm and dry conditions to southern Colorado, and that’s what we have experienced. La Niña conditions are expected to wane this spring, returning to near neutral. Additional good news is Colorado’s reservoirs are in fine shape.

Precision Agriculture – what does it mean to you – genetics, software, drones, data collection, field mapping, other? Chase Crouch and Andy Hansen, Integrated Solution Manager and Andy Hansen, Integrated Solutions Supervisor, 4Rivers Equipment, provided information on where precision ag began and the advancements have and are taking place. Helping farmers attain optimal moisture monitoring and data will drive and optimize yields.

Hay, corn, soybeans, oh my! Dr. Stephen Koontz, Professor and Extension Economist, Department of Agricultural & Resource Economics, Colorado State University, provided an outlook on the Grains Market. Dr. Koontz indicated weather will play a vital role in commodity prices. Soybeans and oilseeds continue to experience strong demand while corn, wheat and forage markets struggle. The long-term outlook for the commodity crop economy is improving but remains cautious.

Continued on next page
Barbara Walker, Executive Director, Independent Bankers of Colorado, began Friday morning with a state and federal legislative update. The IBC continues to be the exclusive lobbying voice for Colorado’s community banks both at the state and federal levels.

Dr. David Kohl’s, Professor Emeritus, Virginia Tech, presentation on State of Agriculture and Ag Lending had everyone on the edge of their seats! Dr. Kohl expressed cash is queen not king because a queen has more flexibility than a king when playing chess. He reported: Credit card debt is over a trillion dollars, savings have been cut in half, and the US has experienced 106 months without a recession. In addition a mega-trend to consider is worldwide agricultural automation. Dr. Kohl recommended using accrual analysis to spread financial statements and taking a balanced approach to lending, analysis and financial reports (pay special attention to Schedule F). He also commented attendees should focus on what is not in the financial statements – character, management and other outside issues. Take the time to have borrowers determine their cost of production. Healthcare and labor costs are causing hardships on agriculture. Lastly, Dr. Kohl suggested attendees ask borrowers for a monthly living expense breakdown versus annual and add 25% to the figure to achieve a more accurate/realistic amount. He left everyone wanting more.

The conference concluded with an industry panel comprised of Dr. David Kohl, Lynn Paulson and Dr. Stephen Koontz. We appreciate their willingness to field tough questions from attendees.

Thank you to our IBC Ag and Natural Resources Committee members for their continued support and dedication this conference:

Jay Goddard, Points West Community Bank  
Eric Hoffner, Farmers Bank  
Dave Hubbard, The Eastern Colorado Bank  
Tom Tomky, TBK Bank  
Dallas Kiburz, Bankers’ Bank of the West  
Brett Legg, The Eastern Colorado Bank  
Tom Olson, Points West Community Bank  
Myron Sams, First National Bank Hugo-Limon

Congratulations to our prize drawing winners:

David Murphy, Frontier Bank  
Kenny Stumpf, Farmers Bank  
Kasey Russell, Frontier Bank

THANK YOU TO OUR VERY GENEROUS SPONSORS!!

GRAND CHAMPION AND LEGACY PARTNER  
Bankers’ Bank of the West

RESERVE GRAND CHAMPION  
Bell Bank  
ICBA Services Network

DIVISION CHAMPION  
Farmer Mac  
FHLBank Topeka

CLASS WINNER  
Colorado Agricultural Development Authority (CADA)  
Graduate School of Banking at Colorado  
Spence Fane LLP

BLUE RIBBON  
Country Banker Systems  
Moye White LLP
IBC welcomes its newest member: Rio Grande Savings and Loan Association and welcomes its new associate members: Capco, Graduate School of Banking at Colorado, NewGround and Polsinelli PC.

