the Independent Report

“Colorado banking at its best”
2017 - 2018 Officers and Directors

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Phyllicia Kowach, Executive Assistant

IBC Legal Counsel
Thomas Bieging and John Burrus
Shapiro Bieging Barber Otteson, LLP

IBC Lobbyist
Mary Marchun, The Capstone Group

Cover by Bob Kissel: Fir Summit on La Veta Railroad Pass between Fort Garland and La Veta, Colorado. This pass is the highest standard gauge railroad pass in the United States and includes tunnels and switchbacks. During the summer, music concerts are held at Fir Summit via the train. To see more of Bob’s photos visit his website at www.flickr.com/photos/rekissel/sets.
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.

<table>
<thead>
<tr>
<th>Contact</th>
<th>Email</th>
<th>Phone</th>
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<tbody>
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<td>Craig Johnson</td>
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<td>513-900-4661</td>
</tr>
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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.

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!

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.

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.

The IBC supports and recommends the following products and services supplied by our national association, the ICBA: ICBA Bankcard and TCM Bank, N.A.; ICBA Compliance & Risk Management; ICBA Mortgage; ICBA Reinsurance; and ICBA Securities.

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.

SBS is your cybersecurity partner. Our offerings include: TRAC™ – Cybersecurity risk management software; Cyber-RISK™ – Automated FFIEC cybersecurity risk assessment software; IT and Network Security Audits; Consulting Services; Full Service Vendor Management; Role-Based Certifications; Vulnerability Assessments; Penetration Testing and More!

S&P Global combines exclusive analysis and in-depth data in real time for the banking, financial services and insurance industries. From bank branch data and government assistance programs to executive compensation and league tables, S&P is the final word in business intelligence on financial institutions.

Offering a wide range of customized insurance protection, Travelers SelectOne+® for financial institutions is designed to respond to the most recent trends in banking.

Turn your card program into a growth opportunity. With 40 years in payments and card processing, we can quickly relieve you of the regulation and compliance burden. In the end, working with Vantiv is a low risk, high return proposition because of our payments expertise and proven results. Vantiv drives the IBC’s 46 location ATM surcharge-free network.
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BKD, LLP 303-861-4545
Eide Bailly LLP 303-770-5700
FIS EGRC 720-325-4697
Fortner, Bayens Levkulich & Garrison, PC 303-296-6033
Garland Heart – Info Security | Compliance | Consulting 972-429-8200
Ivers & Associates, LLC 303-949-7702
Moss Adams LLP 503-471-1277
Stockman Kast Ryan & Co., LLP 719-630-1186

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*Deluxe Strategic Sourcing 800-992-0304
FF&S, Inc. 303-323-4341
*Harland Clarke 800-525-8848
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MG Architects 713-552-0707

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FIS EGRC 720-325-4697
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*SBS CyberSecurity 785-594-0503

Consulting/Marketing/Strategic Planning
Bank Strategies 303-618-0056
*Oncourse Learning 866-806-9900
Bell State Bank 701-371-3355
Expert Business Development 610-771-2121
GLC Advisors 303-479-3840
Kasasa 877-342-2557
O’Connell Consulting Group 303-795-3539
The James Paul Group 877-584-6468
*S&P Global 434-951-0948

Correspondent Banking Service
*Bankers’ Bank of the West 303-291-3700
Bell State Bank 701-371-3355
CenterState Bank 303-773-0441
TIB-The Independent Bankers Bank 972-650-6000
INTRUST Bank 800-732-5120
PCBB 888-399-1930

Data Processing/EFT/ATM/Card Processing/Merchant Services
*Bankers’ Bank of the West 303-291-3700
BMA Banking Systems 801-887-0122
D+H 800-815-5592
*ICBA Bancard/TCM Bank 800-242-4770
*IBT 512-606-1100
Jack Henry & Associates 417-235-6652
NuSource Financial LLC 952-942-9191

Data Processing/EFT/ATM/Card Processing/Merchant Services Continued
SHAZAM 515-288-2828
*Vantiv Corp 513-900-4661

Insurance/Benefit Services
Central States Family of Omaha 303-290-8901
Corrigan & Company 805-963-2090
Equias Alliance 469-252-1037
Financial Designs Ltd. 303-832-6100
Haas & Wilkerson Insurance 913-676-9259
*ICBA Reinsurance 888-790-6615
*Travelers 720-200-8416

Investments/Funding and Lending Partners
1st Mortgage Solution USA 303-651-7800
The Baker Group 405-415-7200
Colorado Enterprise Fund 303-860-0242
Colorado Housing and Finance Authority 303-297-7329
Colorado Lending Source 303-657-0010
Community Reinvestment Fund, USA 303-870-9795
Crescent Mortgage 970-278-9328
D.A. Davidson 303-764-6000
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FTN Financial 800-456-5460
Gill Capital Partners 303-296-6260
Hayden Outdoors 970-674-1990
*ICBA Mortgage 800-253-5356
*ICBA Securities 800-422-6442
*iHELP Private Student Loan Program 610-234-0592
Northland Securities Inc. 303-801-3380
Promontory Interfinancial Network 303-706-9265

Law Firms
Coan Payton & Payne LLC 970-225-6700
Fairfield and Woods, PC 303-894-4416
Jones & Keller 303-573-1600
Lathrop & Gage LLP 720-931-3228
Lewis Roca Rothgerber Christie LLP 303-623-9000
Lindquist & Vennum LLP 303-573-5900
Markus Williams Young Zimmerman 303-830-0800
Move White LLP 303-292-2900
Shapiro Biegelg Barber Otteson LLP
(IBC Counsel) 720-488-0220
Spencer Fane Britt & Browne 303-839-3838
Stinson Leonard Street LLP 303-376-8400

Loan Review Services
Eide Bailly LLP 303-770-5700
Fortner, Bayens Levkulich & Garrison, PC 303-296-6033
Ivers & Associates, LLC 303-949-7702

IBC Lobbying and Public Relations
The Capstone Group (IBC Lobbyists) 303-860-0555

*IBC Preferred Providers
Whatever you’re charting for the future, we’re here to help. Put us to work for you.
The IBC’s community banking advocacy in our State House is unique. No other banking association does it the way we do it…or gets the results we do! IBC’s advocacy for community banks is not conflicted. We exclusively represent community banks doing business in Colorado.

WHAT IBC AND JOHN BURRUS, ESQ., HAVE DONE FOR YOU SINCE JUNE 2017!

Proposed 2018 Electronic Notarization Bill: John is a member of the SOS advisory group on this bill. He has participated in group meetings at the SOS office on 6/23, 7/28, 8/25, and 9/29 and proposed amendments to preserve protections of third-parties when dealing with agent under a POA that has been notarized electronically and to clarify application of CO law to the validity of documents electronically notarized by CO notaries for an out-of-state signee.

Proposed 2018 Real Estate Foreclosure Bill: John is a member of a stakeholder’s advisory group. He has participated in stakeholder meetings on the bill on 9/18, 10/4, and 10/26 and voiced community bank concerns on various issues.

Proposed 2018 Uniform Laws Commission Bills: John has attended Colorado ULC meetings on 9/22 and 11/3 to testify on community bank concerns with the Trust Code, Revised Unclaimed Property Act, Guardianship and Conservatorship Act, and Wage Garnishment Act. He participated in an 11/8 national telephonic meeting on the Wage Garnishment bill amendments affecting wages deposited to bank accounts and voiced community bank concerns.

Trust Code: John drafted amendments to Colorado’s Trust Code bill to protect third parties dealing with trustees. He has had numerous email exchanges with the CO Bar Association Trust and Estates Section members concerning his proposed amendments.

Garnishment of Wages in Bank Accounts, Study Committee: The ULC, at the request of the Committee Chair, added John’s name to the committee roster as an observer to receive notices of conference calls, memos, reports, as well as any communication related to the committee. At the initial meeting, John was an active participant because he was one of the few, and the only lawyer, representing community banks. The next meeting is scheduled for 12/9.

UCCC August 2017 Advisory Opinion on DCA/DSA: John drafted an IBC Compliance Alert on the effect of opinion. He also drafted on behalf of the IBC a letter to UCCC Administrator on community bank concerns with the opinion and drafted a proposed bill to exclude DCA/DSA charges from the computation of the “finance charge” for state rate limitation purposes. He attended stakeholder meetings on 10/10 and 12/4.

Proposed 2018 Bank Liability for Unauthorized EFT Transactions Bill: John drafted an amendment limiting application of the statute to consumer accounts for the CBA bill.

Proposed 2018 CO Attorney General Data Breach/ID Theft Bill and Cybersecurity Bill: John drafted a proposed amendment exempting FIs from coverage under the data breach/ID theft bill. IBC’s attorney attended a 12/5 stakeholder meeting on this bill. The cybersecurity bill would give concurrent enforcement jurisdiction to the AGs office.

THE ONGOING IBC DIFFERENCE!

- The IBC identifies its state legislative advocacy agenda from community banks across Colorado through the IBC’s Free Legal Hotline managed by its attorney John Burrus and IBC’s long-standing law firm, Shapiro Bieging Barber Otteson.
- Every piece of legislation that may affect community banks is reviewed by the IBC’s executive director and lobbyist, and importantly by our experienced banking and commercial attorney John Burrus.
- Throughout the year, IBC’s attorney John Burrus works with numerous attorneys engaged in legislative drafting through Bar Association Committee meetings, Uniform Laws Commission meetings and other stakeholder meetings arranged by lawmakers and agencies to draft new legislation or amend existing ones. He speaks their language!
- John Burrus has been actively involved in legislative matters for over 20 years. That’s why he drafts all IBC sponsored bills and amendments to any bill impacting community banking.
- The IBC’s multi-level, comprehensive review and drafting of legislation focuses on issues harmful to Colorado community banks that do not operate extensively in other states. The IBC is not conflicted by large out-of-state banks that are often unconcerned about whether a particular bill might subject a Colorado bank to litigation or agency action in another state, because these large regional and national banks operating throughout the country have little interest in whether a particular matter is litigated in Colorado or in some other state. The IBC works to assure Colorado community banks that a particular bill will not subject a Colorado community bank to the jurisdiction of courts or agencies of other jurisdictions. This protects Colorado community banks by avoiding the additional expense of having to retain out-of-state legal representation.
INTO THE BREACH
FINE POINTS
By Camden R. Fine, President and CEO of ICBA

ICBA never flinches from its responsibility to stand up for the nation’s community banks, so we didn’t hesitate to file suit on behalf of the industry following the massive data breach at Equifax. Joined by Bank of Zachary in Zachary, La., and First State Bank in Barboursville, W.Va., the lawsuit is designed to address the long-term damage to community banks posed by the breach of 145.5 million consumer records and 209,000 payment cards.

