The Show-Me Banker

JUNE 2021

THE VOICE FOR MISSOURI'S INDEPENDENT BANKERS

KEY MARKETING STRATEGIES FOR A POST-COVID WORLD

PAGE 26

MIBA
Missouri Independent Bankers Association

THE SHOW-ME Banker

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MADE IN THE USA

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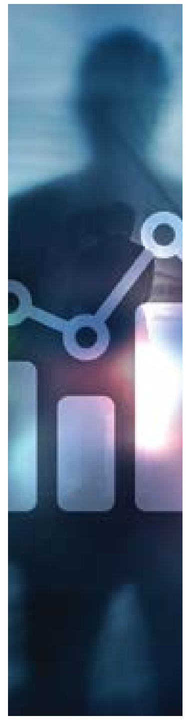

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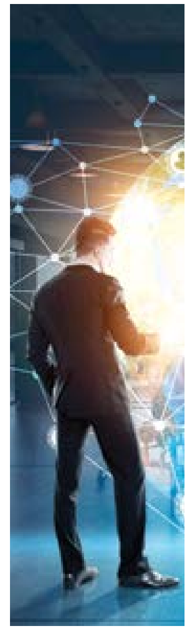

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Matthew Lauman

Farmers & Merchants Bank

"There are many excellent ways to deliver our messaging and many cost-effective ways as well, but we always need to keep in mind that our best marketing still is and will always be our staff. I said this in the past, but I will say it again, we, and our staff, are our own best ambassadors and marketing."

PRESIDENT'S MESSAGE

MARKETING AND BUSINESS DEVELOPMENT

Marketing and Business Development are key cogs in the wheel of banking. How we handle those cogs is constantly changing. In community banking, more than possibly any other level of banking, face-to-face interaction remains paramount. "Know your customer" is something that I constantly preach to our staff. It is something I feel will never completely fade away in our business.

Last year I wrote about how we have witnessed the transformation within, not just our industry but across all business platforms in terms of methods of marketing and communication delivery. We still see billboards, newspapers and hear radio spots, but the digital age has transformed and will continue to transform how we deliver our message to different generations. While the newspaper ad with CD rates or a special may still have some ability to reach an audience, direct mail, internet, and satellite/internet radio are now the preferred medium to reach a broader audience (and for considerably less cost in many instances).

Facebook, Google Analytics, Twitter, and webpages allow us to take our own data, segment it into whatever message we want, and broadcast and track it very specifically. We track our customer acquisition, as I am sure many of you do, but with the electronic methods, it really builds all those tracking metrics in for you. It also makes it much easier to take the info and deliver it for our board members as well as our marketing folks to digest and analyze the who, what, where and how much of what we do.

For those just entering those markets or even for ones that have been utilizing these types of media for message delivery, I would recommend using a third-party vendor to help. There are many excellent firms out there that can help our marketing departments deliver our messaging and ensure that our dollars are directed and

It is also a good idea for marketing to work internally with loan and deposit staff to develop specific messaging regarding products, specials, or deliverables based on time of year.

being viewed as efficiently as we can (or redirect those dollars into other areas that are producing better results).

It is also a good idea for marketing to work internally with loan and deposit staff to develop specific messaging regarding products, specials, or deliverables based on time of year. Regardless, without specific direction, marketing can be very disjointed and lack ability to resonate with whatever the message is that is trying to be delivered.

There are many excellent ways to deliver our messaging and many cost-effective ways as well, but we always need to keep in mind that our best marketing still is and will always be our staff. I said this in the past, but I will say it again, we, and our staff, are our own best ambassadors for marketing. There is no substitute for being an extension and reflection of our institutions and making sure we do not ever lose sight of how important it is for face-to-face interactions for our overall marketing to truly be a success. ▪

FROM THE TOP

Everything we do rounds back to supporting our customers and community, but to do that well, we must have teams that buy into our mission. If you treat your employees like you want your customers to be treated, everyone wins.

Robert M. Fisher

Chairman of the ICBA

@RobertMFisher

When it comes to the impact of culture on an organization, business visionary Peter Drucker sums it up best: "Culture eats strategy for breakfast."

Culture sets the tone for everything in an organization and research backs this up. Studies point to the correlation between positive culture and performance: Companies with strong cultures are more likely to report high revenue growth and retain employees, among countless other benefits.

But what constitutes strong culture? As leaders, we need to instill a common sense of purpose for our staff — not just at the 30,000-foot level, but in day-to-day operations, too. It ensures we are all rowing in the same direction. For example, my community bank holds a weekly all-staff huddle where we run through upcoming activities and spotlight an area of the organization. It helps us clarify our tactical focus around our mission for that week.

That type of open information exchange creates an environment where innovation flourishes. We encourage our staff to offer ideas and suggestions to improve processes — many of which are put into practice.

For instance, one of our core values is "care for our community." A member of our team pointed out that to truly live that value, we should offer employees time off to volunteer. Now we provide a full day of volunteer time, in addition to paid time off, to support our staff and reinforce our core values as an organization.

But culture is more than just how bank staff interacts with one another; it's about how we convey who we are to our customers. Everything we do rounds back to supporting our customers and community, but to do that well, we must have teams that buy into our mission. If you treat your employees like you want your customers to be treated, everyone wins.

While these points set the tone for a strong culture, every bank is different, and we can learn from one another's successes. So, as we read this month's issue on the best-performing community banks, let's take a minute to look beyond the metrics and consider the drivers behind them. How are these banks creating environments where their teams look forward to coming to work? How can we leverage their stories to strengthen our banks' culture and better serve our communities?