Check IBC out on Facebook!  
https://www.facebook.com/IndependentBanksCO/

Check IBC out on Twitter!  
https://twitter.com/ibcbanks
2018 Independent Bankers of Colorado
On-Site Conferences

Commercial Lending Institute –
Analyzing Financial Statements, Cash Flow Analysis
and Writing an Effective Credit Memo
Wednesday – Friday, May 30-31 and June 1, 2018
Eide Bailly Training Center,
7001 East Belleview, Denver, CO

FDIC Banker Outreach Program
Wednesday, July 18, 2018
Marriott Denver Tech Center,
4900 South Syracuse Street, Denver, CO

BSA/AML Mile High Summit
Tuesday, July 24, 2018
Federal Reserve Bank, Denver Branch,
1020 16th Street, Denver, CO

IT/Operations Conference
Thursday and Friday, November 1-2, 2018
Location TBD
Helping Your Customers Invest in Education

Strengthening Your Community and Your Bottom Line

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New exam prep tool boosts national mortgage licensing exam success
Prep xL by OnCourse Learning customizes study plan for each mortgage professional

BROOKFIELD, Wis. — A new online test preparation tool, Prep xL by OnCourse Learning, is now available to mortgage professionals across the country who are studying for the national portion of the licensing exam.

Many test prep tools fail students by only providing a very general overview of the subject matter. This outdated approach leaves mortgage professionals unsure of what their own strengths and weaknesses are when it comes to taking the S.A.F.E. Mortgage Loan Originator Test.

“Prep xL customizes the learning experience by zeroing in on the specific areas where an individual student needs to focus based on their knowledge of the topic,” said Brett Shively, executive vice president of financial services for OnCourse Learning. “By providing targeted practice based on a student’s exam date and on topics pertinent to mortgage professionals, students leave the experience fully confident in their ability to pass the exam.”

Addresses knowledge gaps
Prep xL by OnCourse Learning provides a personalized, engaging experience that addresses each individual’s knowledge gaps and improves learning outcomes. The exam prep platform also includes study support tools like interactive flashcards and learning games. It also offers an impressive mobile experience, allowing students to learn on the go.

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Prep xL by OnCourse Learning provides multiple ways to help students prepare, including practice questions and sample tests. A tailor-made dashboard rounds out the experience and tracks students’ progress, providing the following actionable data:

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Prep xL is a new addition to OnCourse Learning’s Mortgage Lender solutions, which also includes NMLS-approved training programs, Compliance Keeper, Compliance Training Courses and new OnCourse Unplugged video courses.

For more information
Mortgage professionals can learn more by visiting Prep xL by OnCourse Learning.

For media inquiries, contact:
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Join the IBC for a briefing on legislative issues impacting you and your bank! Immediately following, there will be a regulator panel, moderated by Christian Otteson, Partner, Shapiro Bieging Barber Otteson LLP. Participate in this candid discussion on exam “hot” topics and much more! Regulators from the Division of Banking, FDIC, Federal Reserve Bank of Kansas City and the OCC will be in attendance. Lastly, Build, Buy or Sell? Strategies for Optimizing and Realizing Value, presented by Kendrik de Koning, Senior Managing Director, TransWestern Capital Advisors, LLC, will conclude the meeting.

This session will provide a survey of bank mergers & acquisitions trends and provide a framework for creating and executing on a plan that seeks to optimize the value of your institution. For would-be buyers or sellers, we’ll cover some of the many hurdles, pitfalls, and dramas that frequently beset otherwise smooth deals, and describe a process designed to mitigate against those. For those planning to continue to organically grow their institutions, this session will discuss the competitive landscape inside and outside of traditional channels, as well as cover a novel approach to building capital through a creative use of FHLB advances.

We encourage you to come and network with colleagues, regulators, and the IBC at any of the four locations. All Roundtable sessions are from Noon – 3:30pm.