The Equifax breach is deeply troubling not only because of its scale but also because of the failure of Equifax to take basic steps to protect itself and consumers from such a preventable catastrophe. The breach—in which hackers entered Equifax’s system through a known vulnerability, gaining access to names, Social Security numbers, dates of birth and other information—was caused by Equifax’s negligence. Quite simply, the credit rating agency failed to heed warnings from security experts to properly secure its US website. Further, Equifax waited nearly six weeks to report the breach to the public.

We do not yet know the full extent of the damage, but there is no doubt about the cost to community banks. ICBA’s lawsuit asks the U.S. District Court for the Northern District of Georgia—Equifax is based in Atlanta—to require the credit bureau to compensate community banks for the costs they will incur in responding to the breach. That includes the costs of customer credit freezes, protective measures to deter fraud, and canceling and replacing payment cards.

For a longer-term solution, ICBA’s suit also asks the court to require Equifax to improve its security infrastructure to prevent future data breaches, such as employing adequate security protocols consistent with industry standards to protect personally identifiable information and payment card data.

ICBA filed this case on behalf of community banks, because Equifax is responsible for an unprecedented breach of sensitive, personally identifiable information. Community banks rely on this information to authenticate customers when opening accounts and conducting online, in-person and over-the-phone transactions. The effect of the breach on community banks, consumers, small businesses and the economy is sure to be substantial.

ICBA has been at the forefront in responding to the Equifax breach since the news broke in September. We called on the credit bureau to immediately notify affected customers and card issuers and to provide us with ongoing briefings regarding the breach’s extent. We followed that by releasing tips for community bankers on how to respond to the breach, as well as a customizable letter for community banks to inform their customers.

Now, we are taking our response to the next level by demanding remedial action. Equifax needs to be held accountable for this massive and preventable catastrophic event to ensure the long-term security of community banks and the friends, neighbors and customers we serve.

Follow Camden R. Fine on Twitter, @Cam_Fine
FOR US, THE SEASON OF GIVING NEVER ENDS
FROM THE CHAIRMAN
By Scott Heitkamp, Chairman of ICBA

The season of giving may have just ended, but for community bankers, another year of charitable giving has dawned. Giving and doing right by our customers and communities is at the heart of what community banking is all about. No matter the season, we are there—making our communities a better place for our fellow residents and the businesses that call it home.

This issue’s Indie Banker and Main Street Focus features are prime examples of community banks’ impressive charitable and nonprofit efforts. And look no further than ICBA’s annual National Community Bank Service Awards, announced in August and covered in the September issue of Independent Banker. From helping devastated communities recover from natural disasters to broadening access to mainstream financial services for underserved communities, this year’s award winners exemplified what it means to be a community bank.

The theme of helping your neighbors after a crisis—whether natural or manmade—hit home this year for us at ValueBank Texas. We know if anyone is going to step up amid chaos and disaster, it’s the community bank!

And while most of our bank’s efforts this year have focused on Hurricane Harvey relief, we also support charities and local entities such as the Texas State Aquarium, Driscoll Children’s Hospital and Wounded Warriors of Central and South Texas. I have been on the boards of these charities, and ValueBank Texas has contributed and sponsored golf tournaments, songwriter events and donor walls.

There is such a sense of pride that comes from seeing how your bank contributes to the greater good of your community. For example, we are incredibly proud of the role ValueBank Texas served in helping Driscoll Children’s Hospital purchase new equipment for a NICU unit and in helping the Texas State Aquarium expand its space. We’re also proud of the more individualized giving and receiving we do, like spending time with wounded warriors and hearing their stories.

These are the real stories. These are real relationships with people who mean something to our community and our country.

I can tell you that there is nothing like playing golf with a wounded warrior who lost a leg fighting for our freedom and experiencing his determination to live a normal life, or seeing the smiles on children’s faces as they walk through our new Aquarium Caribbean wing at the Texas State Aquarium. These are the reasons I get involved. It’s about the outcome: lives and situations changed because of our giving. But it doesn’t have to be about donating a huge amount of money or time. These charities could also use our expertise with finances or our experience with advocating. As community bankers, we have the tools in our toolbox. Just pull them out and use them.

We have so much to give, and we must continue that spirit throughout 2018 and show the world what it means to be a community bank. We are difference makers every day for so many.

Thank you for all that you do. Best wishes for a bright and successful 2018.

R. Scott Heitkamp is president and CEO of ValueBank Texas in Corpus Christi. Follow him on Twitter, @sheitkamp
2018 IBC Training Schedule

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.

IBC On-Site Conferences

<table>
<thead>
<tr>
<th>Conference</th>
<th>Date</th>
<th>Location</th>
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<tbody>
<tr>
<td>IRA Institute</td>
<td>Tuesday and Wednesday</td>
<td>Denver</td>
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<tr>
<td></td>
<td>February 27 and 28</td>
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<tr>
<td>Ag and Natural Resource Conference</td>
<td>Thursday and Friday</td>
<td>DoubleTree Hotel, Denver</td>
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<td>April 19 and 20</td>
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<tr>
<td>BSA/AML Mile High Summit</td>
<td>Tuesday, July 24</td>
<td>Federal Reserve Bank</td>
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<td>1020 16th Street, Denver</td>
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<td>Community Banker Roundtables</td>
<td>June</td>
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<td>45th Annual Convention</td>
<td>Wednesday – Friday, September</td>
<td>Vail Marriott Mountain</td>
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<td>19 – 21</td>
<td>Resort 715 West Lionshead</td>
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<td>Circle, Vail</td>
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<tr>
<td>Lending</td>
<td>Commercial Lending Institute</td>
<td>Denver</td>
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<td></td>
<td>Tuesday – Thursday, June 5-7</td>
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<tr>
<td>IT/ Operations</td>
<td>IT and Operations Conference</td>
<td>Denver</td>
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<td>Thursday and Friday, November</td>
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IBC and ProBank Austin Co-Sponsored Live Seminars

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<th>Seminar</th>
<th>Date</th>
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<tr>
<td>Mortgage Lending – Start to Finish</td>
<td>Tuesday, January 16</td>
<td>Embassy Suites</td>
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<tr>
<td>2018 TRID Compliance: The Final Frontier</td>
<td>Wednesday, January 17</td>
<td>Embassy Suites</td>
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<tr>
<td>2018 Mastering HMDA</td>
<td>Thursday, January 18</td>
<td>Embassy Suites</td>
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<tr>
<td>Loan Products Workshop</td>
<td>Monday, April 23</td>
<td>Aurora/Denver</td>
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<tr>
<td>2018 Real Estate Lending Compliance</td>
<td>Tuesday and Wednesday, April</td>
<td>Aurora/Denver</td>
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<td>26-2018</td>
<td>24-26</td>
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<tr>
<td>Mortgage Lending – Start to Finish</td>
<td>Tuesday, June 26</td>
<td>DoubleTree Aurora SE</td>
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<td>13696 East Iliff Place</td>
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### IBC and ProBank Austin Co-Sponsored Live Seminars Cont.

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<tr>
<th>Seminar</th>
<th>Date</th>
<th>Location</th>
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<tbody>
<tr>
<td>2018 TRID Compliance: The Final Frontier</td>
<td>Wednesday, June 27</td>
<td>DoubleTree Aurora SE 13696 East Iliff Place Aura</td>
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<tr>
<td>2018 Mastering HMDA</td>
<td>Thursday, June 28</td>
<td>DoubleTree Aurora SE 13696 East Iliff Place Aura</td>
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<tr>
<td>2018 Bank Secrecy Act Two Day School</td>
<td>Thursday and Friday, August 23-24</td>
<td>Aurora/Denver</td>
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### 2018 Webinar Schedule

#### Auditing & Accounting

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<thead>
<tr>
<th>Webinar</th>
<th>Date and Location</th>
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<tbody>
<tr>
<td>CECL Rule Overview: Preparations, Planning &amp; Data Collection</td>
<td>Thursday, March 1</td>
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<tr>
<td><strong>Call Report Series</strong>: Introduction to Call Report Preparation</td>
<td>Wednesday, March 21</td>
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<tr>
<td><strong>Call Report Series</strong>: Examining Bank Assets, Liability &amp; Income in Call Report Preparation</td>
<td>Tuesday, June 5</td>
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<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>
</tr>
<tr>
<td>CECL: Making Strategic Decisions Regarding Methodologies, Processes &amp; Governance</td>
<td>Wednesday, August 8</td>
</tr>
<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>
</tr>
<tr>
<td><strong>Call Report Series</strong>: Complex Call Report Lending Schedule Preparation</td>
<td>Thursday, October 25</td>
</tr>
<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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#### Collections

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<th>Collection</th>
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<tr>
<td><strong>Consumer Debt Series</strong>: Credit Reporting &amp; Delinquent Accounts: Disputes, Revisions, Recent Guidance &amp; More</td>
<td>Thursday, January 18</td>
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<tr>
<td>Exercising the Right of Setoff on Deposit Accounts &amp; Loans</td>
<td>Tuesday, January 30</td>
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<tr>
<td><strong>Consumer Debt Series</strong>: Managing Chapter 7 &amp; 13 Consumer Bankruptcies: Special Rules, Cramdowns &amp; Risks</td>
<td>Thursday, March 8</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>
</tr>
<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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<tr>
<td><strong>Consumer Debt Series</strong>: Maximizing Recoveries on Charged-Off Loans</td>
<td>Tuesday, September 11</td>
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<tr>
<td><strong>Consumer Debt Series</strong>: Proper Repossession Notice &amp; Sale of Non-Real Estate Collateral</td>
<td>Thursday, November 8</td>
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#### Compliance

