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Independent Report
Feb/Mar 2020
2019 - 2020 Officers and Directors

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Megan Harmon, Branch President/COO, The Eastern Colorado Bank

**IBC President**
PJ Wharton, President, Yampa Valley Bank

**IBC President-Elect**
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**District B**
Shawn Osthoff, President, Bank of Colorado
Dan Allen, President, First FarmBank
Ed Rarick, President/CFO, High Plains Bank
Randy Younger, President, First National Bank Hugo-Limon

**District C**
Tony Perry, President, Park State Bank and Trust
Andrew Trainor, Regional President, Legacy Bank
Lora Rose, CFO, The State Bank
Sean Lening, President, GN Bank

**District D**
Jay Rickstrew, Regional President, Alpine Bank
Mike Hurst, President, Del Norte Bank
Wade Gebhardt, Corporate President, Mountain Valley Bank
Joe Martinez, CLO, San Luis Valley Federal Bank

**IBC Advisory Board Members**
Bill Mitchell, President, Bankers’ Bank of the West
Eric Budreau, Partner, Eide Bailly
Christian Otteson, Shapiro Bieging Barber Otteson LLP

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**Save the Date**

**Day at the Capitol**
**Monday, February 24**
Discover IBC’s 2020 legislative initiatives, advocate for our industry, build relationships with peers and legislators, and learn the legislative process.

**Ag and Natural Resources Conference**
**Thursday-Friday, April 16-17**
This one and one-half day conference provides niche training for you, Colorado’s agricultural lenders. Dr. David Kohl, Professor Emeritus, Virginia Tech, will keynote Friday!

**Calling All Superheroes!**
**Wednesday-Friday, September 23-25**
IBC’s 47th Annual Convention
Vail Marriott Mountain Resort
IBC’s Annual Convention is a not-to-be-missed event! Engaging education topics, industry-expert presenters, top-notch networking, and much more!

**Connect**

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Give us a call:
303.832.2000
LIFE OF A BILL

By Mike Van Norstrand, Executive Director IBC

My first legislative session as your Executive Director has necessarily included a crash course in the Colorado legislative process. As I learn and digest the complexities and nuances of that process, I thought there might be some in our readership that would appreciate an overview of the life of a bill...a long, arduous journey that many bills do not complete.

In theory, all legislators (65 in the House of Representative and 35 in the Senate) may introduce up to five bills per session. However, there are several exceptions, and roughly 653 bills were introduced in 2019. Legislators are bombarded year-round with the needs and concerns from constituents, advocates and business but the five-bill limit causes members in minority and some on the majority to make careful choices on the ideas and causes they will promote. Hard work and planning commence well before the start of a session, many times through outreach to identified stakeholders, such as the IBC if the legislator is considering a bill that will impact banking or our communities. This gives the lawmaker an opportunity to draft a bill that addresses the comments and objections of those stakeholders. Other times, the lawmaker will draft a bill first and then seek feedback from stakeholders, who suggest amendments and otherwise voice opinions on it before it is introduced. In these two scenarios, the lawmaker can assess likely passage of a bill and choose whether to move forward with it. There are other times, however, that lawmakers introduce a bill without hearing from stakeholders and...
they move forward without input.

All bills must have a prime sponsor in one chamber of the legislature and a sponsor in the other chamber. The bill is submitted to the Office of Legislative Services, also known as the drafting office, which conforms an idea to proper bill language and format. Then the bill is read and introduced in the chamber of the prime sponsor. This is the first of three possible readings of the bill to the whole chamber. The bill is given a number and assigned to a committee of reference by the Speaker of the House or the Senate President. Most bills that affect our member banks will be assigned to either the Finance, Business Affairs & Labor, or Judiciary committees in the respective chambers. Sponsors and stakeholders utilize the time between introduction of the bill and the scheduled committee hearing to discuss amendments and issues of concerns prior to the committee hearing. Committee hearings are open to the public, and interested citizens, industry groups, etc. may express their views on the record. After discussion and debate among the committee at the hearing, the bill may be amended, referred to another committee, postponed indefinitely (“killed”), or passed to 2nd reading for debate.

Ultimately, a bill is either recommended for passage or postponed indefinitely. If it is passed by committee, it is scheduled for “Second Reading” before the whole chamber, debated by all members of the Chamber, then either amended, sent back to the committee (or a different one), laid over to another day, defeated or passed.

Once a bill is passed after Second Reading, it is scheduled for Third Reading. There is limited debate during Third Reading and amendments are also limited. This is when the recorded vote of the full Chamber happens. In the House a bill needs 33 yes votes, in the Senate 18 votes. If the bill is passed, it is sent to the other chamber, where the process is repeated. If passed in the other chamber, and the original Chamber approves any amendments made in the second chamber, the bill is sent to the Governor for signature into law. The Governor has limited time to sign, veto or allow the bill to become law without signature.

Connect with Mike at MVannorstrand@ibcbanks.org

Stinson Leonard Street has changed its name to Stinson. Though our name has changed, you can expect the same commitment to your business.

Stinson’s banking attorneys have broad experience in matters related to financial services, including commercial lending, mergers and acquisitions, regulations and compliance, litigation and payment systems. Bank on our reputation and knowledge.

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WE CHAMPION COMMUNITY BANKING
DEVELOPING YOUR COMMUNITY BANKING TEAM

By PJ Wharton, President and CEO Yampa Valley Bank, Steamboat Springs, CO, IBC President

Like many of you, this is my busiest time of the year. Year-end financials, audits, tax returns, are being finalized, 2019 bonus decisions are being made and 2019 performance reviews are being completed. All of these responsibilities revolve around two of our most important facets of banking, our investors and our banking team. Today I want to focus on your banking team and their professional development.

According to the 2019 Workplace Learning Report from LinkedIn Learning, 94% of employees said they would stay at a company longer if the company invested more in the employee’s career. Ironically, the number one reason employees feel held back from learning is the lack of time for professional development. I challenge you to focus on your team in 2020, learning more about his/her personal goals for your organization and how the goals YOU provide include training and development.