YES! Sign me up for the following IBC Community Banker Roundtable(s):

_____ Wednesday, June 13 – First National Bank of Durango, 259 West 9th Street, Durango
_____ Tuesday, June 19 – FMS Bank, 2425 35th Avenue, Greeley
_____ Wednesday, June 20 – Bankers’ Bank of the West, 1099 18th Street, Suite 2700, Denver
_____ Thursday, June 21 – Wiley Methodist Church, 311 Gordon Street, Wiley

IBC Roundtable Members and Next Generation of Banking Leader Members attend for FREE. IBC member banks attend for $200 and IBC non-member banks attend for $250. Registration fee allows an unlimited number of attendees from you bank to attend! If applicable, your organization will be invoiced. Registration deadline is one week prior to offering. No money will be refunded after this date. Substitutes are welcome.

Name(s) of those attending: ______________________________________________________________

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Please return completed registration to Maelynn Lewis via email, mlewis@ibcbanks.org, or fax to 303.832.2040. For questions contact the IBC at 303.832.2000.

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AFTER TAX REFORM: IS ‘S’ STILL BEST FOR YOUR BANK?
By: Eric Budreau, Eide Bailly, an IBC Associate Member

On December 22, 2017, President Trump signed into law the tax reform legislation known simply as “H.R. 1” and now designated Public Law 115-97. Due to budget reconciliation rules in the Senate, it was determined that the name given the tax reform legislation by Congress, the “Tax Cuts and Jobs Act,” could not be used. Therefore, the official title of H.R. 1 is “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018;” however, we will refer to it simply as H.R. 1.

Lower Tax Rates
Bankers will find a number of provisions in H.R. 1 potentially of interest including new limitations on various deductions that will affect their banks and customers. The most notable changes will likely be the lower tax rates. For calendar year regular corporations, H.R. 1 reduces the current 35 percent top corporate tax rate to 21 percent beginning on January 1, 2018. The 21 percent rate is a “flat” tax that will apply regardless of a regular corporation’s income. For a fiscal year regular corporation, with a tax year ending in 2018, the new flat 21 percent rate will be “blended” with the tax rates in place prior to January 1, 2018.

For S corporation banks, H.R. 1 reduces the top shareholder individual income tax bracket from 39.6 percent to 37 percent starting in 2018. In addition, it introduces a special 20 percent deduction, subject to various potential limitations, that will generally be available to individuals, trusts and estates owning S corporations and other “pass-through” type business entities. Due to procedural constraints in the Senate, both of these changes are temporary; they are slated to expire after 2025, although it is possible Congress during 2026, a mid-term election year, could choose to extend expiring provisions. In those instances where the full 20 percent deduction is available, the top tax bracket for S corporation owners essentially drops from 37 percent to 29.6 percent. Thus, the gap between the top federal tax rates applicable to regular corporations, at 21 percent, as compared to the top individual S corporation rate, at 29.6 percent, has increased under H.R. 1, to 8.6 percent from the current, and long-standing, 4.6 percent, which was 35 percent compared to 39.6 percent.

This 4 percent increased spread provides an incentive to revisit the advantages and disadvantages of a bank’s current business structure. In particular, banks operating as S corporations should reassess the benefits of their S corporation election. Many banks will likely choose to retain their S corporation status due, in part, to the continuing additional shareholder level income tax on dividends paid by regular corporations. However, others may find that the 21 percent tax rate changes the analysis enough to make a switch to regular corporation status. Under either scenario, the potential for a change in individual rates 8 years down the road also needs to be factored into the planning.

Next Steps
If an S corporation’s owners, after considering the pros and cons of a change, decide to revoke the S election, the effective date of the change needs to be planned. Generally, the effective date of the S corporation revocation is a specified date, one that is on or after the date the revocation is filed with the IRS. However, a revocation filed on or before the 15th day of the third month of the tax year can specify that the termination of the S election is retroactive to the beginning of the tax year.