<table>
<thead>
<tr>
<th>Compliance Topic</th>
<th>Date and Location</th>
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<tbody>
<tr>
<td>Top Issues for 2017 HMDA Reporting: Due March 1</td>
<td>Wednesday, January 3</td>
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<tr>
<td>FFIEC Reporting for CRA Compliance, Including Recent CFPB Updates to HMDA</td>
<td>Tuesday, January 23</td>
</tr>
<tr>
<td>Simplifying the Compliance Function: Tools &amp; Checklists to Keep You on Track</td>
<td>Tuesday, February 6</td>
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<tr>
<td>Fair Lending Challenges for HMDA Data Rule Changes: Expanded Data Fields &amp; Lending Practices</td>
<td>Wednesday, February 7</td>
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<tr>
<td>Countdown to New Reg E Prepaid Card Rules Effective April 1</td>
<td>Wednesday, February 14</td>
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<tr>
<td>Preparing for the New Mortgage Servicing Rules: Final Implementation Date April 19</td>
<td>Thursday, February 15</td>
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<tr>
<td>Revisiting CDD Policies &amp; Procedures to Include Beneficial Ownership Rule Changes Effective May 11</td>
<td>Tuesday, March 6</td>
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<tr>
<td>Flood Insurance Compliance Review &amp; Update 2018</td>
<td>Tuesday, March 20</td>
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<tr>
<td>Completing the CTR Line-by-Line Effective May 28: Technical Changes, New Data Fields &amp; Alternative Model Reporting</td>
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<td>Compliance &amp; Legal Risks in Mobile Banking: Rules &amp; Security Requirements</td>
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<tr>
<td><strong>Compliance Series</strong>: Compliance Rules All Staff Must Know: Red Flags for Identity Theft, Bribery, Privacy &amp; Ethical Considerations</td>
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<tr>
<td>Top 25 Things to Know About Reg CC Changes Before July 1</td>
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<td>All You Need to Know About E-SIGN, E-Statements &amp; E-Disclosures</td>
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<td>Analyzing TRID Tolerance Cures: Clarifying the Confusion</td>
<td>Wednesday, May 9</td>
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<tr>
<td>Top Escrow Compliance Exam Issues, FAQs &amp; Field Audits</td>
<td>Tuesday, May 15</td>
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<tr>
<td>Red Flags in Residential Appraisal Compliance</td>
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<td><strong>Marketing Series:</strong> Advertising Compliance to Electronic, Website, TV &amp; Radio Promotions</td>
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<td>Final Preparation for CFPB’s TRID Amendments, Effective October 1</td>
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<td>Managing Provisional Credit Under Reg E</td>
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<td>Complying with Reg Z Rules for HELOCs: Disclosure, Documentation, Statements &amp; Maintenance</td>
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<td>Imaged Documents &amp; Checks: Regulations &amp; Legal Concerns</td>
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<td>New BSA Officer Training: Requirements &amp; Real-Life Scenarios</td>
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<td>Vendor Outsourcing: Due Diligence, Contracts, Risks &amp; Oversight</td>
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<tr>
<td>Compliance Officer Training: Risk Assessments, Monitoring &amp; Testing</td>
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<td>Proper Preparation of the TRID Loan Estimate &amp; Closing Disclosure</td>
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<tr>
<td><strong>Compliance Series:</strong> Job-Specific Compliance Training for Deposit Operations</td>
<td>Tuesday, October 30</td>
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<tr>
<td>Analyzing Common TRID Compliance Violations</td>
<td>Thursday, November 1</td>
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<tr>
<td><strong>Compliance Series:</strong> Robbery, Preparedness: Requirements &amp; Proven Strategies</td>
<td>Tuesday, November 27</td>
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<tr>
<td><strong>Cyber Series:</strong> Compliance Questions &amp; Issues in Deploying Mobile Remote Deposit Capture</td>
<td>Wednesday, December 5</td>
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<tr>
<td>Auditing for HMDA Compliance, Including New Data Collection Rules</td>
<td>Thursday, December 6</td>
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<tr>
<td>BSA Officer Reports to the Board</td>
<td>Thursday, December 20</td>
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### Director

- **Director Series:** Directors' Roles & Responsibilities When a Data Breach Occurs | Tuesday, February 13 |
- **Director Series:** Strategic Planning Years 1, 3 & 5: Scope, Techniques & Drafting Your Plan | Wednesday, April 11  |
- **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 23  |

* Please note: Director Series is presented from 9:00 – 10:30am

### Frontline and New Accounts

- **IRA Series:** 2018 IRA & HSA Update & Hot Topics                       | Wednesday, January 17 |
- **Compliance Series:** Job-Specific Compliance Training for the Frontline | Wednesday, January 31 |
- **New Accounts Series:** Opening Consumer Accounts: Regulations, CDD & Documentation | Wednesday, February 21 |
- **IRA Series:** IRA Overview: Traditional, Roth IRA & SEP Plans          | Thursday, March 15    |
- **New Accounts Series:** Opening Deposit Accounts for Nonprofit Organization | Tuesday, March 27    |
- **Compliance Series:** Compliance Rules All Staff Must Know: Red Flags for Identify Theft, Bribery, Privacy & Ethical Considerations | Tuesday, April 17    |
- Top 25 things to Know About Reg CC Changes Before July 1                 | Wednesday, April 18   |
- 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    |
- Overdraft Disclosure Requirements: Regulations, UDAAP & Legal Risks       | Thursday, June 14    |
- Safe Deposit Issues: Drilling, Unpaid Rent, Death & Unclaimed Property   | Wednesday, June 20   |
- **New Accounts Series:** Opening Trust Accounts: Compliance, Documentation, Signing Authority & Deposit Insurance Issues | Tuesday, June 26    |
- Notary Essentials, Legalities & Best Practices                          | Thursday, June 28    |
- **IRA Series:** Understanding IRA Beneficiary Designations, Death Distributions & Required Minimum Distributions | Wednesday, July 11   |
- **New Accounts Series:** Opening Minor Accounts: Signature Cards, Access & Ownership | Tuesday, August 21   |
- **IRA Series:** IRA Conversions, Recharacterizations & Excess Contributions | Thursday, September 27|
- Medallion & Signature Guarantee Rules & Risks                             | Thursday, October 4   |
- **New Accounts Series:** Opening Accounts for Nonresident Aliens         | Wednesday, October 10 |
- Improving Teller Performance: Head Teller Development                     | Tuesday, December 4   |
- Your Depositor Has Died: Actions to Take & Mistakes to Avoid             | Wednesday, December 12|
- Closing or Changing Deposit Accounts for Consumers & Businesses          | Wednesday, December 19|

### Human Resources

- Developing & Managing Employee Performance Through Effective Recruiting, Onboarding & Coaching | Wednesday, March 14   |
- Understanding Employee Leave Policies                                    | Wednesday, June 27    |
- Managing the Employment Termination Process: Before, During & After      | Tuesday, September 25 |
- The Fair Labor Standards Act: Do’s & Don’ts of Exempt & Nonexempt Pay Issues | Wednesday, October 3  |

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### IRA

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<td>2018 IRA &amp; HSA Update &amp; Hot Topics</td>
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<td>IRA Overview: Traditional, Roth IRA &amp; SEP Plans</td>
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<td>Current IRA Issues, Including Divorce, IRS Levies, Bankruptcies &amp; Creditor Claims</td>
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<td>Understanding IRA Beneficiary Designations, Death Distributions &amp; Required Minimum Distributions</td>
<td>Wednesday, July 11</td>
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<td>IRA Conversions, Recharacterizations &amp; Excess Contributions</td>
<td>Thursday, September 27</td>
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<tr>
<td>Top 10 IRA Rollover Mistakes</td>
<td>Tuesday, November 27</td>
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### Cyber Series

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<th><strong>Cyber Series:</strong></th>
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<tr>
<td>Emerging IT Technologies 2018: What Are They &amp; Do they Matter?</td>
<td>Thursday, February 8</td>
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<tr>
<td>Compliance &amp; Legal Risks in Mobile Banking: Rules &amp; Security Requirements</td>
<td>Thursday, March 22</td>
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<tr>
<td>FFIEC Cyber Security Assessment Tool: Issues &amp; Answers</td>
<td>Thursday, April 5</td>
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<tr>
<td>Beginning IT Officer Training</td>
<td>Tuesday, June 12</td>
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<tr>
<td>Wire Transfer Security: Regulatory Guidance, Risk Management &amp; Monitoring</td>
<td>Tuesday, July 24</td>
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<tr>
<td>Expanding &amp; Improving Your Required IT Risk Assessment Program</td>
<td>Tuesday, August 7</td>
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<tr>
<td>Cyber Threats: Prevention, Detection &amp; Response</td>
<td>Thursday, October 18</td>
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<tr>
<td>Compliance Questions &amp; Issues in Deploying Mobile Deposit Capture</td>
<td>Wednesday, December 5</td>
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### Lending