Because at the end of the day, we are all relationship bankers, and our bank cultures serve as our foundation. Let's do the work to make sure they reflect who we are and where we want to go.

My Top Three

No matter how strong your culture, it can always improve. With that in mind, here are my top three workplace culture reads:

1. Good to Great by Jim Collins
2. The Culture Code by Daniel Coyle
3. Start with Why by Simon Sinek ▪

Connect with Robert @RobertMFisher.

"Culture is more than just how bank staff interacts with one another; it's about how we convey who we are to our customers."

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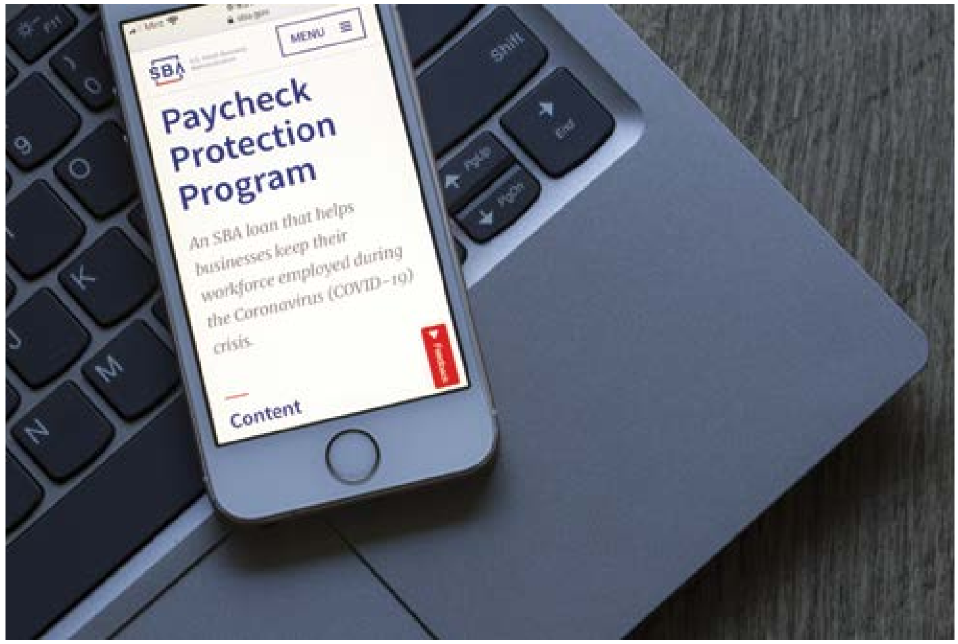
Rebeca Romero Rainey

IBCA President & CEO

@romerorainey

"Our approach to service is not about checking something off the list for today. It's about making incremental positive change over time."

FLOURISH



In today's world, it's more important than ever for businesses to lead with purpose.

Consumers are demanding it from the companies with which they do business — so much so that in its Retail Trends 2021 list, Deloitte said it expects purpose to be as disruptive in the next 10 years as digital has been in the past 10. Other research supports this statement: Brands recognized for high commitment to purpose have grown at more than twice the rate of others.

Thankfully, community banks have been way ahead of this trend, having clarity of purpose from the moment we came into existence. We are here to serve our communities.

When I think of service as core to the community bank business model, I realize that relationship and service work hand in hand to set the tone for our banks' cultures. In our service-oriented environments, our constituents — community, customers and employees — are the basis for all decisions we make. And their symbiotic relationship ultimately drives community bank performance. For example, if employees are being served in a strong environment and feel a connection to the bank's mission and purpose, they are able to do more for their customers and communities.

The word "service" can be a noun, adjective or a verb, but to community banks, it's all about the action. We roll up our sleeves, engage and work to serve. As fresh stories emerge about the efforts of community banks to support the Paycheck Protection Program (PPP), we're hearing a consistent theme, one that involves proactive outreach from community bankers. In story after story, small businesses are sharing that community bankers reached out to them to determine if a PPP loan would be helpful. Community banks didn't wait to see if their small business customers needed this support; they reached out to help. And that, in a nutshell, is the essence of our model and what makes community banks unique in the industry.

As we peruse this month's Best-Performing Banks issue, we see stories that demonstrate the connection between top financial performance and commitment to our community-based mission. We see evidence that our approach to service is not about checking something off the list for today. It's about making incremental positive change over time. That's because community banks make an investment in the future and make decisions to support relationship growth over the long haul. And the more we can continue to do that, the more successful we'll all be. ■

Connect with Rebeca @romerorainey.

A VIEW FROM THE CAPITOL

Congressman Blaine Luetkemeyer

Missouri's 3rd Congressional District

Recently, Financial Services Chairwoman Maxine Waters introduced the *Comprehensive Debt Collection Improvement Act,* a comprehensive package of provisions designed to weaken businesses' debt collecting capabilities. This is another example of the growing, misguided belief that if we just ignore debt, it will simply go away without consequence. As bankers know, preventing debt collection will only undermine our credit markets, hurt small businesses, and ultimately make credit more expensive and less accessible for the Americans who need it most.

Specifically, there are several concerning provisions included in the *Comprehensive Debt Collection Improvement Act*. The bill would make it increasingly difficult to contact borrowers by prohibiting them from being contacted via email. This would directly undermine a CFPB regulation from last year that gave consumers the option to be contacted in a less intrusive manner of communication while still maintaining their right to opt-out. Essentially, the goal of the provision is to make it easier for debtors who do not answer their phones to say they have not been contacted and continue to ignore debt.