In light of this opportunity to select a retroactive effective date for revocation, S corporations that view a change to regular corporation status as potentially beneficial should immediately consult with their tax advisers to model the financial implications of the conversion and analyze the consequences of operating as a regular corporation. In that way, they can make their decision soon enough to file the revocation documents by March 15, 2018, so that the termination can be effective as of January 1, 2018, if desired.

Of course, there are many issues to consider when determining the most advantageous business and tax structure for a bank.

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RELIEF WITHIN THE ECONOMIC GROWTH, REGULATORY RELIEF AND CONSUMER PROTECTION ACT

By: Matthew Wine, Attorney, Spencer Fane LLP, an IBC Associate Member

Relief for smaller financial institutions from strict regulations established after the financial crisis of 2007-2009 appears to be on their way, possibly in 2018. However, there are inherent risks in the potential relief proposed by Senate Bill 2155, better known as the Economic Growth, Regulatory Relief and Consumer Protection Act. The legislation was introduced in November, 2017 and is currently under consideration. Co-sponsored by a bi-partisan group of 23 senators (including Colorado Senator Michael Bennet-D), it should find traction for passage if presented on the Senate floor for a vote in 2018. The proposed legislation provides relief to smaller financial institutions that were caught up in the environment of heightened regulations under the Dodd-Frank Act.

The legislation includes among other things:

- Exempts certain consumer credit transactions from escrow requirements;
- Increases the 18-month regulatory examination cycle threshold from $1 billion up to $3 billion in total assets;
- Increases eligibility for a short-form call report for banks with assets under $5 billion;
- Reduces appraisal requirements in rural areas for transaction values under $400,000;
- Limits reporting requirements under the Home Mortgage Disclosure Act;
- Provides “qualified mortgage” status for most portfolio mortgage loans at covered institutions;
- Increases the asset threshold for bank holding companies to undergo stress testing;
- Raises the threshold for applying enhanced prudential standards from $50 billion to $250 billion, subject to the discretion of the Federal Reserve;
- Establishes a required Leverage Ratio of between 8% and 10% for banks with assets under $10 billion;
- Exempts banks under $10 billion in total assets from the Volcker Rule; and
- Provides an exception for reciprocal deposits not exceeding the lesser of $5 Billion or 20% of total liabilities;

Imagine a community bank highly engaged in rural mortgage lending. Would the bank want to establish policies, even though there are certain restrictions as to when appraisal waivers are permissible, that maximized waiver appraisals on mortgage loans under $400,000? This could be an effective marketing tool to attract mortgage lending clients (less cost and/or quicker turn around) but the bank would be increasing the credit risk of its mortgage portfolio. Finding investors for these appraisal free mortgages may be difficult in a thriving economy let alone any environment where credit performance issues arise either due to the performance of the borrower or the market. The bank does not want to find itself in a position where its mortgage portfolio is overexposed to loans lacking adequate appraisal underwriting. While the easing of appraisal requirements might be beneficial to completing transactions in rural areas or expanding a bank’s service area the appropriate policy to minimize credit risk would be to make any appraisal waiver, whether or not it is allowed by regulation, the exception to bank policy, not the rule.

Asset quality risks flow directly into capital management concerns. This can be especially true for smaller institutions whose risk may be more concentrated among smaller asset portfolios and who have less flexibility to access or adjust capital. The majority of regulation changes proposed relate to increasing the asset threshold for requiring banks to monitor and report certain financial performance metrics. Banks can then invest more time in providing banking services to its communities while earning a profit rather than compiling reports. Obviously there is a balancing act between driving business and maintaining adequate oversight. The proposed legislation allows banks more control of that scale and the industry must show it maintains a long memory to avoid repeating financial pitfalls.

The Economic Growth, Regulatory Relief and Consumer Protection Act has wide support across the banking industry, and rightfully so, as the benefits from removing very burdensome and expensive regulations will provide a deep breath for smaller banks that have been challenged in understanding, affording, and sustaining compliance originally intended for institutions deemed “too big to fail.” Banks should be preparing now for the next challenge, being prepared to take advantage of regulatory relief while ensuring internal policies maintain fiscal responsibility and has been subjected to adequate risk management review.