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<thead>
<tr>
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<tbody>
<tr>
<td>SBA Lending Update 2018: Trends, Regulations &amp; Pending Changes</td>
<td>Wednesday, January 10</td>
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<tr>
<td>Credit Analysis &amp; Underwriting Series: Loan Underwriting 101: Interviewing, Credit Reports, Debt Ratios &amp; Reg B</td>
<td>Thursday, January 11</td>
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<tr>
<td>FFIEC Reporting for CRA Compliance, Including Recent CFPB Updates to HMDA</td>
<td>Tuesday, January 23</td>
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<tr>
<td>Exercising the Right of Setoff on Deposit Accounts &amp; Loans</td>
<td>Tuesday, January 30</td>
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<tr>
<td>Understanding Personal Tax Returns Part 1: Schedules A, B, C &amp; D</td>
<td>Thursday, February 1</td>
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<tr>
<td>Fair Lending Challenges for HMDA Data Rule Changes: Expanded Data Fields &amp; Lending Practices</td>
<td>Wednesday, February 7</td>
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<tr>
<td>Preparing for the New Mortgage Servicing Rules: Final Implementation Date April 19</td>
<td>Thursday, February 15</td>
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<tr>
<td>Credit Analysis &amp; Underwriting Series: Debt Service Coverage Calculations in Underwriting</td>
<td>Tuesday, February 27</td>
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<tr>
<td>Understanding Personal Tax Returns Part 2: Schedules E &amp; F</td>
<td>Wednesday, February 28</td>
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<tr>
<td>CECL Rule Overview: Preparation, Planning &amp; Data Collection</td>
<td>Thursday, March 1</td>
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<tr>
<td>Credit Analysis &amp; Underwriting Series: Creating Effective Credit Memos &amp; Loan Narratives</td>
<td>Wednesday, March 28</td>
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<td>Negotiate to Win™: Essential Negotiation Skills for Community Bankers</td>
<td>Thursday, March 29</td>
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<td>Developing a Strong Risk Assessment for Enterprise Risk Management</td>
<td>Thursday, April 12</td>
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<td>How to Complete &amp; File UCC-1 Financing Statements</td>
<td>Thursday, April 19</td>
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<tr>
<td>Denied Loan Requirements: Consumer, Commercial &amp; Real Estate</td>
<td>Tuesday, April 24</td>
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<tr>
<td>Credit Analysis &amp; Underwriting Series: Global Cash Flow Analysis for Underwriters &amp; Credit Analysis</td>
<td>Wednesday, April 25</td>
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<tr>
<td>The Top 12 Credit Risks in Agricultural Lending</td>
<td>Thursday, April 26</td>
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<tr>
<td>Understanding the UCA Cash Flow: Practical Applications in Underwriting</td>
<td>Wednesday, May 2</td>
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<tr>
<td>Analyzing TRID Tolerance Cures: Clarifying the Confusion</td>
<td>Wednesday, May 9</td>
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<td>Finance Charges: Getting It Right!</td>
<td>Thursday, May 10</td>
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<tr>
<td>Consumer Debt Series: Real Estate Loan Workouts, Deeds in Lieu, Short Sales, Foreclosures, Deficiency Judgments &amp; Receivabilites</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</td>
<td>Job-Specific Compliance Training for Lenders</td>
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<tr>
<td>Increasing Fee Income Without Raising Fees</td>
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<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>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>Call Report Series: 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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<td>Commercial Loan Application Dangers Zones</td>
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<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>
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<td>Stress Testing Your Loan Portfolio: Regulatory Expectations &amp; Enhancing Credit Risk Management</td>
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<td>Consumer Debt Series: Maximizing Recoveries on Charged-Off Loans</td>
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<tr>
<td>Mortgage Lender Training Part 1: Life-of-Loan Reg B Requirements, Including Application, Monitoring &amp; Disclosures</td>
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<td>Compliance Officer Training: Risk Assessment, Monitoring &amp; Testing</td>
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<td>Mortgage Lending Training Part 2: Mortgage Life-of-Loan: Processing, Underwriting &amp; Notices</td>
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<tr>
<td>Understanding Title Insurance Policies, Commitments &amp; ALTA Endorsements</td>
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<tr>
<td>Analyzing Common TRID Compliance Violations</td>
<td>Thursday, November 1</td>
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<tr>
<td>Lending to Churches &amp; Other Nonprofit Organizations</td>
<td>Tuesday, November 6</td>
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<td><strong>Consumer Debt Series:</strong> Proper Repossession, Notice &amp; Sale of Non-Real Estate Collateral</td>
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<tr>
<td>Mortgage Lender Training Part 3: Mortgage Life-of-Loan: Decision-Making, Appraisals, Post-Closing Requirements</td>
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<td>Your Borrower Has Died: Actions to Take &amp; Mistakes to Avoid</td>
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<td>Dealing with Joint Signers in Consumer &amp; Real Estate Lending</td>
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<td><strong>Marketing Series:</strong> Developing, Maintaining &amp; Sustaining Brand Loyalty</td>
<td>Wednesday, July 18</td>
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<td><strong>Marketing Series:</strong> Advertising &amp; the New Media Mix: What's Right for Your Bank?</td>
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<td><strong>Marketing Series:</strong> Measuring the ROI of Your Digital Marketing Strategy</td>
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<td>Dealing With ACH Tax Refunds: Exceptions, Posting &amp; Liabilities</td>
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<tr>
<td>Same Day ACH Final Phase, Effective March 15: Funds Availability Requirements</td>
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<td>Call Report Revisions &amp; Update 2018</td>
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<td>Exercising the Right of Setoff of Deposit Accounts &amp; Loans</td>
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<td>Countdown to New Reg E Prepaid Card Rules Effective April 1</td>
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<td>ACH Rules Update 2018</td>
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<td>Dealing with Dormant Accounts, Unclaimed Property &amp; Escheatment</td>
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<td>BSA Special Risks: Policy, Law Enforcement &amp; Regulator Issues</td>
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<td>All You Need to Know About E-SIGN, E-Statements &amp; E-Disclosures</td>
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<td>ACH Error Resolution: Unauthorized, Authorization Revoked, or Stop Payment?</td>
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<td>ACH Rules &amp; Responsibilities for RDFIs</td>
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<td>Imaged Documents &amp; Checks: Regulations &amp; Legal Concerns</td>
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<td>Payment Systems Rules &amp; Regulations for ACH, Cards, Wires &amp; Checks</td>
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<tr>
<td><strong>Compliance Series:</strong> Job-Specific Compliance Training for Deposit Operations</td>
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<tr>
<td>Form 1099 Reporting: Third-Party Vendors, Foreclosures, Debt Forgiveness &amp; More</td>
<td>Wednesday, October 31</td>
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<td>ACH Liability &amp; Warranties for ODFIs: Reducing Your Exposure</td>
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<td>Managing &amp; Mitigating Card-Not-Present Fraud</td>
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<td>Handling Government ACH Payment Returns &amp; Reclamations</td>
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<td>Conducting the Annual Physical Security Review</td>
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<td>Vendor Outsourcing: Due Diligence, Contracts, Risks &amp; Oversight</td>
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HOW TO DEAL WITH CARD COMPROMISES
by Lauren Gonnella Copeland, Leader Financial Institution Partner Channel at Vantiv, an IBC Preferred Provider

When the average cost of cardholder compromise to financial institutions breach is $245 per card and one out of two consumers switching their FI after experiencing a breach – it’s best to be proactive and have best practices in places to deal with potential card compromise.

Breaches in the financial services industry have increased 60 percent in the past year so the chances are pretty good that your financial institution will need to deal with a card compromise at one point or another.

What steps should you take when a breach occurs?

The first thing an FI should do upon learning that a breach has occurred is identify the cards in their portfolio that are impacted. Next, if the FI’s payment processing partner manages their fraud strategies, the FI should alert their processor of the breach and the impacted cards. This way, the processor can flag these cards for more stringent fraud monitoring strategies, since cards that have been affected by a breach have a higher likelihood of ongoing fraud.

Then, a decision needs to be made regarding card reissuance. With all the breaches occurring today, as well as the increased cost of cards, the decision to reissue isn’t as simple as it was a few years ago. The two key factors to consider are how many cards are compromised and how much money is the FI losing to fraud.

It’s important to determine the tipping point based on the institution’s fraud rate. For some, a three percent fraud rate might be the point where reissuance becomes necessary; for others, it may be as high as 10 percent. All of these factors should be considered, and FIs should work with their processor to see if they can provide insights to the fraud run rate related to that specific breach.

Lastly, it’s important to understand what information was obtained in the breach. For example, did the fraudster get Track 1 and Track 2 data on the card? Is it a CNP breach where the fraudster now has access to CVV2 as well as user names and passwords? The answers to these questions will also help inform the card reissuance strategy.

Continued on next page
Are there mistakes that can be avoided?

Yes. There are two common mistakes FIs can make following a breach. First is not taking the time to review the fraud run rate of the breach. This is an important factor in the decision about whether or not to reissue cards. Second is not notifying their processor of the breach and thereby failing to create fraud strategies to more closely monitor cardholder activity. Reputable processors have many tools and strategies to help FIs monitor fraud activity and mitigate their risk.

What are effective practices?

One of the most effective things an FI can do to mitigate the effects of a breach is to work closely with their processor to develop and implement effective fraud fighting strategies before they are needed. In order to protect themselves from being targeted by fraudsters, FIs will want to make sure they have strong protections in place and have a team dedicated to monitoring security for their institution.

Educate your cardholders about proactive ways they can protect themselves. For example, they can review their account statements more closely, pay bills on your secure online portal, and let you know when they are traveling. Make sure your cardholders are aware of phishing scams and other common fraud threats.

Always let cardholders know about the risk, and be clear about what your institution is doing to mitigate that risk.

Vantiv is a Preferred Partner with Independent Bankers of Colorado and are the engine behind the IBC SC Free ATM Network. As a leading provider of payment processing services and technology solutions, Vantiv works with financial institutions of all sizes to develop programs that simplify card and mobile payments. For more information contact Lauren Gonnella Copeland at 513-900-4661 or lauren.gonnella@vantiv.com
At the heart of every community is its bank. And at the heart of every bank are its people. That’s where our coverage starts, but it extends so much further. In one comprehensive package, we provide community banks with everything from traditional property and casualty to management liability insurance. The right policy is still only one part of your insurance carrier’s value. Travelers partners with you to help educate your bank on emerging and potential risks, and provides tools and solutions to better prepare your bank for the future. Contact your independent agent today.
When an organization is tasked with creating an IT Risk Assessment, it can often be seen as a daunting and pointless task. Many organizations create a spreadsheet, list a few of their IT Systems, flag them as “high risk,” then list a couple of basic security controls, and flag them as “low residual risk.” This assessment is turned into the Board annually and then considered checked off the list. Unfortunately, organizations working from this perspective are missing the point of an IT Risk Assessment.

**Make Better Decisions**

A comprehensive, measurable, and repeatable IT Risk Assessment should be used to help an organization make better decisions. Without a detailed framework, any money spent on information security is akin to throwing darts at a board. Without a goal in mind, how do we know when we’ve reached it? An organization must truly understand where the most risk is located in order to take the appropriate mitigating steps.

**A Better Risk Assessment Process**

The first value in our Protection Profile is Confidentiality. Confidentiality may be defined as the degree to which unauthorized access or use of information affects the institution. Confidentiality ratings should be given a quantifiable score consistently across different assets. Rate the Confidentiality of information stored, transmitted, and processed through the IT asset you are assessing on your numeric-value scale, and do the same for the following categories as well.

The next value, Integrity, is the degree to which unauthorized or accidental modifications to or incorrect entry of information affects the institution. Availability is the degree or time of which information can be unavailable, and systems, applications, and business functions can be down without severely impacting the institution. The last value is Volume, which may be defined as the amount of information stored, processed, and transacted by an asset. Provide a rating for each of these Protection Profile categories.

Once we have provided a score or rating for each of those fields, we are able to calculate our Protection Profile by adding up these four assigned values. All four values being High would give us a 12, all four being Low would give us a 4. This methodology allows us to essentially turn an apples-and-oranges comparison (Core Banking System vs. file cabinets) into an apples-to-apples comparison. It also allows us to identify and prioritize our most important and valuable assets.

**Determine the Threats**

The next step in our IT Risk Assessment process is to identify all reasonably foreseeable threats. Any given asset has numerous threats, any of which would cause harm to the institution if the threat were realized. Every effort should be made to identify all applicable threats. We should also determine the Probability that a given threat were to occur, as well as the Impact to the institution if the threat was to occur. Each threat should include a quantifiable rating for both Impact and Probability (typically a 1-5 or 1-3 rating). Impact and Probability can be multiplied together to form a Threat Score. Say your threat has a Probability of 3 and an Impact of 5; your Threat Score would be 15. Then, you add up all individual Threat Scores to provide you with a Total Threat Score.

To form a useful IT Risk Assessment, we need to start by identifying our IT assets or systems, as this is where we apply controls. The key concept when identifying your assets is to include “anything that stores, processes, or transmits confidential information” in your IT Risk Assessment. Some wide-ranging examples of IT assets would be: core banking systems, domain controllers, file servers, firewalls, and even file cabinets. The list for many organizations will be long, but larger organizations typically have more IT assets.

**Valuate Your IT Assets**

Next, we need to find a way to compare these different types of assets. One might wonder how you could compare your core banking system to your file cabinets? One very efficient method of comparing different asset types is by creating a Protection Profile. The Protection Profile for each asset is calculated on four ratings, the Confidentiality, Integrity, Availability, and Volume, otherwise referred to as “CIAV.” Each of these four ratings should be assigned a numeric value representative of its importance; you might use, for example, a three-tier system: High (3), Medium (2), or Low (1)
Continued from prior page

Quantify the Risk

Once we have identified our Protection Profile and Total Threat Score, we can create an Inherent Risk Score. As a reminder, the Inherent Risk Score is how risky a given asset is purely because it exists. If we take a system out of the box, plug it in, and turn it on without any mitigating controls (not even considering where we place the system, as this is a risk-mitigating control), we have Inherent Risk. Inherent Risk is also known as the risk before controls.

