MARCH/APRIL

INDEPENDENT REPORT

Building on the past, banking on the future.

A PUBLICATION OF INDEPENDENT COMMUNITY BANKERS OF COLORADO

BUILDING ON THE PAST
50
ICBC
1973 years 2023
BANKING ON THE FUTURE

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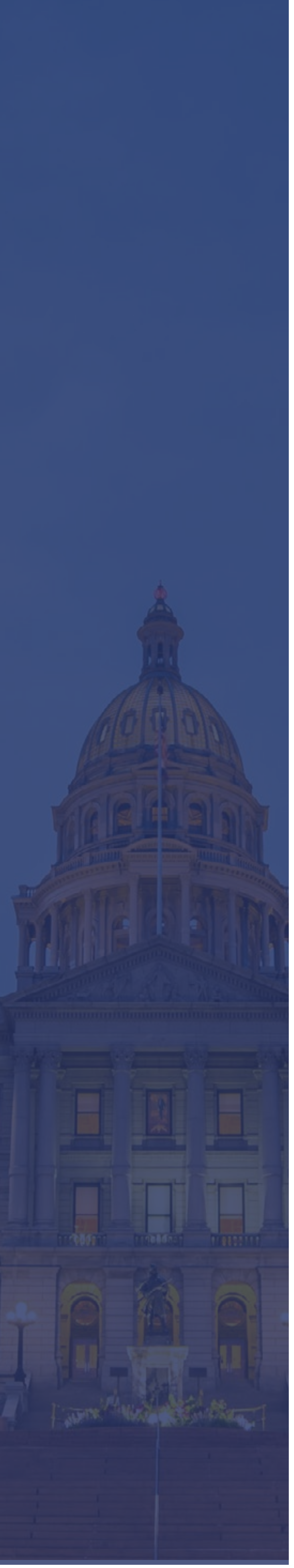

ICBC INDEPENDENT COMMUNITY BANKERS OF COLORADO

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Littleton, CO 80123
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WELCOME LEGISLATORS!

By Mike Van Norstrand
Executive Director
Independent Community Bankers
of Colorado

On January 9, the 74th Colorado General Assembly began its 2023 legislative session. With 35 of the 100 lawmakers new to the Assembly, it is necessary and important to introduce the new folks to ICBC, our membership and our issues, as well as remind the returning ones. To launch our advocacy campaign this year, ICBC commissioned custom cookies and delivered them on the desks of each of the lawmakers in their respective chambers along with the below letter of welcome and introduction to ICBC. We are already getting great feedback for our outreach!

ICBC INDEPENDENT COMMUNITY BANKERS OF COLORADO
One Mission. Community Banks.

Dear Legislator,

On behalf of our members, thank you for your service to the state of Colorado. Public service is an important and necessary, often thankless, job that requires an altruistic, open and collaborative spirit, for which we greatly appreciate your representation.

The Independent Community Bankers of Colorado (ICBC), formerly Independent Bankers of Colorado (IBC), is solely and exclusively dedicated to the representation of the interests of Colorado's community banks and the communities and customers they serve. There are over 50 ICBC members that operate over 350 locations stretching to all four corners of the state, proudly providing locally essential financial services to diverse economic and demographic communities.

Community banks improve our standard of living by funding small businesses, farmers, and use local dollars to assist families to purchase homes and other goods, finance college, and build financial security. Community bankers are our neighbors, friends, and a vital component of every community.

ICBC believes in fair competition for all financial institutions, maintaining the separation of banking, commerce, and government, with a balanced financial system to prevent the concentration of economic and financial-services resources.

As you enter this legislative session, please consider us as a resource of information, facts, and local voices on issues that impact financial institutions. We believe we share a common goal: to provide Coloradans with capital, financial guidance, and general support to thrive. Together, we can make that goal a reality for all Coloradans.

Visit ICBC at www.icbcolo.org for more information.

Sincerely,

Michael Van Norstrand

Michael Van Norstrand, Executive Director
303-815-0472 | mvannorstrand@icbcolo.org

INDEPENDENT COMMUNITY BANKERS OF COLORADO

SUPPORT THE ICBC'S ASSOCIATE MEMBERS!

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PCBB	888-399-1930
TIB – The Independent BankersBank	972-650-6000

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The Citizens Bank	505-599-0145
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***ICBA Securities**	**800-422-6442**
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ICBC LOBBYING AND PUBLIC RELATIONS

The Capstone Group (ICBC Lobbyists)	303-860-0555

ICBC Preferred Providers

INDEPENDENT COMMUNITY BANKERS OF COLORADO

Seminar Calendar

To discover more click on date or visit www.icbcolo.org.

March

1	ACH Processing and Compliance
1	How to Document the Business Customer's Deposit Account
6-7	Advanced HMDA
6-7	Essential Lending Compliance
7-8	Bank Secrecy Act Two-Day School
8	Compliance with Deposit Regulations
8	Introduction to Lending Compliance
20	Anti-Money Laundering and Bank Secrecy Act Compliance Update
20	Advanced TRID
21	Lending Compliance 101
21-22	Advanced Deposits: Compliance and Audits
22	Mortgage Lending-Start to Finish
22	Deposits Start to Finish
23	Social Media Boot Camp
27	Small Creditors, Small Lenders, and Small Servicers
28-29	TRID Fundamentals with Workshop
29	Fair Lending: Detect, Monitor & Exam

April

4	Bank Secrecy Act Two-Day School
4	Retail Lending (Non-TRID) and E-Sign
5	Advanced TRID
6	Mortgage Lending-Start to Finish
6	ACH Processing and Compliance
10-12	Real Estate Lending Compliance
11	Anti-Money Laundering and Bank Secrecy Act Compliance Update
13	Appraisal Regulations
18	ACH Processing and Compliance
18	Compliance with Deposit Regulations
19	Mastering HMDA
19	Anti-Money Laundering and Bank Secrecy Act Compliance Update
24	Mortgage Lending-Start to Finish
25	Advanced TRID
26	Lending Compliance 101
27	Construction Loans

Seminars presented by FORVIS previously ProBank Austin

INDEPENDENT COMMUNITY BANKERS OF COLORADO

Webinar Calendar

To discover more click on date or visit www.icbcolo.org.