Another troubling provision in the bill is the prohibition of important predictive information, like past-due medical debt, from being included in credit reports. While this is painted as a fairness issue, and on the surface may sound nice, it prevents credit reporting agencies from issuing accurate reports. It makes it impossible for lenders to make informed decisions regarding loans.

Every Member of Congress can agree that consumers who owe a debt should be treated with respect and dignity. They should not be subjected to abusive or harassing behavior, and they should be able to work out payment options. This premise has already been codified in the *Fair Debt Collection Practices Act* and the *Fair Credit Reporting Act*. However, to essentially prevent debt collection and compromise credit reporting will be disastrous for our economy. You and I both know, lenders in Missouri and across the country rely on accurate credit reports to appropriately provide credit to consumers. If this information is incomplete or doesn't provide an accurate picture of creditworthiness, lenders are forced to raise rates to ensure they can absorb potential losses.

Further, receiving payment for services rendered is a fundamental premise of our economy. Limiting the ability to collect debts will only harm businesses that have provided these services — again, causing them to stop doing business with people with less-than-excellent credit. Risk management is vital to keeping our financial system healthy and strong, and the smooth functioning of credit reporting and ensuring payment for services rendered actually strengthens the credit market. It keeps costs low for all Americans, particularly those who need it most.

I would like to provide a more positive report from the Financial Services Committee. I'm sure you (just like me) have more than enough access to bad news without me adding to it. Unfortunately, this is what House Democrats consider financial policy. This is the reality we have to live with. Ultimately, I do not believe this bill will become law due to the Senate's ability to block it. But its important for bankers to keep in mind what we're dealing with and be vocal when current or potential policies threaten our economy. This country turned to the banks to see us through the pandemic, but don't expect a thank you. Now that we're on the other side, the economic shutdown will continue to be used as an excuse to forgive debts, discourage employment and encourage government dependency, and make your job more difficult. As always, it's important that we continue to communicate and head off policies that will cripple the economic recovery. ▪

"Limiting the ability to collect debts will only harm businesses that have provided these services — again, causing them to stop doing business with people with less-than-excellent credit."

Camber Jones

Spencer Fane LLP

LEGAL EAGLE SPOTLIGHT

THE COMING BANKRUPTCY WAVE: A BANKRUPTCY OVERVIEW FOR CREDITORS

"Creditors should determine whether their debt is secured, confirm the status and location of any related collateral, and file a timely and complete proof of claim. "

Experts predict a continuing rise in bankruptcy filings as COVID-related debt relief expires. This article is intended to provide creditors with a brief bankruptcy overview, including the most common types of bankruptcy cases, to enable them to more confidently participate in the bankruptcy process. Of course, bankruptcy is complex, and each case is uniquely nuanced. Creditors should contact a bankruptcy attorney for assistance in responding to specific bankruptcy filings.

1. The Petition

Every bankruptcy case is initiated by filing a bankruptcy petition. A debtor who files under any chapter of the Bankruptcy Code is required to file certain statements and schedules outlining its financial condition, including secured and unsecured debts. Creditors should review a debtor's petition, statements, and schedules to gain insight into, among other things, the debtor's intentions with regard to their debts and related collateral.

2. The Automatic Stay

The filing of a bankruptcy petition triggers an injunction called the "automatic stay," which temporarily halts most collection actions against a debtor or a debtor's property. It is imperative that creditors not violate the automatic stay. When a creditor receives notice of a bankruptcy filing, it should immediately cease all actions against the debtor, including wage garnishments, collections, foreclosures and repossessions.

3. Common Bankruptcy Types[1]

Chapter 7

Chapter 7 is a "liquidation" bankruptcy. During a Chapter 7 case, a bankruptcy trustee gathers and sells a debtor's nonexempt assets and distributes proceeds to creditors. Where there are no nonexempt assets available for sale, unsecured creditors do not receive distributions. Secured creditors generally retain their valid liens and the ability to enforce them after a bankruptcy case concludes.

Chapter 11

Chapter 11 is a "reorganization" bankruptcy. In these cases, the debtor, acting in a fiduciary capacity as a "debtor-in-possession," typically maintains possession and control of its assets and continues to operate its business during the reorganization process. Often, a creditors' committee is appointed to represent the interests of unsecured creditors.

Creditors in a Chapter 11 bankruptcy have the opportunity to vote on and object to confirmation of a debtor's proposed plan of reorganization. Because a debtor is highly motivated to confirm and effect such a plan, creditors often have substantial power to negotiate the treatment of their claims.

Certain debtors may elect to proceed under subchapter V of Chapter 11, which simplifies and condenses the bankruptcy process to make reorganization less expensive for smaller debtors. After a Chapter 11 plan is confirmed (approved by the court), payments will be made to creditors pursuant to its terms.

Chapter 12

Chapter 12 can be characterized as a hybrid of chapters 11 and 13 that provides a more streamlined bankruptcy process for "family farmers" or "family fishermen" who have regular annual income. Qualifying debtors can propose and implement a plan to pay all or part of their debts over the course of three to five years. Creditors do not vote on a Chapter 12 plan but may object to its confirmation. After a plan is confirmed, the Chapter 12 trustee will distribute funds per the plan's terms.

Chapter 13

Chapter 13 provides a way for individuals with regular income to propose and implement a plan to pay all or part of their debts over the course of three to five years. Creditors do not vote on a Chapter 13 plan but may object to its confirmation. After a plan is confirmed, the Chapter 13 trustee will distribute funds per the plan's terms.

Proofs of Claim

In most bankruptcy cases, in order to receive a distribution under a confirmed plan, a creditor must file a proof of claim, including supporting documentation. The treatment of a creditor's claim depends on whether it is secured or unsecured. Creditors should determine whether their debt is secured, confirm the status and location of any related collateral, and file a timely and complete proof of claim.