To create an Inherent Risk Score, we multiply our asset’s Protection Profile times our Total Threat Score. When evaluating your Information Security Program, you want to mitigate the most risk to your most important and riskiest assets. Therefore, the assets with the highest Protection Profile or highest Inherent Risk Score should have the loftiest reduction goals. It is also very important to remember we are setting goals. If we can’t meet these goals, there are two solutions. The first option is to evaluate your list of excluded controls to determine how you can meet the goal in the future (and document a plan to get there). The second option is to adjust the goal to be more achievable. Finally, if we have achieved your risk mitigation goal, we should raise the goal, then create a plan to meet the new goal in the future!

Make Better Decisions

By identifying your most important assets (Protection Profile), the threats that may cause harm to your institution (Threats), your Inherent Risk (Protection Profile X Total Threat Score), and your Residual Risk (risk after controls), you have built a framework that can help you consistently and quantifiably measure risk across your IT assets. Once you have a consistent and measurable risk assessment, you can make better decisions by setting goals, then working towards meeting those goals. An IT Risk Assessment that helps you to set goals and mature your risk posture going forward goes well beyond checking the box; it’s a risk assessment that really helps to improve your organization.

Once you have calculated the Residual Risk by subtracting your mitigating (included) controls from the Inherent Risk rating, you are then able to compare IT assets across the board consistently to help you identify your most important and risky assets.

Set Your Goals

At this point, we have completed most of the steps in building a comprehensive, valuable, and repeatable IT Risk Assessment. The last critical step, and the step that will help you make better decisions, is to set risk mitigation goals.
In late spring of 2016, the Federal Financial Institutions Examination Council (FFIEC) proposed a new “Uniform Interagency Consumer Compliance Rating System”. It went almost unnoticed by the entire industry, evidenced by the fact that it garnered a mere 17 comments – most of which were very mild. As a result, the final guidance that was issued on November 7, 2016 is essentially the same as originally proposed. It became effective on March 31, 2017, and can be found here: https://www.ffiec.gov/press/PDF/FFIEC_CCR_SystemFR_Notice.pdf

As of the effective date, all the Prudential Federal Regulators should be issuing their Compliance Examination ratings in accordance with this new Interagency system that they signed off on via the FFIEC. And if history is any indicator, State Regulators will likely follow suit.

So what does the new guidance say, and why is it a favorable development for us?

1. For starters, compared to most Regulatory publications it's relatively short at "only" 31 pages with only 16 of actual guidance (Pgs 16-31).

2. It doesn’t really create any new requirements or add additional burdens.

3. The mystery of how ratings have been determined by Examiners is replaced with much greater transparency.

4. It provides clarity on exactly what examinations will focus on. Specifically, the new rating system requires Examiners to rate our institutions based on 3 categories, with four factors in each one:
   - Board, and Management Oversight
     - Oversight of and Commitment
     - Change Management
     - Comprehension, Identification, & Management of Risk
     - Corrective Action and Self Identification
   - Compliance Program
     - Policies and Procedures
     - Training
     - Monitoring &/or Auditing-
     - Consumer Complaint Response
   - Violations of Law and Consumer Harm

What makes this guidance VERY different is that it even goes on to provide clear definitions for the ratings of 1, 2, 3, 4, or 5 in each of those categories.

5. But make no mistake; it explicitly allows for Examiner discretion. However, it is a form of protection from those one or two unreasonable Examiners that we inevitably seem to come across during the course of our careers.

6. The uniformity in ratings should foster consistency – not only between different Agencies, but also from one examination to the next conducted by the same Regulator.

7. Hold on, because here’s the best part: It’s actually ............... quite reasonable? Consider these two statements:

   "...“An institution may receive a less than satisfactory rating even when no violations were identified based on deficiencies or weaknesses identified in the institution's CMS”

   And:

   “Similarly, an institution may receive a 1 or 2 rating even when violations were present, if the CMS is commensurate with the risk profile and complexity of the institution”.”

Basically, every examination from here on out will focus squarely on the sufficiency of the institution’s Compliance Management System (CMS) - not just on Violations. This guides the Board of Directors, the Sr. Management team, and the Compliance Department on where to focus.

So let's give credit where it's due: The Regulators got The Regulators got this one right.

The key for us is to use this for self-evaluations, and laying out our strategic Compliance Management Systems. I’ve spoken on how to specifically use this information before an exam ever starts, during and exam, and after an exam.

Ladies and gentlemen, this is our new roadmap to successful Compliance Examinations. I for one, am rewriting our CMS Policy and Procedures to incorporate the guidance it provides.

Continued on next page
DID YOU HEAR THE ONE ABOUT THE BANKER THAT LIKED MORE REGULATORY GUIDANCE?

No, seriously. Don’t laugh, because this actually happened.

Continued from prior page

Bio | Vernon Tanner

Vernon Tanner joined Crescent Mortgage Company in 2013 with a career that spans of over 25 years in the banking industry. He was a Bank Examiner before entering the private sector to become employed as a Credit Officer, Loan Officer, and Chief Compliance Officer. He is now the Sr. VP and Operational Compliance Manager for Crescent Mortgage Company in Atlanta.

He’s served in leadership roles for many years in trade associations; He’s been a guest faculty member and speaker for State Banking Trade Associations on various topics. He’s an active member of the Compliance Committee for the Mortgage Bankers Association at the State and National level where he’s a regular panelist at their National Legal Issues and Compliance Conferences in Washington, D.C.

He’s been a panel participant for the Atlanta chapter of the Professional Risk Managers International Association, and for CPA firms advising Banks. He was published in the ABA Banking Journal regarding the use of Enterprise Risk Management principals in Compliance Management Systems at Community Banks.

Mr. Tanner and his wife, Karen live in Atlanta, GA where they have three grown sons and daughters-in-law, and four grandchildren. They are actively involved in their community, church, and recreational activities such as boating and triathlons.
The Petroleum Cleanup and Redevelopment Fund (Redevelopment Fund) supports the investigation and cleanup of contamination at former gas stations and other petroleum storage tank properties that meet the Fund's eligibility criteria.

**FUNDING IS AVAILABLE TO HELP REVITALIZE PETROLEUM STORAGE TANK PROPERTIES.**

**FUNDING IS AVAILABLE FOR:**

- **Tank Removal**
  - $2,000 per tank

- **Site Assessment**
  - Up to $20,000 with a 10% match

- **Site Characterization**
  - Up to $30,000 with a 10% match

- **Site Cleanup**
  - Up to $500,000 with a 50% match

Property owners may qualify for funding when the following eligibility criteria are met:

- Evidence that petroleum storage tanks are present or existed on the property.
- The property is not eligible for cleanup dollars from the Petroleum Storage Tank Fund.
- A future redevelopment or reuse of the property is planned.

Former petroleum dispensing facility located on the main street in Milliken, Colorado was redeveloped as the Milliken Police Station.

The Petroleum Cleanup and Redevelopment Fund (Redevelopment Fund) supports the investigation and cleanup of contamination at former gas stations and other petroleum storage tank properties that meet the Fund's eligibility criteria.

Please visit our website for more information and to download the Eligibility Application

https://www.colorado.gov/pacific/ops/BrownfieldsProgram
**BENEFITS OF USING THE REDEVELOPMENT FUND**
- Eliminate challenges created by unknown or perceived contamination.
- Increase market value of the property and adjacent properties.
- Protect human health and the environment.
- Enhance the overall welfare of the community.

---

**HOW TO START THE PROCESS**
- Review the referenced Redevelopment Fund Guidebook to determine if your property qualifies for this program.
- Contact staff at the Petroleum Brownfields Program if you have any questions or concerns regarding the Redevelopment Fund.
- Submit an application.

**CONTACT US**
**Division of Oil and Public Safety**
Petroleum Brownfields Program
633 17th Street, Suite 500
Denver, CO 80202

Tim Kelley: 303-318-8544
Jennifer Strauss: 303-318-8548
Michelle Howard: 303-318-8507
Jane Bral: 303-318-8510
Email: cdle_brownfields@state.co.us

**Please visit our website to view the Redevelopment Fund Guidebook**
https://www.colorado.gov/pacific/ops/BrownfieldsProgram
THE WORLD IS CHANGING:
ARE YOU ASKING THE RIGHT QUESTIONS?

By Glenn Martin, Regional Director at Promontory Interfinancial Network, an IBC Associate Member

Over the next year, some significant changes are expected for the financial sector. Many are predicting one more rate increase before the end of 2017 and more in the years following should the economy stay on its current track. The Fed, as noted by Alan Blinder in our June 2017 edition of Viewpoints, has offered a detailed plan for shrinking its balance sheet “by $50 billion per month, divided $30 billion/$20 billion between Treasuries and MBS.” Both the rate increases and downsizing of the Fed’s balance sheet could well lead to stronger deposit competition in the near term with expectations that competition will intensify over the long run.

On the political front, the combination of the expectation that Congress will pass a regulatory relief package sometime this year or early next and the coming changes in leadership at the Fed, Treasury, FDIC, and CFPB over the next year could create a very different regulatory environment for the financial sector.

Given the changes ahead, banks must plan now for how to take advantage of the likely opportunities and challenges that may arise. The first step in developing a plan is making sure you are asking the right questions. Some of the questions we believe banks should be discussing include what is the likely impact of all this on deposits (including deposit relationships and pricing), profitability, growth, and interest rate risk strategies?

The answers to these questions will help institutions identify their priorities and needs. But figuring out what the right solution should be is the real challenge. We believe most banks will need more options, not less. This will require a toolkit that can provide a range of effective, flexible selections—multiple levers that can be activated and calibrated based on marketplace changes and bank needs. In identifying what tools to put in your toolkit, banks should consider the following:

- What products and strategies are other banks having success with?
- What tools could provide a competitive advantage?
- Are the solutions customer-friendly and appealing, and what is the associated size of the opportunity?
- Which options do regulators seem to look at more favorably?
- Which options can be implemented at our bank, given its employees and systems?
- How much work will be involved? Will employees embrace the change required?
- Which solutions fit with our existing ALCO and other policies?
- Which solutions will have to be evaluated by a New Products Committee?

The next few years promise change and opportunity. We pride ourselves on developing innovative solutions that have addressed long-standing business problems for our banks. We believe that many of our existing services—such as CDARS®, Insured Cash Sweep®, and IND®—will help financial institutions address the challenges discussed above. But we are also working around the clock to develop additional tools to help banks better manage their balance sheets, attract deposits, improve and strengthen customer relationships, increase fee income, and improve profitability. If you would like to find out how to get the most out of our existing services or learn more about new products we are readying for launch, email Glenn Martin, Regional Director at gmartin@promnetwork.com.
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In today’s world, commercial banks are fighting hard to maintain their historic role as leaders of the financial community. They are faced with increasing pressures from competitive institutions which are eager to offer services that have heretofore been restricted to banks; … A bank director, particularly a non-management director, has a greater opportunity and a greater responsibility today than at any period in recent history …

An appropriate statement for bank leadership in the 21st century right? Yet these words were written 43 years ago in 1974! How ironic that banks continue to be challenged by this type of competition, although they wear different camouflage now. And front and center to those pressures is the increasing responsibilities of the community bank director.