There is no one-size-fits all training/professional development program. As a community banker, you have the flexibility to enhance your training program, so why not try some new ideas for the New Year? For example, the Independent Bankers of Colorado are offering a “Kick of 2020 Fast Focused & On Fire!” interactive sales conference and coaching session on February 20 & 21. The IBC also offers myriad webinars and other live training sessions scheduled for 2020. The webinars are good for both your banking team as well as your Board of Directors as continuing education remains an emphasis of regulators. Each IBC webinar is approximately 90 minutes and is led by an industry expert. For a complete list of webinar topics and
Here are a few additional ideas for your consideration;

Make learning a part of YOUR bank's culture - Set expectations that professional development is valued and expected. Make training a part of your team member's goals for 2020 and beyond. Ask him/her what area he/she would like to focus.

Provide training in a multiple of ways – Offer training by peers or outside experts, face to face, and online. Each one of us has different and preferred learning styles, so the greater the range of options, the better. The on-demand nature of digital training can be a game changer. External resources can provide video support, or banks can take control themselves with tools such as GoToMeeting, Zoom, or Join.me, which offer screen sharing and recording functions. This allows your team to access training on their terms and when it works best for them.

Focus on the practical – One component of effective training focuses on practical task, including physical or digital simulations, interactive animation, and site visits. Use your bank as a training ground. Resurrect the concept of role-playing during your training sessions. Yes, it makes us uncomfortable but role playing works and gives us practice!

Create a resource library – Create a digital or physical repository of information from the whole team for the whole team. Make sure to save and share the best of what your team participates in. Don't forget about the plethora of great business/leadership books out there either. Buy and circulate!

Remove distractions – Encourage and allow employees to step away from the regular tasks and work area to spend time in a dedicated training space. Make it appealing.

Get outside – If you have limited space, leave the bank. Visit a coffee shop or a library. Sometimes a change of scenery is exactly what is needed.

Best wishes for a prosperous 2020!

Connect with PJ at pjwharton@yampavalleybank.com

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.

This program provides tax-exempt bonds to lenders who provide low-interest financing for approved purchases. Individuals who own insubstantial amounts or no farm land may qualify for up to $520,000 in tax exempt bonds under this program. Parent-child and other directly related person transactions are now allowed under this program.
Chuck Johnston Retires from North Valley Bank

Chuck Johnston retired Jan 15th from his duties as President & CEO of North Valley Bank, where he worked for the last 20 years of his 45+ year banking career. As many of you know, he was proud to be a banker with high achievement goals for himself and the organization - he left on the Top of his Game with a 2.8% Sub-S ROA. Although retired from day to day operations, he is now the bank’s Board Chairman so he will not be completely out of sight. As you might expect, he plans to travel, golf, bicycle, hike, do twice as many band gigs while enjoying spending more time with wife, Joanne, his three sons and their families (including two grandkids). Chuck proudly and humorously displayed bobbleheads of our prior and current US Presidents in his office, so it was fitting to have his own mini-me as a parting gift.

HIGH PLAINS BANK BUSINESS OF THE YEAR

The Longmont Area Chamber of Commerce announced its winners of Best of Business Awards on December 5, 2019. High Plains Bank's Longmont branch was awarded Business of the Year as a business that “represented exemplary business practices and remarkable company culture.” High Plains Bank's Michelle Baltierras said of the honor, "We were delighted to have been nominated and even more delighted when we won the Longmont Chamber of Commerce Business of the Year Award! In a town of 98k people and thousands of businesses, it was a special honor, especially since the award criteria required the business to have a strong, sustainable community impact.”

In Memoriam: Gary Baker

On Thursday, November 14, 2019, Gary Bob Baker went to be with the Lord at the age of 64.

Gary was born in La Junta and taught Sunday school, and served as an Elder and Treasurer at the church, with his wife Connie beside him every step of the way.

Gary loved God, his family and all things sports related and he cared a great deal about his community and the welfare of those around him.

Gary attended the School of Banking at the University of Colorado and completed his graduate studies in 1997. He enjoyed his banking career, especially as it afforded him the opportunity to get to know so many people and share in their aspirations. He had the good fortune to work with a number of banks over the years and formed connections with people all over Colorado.

Gary appreciated the power of competition and sportsmanship to challenge ourselves and to respect one another; to pull together, as a team, and as a community. His success as a coach, both on and off the field, left its mark on several generations of young men and women.

Gary had a gift for seeing and expecting the best from people and a sense and enthusiasm for what we are all capable of. He was a friend, a husband, a father, a devoted son and much more to many people and he will be sorely missed.

He is survived by his wife, Connie; his parents, Bobby and Verda Baker; brother, Dale (Merrilee); sister, Pamela; four sons, Geoffrey, Douglass, Bradley, and Michael and their mother, Kathy Vail; two stepsons, David and Jason Sedarsky; two nieces, Jennifer Morgan and Steffani Baker; two nephews, Andrew and Micah Rodgers; three nephews and nieces-in-law, Sariah Berg, Nathaniel Baca, and Amy Justman and 27 grandchildren and great-nephews and nieces.