March

1	Commercial Loans: Workouts, Restructuring & Reducing Loan Losses
2	IRA Beneficiary Designations 7 Distributions Part A: Proper Handling, Responsibilities & Compliance
6	RTP & FedNow FAQs
7	Agricultural Lending Basics
7	Escrow Excellence: From Loan Estimate to Annual Analysis
9	BSA Officer Part 2: BSA Reporting to the Board
14	Visa Debit Card Chargebacks: Rules, Rights & Challenges
15	Handling Difficult People: Warning Signs & Effective Tactics
20	ACH Risk Assessments for RDFIs & ODFIs
21	Standard Flood Hazard Determination Form Line-by-Line
23	Supervisory Priorities 2023
27	2023 ACH Rules Update, Initiatives & Instant Payments
28	C&I Lending for CRE Lenders
29	Provisional Credit Under Reg E: Rules, Best Practices & FAQs
30	IRA Beneficiary Designation & Distributions Part B: Success Beneficiaries & Deaths After January 1, 2020

April

4	The Sleepers: Risks of Safe Deposit Boxes, Mobile Banking, Prepaid Cards & RDC
5	Real Estate Construction Loans Start to Finish: Consumer & Commercial; Unique Issues & Landmines
6	Opening Accounts Online: CIP, CDD, Documentation & Beneficial Ownership
11	Check Returns: Past the Point of Redemption
12	Cryptocurrency Regulatory Expectations & Guidance
13	Introduction to Call Report Preparation
18	Cannabis Banking: Hemp, MRBs & CBD Business Update
19	A to Z on Endorsements
20	Lessons Learned from the FDCPA Collection Rule Changes
24	Effective Management of Credit Report Disputes
25	RDFI Returns: 2 Banking Days vs. 60 Calendar Days – Understanding the Difference
27	Collateral Analysis: Evaluation, Weaknesses & Monitoring Value

Webinars presented by Community Banker Webinar Network

FLOURISH

By Rebeca Romero Rainey
President & CEO, Independent Community Bankers of America

"FOR COMMUNITY BANKS, MARKETING OFTEN POINTS TO FINDING WAYS TO EDUCATE, SUPPORT AND GROW COMMUNITY, AS WELL AS CUSTOMER KNOWLEDGE AND AWARENESS."

True relationships withstand the test of time, ebbing and flowing with the cycles of life, and such is the case with the community bank–customer connection. It's not unusual to hear about a community bank having served a family or a business for generations, and that's a testament to the strength of the relationship.

As we consider marketing in this month's issue, I took time to reflect on exactly what differentiates the community banker and how marketing can help in growing and retaining business. I kept coming back to the fact that for community banks, marketing often points to finding ways to educate, support and grow community, as well as customer knowledge and awareness. By extension, these promotional efforts assume a natural role in a community bank's journey, just enhancing what are already mission-critical initiatives.

For example, consider ICBA chairman Brad Bolton's Community Spirit Bank in Red Bay, Ala., and its work to share tips for financial resolutions in the local paper. Offering that information to the community helps individuals strengthen their financial savvy and supports a broader story of community bank leadership.

Or look to ICBA past chairman Bob Fisher's bank, Tioga State Bank, in Spencer, N.Y., and how it teams up with local television stations to support cause-related activities, like the No Shave November Cure the Blue 5K. Not only does this event help raise funds for an important program, it also demonstrates the bank's involvement with and commitment to its community.

These examples offer only a snapshot of what community banks all over the country do to support their communities from a mission-based approach. In many cases, the added promotion these efforts deliver is a side benefit to serving the community. That's precisely why these efforts are successful: They garner attention because they are the right things to do. These stories create a value proposition around why banking with a community bank is so vital, and the differentiation from megabanks and credit unions happens by leading with the community bank relationship model front and center.

So, as you think about your bank's planned storytelling this year, know that ICBA is standing by to help. In fact, stay tuned for a very exciting announcement that we'll be making during ICBA LIVE, which will shine a light on what differentiates community banking. And our work won't stop there. We invite to you join us in this next step of our journey as we continue to tell the community banking story.

Because beyond promotion, what you do matters to the customers and communities you serve. You are and will remain a partner through your customers' lives and financial journeys. From a marketing perspective, that's an ideal place to be.

WHERE I'LL BE THIS MONTH

I'll be connecting with community bankers from around the country at ICBA LIVE in Honolulu, Hawaii, from March 12–16. I hope to see you there!

CONNECT WITH REBECA @ROMERORAINEY

FROM THE TOP

By Brad M. Bolton
Chairman, Independent Community Bankers of America
President & CEO, Community Spirit Bank

"I am grateful to have had the opportunity to serve as chairman. I will continue to advocate for community banking, and for the rest of my career, stand side by side with you to fight our future battles."

Serving as ICBA chairman has been one of the highest honors of my life. It's hard to put into words how special this experience is. The work you're doing every day puts real faces and names to the communities we're fighting for, and it has been a privilege to be your representative at the national level.

Yet, it takes the voices of many to make a true impact. That's why I've asked community bankers to sacrifice a few minutes every day to advocate for our industry. We are what stands between our customers and an overreaching federal government and regulatory system. We hold the line for Main Street America, which needs us.

In today's environment, that vigilance is critical to staying ahead of emerging threats. Each day brings forward new concerns, and we have to stay focused on who we are and who we represent. So, keep pressing forward in defending this great industry we get the opportunity to serve.

For example, every community banker has a primary focus on how they can better serve their customers. It isn't about making more money, but how we respond to community needs. We should also remind policymakers that community bankers are small business owners, too. And even though we have fiduciary and regulatory responsibilities to remain profitable and provide a return to our shareholders, our focus always comes back to how we can serve our customers better. In maintaining that focus on our relationship-centric mission, we will continue to thrive.

That's why it's vital for community banks to remain independent, and a big theme for me has been encouraging bank executives to identify their next generation of leaders. There are those within your institution who share your vision and passion. Support their development and groom them to take the reins. Without your bank, your communities are at risk. So, make a succession plan to ensure your bank remains the lifeblood of the community.

With that in mind, I implore you to keep fighting for Main Street. Keep raising your voices to advocate for your customers. Keep engaging with innovative companies to grow, evolve and better serve. Keep identifying future leaders to ensure the longevity of your institution, because your communities need you in their corner.

I want to close by saying I am grateful to have had the opportunity to serve as chairman. I will continue to advocate for community banking, and for the rest of my career, stand side by side with you to fight our future battles. With that passion leading, I'm confident we'll witness the continued growth and success of our beloved industry.

My Top 3
REFLECTIONS ON COMMUNITY BANKING

1. Never take our community bank mission for granted; advocate for it.
2. Keep innovating and implementing new technologies for your customers.
3. Someone at your bank wants to lead it for the next generation. Let them.