Bank directors serve a critical role in the leadership and oversight of the institutions they govern. Fulfilling that role requires diligence and can be challenging. Studies show banks that are well-run with few problems have engaged and well-informed board members. Conversely, many failed banks were discovered to be supervised by directors who received insufficient or untimely information or were simply disengaged, which impaired their ability to identify and correct problems.

**Take Your Seat**

Serving as an outside director probably means you have never worked for a bank or had any training to be a banker. Yet you are legally obligated to supervise both the bank and bank management who have much more expertise. That’s okay. Knowing how to manage the bank on a daily basis isn’t your role. But overseeing the implementation of bank policies, understanding the bank’s balance sheet and income statement, questioning management when necessary, and maintaining an independent approach is. Ongoing board training is also expected as a way of staying informed on changes taking place in the industry.

The regulatory expectation of a director is to exercise loyalty and care in fulfilling their responsibilities. Loyalty is administering the affairs of the bank with candor, honesty and integrity, and not advancing one’s own personal or business interests at the expense of the bank. Care means to exercise sound business judgment. Employ the same degree of care as a prudent individual. Act in good faith and in the best interest of the bank.

**Duties of a Director**

So what is the job of a bank director? It boils down to decision-making and oversight, with risk management integrated throughout. Decision-making includes hiring and setting compensation for the CEO, strategic planning that includes growth strategies such as acquisitions or expansion to new markets, approving new product offerings and approving written policies and procedures.

Oversight includes reviewing bank financial statements, board reports and evaluating the CEO’s and the board’s performances. In the event the board or bank regulators have identified weaknesses, it also requires addressing and correcting those issues.

Taking risk has always been fundamental to banking. Forty years ago the board’s focus was centered on approving loans and expenses, along with marketing the bank. Sound risk management processes and internal controls is critical to ensuring compliance with banking laws and regulations. Today, risk management has taken on a different meaning as new technologies, innovation of services, and cyber security are changing the landscape of banking and the role of the community bank director.
In attending WSSB I came away with very valuable knowledge of the way banks run, items to be aware of in operating a bank, and the future of banking in general. The classes I found the most intriguing were Asset & Liability Management and Credit Risk Management, which led into the best part of the school – the Banking Simulation Course (SIMS)! The school as a whole was great and the connections you make will be ones that last throughout your banking career. Thank you to all the staff that made/make WSSB a great experience.

Justen Powell, VP Business Banker
American Bank of Commerce

about the Western States School of Banking
at Fort Lewis College in Durango

Western States School of Banking was a fantastic experience! The instructors were very knowledgeable on their subject matter as well as being well-rounded in other aspects of banking. They were able to explain their subject and how it relates to other areas of banking as well as to economic and political conditions. The Bank Sim class in the senior year was especially fun!

Joshua Fulenwider, Assistant Vice President
TBK Bank, Inc.

Western States School of Banking alumni can enter the Graduate School of Banking at Colorado as a second-year student

ABA BankExec at WSSB

ABA BankExec is the industry’s most powerful teaching tool for developing the banking expertise of newly hired managers and expanding the skills of experienced bankers.

This widely-used educational tool simulates the activities of a mid-sized commercial bank with exercises in asset/liability management, capital formation and dividend policy, gap analysis, accounting and tax planning, marketing and resource allocation, forecasting and planning economics, pricing bank services, strategic analysis, policy formation and forecasting, organizational structure, and much more.

The Western States School of Banking offers a bachelor-level, intensive and condensed curriculum for students to advance their industry competence and education. While maintaining employment, students receive quality interaction with national faculty and regional colleagues and develop academically and professionally. WSSB’s two-year Certificate Program strengthens your holistic understanding of your bank and the banking industry. Our advanced training prepares you to face industry challenges and gives you the edge you need to strengthen your bank, increase confidence, and grow as you apply what you learn at WSSB.
BENEFITS OF MORTGAGE OUTSOURCING TO RETAIN YOUR DEPOSITOR BASE
by Jeff Ausman, Regional Market Manager at 1st Mortgage Solutions, an IBC Associate Member

The mortgage industry has seen a lot of changes brought about by the biggest economic downturn in recent years. Mortgage companies are now facing tougher challenges related to price wars, new CFPB regulations that are adding penalty risks for non-compliance as well as an increase in loan demand.

This combination of factors has contributed to the decision of many Community Banks to engage the services of companies who can help them address these issues. Mortgage outsourcing aims to help Community Banks to succeed in this more competitive landscape to maintain the lowest cost per loan, handle more loan

Some of the common benefits that mortgage outsourcing can offer includes:

Cost Efficiency
- Operating Cost Savings
- More Flexible Cost Model and Scalability
- Avoided Investment Costs

Customer Experience
- Improve Focus on Customer KPIs
- Leverage Performance Improvement, Process Engineering and Automation Tools

Regulatory Compliance
- Share Compliance Investment Costs in Multi-Client Environments
- Deliver Update Programs More Effectively

Technology Advantages
- Control IT Costs
- Access to the Most Current Technology
- Increased flexibility to handle industry or technology-related changes.
- Reduced costs from lower infrastructure and overhead requirements.
- Updated and integrated automated systems

Our Robust Line of Products

By outsourcing, you get the ability to offer mortgage products and programs that you otherwise may not be able to offer.

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  - VA Loans
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When INTEGRATION makes way for INNOVATION, why not be a part of the IN-crowd?

IBT offers a fully integrated platform that gives community bankers the resources they need to grow in an ever-evolving market.

IBT - The difference
INDUSTRY INSIGHTS
YES, CECL AFFECTS TAXES TOO

by Keith Foster, BKD, an IBC Associate Member

By now, most of the banking industry is aware of the Financial Accounting Standards Board’s (FASB) issuance of the current expected credit loss (CECL) standard. The CECL model requires the use of historical, current and forecasted information to estimate expected losses over the life of a loan. While generally accepted accounting principles (GAAP) accounting for CECL has been discussed in numerous previous articles, the tax effect of the related adjustments has received little attention. Understanding the tax effect of CECL’s adjustment to loan losses, capital and the tax treatment of bad debt charge offs in general is essential to help banks avoid surprises and take advantage of tax planning opportunities to mitigate unwelcome results.

A probable consequence of a change to the CECL model is an increase in the allowance for loan losses, which doesn’t directly result in an increase to charge offs. To understand CECL’s tax effect, it’s helpful to understand the tax treatment of the allowance for loan losses and charge offs. In general, an allowance for bad debts isn’t deductible for tax purposes. The deduction is delayed until there’s a charge off. This means when CECL increases a GAAP allowance, it will increase expense and reduce capital without resulting in a corresponding tax deduction. Since the allowance is a timing difference for tax purposes, banks’ deferred tax assets will increase for C corporations. As discussed below, the deferred tax asset and related tax deduction hang on the balance sheet until the debt becomes worthless for tax purposes. Since a tax deduction isn’t available for the allowance, the deduction for charge offs should be increased where possible. Over the years, several methods of accounting for the timing of bad debt worthlessness, i.e., charge offs, have been created for tax purposes.

Bad Debt Method #1: Facts & Circumstances

Internal Revenue Code (IRC) Section 166(a)(1) allows for a tax deduction of a wholly worthless debt obligation in the year a debt becomes worthless, and IRC §166(a)(2) allows for a tax deduction of a partially worthless debt obligation up to the amount charged off, i.e., up to the GAAP reserve. In general, debt and equity securities don’t result in a tax deduction until they become wholly worthless. However, under a special rule for banks in IRC §582(c), debt securities, e.g., bonds, may result in a tax deduction when only partially worthless, up to the amount of the charge off. Conversely, there isn’t a special rule for equity securities, i.e., stocks, FNMA, FHLMC, etc. Therefore, a deduction isn’t allowed until the security becomes wholly worthless.

Determining when a debt becomes wholly or partially worthless is based on the facts and circumstances and subject to a review of each separate debt. Per Regulation §1.166-2, the IRS “will consider all pertinent evidence, including the value of the collateral, if any, securing the debt and the financial condition of the debtor.” It goes on to note that “Legal action not required. Where the surrounding circumstances indicate the debt is worthless and uncollectible and that legal action to enforce payment would in all probability not result in the satisfaction of execution on a judgment...” An indicator of poor financial condition for an unsecured and preferred debt would be bankruptcy of the debtor.

Bad Debt Method #2: The Presumption Rule

It’s important to note there isn’t an IRC requirement for the IRS to follow charge offs reported for financial or regulatory purposes. Historically, this has resulted in numerous disagreements between the IRS and banks under exam. In an effort to relieve discord, regulations were provided for guidance on what the IRS would accept. Reg. §1.166-2(d)(1) provides that worthlessness is presumed when a loan is charged off in obedience to regulators’ specific orders or in accordance with established policies of such authorities, and upon the first examination after the charge off, the regulators confirm in writing the charge off would’ve been subject to specific orders for a charge off. While this method isn’t commonly used in practice, it’s available.

Bad Debt Method #3: The Conformity Election

Reg. §1.166-2(d)(3) provides for a conformity election. This election effectively allows loss deductions for partial and wholly worthless debts to follow GAAP, or more technically, to follow loan loss standards consistent with the bank’s applicable regulatory standards. In addition, it allows for a deduction of estimated selling costs related to loans, if those costs are allowed or required by regulators. This election also requires the bank to obtain an express determination letter from its regulator confirming the regulatory standards were followed in its most recent exam.

Accounting for bad debt deductions through the conformity election is a tax method of accounting. Therefore, a change from or to a different method requires filing Form 3115, Application for Change in Accounting Method. This can be beneficial as it allows for a catch-up of deductions in the year of the change and provides audit protection on that specific change.

Bad Debt Method #4: The Reserve Method

Banks with $500 million or less in assets may use the reserve method (also called the experience method) to determine their loss deductions under IRC §585. There are two available calculations described in IRC §585(b)(2), and the most beneficial result is applied. Both calculations look back to prior-year reserves, and they generally result in more favorable tax deductions, e.g., smaller tax addbacks, than the methods available to larger banks.

Continued on next page
Bad Debt Method #5: Large Business & International Directive

In 2014, the IRS issued a directive to its Large Business & International (LB&I) examiners to provide guidance on how they should treat bad debt deductions through LB&I-04-1014-008. This resulted in yet another alternative method for banks to follow. While the directive isn’t law, it does carry weight since its very purpose is to reduce disagreements between the IRS and banks.

The directive, like the conformity election, generally allows for loss deductions for partial and wholly worthless debts to follow those reported for GAAP and regulatory purposes. The LB&I directive, however, doesn’t require the express consent letter or the filing of Form 3115 like the conformity election. The election is made by running the applicable positive or negative tax differences between the bank’s current method and the LB&I directive, e.g., GAAP method, through an original or amended 2010 to 2014 return.