Online condolences may be made at www.PeacockFH.com.
IBC has been a leader in webinar training for more than a decade and is committed to superior customer service. Webinars are designed for most positions in your bank from the frontline to the board room. Speakers are industry experts with long-term, hands-on experience. Benefits of participating in an IBC webinar include:

- Easy to use, time effective, cost effective, convenient, and interactive
- Current and hot topics delivered by experienced speakers
- Take-away-toolkit (consists of an employee training log and a quiz to measure staff learning)

### AUDIT & ACCOUNTING

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<td>Collecting SBA Loans: Critical Steps in Protecting the SBA Guaranty</td>
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<td>Credit Reporting &amp; Delinquent Accounts: Disputes, Revisions &amp; Guidance</td>
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### COMPLIANCE

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<td>Risk Officer Series: A Year in the Life of a Compliance Officer: Tips, Tools &amp; Annual Requirements</td>
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<tr>
<td>10/27/2020</td>
<td>Risk Officer Series: Advanced BSA Officer Training: Risk, Compliance &amp; Real-Life Scenarios</td>
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### DIRECTORS

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<td>Understanding Marijuana Business Compliance for the Board</td>
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<td>9/16/2020</td>
<td>Building the Best Possible Board Meeting: From Agenda to Action</td>
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<td>Regulatory Requirements for the Board: A Comprehensive Checklist</td>
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### FRONTLINE & NEW ACCOUNTS

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</table>
Including Regulations, Lawsuits & Guidance

4/23/2020  Countdown to Reg CC Rule Changes Effective July 1, 2020

7/8/2020  Annual Training for the Branch: BSA, Identity Theft & Regs CC, D, E & DD

12/3/2020  Using Notary & Corporate Seals Accurately

**HUMAN RESOURCES**

1/15/2020  Incorporating Diversity & Inclusion into Your HR Policies

2/7/2020  Effective Time Mastery: Working Smarter, Not Harder - Recorded Only

2/19/2020  Harassment Claims in a #MeToo World

7/7/2020  HR Compliance: Lessons Learned from Massive HR Failures

8/18/2020  Effective & Compliant Pre-Employment Background Checks

11/3/2020  Recruiting & Retaining Millennials, Gen Z & Nexters

**IRA**

1/22/2020  2020 IRA & HSA Update, Including IRA Provisions Under the Secure Act

4/16/2020  Establishing & Amending Traditional & Roth IRAs

8/6/2020  Fundamentals of IRA Beneficiary Designations & Distributions


11/10/2020  Year-End Actions for IRA Administrators: Notifications, Reporting & Monitoring

**INFORMATION TECHNOLOGY**

1/21/2020  Data-Driven Loan Pricing


9/9/2020  Cyber Series: Cybersecurity Assessment Tool 2.0 & GLBA Privacy

10/14/2020  Cyber Series: GLBA Security Expectations, Internal Controls & the Human Factor

10/28/2020  Cyber Series: Building & Sustaining a Cyber Intelligence Unit (CIU)

**LENDING**

1/7/2020  Lending to Hemp Businesses, Including Recent USDA Interim Hemp Production Guidance

2/11/2020  Commercial Lending Series: Commercial Loan Documentation


2/25/2020  HELOC Compliance: Disclosures, Documentation, Advertising, Amending & More


3/10/2020  Common HMDA Violations & Challenges


3/19/2020  Consumer Loan Flood Insurance Forms Line-by-Line


4/1/2020  Commercial Lending Series: Commercial Loan Workouts, Restructuring & Loss Mitigation

4/28/2020  Commercial Lending Series: Commercial Loans Secured by Real Estate

5/5/2020  Writing Compelling Credit Memos & Loan Narratives with Confidence


5/7/2020  E-SIGN for Lenders: Technicalities, Consumer Expectations & Risk


5/18/2020  Demystifying TRID for Construction Loans Using the New CFPB Guides

5/21/2020  Documenting & Perfecting Farm & Livestock Loans

6/2/2020  Consumer Loan Underwriting Fundamentals: Interviews, Credit Reports, Compliance & Debt Ratios

6/3/2020  UCC Article 9: Perfection Pitfalls & Proper Enforcement

6/10/2020  Completing the TRID Loan Estimate Line-by-Line

6/24/2020  Managing In-House Real Estate Evaluations

7/9/2020  Top 10 Consumer Loan Documentation Mistakes

7/13/2020  Completing the TRID Closing Disclosure Line-by-Line Monday

7/15/2020  HMDA: Still a Four-Letter Word?

7/29/2020  Lending to Self-Employed Borrowers

9/2/2020  SAFE Act Compliance for Mortgage Loan Originators (MLOs)


9/24/2020  Avoiding Costly Mistakes in Calculating Debt Service Coverage

10/20/2020  Regulator Update for the Credit Analyst
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**SECURITY & FRAUD**

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<th>Date</th>
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<td>6/30/2020</td>
<td>Fraud by Channel Type: Check, Debit, Credit, ACH &amp; Wire</td>
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<td>9/17/2020</td>
<td>Risk Officer Series: The 15 Worst Security Mistakes</td>
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<td>11/24/2020</td>
<td>Robbery: Critical Steps Before, During &amp; After</td>
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**SENIOR MANAGEMENT**

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<tr>
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<td>Using the UBPR to Improve Bank Performance</td>
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<td>2/10/2020</td>
<td>Diversity Self-Assessment: Regulatory Guidance &amp; Best Practices</td>
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<tr>
<td>4/21/2020</td>
<td>New FFIEC Procedures for Business Continuity Management &amp; Resilience</td>
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<td>4/22/2020</td>
<td>10 Strategies for Remaining Independent in a Consolidating Environment</td>
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<td>5/28/2020</td>
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<td>10/6/2020</td>
<td>Managing Vendors: Due Diligence, Contracts, Tips &amp; Tools</td>
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If you missed a live webinar you can purchase the recorded webinar + free digital download up to six months after the date of the webinar.

We’re always looking for ways to enhance our training programs. If you have an idea for topic let us know. You’re our best resource!
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ICS and CDARS: Taking Advantage of New Opportunities

Reg relief makes most reciprocal deposits nonbrokered, providing banks the opportunity to attract even more deposits. Thanks to the regulatory relief bill, most reciprocal deposits are no longer brokered. This comes as banks continue to face intense competition for deposits.