CONNECT WITH REBECCA @BRADMBOLTON

ICBC INDEPENDENT COMMUNITY BANKERS OF COLORADO

2023 CONFERENCE CALENDAR

SECURITY OFFICER AWARNESS CONFERENCE
Tuesday, April 11
Denver

AG & NATURAL RESOURCES CONFERENCE
Thursday - Friday
April 13-14
Denver

COMPLIANCE OFFICER CONFERENCE
Tuesday - Wednesday
May 2-3
Denver

LENDER AND CHIEF LENDING OFFICER SUMMIT
Thursday - Friday
May 4-5
Denver

BSA / AML MILE HIGH SUMMIT
Tuesday
July 18
Downtown Denve

HR SUMMIT
Thursday
July 20
Downtown Denver

50TH ANNUAL CONVENTION
Wednesday-Friday
September 20-22
The Hythe, Vail

BANK DIRECTOR SUMMIT
Friday - Saturday
September 22-23
The Hythe, Vail

BANK ON WOMEN SUMMIT
Thursday - Friday
October 19-20

OPERATIONS AND PAYMENTS CONFERENCE
Thursday - Friday
November 2-3
Denver

THE IMPORTANCE OF EMPLOYEE DEVELOPMENT FOR EMPLOYEE ENGAGEMENT

AND ITS IMPORTANCE WITH YOUR TEAM

Employee development is an essential part of any successful organization. It helps to create a positive working environment and encourages employees to stay engaged with their work. It also plays a crucial role in recruiting and retaining top talent. Investing in employee development can help to create a culture of learning and growth, which can lead to better employee engagement, improved recruitment strategies, and greater retention rates.

Employee engagement is a key performance indicator, along with other factors such as absenteeism, turnover and customer satisfaction, that is critical for an organization to thrive. A high level of employee engagement can be achieved by focusing on the following:

- Fostering a company culture of learning and growth through formal training programs.
- Promoting professional development within the company through informal conversations between managers and employees.
- Providing resources to promote success outside of work hours such as access to business schools or online courses.

An Important Key to Employee Engagement is Retention

Banks that are able to retain their employees have a competitive advantage over those who are unable or unwilling to do so. Companies that are able, with practice and commitment, to keep workers engaged tend not only have the benefit of increased productivity and lower turnover rates but also see better customer service as well. The key here is not only in creating an engaging work environment but in keeping it as well.

""The practice of management has to change from a relic of the Industrial Revolution to coaching that fuels the contemporary employee's need to learn and grow.

Human development is the mechanism of business performance. Strengths are the key. Coaching brings them together." ."

– Gallup

Recognition communicates appreciation and motivation. The act of recognition also shows other employees what success looks like. Therefore you get double value for your efforts, you get both personal rewards for your employees and the opportunity to reinforce culture. The most effective recognition is honest, authentic, and individualized to each employee. Think about how that employee wants to be acknowledged. They may thrive from group public recognition, or they may prefer one on one personal praise. A personal note or thank-you card can go a long way. The key is to know what is meaningful and memorable for each employee.

Using recognition, thanks, praise, sincere complements, and positive encouragement can make a dramatic difference for your staff. Make it a goal to encourage each staff member AT LEAST once each week. You'll both feel better for your effort.

If your employee engagement seems low, your customer experience seems inconsistent or you're losing too many employees, contact Connie West, Gallup Certified Strengths Coach and Regional Vice President at The James Paul Group, cwest@jamespaulgroup.com, or toll free at 877-584-6468 to see if a tailored engagement approach could be right for you.

THE JAMES PAUL GROUP, ENHANCING THE PERFORMANCE OF YOUR MOST VALUABLE ASSET: YOUR PEOPLE!

Connie West
Regional Vice President, The James Paul Group, ICBC Associate Member

FOUR STRATEGIES TO MAKE SELF-INSURANCE ACCESSIBLE TO THE MIDDLE MARKET

By Scott McLellan, Jonathon Trionfi Emily Scharnowski, Plante Moran, ICBC Associate Member

Self-insurance has long been a solution used by the biggest employers to manage healthcare costs. But with recent marketplace changes, it's now more accessible to the middle market — and smaller employers stand to gain. Here's what's new.

Large employers have learned how to use the purchasing power that comes with a high number of employees to manage healthcare costs more effectively. But middle-market employers often lose out on these opportunities to lower healthcare costs because their workforce is too small to distribute risk. With demand high for new solutions, there's a growing marketplace of options for any employer with at least fifty covered employees to take advantage of strategies that, until recently, have only been available to large enterprises with hundreds of employees on staff. These strategies are all accessible through self-insurance — and, for many employers, the benefits of switching to self-insurance largely outweigh the hassle.

By adopting a self-insurance model, today's middle market employers have access to enterprise-level benefit solutions that can help meet challenges like managing medical and pharmacy benefits, contracting directly with providers, and patient advocacy. In this article, we explain how you can take advantage of these new opportunities to lower healthcare costs, reduce administrative burden, and improve how you deliver healthcare to your employees. The first step — for any middle market employer — is to self-insure your medical and pharmacy plan.

THE FIRST STEP — FOR ANY MIDDLE MARKET EMPLOYER — IS TO SELF-INSURE YOUR MEDICAL AND PHARMACY PLAN.

Finance self-insurance with a group captive provider

Self-insurance grants access to a variety of enterprise-level solutions, but the cost for funding the plan itself can be prohibitive — especially for smaller employers. Most in the middle market are unable to independently self-insure because they don't have enough employees to bear the costs in-house, and any financing that could manage those costs is too risky. The key to overcoming this barrier is purchasing an effective stop-loss policy that will offload the risks of catastrophic illnesses whose treatments exceed a specified limit. Once the risks of the highest cost illnesses are covered by a more traditional insurance arrangement, you can create a targeted benefit structure that manages basic healthcare costs more effectively.
Stop-loss policies can be made even more affordable when purchased through a group captive insurance company. Providers like Pareto Health bring multiple smaller employers together to stand up insurance companies that deliver stop-loss protection to the employers that own them. Group captive insurance companies offer their owners the opportunity to share risk and increase collective purchasing power — in some cases, going so far as to purchase enterprise-level solutions that can be made available to the participating employers.