This means amending a bank’s 2014 return while it’s still open under the typical three-year statute of limitations could be the last opportunity to apply this option. An election isn’t required to be formally made on a filed return. However, if audited, an examiner could request a completed certification statement, which is provided within the directive in the form of a fillable template. Once adopted, the directive “election” doesn’t appear to be revocable.

As described above, there are multiple tax methods available for determining the amount and timing of bad debt deductions. A simplistic view of CECL’s tax effect would be to take the increase in the allowance and reverse it for tax purposes.

While this is necessary to properly model and evaluate CECL’s effect, opportunities to mitigate the unwanted result of a GAAP-only deduction shouldn’t be overlooked. Evaluate the bad debt method being used for tax purposes and open a dialogue with your tax team and/or advisors to determine if the method is one of the “approved” options. If not, the associated risk of IRS adjustments under exam should be weighed.
If the current method results in an undesirable outcome when CECL is applied—which is likely—what can be done to help mitigate the loss of the tax deduction? First, determine the most advantageous method for your bank. If the conformity election or LB&I directive results in the deduction of additional losses, consider converting to those methods and taking catch-up deductions on an amended or upcoming tax return. Second, consider accelerating other deductions that may be available, but not previously considered. Examples include:

- Accelerating the deduction for qualifying prepaid expenses by deducting certain short-term prepaid items in the year paid
- Deducting loan origination costs in the year paid
- Paying compensation and related incentives early and/or amending related agreements to fix accruals at year-end
- Selling loans or securities with losses
- Deferring the sale of loans or securities with gains
- Accelerating charitable contributions
- Selling Other Real Estate Owned property with post-foreclosure write-downs
- Increasing depreciation and expensing of qualified fixed assets through bonus depreciation and Section 179 expense
- Performing a cost segregation study on new and existing buildings

While these are available regardless of CECL, banks may find themselves searching for extra tax deductions in the year of adopting CECL to help soften the income statement and capital effect and lower the cash outflow to cover income tax. In addition, if tax reform is passed and tax rates are reduced, accelerating these temporary deductions could result in a permanent tax savings. The best advice for truly understanding and mitigating CECL’s tax effect is to start planning as soon as possible.

Contact your trusted BKD advisor with questions or for more information.

The IBC Legal Hotline

Free Legal Advice for IBC Member Banks

As a member of the Independent Bankers of Colorado, your bank can receive free legal advice through our Legal Hotline. Attorneys at the law firm of Shapiro Bieging Barber Otteson LLP staff the Legal Hotline as a benefit to member banks.

Member banks can defray a significant amount of their IBC membership dues by taking advantage of this exceptional free member bank service!

Member banks are permitted to contact Shapiro Bieging Barber Otteson LLP on simple legal-related questions involving the member bank.* Services provided through the Legal Hotline include responding to inquiries on the following issues:

- Regulatory
- Uniform Commercial Code
- Consumer Audit
- Uniform Consumer Credit Code
- Compliance

Shapiro Bieging Shapiro Otteson will also review agreements and provide recommendations in conjunction with the Legal Hotline.

* Shapiro Bieging Barber Otteson reserves the right to charge the member bank for services required to respond to complex or time-consuming inquiries. This will not be done without prior notice to the member bank.

Take advantage of this free member value added service!
Receive the information you need when you need it.

Contact the IBC for additional information at 303.832.2000.
What is the key to enhancing performance for your bank? Is it measuring these ratios?

- Return on average tangible assets before tax
- Net charge-offs to average loans
- Efficiency ratio
- Non-performing loans to total loans (NPAs to total assets)
- Net interest margin
- Operating revenue growth

And how is that done? It is accomplished by the effort of each individual employee. Your employees are your biggest asset and what will differentiate you from your competition.

**Being busy verses relevant activities.**

People like to be busy, have a full plate, many irons in the fire, up to one’s ears in to do lists; but how much do they accomplish? Is your staff actually productive, or just busy? People spend over 28% of their work week managing email and another 20% just looking for information. ¹

Productivity starts with goals. Setting goals helps with maintaining energy and focus. This leads to greater engagement, intrinsic motivation and both quality and quantity output. The result is that staff is more effective and less distracted. They accomplish tasks that matter and tend to have more fun doing it. They are happier too. Does everyone on your staff have DAILY goals?

**Creating a winning team requires winning leadership.**

Winning bank managers lead and motivate their team toward superior performance the same way a winning sports coach would. A well trained and skilled staff, in a healthy culture, with good processes are what creates a high-performance bank. Part of the job of bank management is to figure out what the relevant activities are for themselves and most importantly for their staff. This is part of “good processes”. Not only does the staff need to be accurate in the procedures to open the account, but they also need to first be able to identify the needs of the customer that would require the new account. Your staff must create the opportunity to help a customer with a new account. Which outputs of your staff matter? Do they have a very deliberate approach to their work hours? Do they know to take their time and attention away from things that don’t really matter to the bank’s success? Do they know their DAILY goals?

DAILY goals could be very simple for some of your staff. Imagine assigning the goal of smiling at every person they see throughout their day. This may seem automatic for some but how many people on your staff actually do it without thinking? It might be making 10 outbound calls per day in a focused well-planned manor. Maybe it’s complimenting everyone who comes to the teller window. Think what a difference this would make in both the customer and employee attitude. Little things make a big difference and add up over time.

Do you invest in your staff’s training and success? This could be leadership coaching, retail and commercial sales training, delivering memorable customer service training, or even effective sales management. The skills learned from these programs help increase employee productivity and satisfaction, which ultimately leads to deeper customer satisfaction and better ratios.

Contact Connie West at The James Paul Group, cwest@jamespaulgroup.com, or toll free at 877-584-6468 for a complimentary assessment of your relevant activities and DAILY goals.

**Enhancing the performance of your most valuable asset: your people!**


“Nothing is less productive than to make more efficient what should not be done at all”

- Peter Drucker
BANKS AND BUSINESS INTELLIGENCE: A WINNING COMBINATION

By Marcus Dorris, Principal Solution Architect
DM Tech Solutions, an IBC Associate Member

When people talk about business intelligence, what does that mean to a banker? The answer is simple. Business intelligence involves utilizing a variety of tools, applications, and methods that enable banks to collect data from their internal systems, analyze it, and make decisions based on the results.

How can a banker implement business intelligence in their bank and what are some benefits? Although banks usually do have a considerable amount of data, manual processes and extensive reporting requirements DM Tech Solutions can make implementing business intelligence a seamless process. With many years of experience at the business unit and as a developer/architect, I have consistently seen five areas that are positively impacted when business intelligence is implemented.

Customer Analytics
Retail banking and marketing departments need fast and powerful tools and applications to systematically analyze accounts, preferences, transactions, and behavior at each customer touch-point to develop knowledge and predictive insights about product-performance, customer retention, and market growth. For example, a recent deliverable implemented by DM Tech Solutions was a CD Portfolio Dashboard that provided more than the basic answers of issues and renewal counts and totals. We provided our client with the ability to answer questions like: 1) Which CDs were the top performers? 2) What were the average rates before and after a bump-up special? 3) Which CDs were opened with checks from an external bank to include the bank’s name and location? and, 4) Do the funds stay with the bank or leave when a CD matures?

Process Automation
Process automation starts in the data warehouse, and makes multiple time-reducing improvements at every level. Within the business intelligence system, a robust and automated data acquisition, manipulation, consolidation, and delivery engine plan replaces scrolling through multiple screens, copying and pasting data in excel, and emailing files and results to several people. Having a data warehouse will put an end to manual and duplication processes forever. Deposit operations is one area that really benefits from process automation eliminating the need for individualized processes that must be validated and/or compiled manually. Any process that involves looking up data in a system, or on a system generated report can be set to complete and deliver automatically.

Centralized Data
Back-office systems usually comprise of some combination of a core system, one or more ancillary systems, and possibly a dataset received by email or copied from a SaaS website all working independently with no fast or easy way to consolidate for analyses and reporting. This is a common problem that can be resolved by implementing a data warehouse. A data warehouse is the fundamental component you will need to aggregate historical data that will help you to make critical business decisions, and capitalize on process automation and efficiencies.

Reports
The reports, the analysis, and the key metrics and indicators are the final output created for presentation. Creating views and visualizations that deliver data-driven insights are the primary purpose of business intelligence. Reports, analysis, key metrics and indicators are presented in a way that tell the story and allows the end-user to ask additional questions while getting the answers in one place. Delivery is effortless, whether it be through an intranet portal, in email, or a file saved on the network. Think big here, the sky is the limit.

Cost Savings
The costs related to vendor-specific custom reports and processes, combined with costs associated with the number of man hours spent retrieving, consolidating, analyzing, and reporting on data will decrease significantly. In addition, making better strategic decisions will allow you to improve customer relationships, as well as identify areas that need improvement leading to the bank’s overall efficiency. Cost savings is a benefit that makes bringing business intelligence to your bank truly a winning combination.

Contact Marcus Dorris at 214-883-4222, www.dmtechsolutions.com, or email: marcus@dmtechsolutions.com
THE STAY INTERVIEW: 
RETAINING YOUR TOP TALENT
by Lisa Fitzgerald and Eric Budreau, Eide Bailly, an IBC Member Associate

You likely conducted interviews on your employees when you first hired them. If you’ve had employees leave, maybe you’ve conducted exit interviews. But there’s another type of interview that often gets overlooked: the stay interview.

While exit interviews are conducted when an employee leaves to help management get a better understanding of what went wrong or why the employee left, stay interviews give management an idea of how they can help their employees stay with their organization.

Stay interviews can help management gain a good understanding of what the organization is doing right that makes employees want to stay, but it can also help determine what it is that would cause an employee to leave. This gives management a chance to identify strengths and weaknesses, and to work on improving those before it’s too late.

On top of that, stay interviews can help build stronger relationships within an organization, which can ultimately lead to more trust throughout. When employees realize their thoughts and needs are being considered, they are often more likely to have positive attitudes and relationships. Following up on information learned in the interviews can help solidify this.

Types of Questions
Common questions that can create a worthwhile interview include:
- What keeps you coming back to work here every day?
- What do you look forward to here?
- If you could change something about your job, what would it be and why?
- What would make your job more satisfying?
- What do you want to see from upper level management/staff?
- What might cause you to leave the organization?
- What can the organization do more of for you?
- What do I do next?

Stay interviews can be a powerful tool to help you improve work-life for your employees, and to keep them around for years to come. When stay interviews and the information obtained in them are acted on properly, you’re more likely to retain your employees and avoid those exit interviews.

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The Colorado Agricultural Development Authority (CADA) Beginning Farmer Program is available to assist beginning farmers and ranchers in Colorado with purchases of land, breeding stock, or equipment.