These are all important and beneficial adjustments to regulations that were very burdensome on smaller community financial institutions. If this legislation is enacted, these same institutions should engage in risk versus reward analysis before adjusting or implementing any policies and procedures that could result in unwanted and avoidable risk.
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DOES YOUR BANK HAVE A DEPOSIT STRATEGY?

By: Steve Kinner, Scott Hildebrand and Dave Koch, Promontory Interfinancial Network, an IBC Associate Member

Many banks lack a clear, written deposit strategy and funding plan. For the last several years, that’s been somewhat understandable. After all, deposits flowed into banks and have now reached historic highs, even though banks on average pay little or nothing in interest on the vast majority of those deposits.

Now that’s changing. Deposits are an increasingly important topic for bank boards. We are on the front end of an environment bankers have not seen in almost a decade. The Federal Reserve raised the fed funds target rate by 75 basis points last year, and three more rate increases are expected this year.

Banks already are seeing deposit competition heat up. Close to 64 percent of bankers said that deposit competition had increased in the last year, and 77 percent expected it to increase during the subsequent 12 months, according to Promontory Interfinancial Network’s Bank Executive Business Outlook Survey in the third quarter of 2017. Although in the past banks have had to compete in rising rate environments, we’ve never seen a point in history quite like this one, and it would be wise to assume rising rates will impact deposits, as well as your bank’s funding mix and profit margins.

There are a couple of reasons why the environment has changed. Historically, big banks ignored the rate wars for deposits, a game that was left to community banks. But this time, the new liquidity coverage ratio requirement that came out of the Basel III accords could encourage big banks to get more competitive on deposit rates. The ratio, finalized in the U.S. in 2014, requires banks with more than $250 billion in assets to keep a ratio of 100 percent high-quality liquid assets, such as Treasury bonds, relative to potentially volatile funds. Banks that move toward more retail deposits will have a lower expected level of volatile funds.

Also, banks have a majority of their deposits in liquid accounts while term deposits, such as CDs, are at historic lows. There’s no hard-and-fast rule to know how much of those non-term deposits will leave your bank as rates rise.

As the economy has improved, surging loan growth has put more pressure on the need to grow deposits. Loan-to-deposit ratios are rising, and as banks need to fund further growth, demand for deposits will rise. What this will do to competition for deposits and, therefore, deposit rates, is unclear. We have found that many banks aren’t raising rates on their loans, and the best borrowers can easily shop around to get the best rates. This will put pressure on margins if banks don’t raise rates on loans as interest rates rise.

Continued on next page
DOES YOUR BANK HAVE A DEPOSIT STRATEGY?
Continued from previous page

Still another factor is that people have had a decade since the financial crisis to get comfortable with the benefits of online and mobile banking. Online banks, not incurring costs associated with physical branches, often offer higher interest rates on deposits than traditional banks.

One of the best ways to prepare for the changing environment is to make sure your bank has a written, well-prepared deposit strategy. We’re not talking about a 100-page document. In fact, the asset/liability committee (ALCO) of the bank may need a five- to 10-page report highlighting the rate environment, the bank’s deposit strategy, and alternative funding plans and projections. The bank’s full board may just need a three- to four-page summary of the bank’s deposit strategy, making sure that management is able to address key questions:

- Who are your bank’s top 10 competitors, and what are they doing with rates? What new products are they offering?

- How will the Federal Reserve’s expected moves in the coming year impact our rates, our margins and our annual net income?

- What is our bank’s strategy for contacting our largest depositors and determining their needs?

- What new deposit products do we plan to offer, and how will we offer them only to our best customers? Not all customers or deposits have equal value to the bank.

- What is our funding plan? In other words, what are our alternatives if we need deposits to grow, and what will they cost? This is perhaps the most difficult question to answer.