Manage the pharmacy benefit

Employers who shift from a full insurance policy through a traditional provider to a self-insurance plan are often surprised by the wide variety of options available when it comes to management and oversight of the pharmacy benefit. In a fully insured model, the pharmacy benefit is typically baked into the package and the plan sponsor has no choice. Companies that self-insure can adopt the pharmacy arrangements preferred by a third-party administrator, but this option may not deliver the best value. In many cases, the standard offerings to middle market employers come with the same type of problems that employers sought to avoid by self-insuring; costs can't be managed as effectively and any revenue streams generated by the plan's use flow back to the administrator, not the sponsor.

Middle-market employers have several options to more effectively manage the pharmacy benefit, such as:

- Engaging a transparent pharmacy benefit manager (PBM) whose only revenue is derived from fees that are disclosed to the plan sponsor. PBMs like Southern Scripts, SmithRx, and Drexi operate using this model.
- Accessing PBM contracts that have been negotiated through a larger group like a national association, a group captive insurance company, or a local purchasing cooperative.
- Relying on a vendor like RxBenefits to monitor the relationship with the PBM. These providers oversee the PBM's performance on key provisions of the agreement. Their services can range from making sure that discounts and rebate guarantees are honored to more complex reviews that determine if formulary updates are being made in a timely manner. Given the high frequency of changes in the pharmaceutical marketplace, an oversight vendor can also provide helpful insights on terms in the contract that may need to be renegotiated to stay current with the latest developments.

MIDDLE-MARKET EMPLOYERS HAVE SEVERAL OPTIONS TO MORE EFFECTIVELY MANAGE THE PHARMACY BENEFIT.

As an employer, if your insured population uses more expensive specialty medications, you may benefit from working with a PBM that focuses on this end of the market. Providers like EHIM have developed an expertise in leveraging different sources to help manage the costs of expensive medications.

Contract directly with providers

Employers that self-insure can also contract directly with hospital systems and other provider groups, offering streamlined reimbursements and reduced red tape in exchange for lower costs. Historically, the role of insurance companies in managing relationships with healthcare providers has added significant costs and bureaucracy to the process. But employers who self-insure can negotiate lower reimbursement rates to providers that benefit from faster payments and improved turnaround on receivables. These direct-to-employer strategies also allow providers to bundle all aspects of a treatment into one single payment, rather than separating out things such as facility costs, surgeon's fees, anesthesiology, and the like.

In many cases, the providers that offer the best treatments will have lower costs. Many medical providers that are highly effective and efficient in delivering services can afford to charge less because they have a more favorable financial result from each treatment. Fewer complications lead to fewer readmissions, lower insurance premiums, and other cost advantages. The reduced costs can allow plan sponsors to steer employees toward the contracted providers by offering incentives like lower deductibles and copayments. Businesses like KISx, Access HealthNet, and ZERO have developed processes that can help middle-market employers connect directly with healthcare providers in their area.

Use patient advocates to support employee participation

Regardless of the health plan, today's healthcare system is a challenge for anyone to navigate. The complexity of the system has made the role of the patient advocate a lynchpin in the successful deployment and utilization of health benefits. Patient advocates help employees understand the nuances of the health plan and ensure that they fully utilize the benefits provided by the employer. At the high end, advocates even proactively reach out to employees and let them know when there are opportunities to use benefits more effectively, such as switching to an in-network provider.

In the middle market, this role is typically best supported by a third-party provider. Groups like Quantum Health, Alithias, Accolade, and Grand Rounds provide a breadth and depth of support that most HR departments can't match.

The market continues to change

The demand for healthcare cost management in the middle market has driven significant growth in the offerings available to employers in recent years, and it's likely to continue pushing frequent innovation in the months ahead. If you want to learn more about creating and deploying enterprise-type insurance solutions, please contact a Plante Moran advisor.

PORTFOLIO MANAGEMENT-COLLATERAL ADVANTAGE

A VARIETY OF MBS POOLS CAN SPREAD YOUR RISK.

By Jim Reber
ICBA Securities, ICBC Preferred Provider

As many community bankers are still picking up the pieces from their bond portfolio's meltdown last year, it occurs to me that the breathtaking rise in rates has created at least one byproduct that is both unusual in frequency and tangibly beneficial for future performance.

Portfolio managers continue to embrace mortgage-backed securities (MBS) for several reasons. One is that they are loan surrogates. Since community banks are lenders by definition, the monthly cash flows are well understood and a nice fit for the balance sheet and interest rate risk.

Each MBS pool is backed by hundreds, if not thousands, of conforming mortgages that have been underwritten to uniform standards. This allows securities to be compared with one another and for prepayment histories on given cohorts to be a basis to project future behavior. This also is one reason for the terrific liquidity in the pass-through market.

What's come to light in the wildly volatile 2022 is that borrowers' rates can change in a hurry. In fact, they more than doubled last year. "Current coupon" pools are those new securities priced nearest to par (100.0) on issue date each month. They increased at an alarming pace last year and hit levels not seen since 2003.

For example, in January 2022, the current coupon on 30-year agency MBS was all of 2%. By April, it had squared to 4%. When mortgage rates peaked in October, a par MBS issued by Fannie Mae or Freddie Mac was all the way up to 6%.

THE OPPORTUNITY

There have been several lengthy periods recently in which an investor in the mortgage market was limited to buying bonds with a small range of coupons. For the past 15 years or so, "small range" has been synonymous with "low." In nine of those years, fed funds was anchored at 25 paltry basis points. Although there isn't a high degree of correlation between overnight rates and 30-year mortgages, when money-market yields are "accommodative" (Fed-speak), it's not likely that longer rates are historically impressive.

So as community bankers try to set up their bond portfolios to take advantage of what's available, there is now a wide range of options. One time-tested strategy is to diversify. (In fact, when is that not a good idea?) Sometimes that means issuer name, weighted average maturity (WAM) or even age of the pools. This time around, it can also mean coupons.

SPREAD THE WEALTH

Let's say you're in the market for 15-year stated final MBS, and you ask your favorite brokers to show you several examples. There currently is a supply of securities with pass-through rates ranging from 1.5% up to 5%. Each incremental bump in rate will, of course, have an increase in price. Another piece of good news related to this is that even the higher coupons have only modest premiums, especially compared with 2021. If investors are unsure of their favorite flavor, they can buy several different structures, thereby guaranteeing they will be pleased with at least some of the new purchases. (A pessimist might say they'll be guaranteed to be <i>displeased<i> with some, but I'm going with the affirmative.)