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ARE YOU A GOAL DIGGER? SIX PROFESSIONAL DEVELOPMENT IDEAS FOR PAYMENTS LEADERS

By Tina Giorgio, President and CEO of ICBA Bancard®, an IBC Preferred Provider

When I gaze back on my career, I see peaks and the valleys; the times where I knew where I was headed and the times where I felt I was driving at night without headlights. In my role as a community banker, in particular, things seemed to accelerate with lightning speed. Sometimes, I was clairvoyant, reading that market crystal ball like a road map, and sometimes, well, let’s just say that we adapted.

In our industry, that ability to adapt and change is what sets us apart and drives bank growth. But change can be hard; how do we know how to change, let alone when to change?

No one has definitive answers to those questions, but I can tell you from personal experience that staying on top of industry developments made me more nimble and gave me the courage to take calculated risks. I invested in my professional development to benefit me, but ultimately, also to benefit my bank. And this investment paid off, both in my career trajectory and in the bank’s offerings.

As I think back, there were a few key things I did that made all the difference. With that in mind, I’ve assembled a short list of development opportunities that may give you the same leg up and support you as you navigate this new world of digital payments.

1. **Find a mentor.** I’m a big believer in learning from others. Having a mentor to brainstorm ideas with opens many channels and helps you see the world from varying perspectives. So, take a look back at your career and seek out your best leaders. Introduce yourself to others who share original perspectives at conferences. Reach out to professional organizations like ICBA. Do what it takes to find a trusted advisor who can help you to process ideas.

2. **Learn more and get involved.** With such rapid change in the industry, you need a resource who can give you a quick version of what’s most important. Regional Payments Associations (RPAs) offer this knowledge and can keep you apprised of the most relevant changes for your institution. In addition, there are numerous volunteer opportunities with RPAs that help you grow as a leader.

3. **Join the FS-ISAC Community Institution Council.** Having the right information is critical when developing business strategies, particularly when it comes to risk and fraud. To that point, it makes sense to consider joining your peers on FS-ISAC’s Community Institution Council where key topics include: attacks and technology issues, regulatory changes, changes to examination processes, and peer comparisons on topics of interest.

4. **Explore continuing education and certification programs.** Investigate The Payments Institute; it offers an in-depth look at payments today. In addition, NACHA and the RPAs offer the Accredited ACH Professional (AAP) and the Accredited Payments Risk Professional (APRP) certifications for expert-level knowledge. ICBA’s own Community Banker University offers numerous online classes and workshops on a variety of topics throughout the year.

5. **Look to industry leaders for the latest tools and resources in digital payments.** Simply staying up-to-date on what’s happening with major payments initiatives will give you insights into market direction. As payments evolve, those responsible for some of the changes offer free tools to support you. Visit the Federal Reserve’s Payments Improvement site, NACHA’s Same Day ACH Resource Center, and The Clearing House’s Real-Time Payments site for more information. For other topics, your RPA also can be a great source of support.

6. **Check in with the ICBA Bancard team.** As a former community banker, I understand the unique position you’re in and can offer tips on things that worked for me. We also have numerous payments experts on staff who bring years of knowledge to the table and are happy to share their thoughts as well. Contact us anytime and follow me on Twitter @tnagiorgio.

With a wealth of resources, there’s no shortage of opportunity, just time to accomplish it all. So, as 2017 reflection gives way to 2018 goal-setting, I hope you can use these ideas to determine what aligns best with your professional development plan. Based on my experience, committing to doing just one new thing will have a profound impact.
TRIED AND TRUE MARKETING STRATEGIES FOR 2018
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.

It’s time to think strategically about your marketing efforts and how you can best use your investment to help you accomplish your goals this year. Here are some tried and true strategies that work:

1. Really understand who your best customers are – the ones who are profitable and influential in your market.
2. Understand what these best customers and similar prospects want and value, and revitalize your products and services to deliver them more effectively than your competition.
3. Save your best offers for your best customers and those most likely to achieve that status, to protect them from predatory competitive offers and make them fiercely loyal to your company.
4. Focus your lion’s share of resources – time and budget – on growing customers with the highest potential, and those in the next tier who have both the capacity and the means to spend more with your bank. Continue to provide great service to your low-value, low-potential customers but do not invest extra resources for this group.
5. Ask your best customers for referrals, realizing that a satisfied, high-value customer is your greatest asset, and the best marketing tool above all others.
6. Communicate constantly with your team – so they understand what you’re doing, why, and how it helps them reach both their goals and the company’s goals.
7. Only communicate relevant information customers will appreciate.
8. Make it easy for your prospects to understand what you do and how it benefits them.
9. Make it easy for your prospects to become customers and make their buying process as hassle free as possible.
10. Only use your most competitive offers for prospecting if you are refocusing and need the extra boost to get a new customer segment launched.
11. Make “thank you” and appreciation an integral part of your culture.

If you need help developing and executing a practical and effective marketing plan or have any questions Lauren can be reached at lauren@oconnellconsultinggroup.com.
READY AND WAITING

RATE RISK PROFILES ARE PREPARED FOR MORE FED ACTION

by Jim Reber, President and CEO of ICBA Securities, an IBC Preferred Provider

Have you heard? The Federal Open Market Committee (FOMC) of the Federal Reserve is telling us to get ready for three more hikes in 2018. If they’re good at their word, we’ll be looking at overnight rates approaching 2 percent by the end of the year. It’s been a full decade since we’ve seen those levels. Most community bankers that I’ve talked to can’t wait as they believe their earnings are going to improve.

I think their optimism is based on two separate but correlated beliefs: First, that community banks will continue to stick to their responsible loan underwriting standards, and second, that they’ll be able to control their margins, even as money-market rates are on the rise. So far, the FDIC confirms that there haven’t been any cracks in the credit quality dike among community bankers this time around. So maybe it’s time to check out the interest rate risk profile of a typical community bank to see how that’s shaping up.

Warnings sounded
Let’s review the regulators’ take on the subject. The counter-argument to bankers’ enthusiasm about margin improvement comes from your friends at the FDIC. The June 30, 2017 Quarterly Banking Profile mentioned that, “some banks have responded...by reaching for yield” through higher-risk and longer-term assets.” This was not really news as similar comments had been made in recent quarterly releases.

In a separate Supervisory Insight from last summer, the FDIC mentioned increased loan demand, shrinking supplies of liquid assets and increased use of wholesale funding. The report stated rather clearly that, “liquidity risk is generally increasing for [community banks] as a group.” It recommended that contingency funding plans be reviewed and tested, and that cash flow projections for the entire balance sheet be challenged.

Current posture
From the view of ICBA Securities and its exclusive broker, Vining Sparks, you’ve already addressed these issues. Vining Sparks is the interest-rate risk modeler for about 300 community banks, so it has an eyewitness view of the rate risk exposure (or lack thereof) for a large segment of the industry. And I’m pleased to report that, for at least these banks, they’re built for the 2018 forecast.

Recent additions to the risk management lexicon include Earnings at Risk (EAR), Economic Value of Equity (EVE), and Capital at Risk (CAR). As we’ve come to learn, your examiners will expect you to know what your community bank’s posture is for these and other risk measurements. It’s also helpful to recall that the standard range of interest rate shocks that you’re expected to calculate is from “down 300” to “up 400” basis points.

Back to our sample of 300 community banks. As of September 30, 2017, this group is estimating that it’ll have a positive EAR in any rising-rate scenario of a parallel nature. It also is projecting to have a larger positive EAR than the previous quarter and year. This is a good thing if 1.) it’s accurate, and 2.) the FOMC does what it says it will. The exact same condition exists for this group’s EVE; in any rising-rate forecast, economic value of equity will increase.

What’s even more encouraging is that most banks had negative projections for these metrics in rising-rate scenarios just two years ago. This means that community bankers have been diligent and disciplined about addressing their interest-rate risk. And the ultimate backstop to risk, a bank’s capital, has similarly been fortified. The average community bank’s CAR shows a decline of only about 16 percent in a severe (up 400 basis point) rate shock. This is well under the regulators’ general guidelines about capital exposure to interest rate changes.

Observations and recommendations
It is true that the liquidity measurements for community banks are showing some ebb in the last two years. Your examiners have commented on it, and there is plenty of evidence to back it up. However, it’s not like the well has run dry. For example, while wholesale deposits are trending upwards, the typical community bank still has borrowing capacity of almost 40 percent of assets. It looks like contingency funding is in place.

If you’re unsure how much liquidity your balance sheet will produce over the next 24 months, here are some suggestions:

- Have a shocked cash flow ladder compiled by a third party, like your favorite broker.
- Take a good look at recent prepayment speeds on your mortgage securities.
- Consider adding securities that will produce near-term cash flow, like highly callable agencies, premium mortgages or well-structured collateralized mortgage obligations.
- Get indications of market prices on government-guaranteed loans or other liquid portions of your loan portfolio for possible future sales.

Your community bank is probably in relatively good shape for the interest rate environment. The industry has had plenty of time to prepare and the Fed these days is very transparent. Also, it’s never been easier to measure your exposure to a wide range of interest rate shocks. So remain vigilant, and here’s to a prosperous 2018.

Risk, managed
Vining Sparks’ proprietary asset-liability model, Risk Manager, is currently being utilized by nearly 300 community banks. There are four different modules that are available based on the complexity of your bank’s balance sheet. For more information, contact your Vining Sparks sales rep or visit www.viningsparks.com.

Jim Reber is president and CEO of ICBA Securities and can be reached at 800-422-6442 or jreber@icbasecurities.com.
15 MINUTES WITH...SAM JARVIS
SAM JARVIS, OUTSIDE DIRECTOR OF $106 MILLION-ASSET,
FIRST NATIONAL BANK, CORTEZ IN CORTEZ, COLORADO
By Andrea Lahouze, Independent Banker

IB: First National Bank is a one-branch bank in a town of 9,000 people in southwest Colorado. What do you see as its biggest challenge?

Sam Jarvis: We are a small market that is drastically overbanked. The burdensome regulatory environment is costly and time consuming. We have competition, and loan demand is spread very, very thin. That’s our challenge. We’re out there always trying to build relationships with small business and the farmers, the ranchers—that’s just what we have to do. It’s all about relationships.

IB: Many people in your community know you best in a red suit. Are there skills that transfer from being an outside bank director to being Santa?

Sam Jarvis: As Santa Claus, I engage all ages of people in all economic conditions in the same way. From a banking standpoint, I think we have to engage people that way as well. We have to be available and willing to help and create smiles.

IB: How did you first become Santa?

Sam Jarvis: I had a very good client and close personal friend whose wife wanted to have a children’s Christmas party for his employees. He wouldn’t be Santa Claus for the party, so they conned me into doing it. It’s like I’ve never looked back. It’s all about the smiles and the hugs. The hugs are the greatest thing, and it doesn’t matter if they come from a three- or four-year-old, or if they come from an 80-year-old. It’s just pleasant.
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Our alliance means that community bank customers will remain with their community-based banks, yet be able to access a broad choice of surcharge-free ATM locations.

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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!