Join Promontory Interfinancial Network—the nation’s leading provider and inventor of reciprocal deposit placement services—for a free webinar that outlines key provisions of the law and the impact ICS, or Insured Cash Sweep®, and CDARS can have on banks’ balance sheets. The webinar will also cover how banks can use ICS and CDARS to capitalize on the opportunities at hand; presenters will discuss cost-effective ways to use the services to attract high-value relationships (even as deposit competition intensifies) and to lock-in more low-cost funding. This webinar is a “must” for decision-makers at banks of all sizes, especially for community banks that utilize collateralized deposits and/or listing services.

March 12, 2020 – 11:00 AM MT

Register Here
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<th>303.291.3700 or 800.601.8630</th>
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<th><strong>Contact</strong></th>
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<td>iHELP loans help families cover the gap between the cost of college and other forms of financial aid a family receives. The iHELP Refinancing loan helps families combine multiple federal and private student loans into a fixed-rate or variable rate loan with one easy and affordable payment monthly.</td>
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<th><strong>Contact</strong></th>
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<th><strong>Contact</strong></th>
<th>Stacy Sheehy</th>
<th><a href="mailto:stacy.sheehy@spglobal.com">stacy.sheehy@spglobal.com</a></th>
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<th>720.200.8465</th>
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<th>Lauren Gonnella Copeland</th>
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Superheroes Unite!

47th Annual Convention

Wednesday-Friday, September 23-25, 2020

Vail Marriott Mountain Resort, Vail, CO

Independent Bankers of Colorado

One Mission. Community Banks.
A television commercial debuted late last year in which a patient in a hospital bed asks a nurse about his doctor’s credentials. With a shrug of her shoulders, she responds, “He’s OK.” The look of horror on the patient’s face reveals that just “OK” is clearly not OK.

Our industry is another in which average isn’t acceptable. As community bankers, we strive to exceed customer expectations, offering best-in-class service.

Take payments. Our current suite of offerings, which has been enhanced, upgraded and expanded throughout the years, meets the needs of today’s marketplace. We offer products and services that get the job done, but as technology changes and customer expectations evolve, our payments system needs to progress with them.

That’s why the community banking industry has taken up the faster payments initiative. In today’s culture of 24/7 immediate gratification, our customers expect their money to move as fast as their text messages and social posts. That’s why real-time payments are crucial to banking's future.

I’ve heard a community banker or two talk about how their customers aren’t yet demanding faster or real-time payments. That might reflect most community banks’ realities today, but while customers may not be clamoring for real-time payments just yet, the time will come when they will be, particularly if the big banks are offering them. And we don’t want to be backed into a corner and have to jump on board at the last minute.

Thankfully, that doesn’t have to be the case. Community bankers brokered a big victory in 2019 as the Federal Reserve threw its hat in the real-time payments ring via the FedNow Service. Through years of advocacy efforts, ICBA and community banks were able to thwart a mega-bank monopoly and encourage a solution that will support a more level playing field for all.

But, while this first battle is won, the war is far from over. We need community bankers to insist that the Fed develop its system as quickly as possible to maximize adoption among community banks and facilitate nationwide faster payments. In addition, we should begin speaking with our core processors about the impact of FedNow on the availability and timing of the faster payments services they provide.

As soon as FedNow is operable, my community bank will be at the front of the line to take advantage of it. And I know you feel the same, because as community bankers, our bars are set high. We’re not OK with just being OK.

Connect with Pres @BankPres

My Top Three
With Valentine’s Day as our backdrop, here are the things I love about community banking:
1. Investing in local economies
2. Improving the lives of our neighbors
3. Growing the next generation of community bankers
# IBC ASSOCIATE MEMBERS

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Feb/Mar 2020
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**ELIGIBILITY**
- You are a full-time high school senior
- You have applied to, and will attend, a Colorado (or contiguous state) public or private university or college, junior or community college, or vocational/trade school

**REQUIREMENTS**
- Minimum cumulative GPA of 3.0
- The student or parent(s)/guardians(s) have a banking relationship at an IBC member bank or branch for at least six month
- Completed application including typed essay signed by a representative at your bank

$1,000 Scholarship

For more information visit: www.ibcbanks.org/scholarship
YOUR POTENTIAL IS OUR PASSION.

ICBA creates and promotes an environment where community banks flourish.

Independent Community Bankers of America® is the only national organization that exclusively represents the interests of community banks. With effective advocacy, best-in-class education, and quality products and services, helping your community bank reach its full potential is our passion.
As community bankers, we strive for excellence. We are always looking for ways to build upon the strong foundation we’ve set, whether through the products we offer our customers, the services we bring to the community or the environment we create for our employees. In short, community banks work hard to ensure that every day is just a little bit better than the last.

And hard work it is. As the saying goes, “Excellence is never an accident. It is always the result of high intention, sincere effort and intelligent execution.” Those words ring true as we look at the factors that contribute to community bank success, and they resonate at ICBA, where we are committed to excellence in the products, services and offerings we bring to our members.

Our ThinkTECH Accelerator is a testament to that point. I was fortunate to attend this year’s accelerator launch in Little Rock, Ark., just a few weeks ago, and I was astounded by the knowledge and passion of this year’s finalists. We have assembled a new cohort to address specific, tangible community bank needs in the marketplace. With a laser focus on community banks, the solutions these fintechs debuted aim to help us better reach target audiences, enhance internal procedures and create external efficiencies.

The accelerator sheds light on some incredible fintech partnership opportunities, and I hope you’ll pencil in the ThinkTECH Showcase at ICBA LIVE 2020 so you can hear firsthand how their products can support your quest for excellence.

Beyond the showcase, next month’s ICBA LIVE has so much to offer community bankers as we come together to explore today’s emerging opportunities and tackle developing challenges. We will spark fresh momentum around key initiatives—such as advocating for a level playing field and expanding our technology offerings—as we assemble as a community. Our efforts at convention will outline tangible ways community bankers can become involved in key ICBA initiatives to expand our impact. Through our shared work, we will amplify community bank voices throughout the financial services industry, inside the Beltway and within your communities. I can’t wait to unveil all we have in store in 2020.