What also is clear is that an MBS with a below-market coupon will look very different from a "current coupon" in terms of prepayments, average lives, price volatility and, yes, yield. Currently, a 15-year 2% security is priced around 9 points below par, and the lifetime prepayment speed on the entire cohort is well under 10% annually, which is very slow. (It may be helpful to know that the average homeowners' mortgage rate was 3.39% at the start of 2023.) One can expect these low coupons to continue to prepay very slowly, producing minimal monthly cash flow in the near term.

If buyers are so inclined, they could layer in some 15-year MBS with, say, 4.5% coupons, which, at present, are at a slight premium. Because the borrowers' rates will at some point be "in the money" to refinance, these pools will have shorter average lives than the discount pools and, quite possibly, higher yields. However, most relevant is that the portfolio will now be insulated against both rising and falling rates, and average risk/reward metrics of the multiple pools would probably beat any one security currently available.

Today's lesson is that the debris of last year has created a simple-to-apply strategy of buying an historically wide range of coupons and, in effect, hedge your interest rate bets. Doing so can turn the collateral damage of 2022 into your collateral advantage of 2023.

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

Today's lesson is that the debris of last year has created a simple-to-apply strategy of buying an historic wide range of coupons, and in effect hedge your interest rate bets.

LUDWIG ON CRA REVAMP, BANK-FINTECH SCRUTINY, AND CRYPTO'S FUTURE

By Rob Blackwell
IntraFi, ICBC Associate Member

Bankers aren't exactly thrilled with the current proposal to reform the Community Reinvestment Act. They've publicly criticized much of it, from the examinations that would likely become more stringent; to online lending changes that could harm low- and moderate-income communities; to the timeline for finalizing and implementing the rule. Trade groups have even warned about filing a lawsuit if the proposal is passed in its current form.

To better understand the proposal and how it could be modified to better suit the industry, I recently sat down with Eugene Ludwig for an episode of Banking with Interest. Gene led the last successful effort to reform the CRA as comptroller of the currency under President Clinton. He explains why the current proposal should be reproposed—and dramatically simplified. He also talks bank-fintech partnerships, crypto, how to prepare for the coming recession, and more.

What follows is our conversation, edited for length and clarity.

WHAT'S YOUR VIEW OF THE CURRENT CRA REFORM PROPOSAL?

It's well-intentioned, but long, complex, and hard to understand. It ought to be simplified materially and kept broad. This is a complex country, and different geographic areas need different forms of assistance. A one-size-fits-all approach won't work. Another issue is that CRA is oriented toward good economic times. But institutions face difficult circumstances all the time that aren't their fault. Additionally, low- and moderate-income communities typically have more problems in bad times than other communities, and they emerge from those bad times more slowly. Bankers should get credit for assisting during these periods (and for anticipating them). Under the current law, they don't.

SOME INDUSTRY PLAYERS ARE SO ANGRY ABOUT THE PROPOSAL, THEY'VE THREATENED TO FILE A LAWSUIT.

It's tragic. Regulators take pride in what they do—these are good people—but when you bring the OCC, Fed, and FDIC together, each agency has its own proposal. Then they start to negotiate, and before long each agency needs to accept the other agencies' proposals if it wants the others to accept theirs. So they end up mashing three proposals together.

When I was comptroller, I simply called Larry Lindsey at the Federal Reserve and invited him to my office to write the rule. When we were done, we had a rule that was relatively brief and easy to comprehend. The current proposal seems like an attempt to give everybody what they want, but it's too long and complex.

DO YOU THINK THEY NEED TO REPROPOSE IT?

I do.

REGULATORS ARE ALSO TAKING A MUCH HARDER LOOK AT BANK-FINTECH PARTNERSHIPS. WHAT WOULD YOU TELL BANKERS WHO ARE EVALUATING THEIR FINTECH RELATIONSHIPS?

I'm a big fan of technology and of banks being able to use fintechs and fintechs' tools to better serve customers. We're living through an entrepreneurial revolution, which is really a technology revolution. Banks can't be kept out of that; otherwise the industry will suffer. They should be able to do what they want in this area, consistent with consumer protections and safety and soundness. But they need to do the same due diligence for fintechs that they would for any vendor.

Fintechs can benefit banks in more ways than even the most astute banker can fully appreciate. It really is a natural marriage—financial technology is only useful or valuable if its shared, and there is no individual bank, particularly a smaller institution, that has the money to invent all the technology it needs by itself. It is much more cost effective and a better bet in terms of top talent working on fintech solutions—technology that can be shared among many institutions.

WILL THERE BE A RECESSION?

I'd be surprised if there isn't one. Whether it's mild or deep, who knows? Interest rates will go higher, and bank and nonbank financials are impacted dramatically by swings in rates and market volatility. On the other hand, banks are well-capitalized and well-managed, and the U.S. banking system is uncommonly strong. Having said that, the typical mark-to-market regulatory response in down periods is too heavy-handed. High inflation and high interest rates were not caused by bankers' imprudence, and bankers have to accept the economic circumstances just like everyone else. Regulators should be working with banks, not against them, so that banks can help their customers and communities through difficult periods.

WHAT ARE SOME NONOBVIOUS THINGS BANKS SHOULD BE DOING TO PREPARE FOR A RECESSION?

First, determine which borrowers to work with. Community bankers have a lot of authority. People listen to them. If they tell a borrower to dial things back and ensure they have enough cash to pay their loans on time, the borrower will listen in most cases. Bankers know better than anyone how to manage through these periods.

Second, avoid any undue conflict with regulators. When regulators ask questions, banks should think hard about their answers. They should be honest, of course, but thoughtful. Regulators too often aren't clear in written communications, and that lack of clarity can lead bankers to interpret things in an overly rosy manner. But when regulators write things, they don't intend to be rosy. Any time there's ambiguity, banks should clarify what the regulator wants.

Third, clean up any outstanding MRAs and MRIAs. Letting them drag on won't make them go away, and as the pile gets bigger, it becomes harder to deal with—especially during down cycles, when bankers have more to do. It could also make the regulators come out with public orders and cease-and-desist and all the things that make life more difficult.

Crypto markets are in turmoil. Democrats say the instability supports why U.S. regulators have been skeptical of the relationship between banking and crypto. Republicans say that if regulators were less skeptical and offered guidance on relationships between banks and crypto firms, the crypto markets would have more oversight and be safer.

WHAT'S YOUR TAKE?