While it’s important not to be caught off guard in a rising-rate environment, rising rates can be a good thing for a bank with a solid deposit strategy in place. For the first time in a long time, the wind will be in the sails of bankers. They just need a plan for navigating the changing environment ahead.

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Principal & Chief Balance Sheet Strategist,
Sandler O’Neill + Partners

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President & CEO,
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This could be the year of the big investment portfolio shake-out. In particular, with industry earnings poised to jump in 2018, there could well be a big increase in demand for tax-free securities. The only problem is state and local municipalities aren’t cooperating by stepping up their borrowing; in fact, for the first two months of this year, new issuance was 38 percent behind the same period last year. This supply/demand mismatch helps explain why munis prices have fallen a lot less than benchmark Treasuries have this year.

Faced with limited options about what to buy on the longer end of the duration scale, more and more community banks are investing in a product that has some similar characteristics to the mortgage backed securities (MBS) most already own: investing in a product that has some similar characteristics to the multifamily sector. These usually are collateralized by a single loan on a large development, and the pool size can range from $1 million to $50 million. They have fixed rates with balloon dates in generally 10 years, so the average life at the outset is around nine years.

As DUS bonds are fixed rate and can trade at premiums, a risk-averse portfolio manager should immediately wonder how the prepayment risk is alleviated on a single loan pool. The answer is a penalty structured as a “yield maintenance” payment that makes it extremely unlikely for an early voluntary prepayment to occur. The cash flows from DUS bonds are very little until balloon date, owing to the 30-year amortization period. It is possible to find seasoned issues, so a buyer can target a specific average life or maturity date.

Adequate supplies
Community bankers are getting around to liking the MBSs that are backed by multifamily loans. That sector, like the loans that act as collateral, has seen remarkable growth in the last five years. As the product depth has grown, so has the liquidity of the securities. In 2017, both Fannie Mae and Freddie Mac had record volumes of multifamily MBS issuances, which in aggregate were about 9 percent of new issues.

They have similarities to the generic single-family MBSs but are not identical. Many community bankers like the multifamily story for no other reason than diversification. Like all other Fannie/Freddie securities, these have 20 percent risk weighting, have guaranteed timely payment of principal and interest and are generally pledgeable. The credit quality on these products is very high, with very low delinquency rates.

DUS bonds
Fannie Mae delegated underwriting and servicing (DUS) securities comprise the largest segment of the multifamily sector. These usually are collateralized by a single loan on a large development, and the pool size can range from $1 million to $50 million. They have fixed rates with balloon dates in generally 10 years, so the average life at the outset is around nine years.

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Freddie K/Fannie ACES
Alternatives to the DUS bonds are the Freddie Mac “K” and Fannie Mae “ACES” programs. These securities are backed by pools of multifamily loans instead of a single credit. The pools can be quite large; the typical deal size is over $1 billion. These are also “structured” pools, with multiple tranches of varying seniority to cash flows and prepay risk.

These too are fixed rate and can have long average lives, but shorter tranches are available. Another benefit (in the mind of the typical community banker) is that certain classes can have “current coupons,” meaning they can be purchased at prices very close to par. Therefore, prepayment risk, which is very low to begin with, can be essentially eliminated.

Prepayments are also very low for both of these products. The reason prepayments are very infrequent with Freddie Ks is that several forms of prepayment protection are in place. The two most common are yield maintenance and “defeasance.” In either case, the investor is virtually assured of receiving the expected yield and cash flows. For Fannie ACES, which are actually pools of DUS bonds, the same yield maintenance provisions discussed above are in place.

Check them out
There are a few more positives to consider. While multifamily MBSs have become more prominent recently, they still in aggregate are a relatively small component of the entire mortgage market. In spite of this, their liquidity is very good, and compares very favorably with standard pass-through MBSs.