So, as you browse this month’s Independent Banker, I hope you’ll take note of new strategies for payments, opportunities for engaging fintechs, possibilities around digital lending and developments in compliance. These topics set the stage for ICBA LIVE and for the continued pursuit of excellence now and throughout 2020.

Connect with Rebeca @romerorainey
ON-SITE CONFERENCES

2020 Independent Bankers of Colorado
Upcoming On-Site Conferences

Fast, Focused, and On Fire
Thursday and Friday, February 20-21, 2020
Federal Reserve Bank, Denver Branch,
1020 16th Street, Denver, CO

Ag and Natural Resources Conference
Thursday and Friday, April 16–17, 2020
DoubleTree by Hilton Hotel, 7801 East Orchard Road,
Greenwood Village

BSA/AML Mile High Summit
Tuesday, August 18, 2020
Federal Reserve Bank, Denver Branch,
1020 16th Street, Denver, CO

Ag School and Simulation
October 27-29, Denver
OFFERING IRAS CAN BE EASY AND PROFITABLE

By Jennifer Bassett, Senior Editor, Ascensus

If your organization is looking for ways to increase its deposit base, then offering IRAs could be the perfect solution. According to a recent study by the Investment Company Institute, in 2018 almost one-third (43 million) of U.S. households owned some type of IRA (including Traditional, Roth, SEP, and SIMPLE IRAs). And by the end of March 2019, IRAs held an estimated $9.4 trillion in assets.

Think about how much revenue your organization could generate from holding just a fraction of these assets. For example, offering IRAs may allow your organization to offer new fee-based services and transactions. Offering IRAs may also attract new clients that have additional needs, such as taking out loans or mortgages or opening a new credit card.

If your organization isn’t yet offering IRAs, now’s the perfect time to start. Not sure where or how to begin? Read the following suggestions—and start the path toward increasing your IRA business.

Educate Staff

Education is everything. IRAs can be easy to offer, but harder to service well. If your staff understands how IRAs work, however, the path to IRA success is much smoother. Consider whether your associates need additional IRA training. If the answer is “yes,” think about the type of training that may benefit your associates the most. Fortunately, there are multiple training options, as described next.

Internal Training

If your organization has an experienced IRA specialist, consider enlisting that expert to train other associates. Having your own IRA specialist train and mentor other associates can help ensure that your organization’s internal procedures are followed and that IRS requirements are met.

External Training

If you have a large number of associates who need to improve their IRA knowledge, then you may want to give your associates more in-depth training. Perhaps you should consider sending some of your staff to external seminars—or have an instructor come to your organization for on-site training.

Online self-paced learning courses can also be an easy, efficient way to train both new hires and more experienced staff. Online courses give associates control over the time, pace, and place for their education. Online courses may also be more cost efficient, as your associates won’t incur travel expenses.

Simplify the Establishment Process

Some organizations mistakenly believe that establishing an IRA is a complicated, time-consuming process. But it’s not. There are ways to ensure that the establishment process runs smoothly. For example, if your organization chooses to process all IRA transactions internally, think about providing a procedural manual to associates. A procedural manual describes IRA procedures according to the IRS rules and regulations. In addition, a procedural manual can detail specific operations unique to your organization, including the forms used to validate transactions and to establish IRAs. And don’t let the idea of a “procedural manual” scare you away. This tool could start as a simple checklist that can grow into a more comprehensive manual, which can serve both as a reference for answering basic IRA questions and as a guide for consistency in IRA operations.

If your organization doesn’t want the re-
sponsibility of opening and maintaining IRAs, consider using a third-party vendor to do it for you. This way you can enjoy the best of both worlds—you can grow your IRA business with little to no extra work for your associates.

Promote IRAs

IRA assets are growing for a variety of reasons—rollovers from retirement plans, generational savings trends, higher interest rates—and all of them present ways for your financial organization to gain new deposits. But just reacting to the marketplace isn’t enough. To capitalize on these opportunities, you must take affirmative steps—starting with promoting IRAs to the right audience.

Retiring Baby Boomers

As far as IRA contributions go, rollovers are king. The “U.S. Retirement Markets 2018” Cerulli Report shows that from 2012 to 2017, rollovers from employer-sponsored retirement plans accounted for almost 96 percent of total Traditional IRA contributions. Rollovers will continue to grow as more workers retire.

Over the next 10 years, 10,000 baby boomers will turn 65 every day. Many of them will be looking for somewhere to put their employer plan savings. According to an Investment Company Institute research report, in 2016, the average Traditional IRA rollover amount for individuals ages 65-69 was $183,041. Knowing the portability rules and their potential consequences can aid your organization in capturing these large rollover amounts.

Job Changers

Most U.S. workers no longer spend their entire career at the same company. In fact, many workers change jobs—or even careers—several times before retiring. According to a Bureau of Labor Statistics Economic News Release, the median employee tenure was 4.2 years in January 2018. At that time, only 30 percent of male workers and 28 percent of female workers had been with their current employer for 10 years or more.

If a client mentions that she is relocating or changing jobs, take advantage of the opportunity by discussing her rollover options. Simply let her know what her options are and suggest she talk to a tax advisor to decide which option (if any) is right for her.

Children as IRA Owners

Right now you may be thinking “children can’t have IRAs.” But it is possible. The IRS sets very few restrictions on IRA contributions. For a Traditional IRA, an individual need only have earned income and be under age 70½; a Roth IRA also requires an individual to have earned income, but it must be below a certain threshold.

Consider the case of a child with a summer job. (Let’s assume that the child’s pay is reported on an IRS Form W-2. In other words, there is proper documentation that the pay qualifies as eligible compensation—instead of a series of cash transactions.) The child contributes $250 each month ($3,000 annually) to an IRA from age 14 to age 18. If the IRA has an average 5 percent rate of return, the child could earn up to $358,450 by age 65. And if the child contributed to a Roth IRA, all the money could come out tax free.