Crypto isn't going away. The two big questions are: 1) how big is it going to be? and 2) what are the functionalities that will genuinely be beneficial to end-use consumers and financial institutions? Crypto may be faster for certain types of transfers, but maybe traditional money-transfer mechanisms used by the Fed and others can adapt to compete. Regulators should begin crafting rules for crypto firms, but keeping banks out of crypto altogether is a bad idea. Banks should be able to experiment with it. Otherwise nonbank players will end up dominating the market. We ought to watch the space closely and be flexible, and we need sensible standards that apply to banks and nonbanks alike.

WHAT SHOULD BANKS BE DOING AS CALLS FOR A CDBC GET LOUDER? IS IT POSSIBLE TO HAVE A CBDC THAT DOESN'T LEAD TO DISINTERMEDIATION?

A CBDC would be a very bad. What banks should do—and I think the trade associations are already moving in this direction—is to come up with standards that have no give. They should be clear that they don't want the Federal Reserve or another federal entity to become a bank. It'll never work, it'll be inefficient, it'll create unfair competition, it'll be terrible for the country. It's also unnecessary because banks are already performing the intermediation function just fine. In terms of a more stable and reliable cryptocurrency, this is something banks ought to issue. In 1863, the federal government decided to allow banks to issue the federal currency, so why not allow banks to create their own crypto today, subject to certain rules and regulations?

OVER THE YEARS, YOU'VE TALKED A LOT ABOUT RIGHT-SIZING REGULATIONS. BUT MANY SMALL BANKS CONTEND THAT RULES CREATED FOR BIGGER PLAYERS ARE DRIFTING DOWN TO THEM.

It's true, and if you look at the bank rulebook, it's enormous! Many of the rules are out of date and so complex a normal person can't understand them. Yet they're still applied. Federal regulatory agencies should be spending as much time trying to simplify the rules as they do adding new ones. They should draft rules that anybody can read and understand and eliminate redundant rules that make life unnecessarily difficult, particularly for community and regional banks.

EXPLORING BANKERS' PRIORITIES AND PERSPECTIVES FOR 2023

by Shane Ferrell
Vice President of Product Strategy, CSI, ICBC Associate Member

To find out how bankers will confront challenges associated with a changing technology landscape, digital acceleration, cybersecurity, regulatory changes and more, CSI surveyed banking executives from across the nation about their strategies and priorities for 2023.

The results of this annual survey are outlined in an interactive executive report and reflect both familiar challenges and emerging opportunities while also revealing the strategies that community institutions will deploy to stay competitive. In this article, we explore the top industry issues selected by bankers.

What Did Bankers Identify as Top Issues?
The CSI survey explored the challenges facing bankers this year, asking respondents to identify which one issue will have the greatest influence on the industry in 2023. Bankers generally agreed on the industry's biggest concerns in the coming year:

- **Retaining and Recruiting Employees:** More than one-third (34%) of bankers described this as their biggest issue this year, rising from 21% going into 2022. Organizations across industries are feeling the ongoing effects of the Great Resignation, and banking appears to be no exception.

  However, the outflow of workers from the service and tech industries, paired with growing interest from young applicants, creates an opening to attract customer-oriented and tech-savvy talent. To attract this influx of fintech talent on the market, many financial institutions are focusing on improving the employee experience, upping their compensation package game and even offering remote or hybrid work.

- **Regulatory Change:** With 27% of bankers selecting this as their top issue, regulatory change remains of constant significance to financial institutions. While there is a host of regulatory issues to consider, several of which are outlined in the executive report, bankers are most concerned about overdraft fees and potential UDAAP violations (74%), followed by cybersecurity compliance (68%).

  In addition to existing rules and regulations, the Current Expected Credit Losses (CECL) methodology goes into effect for the final group of financial institutions this year. Additionally, everyone is anxiously awaiting the final rule on Section 1071 of the Dodd-Frank Act and the Financial Crimes Enforcement Network's (FinCEN) beneficial owner database.

- **APIs/Open Banking:** Open banking APIs are on the minds of financial institutions everywhere, evidenced by this issue rounding out the top three at 17%. APIs allow separate systems to communicate with one another and determine what information is shared between them. Using open APIs enables third-party developers to build applications and services around an institution.

  Open banking APIs offer a host of benefits, including optimization of existing systems and integration with new technologies. Bankers selected platform banking (39%) as the most popular open API strategy for 2023. This selection is unsurprising, given that most banks rely on third parties to provide digital technologies like digital account opening, digital loan origination and payments technologies. Banks are also embracing Banking as a Service, a component of the open banking strategy, which allows them to partner with other institutions, fintechs or non-financial institutions to quickly launch digital banking products and payment solutions, including mobile payment services and purpose-driven cards.

BANKERS' TOP TECHNOLOGY PRIORITIES FOR 2023

Financial institutions must strategically choose where to use their limited technology resources to ensure they meet the demands of a tech-savvy population. This year's results reveal where surveyed bankers plan to deploy their valuable dollars.

- **Digital account opening:** Like the results from 2021 and 2022, digital account opening topped the list of bankers' technology priorities at 55%. The continued push for improved digital account opening and digital lending reflects an environment in which many non-traditional institutions have created a seamless digital experience for customers. In today's digital-first world, customers expect a world-class experience when opening a new account—making a customer-centric approach to digital account opening a priority for all institutions.

- **Data analytics and reporting:** Bankers are also aware of the capability of data and analytics to inform their strategic investments, with 47% prioritizing this technology. Only 29% of bankers selected reporting as a priority in 2022, suggesting that data will be increasingly leveraged for decision making in the coming year.

- **Digital lending:** 41% of bankers favor digital lending, and this technology has secured the third ranking for the past three years. In addition to improving the overall user experience and enabling quick loan origination, digital lending services improve efficiency, ease compliance and support efforts to use business intelligence and analytics.

- **Customer relationship management (CRM):** While only 34% of respondents chose CRM as a technology priority, banks shouldn't overlook how an effective CRM empowers them to meet customer needs. As institutions expand their digital presence, it's imperative for them to maintain their sense of community and customer familiarity. An integrated CRM provides the means to build and maintain a strong connection with individual customers who previously relied on face-to-face interaction. Further, a truly integrated CRM does the same thing for the increasing universe of digital-first customers.

REVEALING THE GREATEST CYBERSECURITY CONCERNS

As a prime component of our country's critical infrastructure, financial institutions are targets of cyberattacks perpetrated by criminal and state-sponsored hacking organizations. Because of this, cybersecurity concerns continue to loom large for bankers.