Discharge

The result of a successful bankruptcy is the entry of an order discharging the debtor from liability for certain debts. While the discharge timing varies based on the type of case filed, in all cases, the discharge permanently bars creditors from taking any action to enforce or collect discharged debts. Regardless of the type of case filed, creditors should protect their interests by participating meaningfully in the bankruptcy process. This participation should include communicating early and often with the debtor and other parties-in-interest, promptly filing a proof of claim, carefully reviewing a debtor's proposed treatment of claims, and exercising the right to vote or object to a debtor's proposed bankruptcy plan when appropriate.

* On March 27, 2021, President Biden signed the COVID-19 Bankruptcy Relief Extension Act. A bankruptcy professional can help creditors navigate the effect the act may have on their rights and obligations in a bankruptcy case. ■

[1]This article does not address bankruptcies commenced under chapters 9 (municipality bankruptcy) and 15 (ancillary and cross-border bankruptcy) of the Bankruptcy Code.

Camber Jones is an associate at Spencer Fane's Springfield, Missouri office. She is a member of the firm's Banking and Financial Services Group.

2021 MIBA PAC HONOR ROLL

Contributors to the MIBA Political Action Committee are recognized for their generosity on the Association's website and at the MIBA Annual Convention and Exhibition. Different levels of contribution have been set to recognize supporters of our Political Action Committee fund and to make the Association's membership more aware of this important facet of our work on behalf of the political agenda of community banks across Missouri.

Note: personal or corporate campaign contributions to any PAC are not deductible in any amount for federal tax purposes.

PRESIDENT'S FAIR SHARE LEVEL
$10 per Million in Deposits up to 250M Cap

- Adrian Bank
- Bank of Advance
- Bank of Iberia
- Bank of Louisiana
- Bank of Old Monroe
- Bank of St. Elizabeth
- Bank of Salem
- Community Bank of Pleasant Hill
- Community Bank of Raymore
- Community State Bank of Missouri, Bowling Green
- Exchange Bank of Missouri, Fayette
- Exchange Bank of Northeast Missouri, Kahoka
- Farmers & Merchants Bank, St. Clair
- First Independent Bank, Aurora
- Metz Banking Company, Nevada
- Midwest Independent BankersBank, Jefferson City
- New Frontier Bank, St. Charles
- Peoples Bank & Trust Co., Troy
- Peoples Bank of Altenburg
- Peoples Bank of Wyaconda
- Preferred Bank, Rothville
- Regional Missouri Bank, Marceline
- The Missouri Bank, Warrenton
- Town & County Bank, Salem

PLATINUM LEVEL
$750 and up

GOLD LEVEL
$400-$749

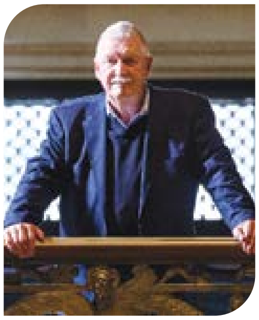
- Bank of Monticello
- Commercial Bank, St. Louis
- Legends Bank, Jefferson City

SILVER LEVEL
$200-$399

- Bank of Crocker
- Security Bank of the Ozarks, Eminence
- Silex Banking Company
- The Callaway Bank, Fulton

INDIVIDUAL

MIBA LOBBYING
REPORT



Andy Arnold

Arnold & Associates

The 2021 version of the Missouri Legislative Session is nearly over. I am writing this May 10th, the last Monday of the last week of the session. At this point, there are two MIBA priorities that have passed the Senate.

SB 106, the Division of Finance revision bill, sponsored by Sen. Crawford has been Truly Agreed to and Finally Passed; and HB 697, the PACE revision bill, sponsored by Rep. DeGroot only needs one more vote in the House to be on the way to the Governor. We anticipate the PACE bill will be Truly Agreed to and Finally Passed by the House sometime this week.

At this point, in addition to the PACE bill, there are still a couple of issues pending that will take plenty of floor time, lessening the chances of passage for deserving and not-so-deserving bills. The session closes at 6 p.m. Friday, May 14th. Issues that could be show-stoppers are:

- SB 1, the Federal Reimbursement Allowance bill (sponsored by Sen. Dan Hegeman), is a must-pass as it is a self-imposed tax on health care providers used to draw down the lion's share of Medicaid funding ($3 Billion) for the state.
- SB 262, the 12.5 cent fuel tax increase bill (sponsored by Sen. Dave Schatz), 2.5 cents a year over 5-years, is a must-pass for Sen. Schatz.

It's always a pleasure working with the MIBA staff, legislators, and the other financial institution organizations on issues before the legislature. We've had several issues involving mandated banking services to certain industries, legislation restricting the enforcement of federal gun laws and penalties imposed on financial institutions for not banking certain industries that have kept us busy. All in all, we have been successfully navigating these issues this year.

So, as COVID restrictions begin to roll back and things get back to normal, here's hoping everyone has a great second half of 2021, and we don't have a special session! ■

NEW MEMBERS

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ProcessMaker helps mitigate risk and compliance at your bank with our end-to-end banking workflow automation platform by providing an automation solution to empower community banks to easily design and automate commercial retail account opening, treasure origination, and back-office processes.

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Contact Loy Edge at 310-975-9002

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MIBA DIRECTORS AND OFFICERS SEMINAR








NEWS
FROM YOU

Mid America Bank

New Executive Vice President Appointed

Jefferson City, MO — Mid America Bank is pleased to announce Steve Linton has joined the bank in the role of Executive Vice President effective April 1st. In this role, Linton will be responsible for the overall leadership of the bank and its culture. He will work with the team to develop and implement strategy, target operational efficiencies, and evaluate opportunities for business expansion.