Obviously not all children can contribute to an IRA. But for those who are eligible, Traditional and Roth IRAs are smart choices for long-term, tax-deferred growth. Consider sending information (e.g., brief articles, flyers, emails,) to the parents of children who already have savings accounts at your organization. Even if their children can’t contribute to an IRA now, they may be able to in a few years—and your organization will be the one they turn to.

See an Increase in Business

$9.4 trillion in assets. That’s a considerable amount of money—some of which could be coming to your organization. If you’re not currently doing everything you can to expand your IRA business, don’t wait any longer. Use the tips discussed in this article to come up with new ways to increase the number of IRAs at your organization. Then watch your profits grow.

Jennifer Bassett is a Senior Editor in the ERISA department at Ascensus. As a Senior Editor, Jennifer contributes to many of Ascensus’ printed and online publications, education materials, and client communications. Since joining Ascensus in 2004, Jennifer has specialized in various employer-sponsored retirement plans, Traditional and Roth IRAs, health savings accounts, and Coverdell education savings accounts. She also answers client inquiries through Ascensus’ 800 Consulting service.
Your building, your vault, your money and your people: Protect them all.

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.
So, you say your community bank doesn’t own any municipal bonds? And you don’t need to read a column about an investment sector that has no relevance to your investment strategy? Because your bank is an S-Corp and passes through its earnings to the shareholders? Or because your bank is effectively owned by an employee stock ownership plan (ESOP)? Please don’t say it’s because your bank doesn’t have any income, which was the circa-2009 reason, but is thankfully a rare event today. Nonetheless, please keep reading because this column probably does have import for your community bank.

Whatever the reason, a good number of community banks have no need to shield income from income tax liability, even if the organization itself is profitable. Unfortunately for these institutions, tax-free munis are the most efficient—if not most profitable—way to avoid payment of income tax. It’s been documented here that the amount of tax-frees in a portfolio has a strong correlation to its performance. So, as my associates from Vining Sparks and I write and speak about high-performing investments, we eventually have to declare that a bond portfolio without tax-free munis is probably going to wind up in the bottom quartiles among its peers.

Note that I said “probably.” We may be in a new era of bond-sector allocation. What is different in 2020 from, say 2017? For one, thankfully, marginal tax rates are quite a bit lower. Tax-free weightings are down about 20% from their peak, and many—tax-paying— institutions are still replacing nontaxables with taxables.

For another, the taxable muni sector has seen enormous growth, so much so that supply has outstripped demand recently. And, as we know, supply gluts get corrected by prices falling enough to attract buyers; in bond-speak, this is referred to as “spread widening.” In some cases, spreads are wide enough so that taxables can be used as an alternative to tax-frees.

MUNIS FOR ALL
NO NEED FOR TAX-FREE BONDS? CHECK OUT THE VALUE IN TAXABLE MUNIS.

Feb/Mar 2020
without a discernable drop in yield.

**Numbers back it up**

In another subplot, some crossover buyers of taxable munis have migrated from corporate bonds. Corporates and taxable munis have a lot in common: both are non-amortizing, neither are guaranteed by any appendage of the Federal government and an investor can pretty much pick the credit quality and duration of his or her choosing. The corporate bond market is many times larger than the taxable muni sector, so it has relatively better liquidity. As of 2018, the corporate market was more than $9 trillion and growing, whereas the entirety of the taxable market is about $485 billion, according to Bloomberg, or about 12% of all munis.

But corporates also have higher risk-based capital weightings and a much higher default history. Moody’s Investors Service reports that from 1970 to 2018, rated corporate bonds had an annual default rate of more than 6% compared with 0.09% for rated munis. Corporates have historically represented about 5% of the typical community bank bond portfolio.

First, here’s a review of a provision in the tax reform law from 2017. The act lowered corporate tax rates but also eliminated the ability of issuers to “pre-re” an existing issue. This was a strategy by which bonds that had higher-than-market costs were refinanced early by issuing more debt at lower costs, with the issuer later paying off the old debt as soon as it could be called away. The sunsetting of the pre-re strategy applied only to new tax-free debt.

As rates have fallen over the past year, many old bonds can now be pre-refinanced into taxable munis and still save the issuer some money. There also continues to be the shakeout by portfolio managers to right-size the tax-free segment in the current tax rate environment.

Nearly $70 billion of taxable munis came to market in 2019, almost double that of the year earlier. A lot of the supply has come from the pre-re activity. While some new demand has come from erstwhile corporate buyers and erstwhile tax-free investors, it hasn’t been enough to soak up all the new supply of taxable munis. Spreads are near an 18-month high, which is an indication of relative value (see graph below).

So, if your investment sector weightings can migrate out of corporates or tax-free munis, the taxable muni sector bears strong consideration. Supply is ample, yields and spreads are attractive, credit quality has been quite good, and this is probably a sector that will continue to grow. Regardless of tax structure, your institution could be in a position to take advantage of the taxable muni sector.

**Manage your balance sheet**

ICBA Securities and Vining Sparks will host the 2020 Balance Sheet Academy on April 20–21 in Memphis, Tenn. Up to 12 hours of CPE are available. This is an intermediate level class for experienced portfolio managers. You can learn more and register by visiting viningsparks.com/education/balance-sheet-academy

**Education on Tap**

2020 webinar series kicks off

ICBA Securities and its exclusive broker Vining Sparks begin their 2020 Community Banking Matters webinar series on Feb. 18 at 10 a.m. CDT. The topic is Positioning the Investment Portfolio for Performance. One hour of CPE is offered, and there is no cost to attend. Visit viningsparks.com to register.

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

by Jim Reber, President/CEO, ICBA Securities, IBC Preferred Provider
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The number of annual bank acquisitions is on the decline after peaking in 2015. Interestingly, the number of deals and pricing matrix per transaction have decreased, while the average deal value per transaction has increased, suggesting that larger banks are being acquired as compared to previous periods. Approximate average deal value to tangible common equity is 154 percent for 2019, based on 272 completed deals, as compared to 169 percent during 2018 at 346 deals. Average deal values to earnings are slightly lower—18.8 percent during 2019 as compared to 24.3 percent during 2018.