Bankers selected P2P or other digital fraud (29%) and data breaches (23%) as the top threats for 2023. As the risk of P2P or other digital fraud grows, fraud detection systems built with artificial intelligence (AI) represent a significant opportunity for banks. Using fraud systems with AI allows banks to identify incidents of fraud in real time and expedite investigation.

While the financial services industry has made great strides in shoring up security measures to combat cyber criminals, security-minded consumers who follow best practices help mitigate risk and strengthen protection. Cybersecurity training is another strategy to prioritize, as banks benefit significantly from an informed customer base.

WANT THE FULL RESULTS OF THE 2023 BANKING PRIORITIES SURVEY?

As your bank navigates the changing technology landscape, explore the results of the 2023 Banking Priorities Survey for insight on the latest strategies and trends relating to modern banking, cybersecurity, compliance and more.

IS YOUR BANK POSITIONED FOR LONG-TERM EFFICIENCY AND COST CONTROL?

By Jason Schwabline
Chief Strategy Officer, Alogent, an ICBC Associate Member

ASK YOURSELF THESE QUESTIONS. YOU MAY NEED A PAYMENTS REFRESH.

Deciding when to upgrade your image acquisition and processing infrastructure can be challenging. It's important to consider when your last refresh took place, and how account holder behaviors and market trends have shifted since. Are you seeing gaps in productivity, rising costs, and inconsistent user journeys?

GET STARTED WITH THESE 5 QUESTIONS.

1. **Are you meeting account holder expectations?**
User behavior continues to shift but the need for simple, intuitive offerings that deliver the same level of service regardless of channel remains a constant. Customers expect their bank to "meet them where they are" in their financial journey with a consistent UX. Upgrading to a modern, cloud-based platform affords the opportunity to consolidate solutions and to empower your bank to extend the same familiar service both in-person and remotely.

2. **Have you achieved interoperability across your payment and check processing solutions?**
When new technologies were introduced, separate platforms for each point of capture were often deployed, each managed by different teams. While these deployments met the demand in the moment, banks have since suffered due to data inconsistencies and fragmented user journeys – not to mention a lack of interoperability. With many of these platforms aging, and likely in place since Check 21, it's time to explore modern, open banking solutions that simplify the payments ecosystem and maximize internal resources and investments.

3. **Do your solutions easily flex and scale with changing needs and goals?**
In addition to a centralized deployment mechanism, many aging solutions are installed on-premise, making growth, upgrades and maintenance a challenge. By leveraging the cloud, your bank will gain immediate access to an environment that scales quickly and cost effectively, enabling you to achieve business goals when volumes change or new users and locations are needed.

4. **Are your aging payment processing solutions costly?**
Trying to maximize your investment on legacy technology is often a race against the clock. With support and maintenance issues likely growing, and many aging solutions requiring the attention of specialized teams, now is the time to stay ahead of these challenges by deploying a hosted platform that can be managed centrally and through a single set of common code – maximizing time and allowing you to focus on customer-facing services rather than your infrastructure.

5. **Do you run into internal roadblocks or delays because of siloed data?**
Without a single database or dashboard to aggregate enterprise-wide data, institutions lack a true understanding of how each point-of-capture is performing, and the ability to extract actionable information – like feature adoptions, fraud stats, user journey insights, gaps in adoption, and more. Account holders will often feel the setback as well with slower-to-market solutions and disjointed experiences. Leveraging data to better understand your customers' needs, and institution overall, is a key differentiator to better services and improved satisfaction rates.

If you answered 'yes' to any of the above, let's talk. With over 25 years of experience delivering advanced technologies to financial institutions, Alogent understands that no two institutions are the same. Our team of experts work tirelessly to ensure our solutions fit smoothly and seamlessly into your environment, positioning your team for greater, sustainable success.

Alogent's patent-pending platform, Unify, is a modern, cloud-based offering for financial institutions and is the only solution of its kind to universally addresses all image acquisition and processing channels with the same open-banking platform, single API, and common set of code. The productivity and cost-savings results are tenfold for you across Day 1 and Day 2 processing, as well as the user experience benefits felt by your customers.

Click here to download an eBook to learn more. Start your modernization journey today.

CHECKS & BALANCES— SETTING A COURSE FOR THE NEW CONGRESS

RIGHT OUT OF THE GATE, ICBA BEGAN PROMOTING ITS LEGISLATIVE AGENDA TO MEMBERS OF THE 118TH CONGRESS.

By Aaron Stetter
Executive Vice President, Advocacy and Strategic Engagement, ICBA

ICBA is getting the community banking message out, from sending a letter detailing ICBA's policy priorities to every member of the new Congress to reinforcing that messaging with advertisements in Politico, Capitol Hill's must-read publication.

Just as important, ICBA is working with individual community bankers and ICBA-affiliated state associations to reach out to members of Congress and their staff to provide real-world insights into why these issues are essential for a vibrant economy.

Whether it's unfinished business from the 117th Congress that has been thoroughly vetted and received bipartisan support, to fresh initiatives put forward by community bankers based on their first-hand knowledge of what works in their communities, here are the agenda items ICBA is prioritizing on Capitol Hill.

Community banking legislative priorities for 2023
Institute robust agency oversight. ICBA is asking Congress for greater oversight of federal financial agencies to ensure rulemaking follows notice and comment requirements and does not informally convey new requirements in press releases or social media. More oversight of fintechs and cryptocurrency firms is also needed to protect the financial system.

Oppose climate risk regulation for community banks. Community banks' ability to support their customers and communities must not be stymied by climate risk proposals and regulations—including concentration limits, stress testing, mandatory disclosures and capital requirements.

Scrap credit card routing mandates. ICBA continues to strongly oppose controversial legislation that would create complex new credit card routing mandates that would force an overhaul of the payments landscape at significant systemic cost to consumers and the community banks that serve them.

Preserve SBA bank lending. ICBA strongly opposes direct lending under the Small Business Administration's 7(a) program and its proposal to allow nonbank fintech lenders to participate in the 7(a) loan program. ICBA urges legislation to block this misguided SBA proposal, which would undermine the program and harm borrowers due to its higher costs and limited ability to reach borrowers.

Regulate crypto assets, decentralized finance and central bank digital currency (CBDC). Effective and comprehensive regulation is needed to balance the risks and benefits of cryptocurrencies, including stablecoins. ICBA strongly opposes efforts to grant nonbank stablecoin issuers access to the Federal Reserve master account and the creation of any retail U.S. CBDC, which would directly compete with community bank deposits needed to fund local lending.