Linton brings more than 29 years of banking experience to Mid America Bank. Previously Linton served as Market President for a bank in the St. Louis area. Additionally, he has experience in commercial banking, relationship management, sales management, credit, training and leadership development.

"We are delighted to welcome Steve Linton to Mid America Bank," commented Mark Luebbert, President & CEO. "He will be a great addition to our talented team of associates. Steve brings valuable experience that we're eager to learn from and use to help grow Mid America Bank," said Luebbert.

Meyer Promoted to Senior Vice President

Jefferson City, MO — Mid America Bank has announced that Regina "Gina" Meyer has been promoted to Senior Vice President. Meyer serves as Director of Human Resources & Public Relations. As a member of the Senior Executive Management Committee, Meyer will continue to execute the bank's employee benefits and compensation program, workforce planning, public relations and marketing. She also serves as board secretary.

Prenger Promoted to Senior Vice President

Jefferson City, MO — Mid America Bank is pleased to announce that Luke Prenger has been promoted to Senior Vice President. Prenger serves as the Bank's Chief Investment Officer, guiding all aspects of its investment objectives, policies and processes. As a member of the Senior Executive Management Committee and Chairman of the Asset and Liability Committee, he also contributes to the development of the bank's strategic goals and objectives.

Rackers Promoted to Senior Vice President

Jefferson City, MO — Mid America Bank has announced the promotion of Gary Rackers to Senior Vice President. Rackers serves as the Bank's Chief Information Officer and oversees information security as well as the management, strategy, and execution of IT. Additionally, he serves on the Bank's Senior Executive Management Committee.

Taggart Promoted to Assistant Vice President

Jefferson City, MO — Mid America Bank has announced the promotion of Jake Taggart to Assistant Vice President. Taggart serves as the Bank's Credit Officer and will continue to facilitate the production and underwriting of commercial credit, ensure accurate documentation is produced that is consistent with Loan Policy, prudent lending guidelines, and regulatory compliance.

Veit Promoted to Compliance Officer

Jefferson City, MO — Mid America Bank is pleased to announce the promotion of Brenda Veit to Compliance Officer. In this role, Veit will be responsible for developing, implementing, and administering all aspects of the bank's compliance management program to ensure the bank is compliant with appropriate laws and regulations. Furthermore, she will ensure bank personnel are informed and in compliance with laws and procedures.

Wolfe Promoted to Operations Manager

Jefferson City, MO — Mid America Bank has announced the promotion of Kelli Wolfe to Operations Manager. In this role, Wolfe will plan, direct, and coordinate the bank's deposit and information technology activities and functions. Additionally, she will oversee the bank's customer service function and business services program. ■

Baby Announcement: Finch Llewelyn Orton

Please join us in Congratulating Hannah (Ruge) and her husband Bryn on the birth of their little boy.

Introducing Finch Llewelyn Orton
Born April 9, 2021
6lbs, 8oz | 19 ¾ inches

CONSUMER PROTECTION IN THE FINTECH ERA

By Carl White, Senior Vice President, Supervision

In February, we looked at some of the regulatory issues that have arisen with fintech firms entering banking. This month, we are examining some of the consumer issues that have surfaced with these innovative ways to bank.

Technology has revolutionized the way consumers interact with the financial system. Older innovations (such as the internet and mobile devices) and newer developments (such as big data and computer algorithms) have changed banks and what we think of as banking: making deposits, taking out loans and managing investments.

Agencies charged with consumer protection of financial activity have had to adapt as well. While consumers face a dizzying array of new choices — in products and providers — and the possibility of wider access and lower costs, potential pitfalls have emerged too. Two of the biggest are data security/privacy and the possibility of consumer confusion about the protections available, exacerbated by the speed at which products and providers are being launched.

Consumer Protection Regulators

Two federal agencies are primarily responsible for consumer protection in financial services:

- The Consumer Financial Protection Bureau (CFPB)
- The Federal Trade Commission (FTC)

Both agencies are charged with making sure consumers are unharmed by the practices of businesses under their purview without taking action that could harm market competition. The CFPB and the FTC devise and issue consumer protection rules for the financial firms they oversee; these rules include regulations on issues such as payments and data security, which are particularly important to fintech firms.

They also have enforcement actions in their toolbox when regulating fintech firms, since these agencies are responsible for implementing and enforcing consumer protection laws for nonbank financial companies. In recent years, the FTC has issued enforcement actions against fintech firms for unauthorized charges, fraudulent money transfers, and unfair and deceptive acts.

Data Security and Privacy

The giant strides made in digital banking are in no small part due to the tremendous amount of financial (such as loan payments history) and non-financial (such as social media) consumer data available to providers that assist with credit approvals, identity verification and marketing.

With so much personal data circulating, the risks of data breaches and loss of personal privacy increase too. In July, a popular neobank[1] experienced a massive data breach that affected more than seven million users. In addition to passwords, hackers were able to access names, birthdates, physical addresses and other pieces of personally identifiable information. Fortunately, more sensitive information such as Social Security numbers and credit card numbers were undisturbed.

Data sharing is another issue amplified by the emergence of digital banking. Numerous federal banking laws directly or indirectly govern "ownership" of consumer

financial data and whether and how the data are to be shared with other entities. The CFPB is in the process of writing new rules about consumers' rights to access their own financial data and the ability to share that information with third parties, including data aggregators. Data aggregators act as intermediaries, collecting data from consumer bank accounts and transmitting it to fintech firms. The agency was given responsibility for writing those rules as part of the Dodd-Frank Act of 2010, and it is striving to balance the rights of consumers against potential harm to financial institutions regarding legitimate competitive concerns.