Various factors have contributed to the steady pace of bank acquisitions since 2014, including increased regulatory compliance cost, succession planning issues, increasing capital requirements, the need to leverage excess capital and uncertainty in operating risk associated with government regulations. However, under the current regulatory environment, these trends may not continue at the same pace due to recently enacted tax reform and promises for reduced regulatory burden. Reduced corporate and individual tax rates and upcoming accounting changes will likely continue to affect pricing strategies with considerations on regulatory capital related to adopting an expected credit loss model and reduced net deferred tax assets and longer-term benefits of reduced income tax provisions. Many bank management teams are assessing their strategic plans to be either buyers or sellers based on the changing acquisition environment.

This article aims to help banking organi-
zations' buyers with due diligence in preparing pro forma financial information; however, sellers also may find the information useful.

One of the first considerations in the acquisition process is obtaining regulatory approval. The application process should include a thorough due diligence of the target, a well-documented business plan post-acquisition and pro forma financial statements and disclosures with post-closing capital ratios. Capital ratios pre- and post-close are an important area for regulators to evaluate the viability of the transactions and will influence ultimate approval. Therefore, the buyer should carefully evaluate the transaction and pro forma financial information recording.

A first step in preparing accurate pro forma financial information and disclosures is summarizing the deal contract, including the purchase price, contingencies, obligations and transactions occurring due to change in control provisions and transfer of assets acquired and liabilities assumed. Once a clear understanding of the transactions is obtained, the acquirer should apply Accounting Standards Codification 805, Business Combinations, to the transaction, which requires a thorough analysis and recording of assets acquired and liabilities assumed at fair value. Here are some high-level reminders when recording a target acquisition:

- With limited exceptions, assets acquired, liabilities assumed and noncontrolling interest are recorded at fair value
- Merger-related costs, such as legal, accounting and consulting fees, are no longer capitalized into the acquisition price
- Currently, none of the target’s allowance for loan losses transfers to the acquirer
- Goodwill can no longer be adjusted after one year post-acquisition
- Any excess of net assets acquired over the purchase price (formerly negative goodwill) is recognized in earnings as a bargain purchase gain
- The acquisition date is the date assets are acquired and/or liabilities are assumed
- Adjustments to fair value may be made post-acquisition within one year after the acquisition date

Estimating fair value can be challenging pre-acquisition and may require outside assistance, particularly with loan portfolios. Bankers generally instill good due diligence processes when evaluating loan credit quality; however, other fair value adjustments are often overlooked, such as those related to current interest rates and terms as compared to contractual agreements in place, liquidity premiums or estimation of prepayments—all of which can have a material effect on fair value measurements either individually or in the aggregate. The same is similar to other financial instruments, including deposit portfolios.

The effects on the financial statement may be long-lasting due to post-acquisition accretion or amortization of discounts or premiums applied to assets and liabilities to arrive at fair value. These subsequent adjustments and impairment considerations are important to the pro forma financial disclosures because they may have significant effects on results of the entity’s operations and cash flows.

It’s also important to understand Statements of Financial Accounting Concepts No. 6, Elements of Financial Statements, regarding elements of financial statements and criteria for recording an asset or a liability. In some cases, assets or liabilities recorded on a target’s balance sheet may not qualify for an asset or liability on the acquirer’s books during the acquisition process, and vice versa. Items to carefully examine may include prepaid assets, unrecorded payables, employee relocation cost or terminations, payroll liabilities arising from stock-based compensation plans, equity method investments, favorable or unfavorable leases and assets and liabilities arising from contingencies.

In other cases, costs an acquirer expects but isn’t obligated to incur in the future aren’t liabilities at the acquisition date but are costs the acquirer will incur subsequent to the acquisition date. A common example is the decision to terminate software contracts of the target post-acquisition. In this circumstance, the buyer may have negotiated the termination cost into the acquisition price and cost to the selling shareholders, with a perception the cost will be recorded as a liability at the acquisition date. However, a liability or related expense isn’t incurred until the software is terminated—often post-acquisition—resulting in an expense to the buyer.

Many purchase and assumption agreements include purchase price allocations based on a target’s capital, as stated in accordance with generally accepted accounting principles. Applying a thorough due diligence process with an understanding of the concepts described above can improve buyer and seller expectation related to deal values and pro forma information results, resulting in accurate pro forma information that can help with expedited regulatory approval and depiction of the transactions post-close.

For more information, please contact Bud Hollenkamp at 303.861.4545 or bhollenkamp@bkd.com.
Tensions in the Middle East are high following the U.S. government’s assassination of Qassem Soleimani, Iran’s high-ranking military leader. Iran retaliated in the early hours of January 8, launching more than a dozen ballistic missiles against two military bases housing U.S. troops in Iraq.

In addition to missiles and military maneuvers, Iran is also no stranger to cyber warfare. In 2016, the U.S. charged seven hackers linked to the Iranian government with executing large-scale coordinated cyberattacks on dozens of banks, as well as a small dam outside New York City.

Two days before the missile strike, the Department of Homeland Security (DHS) issued a bulletin warning of Iran’s ability to carry out attacks with temporary disruptive effects against critical infrastructure in the U.S., and for American companies to be prepared for “cyber disruptions, suspicious emails, and network delays.”

Just one day after DHS released the bulletin, Texas Gov. Greg Abbott said his state has seen a spike in attempted cyberattacks from Iran on state agency networks at the rate of about 10,000 per minute.

Financial institutions should remain vigilant regardless, but the escalating situation in the Middle East serves as a catalyst to ensure your institution is fully prepared to deal with a cyberattack from a foreign adversary. Here are some things you should be doing right now:

**Reduce Your Attack Surface**

This is an excellent time to take inventory of your technical assets, because every device and piece of installed software you have increases your attack surface, leading to much higher risk.