Close the ILC loophole. New industrial loan company (ILC) charters controlled by dominant social media and e-commerce conglomerates would give these companies yet more economic power and reach into the lives of Americans without needed regulation. ICBA supports statutory closure of the ILC loophole.

Curb or eliminate tax subsidies for credit unions. ICBA urges Congress to restore balance to the American financial services marketplace and help close the growing budget deficit by re-examining the justification for the outmoded, 100-year-old credit union tax subsidy.

Level the Farm Credit System playing field. Farm Credit System (FCS) lenders enjoy unfair advantages over rural community banks and leverage their tax and funding advantages as government-sponsored enterprises (GSEs) to siphon the best agricultural loans away from community banks. In recent years, FCS has sought nonfarm lending powers in an effort to compete directly with commercial banks for nonfarm customers.

Incentivize credit for low- and middle-income customers and ag borrowers. ICBA supports the creation of targeted tax credits or deductions for community bank lending to low- and moderate-income individuals, businesses, and farmers and ranchers.

Support the Farm Bill. ICBA advocates for a robust Farm Bill in 2023 that provides enhanced USDA guaranteed loans and strong crop insurance and ensures commodity programs provide a stable safety net for American agriculture.

Promote de novo community banks. ICBA supports a flexible and tailored supervisory policy for de novo banking applicants to help ensure a robust community bank landscape serving small businesses and households.

Support minority depository institutions. It is crucial that minority-owned depository institutions (MDIs) have the legislative, regulatory and financial support they need to remain operational and profitable.

Encourage community development financial institutions (CDFIs). The CDFI Fund's proposed revisions to the Certification Application and the Annual Certification would harm the low-income communities that CDFIs serve. ICBA urges legislation to block or amend this proposal.

Extend expiring tax relief. ICBA is pushing for a permanent extension of the individual provisions of the Tax Cuts and Jobs Act, including the deduction for pass-through income (Section 199A), a top individual rate of no more than 37%, preferential tax rates for capital gains and an adequate estate tax exemption, before their scheduled expiration in 2026.

Legalize banking services for legal cannabis-related businesses. ICBA supports legislation that would create a safe harbor from federal sanctions for financial institutions that serve cannabis-related businesses in states where cannabis is legal, giving them access to the traditional banking system.

SLIPS, TRIPS, AND FALLS—HOW TO PREVENT

By Michael Whitmer
Travelers, ICBC Associate Member

According to the National Safety Council, slips, trips and falls are the third leading cause of injury in the workplace. Some of these incidents occur at banks with employees or customers. While these mishaps might be commonplace, there is a proactive approach banks can take to help reduce the risk of their employees and customers being injured in a slip, trip and fall. A smart place to start: Analysis of both the physical conditions of the premises and usage and traffic flow patterns, which can often identify potential hazards that should be addressed.

Some of the accident causes are well known: wet spots on floors, uneven walking surfaces, dirty doormats. Other factors, such as poor lighting, might not be as noticeable but can be equally dangerous.

"Banks should be aware of the potential for people falling and getting injured, and should take steps to ensure the premises are as safe as possible," said Laura Lundin, Vice President of Financial Institutions P&C at Travelers. "There are many ways to do this – maintain clean floor surfaces, ensure the space is well lit, schedule regular maintenance during low traffic times and conduct periodic walkthroughs to confirm everything looks safe. A little attention can go a long way."

Working with an insurance carrier is also recommended. Insurance providers can work with banks to:

- Help identify and assess exposures;
- Develop loss control strategies and improvements to minimize the frequency and severity of slip, trip and fall incidents;
- Provide training to help with slip, trip and fall prevention efforts.

If an accident does take place, be sure that it is documented and reported. This information can help prevent future incidents, and may be essential if a claim is filed against the bank. A standard, printed incident report is helpful in ensuring that all details are recorded. Documenting the details of the incident, collecting the names and a brief statement from the injured party and any witnesses, even taking photographs of the incident site can help. Slips, trips and falls rarely "just happen."

Implementing effective slip, trip and fall improvement requires the right tools, people and communications. The right insurance carrier can help your slip, trip and fall prevention team define and document the policies, procedures, roles and responsibilities needed to effectively reduce these incidents. They also can help your team develop the tools and communication materials needed to implement this process.

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Investigating Phishing Emails

WHO?

- Do I know the sender?
- Is this someone I usually communicate with?
- Is the email sent to an unusual group of people?
- Is the email spelled correctly? Look for even the smallest typo.
- Does the email address match the email in the signature?

WHAT?

- What action does the sender want you to take?
- Does the email contain bad grammar, odd styling, or typos?
- Is the email written in a style consistent with the sender?
- Is the action something you'd expect from the sender?
- Is it an urgent request? This is a big red flag!

WHY?

- Why do they want you to click on a link, download an attachment, or send information?
- Are they presenting a sense of urgency?
- What is the consequence they are threatening if you do not act? Is it something you would expect?
- Have they presented an unusual situation? Is it something you would expect?

If ANY of these questions point to a suspected phishing email what do you do?

- Report the email as phishing or mark it as "Junk."
- Call the sender directly to verify, do not email.
- Do not take action until you verify it is not phishing!

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Independent Community Bankers of Colorado's alliance of community banks offers your customers access to 24 surcharge-free ATMs throughout Colorado.

As a member of Independent Community Bankers of Colorado, you waive surcharges to the customers of banks belonging to our network, while retaining the option to charge non-member customers who use your ATMs.

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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Falcon	The State Bank	7495 McLaughlin Road
Fort Morgan	FMS Bank	520 Sherman Street
Fowler	Fowler State Bank	201 Main Street
Greeley	FMS Bank	2425 35th Avenue
Greenwood Village	First American State Bank	8390 East Crescent Parkway
Hugo	First National Bank Hugo	321 4th Street
La Junta	The State Bank	10 Colorado Avenue
La Junta	The State Bank	1100 Carson Avenue
La Junta	The State Bank	124 Colorado Avenue
Lamar	InBank	210 East Olive Street
Leadville	First National Bank of Hugo	409 Harrison Avenue
Limon	First National Bank of Hugo	981 2nd Street
Naturita	Citizens State Bank Ouray	Highway 141 and 87
Ouray	Citizens State Bank Ouray	600 Main Street
Pueblo	InBank	101 North Main Street
Pueblo	InBank	730 Desert Flower Boulevard
Pueblo West	InBank	7 East Spaulding
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