Protection in the Digital Age

Although the benefits of many of these new options — such as convenience, lower prices and personalization — may be readily apparent to consumers, some of the drawbacks may not be. Because fintech firms communicate with customers electronically via mobile device or the internet, accessing customer service when there's a problem may be difficult. Costs, data sharing and contract terms such as forced arbitration may be "hidden in the small print," in the same way they are for older products and services.

And regulations that apply in some aspects of fintech transactions may not apply to all of them. For example, a payment made on a person-to-person platform like Venmo or PayPal would not be covered by the Electronic Funds Transfer Act if the funds come from the app's account balance rather than as a direct payment from the consumer's bank account through the app.

Buyer — and Seller — Beware

Most of the consumer protection issues that arise in digital banking vary little from their less technologically oriented counterparts and for the most part, the same consumer protection laws and regulations apply. Fintech firms that obtain bank charters and offer deposits insured by the Federal Deposit Insurance Corp. take on the added responsibility of complying with the Community Reinvestment Act (CRA), a 1977 law that requires banks to invest in the communities in which they collect deposits. The regulations implementing CRA are undergoing their first significant overhaul in several decades, and how to handle the digital transformation in banking is one of the more challenging issues confronting the federal banking regulators.

Regardless of structure or charter, however, fintech firms that offer banking services to consumers face a myriad of new regulations and a learning curve. As these firms adjust to this new regulatory regime, it will be increasingly important to ensure that consumers are aware of the differences in protections in place based on a firm's structure so they can make financial decisions that best meet their needs. ■

Notes and References

[1] The term neobank typically refers to companies that use applications — desktop or mobile — to offer financial services to customers.

FEDERAL RESERVE BANK of ST. LOUIS
CENTRAL TO AMERICA'S ECONOMY

Carl White
Senior Vice President

Carl White has 32 years of experience in the Supervision Division of the Federal Reserve Bank of St. Louis. He is currently senior vice president of the Supervision, Credit, Community Development and Learning Innovation Division. He has served in various other roles within Safety and Soundness, beginning his career as an examiner.

Mr. White has served as lead instructor and course developer on numerous Fed System training courses, including an international assignment in Brazil. In addition, he served as the central point of contact for the District's largest state member bank before and during the financial crisis. He and his team were nominated for the District's President's Award for Innovation as a result of efforts to implement and enhance off-site loan review and examination processes.

Mr. White holds a bachelor's degree with a major in finance from St. Louis University.

A BACKGROUND ON ...

TYLER BENDER

Tyler Bender, president of Midwest Regional Bank, graduated in 2006 from Saint Louis University with a bachelor's degree. He earned a double major: business administration with a concentration in economics and history. He studied Regency England (1811-1820), which occurred when George III was too sick to rule, and his son (later King George IV) ruled instead. Coincidentally, Tyler graduated about the time the Great Recession started and began looking at the available opportunities. "Lots of interesting things were going on in the banking world," said Tyler. In 2007, the Bank of Otterville was being acquired by and rebranded as Midwest Regional Bank. The Bank of Otterville was a very small community bank in a very small town. (Only 375 people lived there in 2019.) If you aren't familiar with the town, Otterville is east of Sedalia, Missouri. Sedalia, with a 2019 population of 21,633, is where the state fair is held. Michael Bender, Tyler's father and the current chair and CEO of Midwest Regional Bank, was involved in acquiring the Bank of Otterville.

Michael had experience with large, commercially focused banks. He knew the bank should increase its focus on commercial banking. Michael needed an underwriter, and he also needed analysis on potential new clients — the exact roles Tyler was looking for after his graduation. "Quite frankly, we were two needs meeting each other," said Tyler. "I was in the right place at the right time." Tyler started helping his father, and his involvement snowballed from there. Soon he was the first commercial analyst, but he had to wear other hats, too: work also involved documentation, closings and generating new deals. "It taught me a lot," said Tyler.

"My father has had a huge impact on me," said Tyler. "He has mentored me and pushed me to learn everything and make myself better. He doesn't let me coast at all. He is a lot of fun to work with and is generous with his time. It's been a privilege and a great experience to work with him the last 14 years."

Tyler went back to school at the University of Texas in 2012 to earn an MBA. The program lasted two years and meant he had to travel between Texas and St. Louis on weekends while holding his regular job during the week. Life consisted of working, studying and traveling until his graduation in 2014.

The most rewarding part of Tyler's career is working with small business clients. He enjoys helping a "ma and pa" business expand and helping small platforms grow. Some businesses have grown to the point where they are now working in multiple states. Tyler enjoys being involved with their financial needs.

The pandemic challenged Midwest Regional Bank the same way it challenged everyone. However, Midwest Regional Bank maintained the bottom line and kept everyone on board and in their positions. The bank followed CDC recommendations about cleaning and spacing. Some departments went remote temporarily, and the bank used scheduling tricks to make sure there weren't too many people in the bank's buildings at the same time. There were a few one-off cases from outside contacts, but the bank avoided any major infections.

The pandemic may not be over, but it is shifting into a new phase. Tyler thinks banks will have an important role to play in the future. "Banks that plan properly can be set up to do a lot of good," he said. "It's going to be tough, but we have a lot to gain in the next couple of years." He sees it as a time for bankers to find new deals and jump at new opportunities, but he also sees staffing as a problem. "I foresee a lot of issues with the new normal. Finding good, quality

people can be difficult, especially since many people are switching industries. The positions people want may not be the positions they can get. It will work out, but we will need patience. We will have to become more efficient, operate on a leaner staff, and fill in the gap with technology. Banks that innovate will do well," he said. "You have to accept technology and modernize."