Eliminating unused devices reduces the amount of assets you must manage and protect. However, getting rid of unused software may be even more important, as all software has the potential for vulnerabilities. Whitelisting your applications is a fantastic way to accomplish this.

**Cut Access to Systems**

Whenever possible, take the time to reduce the num-
ber of administrators to systems, including all local admin rights. You should also restrict access to systems or data on a need-to-know basis. This includes keeping an eye on third-party access, which is something that Christopher Krebs, director of the DHS’ Cybersecurity and Infrastructure Security Agency, tweeted about recently.

**Backup Your Data**

The frequency of ransomware attacks is on the rise, and this is an enormous concern for financial institutions in this country. Cyber criminals prefer ransomware attacks because they pose little risk while providing a quick pay out.

Ransomware attacks depend on the ability to hold your data captive, but these attacks become far less threatening if your data has been duplicated and stored elsewhere. Make sure you are backing up your data regularly and consistently testing those backups to make sure they work properly.

**A.B.U. (Always Be Updating)**

We are nearing the end-of-life date for two widely used operating systems: Windows 7 Service Pack 1 and Windows 2008 Server Service Pack 2. Support for both systems ends after January 14, and there is high probability that hackers are already sitting on vulnerabilities for these systems, ready to strike once the support date passes.

Unpatched software is a huge risk, too. So make sure you install all operating system and application security patches in a timely fashion.

**Monitor Your Network**

One of the biggest challenges community institutions face is monitoring for suspicious activity. Security systems and tools are critical, but neither take the place of eyes on glass. One of the wisest investments you can make is partnering with a managed services provider (MSP) that offers around-the-clock assistance in monitoring for suspicious activity. These same providers can also assist with administrative functions, such as system and software updates.

In addition, a qualified MSP can offer practical advice and answer questions to make sure your institution is doing everything it can to prevent attacks.

**Secure Your Perimeter**

You’re only as strong as your weakest link, and if your weakest link is your perimeter security, you’re basically leaving the front door wide open.

It’s no longer optional to simply deploy firewalls and intrusion prevention systems. Financial institutions must go above-and-beyond typical security measures to keep their systems safe and should consider taking advantage of enterprise-grade security solutions.

**Train Your Employees**

Social engineering remains one of the top ways to compromise a network while remaining undetected, and therefore, should be toward the top of your list when it comes to cyber training. While email is often the focal point of such trainings, we shouldn’t forget that phone calls and dropped USB drives are still very successful attack vectors, too. Additionally, strong email and web filtering is critical, as they stop many attacks before they start.

**In Conclusion: Preparation Is Key**

In response to notifications from DHS, the Federal Reserve, FBI and other governmental agencies, CSI has updated security monitoring and response correlation rules to identify potentially malicious activity as identified by these agencies and will notify customers if any traffic is detected from any agency-supplied sources.

Ask yourself this: If you live in an area that is susceptible to hurricanes, and you do nothing to prepare, are you negligent when the storm hits your house? Cybersecurity is the same thing, and you need to do everything you can ahead of time to prepare your institution to weather a cyberattack.

For more information on what CSI is doing to thwart the increase in potential cybersecurity threats from the Middle East, contact CSI Managed Services.

Steve Sanders is vice president of Internal Audit for CSI. In his role, he oversees the evaluation and mitigation of risks associated with IT, financial and operational systems. Steve is a CISA, CRISC, CRMA, and CTGA, and he speaks regularly on information security, cybersecurity, IT and IT audit topics.

by Steve Sanders, CSI, IBC Associate Member
ICBA’S THINKTECH ACCELERATOR 2.0
By Kevin Tweddle, COO, ICBA Securities, IBC Preferred Provider

ICBA’s ThinkTECH Accelerator 2.0 program is under way, and this year’s fintech cohort brings even more potential for transformative technology that elevates the customer experience and serves as a point of differentiation for community banks. We’ve devoted additional time to the selection process and have a larger, more diverse pool of candidates, which bodes well for the program’s continued success.

Unlike many of the other accelerator programs out there, ICBA’s program is mission-based. Our No. 1 goal is to talk with our bankers, identify their top priorities and determine how technology can help solve real-world problems for community banks. Driven by members’ feedback, we identify early stage fintechs working on solutions for these challenges and choose up to 10 of the best.

ICBA’s program had tremendous success in year one. Adlumin, a leading security and compliance automation platform built exclusively for financial institutions, is now an ICBA preferred service provider. And MK Decision serves as a digital loan origination provider for ICBA Bancard customers.

I expect this year’s program to be even more successful. We had more than 190 potential candidates and conducted 80-plus interviews during the selection process. All of the major regulatory agencies and top core processors will be participating in the process. And we expect 40 community banks to provide feedback to the fintechs through March.

This year’s participants (see page 10 for a list of finalists) are working in the areas of:

- **Data analytics**, especially actionable technologies that can help banks make faster and better decisions.
- **Financial management**. We are looking for a guided financial experience that will improve how customers interact with their bank.
- **Digital lending opportunities**, such as mortgage lending. We would like to create a more competitive space in this arena for our community banks.
- **Marketing**. Everything is moving to digital. We are looking for ways fintechs can help banks with customer acquisition and retention and the transition from paper to digital media.
- **Fraud and cybersecurity**. These areas are a top priority, and, given continued infrastructure movement into the cloud, we will always have one or two candidates addressing these issues.

During this 12-week program, ThinkTECH Accelerator 2.0 participants will work closely with a variety of subject matter experts, including community bankers, regulatory agencies, core processing companies and ICBA’s own experts. They will learn about the needs of community banks and how best to meet them. In the high-tech, high-touch world of community banking, accelerator participants have an opportunity to make an important contribution to the industry.

Kevin Tweddle (kevin.tweddle@icba.org) is senior executive vice president of community bank solutions.
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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.

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