Also, the cash flows in either product are back-loaded, so there is little reinvestment income initially.

These may be suitable alternatives to munis in that they can form the long end of a barbell portfolio structure. And with longer rates at their highest levels in at least five years, you may be pleased to find their yields are comparable to munis, given lower marginal tax rates. Multifamily MBS could provide a safe long-term parking lot for some of your community bank’s core investment dollars.
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Financial technology, or fintech as it is more commonly known, at its most basic means using technology to deliver better financial products and services. In many ways, the fintech revolution has already taken place. Bank customers can use their smartphone devices to check their account status, pay bills, and deposit funds. In fact, because of technology, individuals almost never need to visit their bank branch for routine transactions. Fintech also refers to the hundreds of companies that emerged in recent years, from marketplace lenders to pure technology plays. Fintechs burst on the scene in the wake of the financial crisis as an alternative to traditional banking—raising expectations that they, rather than conventional banks, would drive the industry’s future.

Now some of the same companies that just a few years ago were celebrated as the future of banking are struggling to withstand credit, business, and economic cycles and to secure the funding they need to grow. And a few even face more serious problems, as well as management turnover.

As a result, many fintech leaders are rethinking their strategies. Some forward-thinking fintechs are now partnering with banks, instead of competing with them, or turning to time-honored banking tools like deposit-based funding of loans. Still others are pursuing a once-unthinkable strategy—acquiring bank charters through ILC applications—in other words, becoming banks themselves.

The overall situation remains murky. Are fintechs prepared to navigate the regulatory environment? Will doing so erode their cost advantages? Can traditional banks fully rely on new fintech partners? When fintechs recover from their recent stumbles, will they resume their competition with the banking industry?

A BETTER PATH FORWARD
In hindsight, these developments would seem predictable. Did any fintechs recognize from the start that working closely with banks—not seeking to replace them—would be key to their success?

In fact, a model of true collaboration with banks evolved more than 15 years ago, not in a hotbed of innovation such as California or Manhattan, but among veterans of the federal government in Washington DC, who built an innovative financial technology company across the Potomac in Arlington, Virginia.

The year was 2002, well before the financial crisis that gave rise to the recent growth in the fintech movement. Former executives of the Office of Comptroller of the Currency, the Federal Reserve System, and the Federal Deposit Insurance Corporation founded a company with a strength in innovation that is reflected in the 20 issued patents that it holds to date. But from the beginning, working closely with banks was key, and the company understood its future was contingent on the success of its partner banks.

From its inception, Promontory Interfinancial Network has been steadfastly committed to serving banks, not competing with them, and to a meticulous attention to detail that belies the disruptor stereotype, even when doing so leads to higher costs for itself.

Continued on next page
When to Partner with Fintechs

Partnering with fintechs may make sense in some cases for banks. Particularly if the fintech offers access to a market segment difficult to tap or a patented or differentiated product. But before entering into negotiations, banks may want to get answers to the following questions at a minimum:

- Does the fintech have a track record and has it been tested and survived credit, business, and/or economic cycles?
- Is the company well-funded? Does funding depend heavily on sustained growth?
- How reputable is the company and its management team?
- Is the potential partner an existing market leader?
- Is the potential partner (or its service) endorsed by well-known organizations (e.g., American Bankers Association or the Independent Community Bankers of America)?
- Is the fintech provider recognized for customer service?
- Does the company compete directly with banks and, if not, might it do so in the future?
- Does the organization make Service Organization Controls (SOC) reports available?
- Is the organization regularly audited or examined, not only by accountants, but also by banks and/or regulatory agencies?
- How well does the organization know banks—in particular, with respect to the regulations and security issues that may apply? What do the fintech’s bank clients say about their experiences?
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### ATM SURCHARGE-FREE NETWORK
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For information about how your bank can join our network, please call Lauren Gonnella Copeland at 513-900-4661 or lauren.gonnella@vantiv.com!