The bank initially had $19 million in assets; it currently has $900 million and several in-state locations. In addition to Missouri, Midwest Regional Bank conducts business in four other states.

Tyler is happy with the bank's slow, measured growth and an emphasis on small business. In St. Louis, for example, there are lots of small businesses and a great network for getting referrals. "There's a natural market; someone's uncle, brother or cousin always works in the small big city that is St. Louis," said Tyler. Although opportunities are there for large commercial businesses, focusing on the small business community works well with the bank's structure and lenders.

MIBA membership is valuable to Tyler because the association provides connections. "Especially nowadays," said Tyler, "bankers generally wear a lot of hats. They have different roles and spend their evenings in the community and with family. They don't have time to explore on their own or meet vendors several times over. But MIBA makes those connections for you. If you need contacts or connections, seminars or conventions, they can help you with that."

Tyler strongly recommends attending the MIBA-sponsored seminars and conventions. "MIBA has great educational material and connections," he said. "I go to as many events as I can. There's a real feeling of camaraderie, and you have the opportunity to network with people. The human capital you take back is invaluable. Since you never know when you will need something, you build out that network, and that group of people, who can help you and your business. Later on, you may realize that you've been introduced to the wonderful tools and resources you need."

Tyler's favorite quote is from a wartime speech Winston Churchill gave Aug. 20, 1940: "Never … was so much owed to so many by so few." Tyler relates to the quote because it reminds him that "I am blessed where I am at. Everything we have as a country came with the sacrifice of others before us. I think you have to remember where you came from, be grateful to the generations before, and look out for the following generations."

Tyler enjoys golfing, gardening, drinking and collecting wine, and being outside. "I love to be outside," he said. Tyler has a wife, Kelly, and an 18-month-old daughter named Elizabeth. He spends most of his free time with them, but he and Kelly like traveling and just got back from a Napa Valley vacation; now that he and Kelly are vaccinated, this was the first vacation they've been able to take since the pandemic began. His parents and in-laws took care of Elizabeth for them while they were gone. "Elizabeth has a lot of energy," said Tyler. "We rested and caught up on sleep." ▪

MUNIS FOR THE MANY

Taxable municipal bonds have appeal for nearly all community banks.

By Jim Reber

ICBA Securities

I have some good news for community bank portfolio managers who have grown weary of some or all of the following conditions that have persisted since 2020:

- declining portfolio returns
- erratic cash flows
- call option exposure
- paltry yield spreads

Chances are, your bank's portfolio has been affected by at least some of these conditions over the past year. The wild ride in interest rates kept producing surprises for the bond portfolio, and, in truth, about the only thing positive to be said is that prices rose — then declined — over that period. So, banks' positions have lost value in 2021, but current investment yields have improved, which illustrates the mixed blessing.

Over time, one of the enduring determinants of investment performance is sector weighting. More specifically, the more a bond portfolio consists of municipal bonds, the more likely it will have above-peer yields. According to Vining Sparks, as of Dec. 31, 2020, municipal bonds made up 53% of top-quartile community bank portfolios. At the other end of the spectrum, the bottom quartile was only 9% invested in munis.

Historically, the amount of munis a bank owns in large part has been determined by a bank's need to avoid tax liability. Some depository balance sheets have simply not had room for bonds, muni, or otherwise. Others haven't been profitable enough to worry about that option. Still others, such as S Corps, which pass through their earnings to their shareholders, don't benefit from tax-free earnings.

Supply shift

Fast forward to the Tax Cuts and Jobs Act of 2017. Corporate tax rates were reduced around 40%. That was good news for bottom lines, but it lowered the effective yields on all tax-effected assets, such as traditional munis and bank-owned life insurance. Since that time, banks have shed about one-fifth of their tax-frees.

Another subtle but significant feature in that legislation was to no longer allow muni issuers to "pre-refinance" their outstanding debt into other, new tax-free issues. These older bonds could only be refinanced into taxable issues going forward. That has had a major impact on the types of munis being issued in the current environment.

In the 2020 calendar year, fully 30% of municipal bond issues were of the taxable variety. This is a decade-plus high-water mark. Less than 10 years ago, taxable munis were but a blip on the new issue screen. They'd constitute somewhere between 3% and 7% of total new issuances. In fact, the only year that taxable munis exceeded 2020's volume was 2010, and that was purely a function of the narrow window for issuing Build America Bonds (BABs), a type of taxable munis only available for issue in 2009–2010.

Loan portfolio management webinar

ICBA Securities and its exclusive broker Vining Sparks will host its next segment of the 2021 Community Banking Matters webinar series on May 11 at 10 a.m. Central. We will present Balance Sheet Management and Your Loan Portfolio. Visit icbasecurities.com to register.

The supply, both in absolute dollars and for a given issue (which isn't limited to $10 million per issuer per year that BQs are), should produce more than adequate liquidity.

Crowd pleasers

Now to the afore-promised good news. If your community bank isn't much invested in munis, taxables could bring some welcome relief to the issues mentioned in the first paragraph. As supply has grown and the interest rate curve has steepened throughout 2021, taxable munis can serve a number of purposes, not the least of which is respectable return. An investor can also now realistically hope for an issue that's reasonably proximate to its footprint.

Speaking of returns, a high-grade general obligation taxable muni will out-yield a bank-qualified (BQ) issue at any point on the yield curve. As of this writing, a 10-year AA-rated BQ bond will have a tax-equivalent yield of about 1.85%, whereas a similar-duration taxable will be about 2.10%. There are a number of reasons for this, including the relative lack of supply of BQ paper. Also, it bears mentioning that S Corp banks, if they're able to have tax-free income, will recognize higher tax-equivalent yields than their C Corp brethren.

What's the downside? Just like any other taxable security, municipal bonds will have a higher degree of price volatility than tax-frees. However, the additional price risk is less than it used to be back in the era of 36% marginal rates for C Corps. It's anyone's guess what the impact of higher marginal tax rates will be to the tax-free muni market, but on the face of it, higher rates should be supportive of tax-effected assets.

In the meantime, the growing supply of taxable munis should continue to produce attractive yields. The supply, both in absolute dollars and for a given issue (which isn't limited to $10 million per issuer per year that BQs are), should produce more than adequate liquidity. The benefits and availability of taxable munis should appeal to the many community banks looking for the right combination of risk and reward. ■

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

THE LOYALTY FACTOR:

TRANSLATING RELATIONSHIPS INTO NON-INTEREST INCOME

By Achim Griesel and Sean Payant, Haberfeld

2020 has challenged our industry in ways previously unknown. We began the year expecting our biggest challenge would be the continued growth of deposits at reasonable rates. Today, we are faced with three challenges: a prolonged low-rate environment with continued margin compression, the challenge of keeping branches open and serving our communities, and an increasing number of customer transactions moving to the digital arena.

Much has been written lately regarding the validity of the branch in the current environment. Has community banking been changed forever based on consumers' digital behaviors? Possibly. Is some of this for the best? Definitely. Does the branch still have value? Absolutely! Community banking is about community support. It's about being present and accessible. Unless your strategic plan is to shutter your branches and vacate your communities, we encourage you to keep reading.

Margin compression is real. So, what can you do? You can offset a portion of it by shifting your deposit mix toward low- or non-interest-bearing deposits. Adding long-term, low-rate deposit relationships should always be the foundation of any strategy, and community bank data shows your branches are the key to shifting your deposit mix.

While new core relationships are strategic in managing and maintaining your margins, they are also a key driver of additional non-interest-income (NII); this is a critical component in the shorter term. Financial institutions must increase their NII to offset some of the challenges on the interest income/margin side. To accomplish growing those new relationships, you must do three things:

1. Bring more new customer relationships into your organization
2. Serve all of your customers better than any other financial institution has previously
3. Make them loyal customers by increasing relational intensity over time

The Loyalty Factor

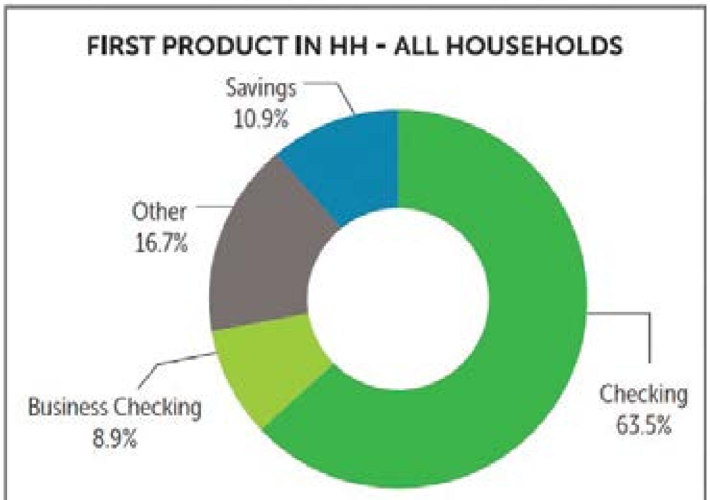

Chart: First product in household at community financial institutions

Adding long-term, low-rate deposit relationships should always be the foundation of any strategy, and community bank data shows your branches are the key to shifting your deposit mix.

Bringing in more relationships should be data-driven, and the data shows the checking account and the branches are key. Looking at data from over 100 community-based financial institutions and over 2.5 million households/businesses illustrate this point.

The vast majority, or 72%, of consumer and business relationships at community financial institutions, begin with a checking account. In other words, the checking account provides the best opportunity to *create customer loyalty*; it is the gateway to primary financial institution status (PFI), allowing your bank first right of refusal on other products and services 68% of the time. In addition, customers who have their checking account with your bank outpace other customers when it comes to products and services, generating additional NII.

Even during the pandemic, and with limited access to community-based financial institution branch networks, client data shows over 90% of new PFI relationships have come through branch channels (in-person, appointments, drive-thru, telephone). The value of your branches cannot be ignored.

The more customer loyalty you build, the more interest income and NII they generate. With consumer and business customers having almost six products and services with their primary financial institution — the math works. Most importantly, the more loyal customers you have, the better your bank will perform now and in the future.

Years household has been with institution	Annual NII per household	Lifetime NII per household
<1 year	$166	$81
1-3 years	$206	$480
3-7 years	$233	$1,362
7+ years	$218	$4,241

Segmenting data from several million customers based on their tenure with the community financial institution shows that loyal customers, over their lifetime, generate dramatically more NII.

In addition, annual NII contribution peaks once customers have been with their PFI for a few years. Further analysis of the data explains why the checking account revenue stream does not continue to grow. It is driven by customer age demographics. In general, more mature customers tend to drive more checking deposits than checking NII.

Creating Loyalty

In order to create loyalty, it is imperative your organization be positioned to capture new customers when they are ready to switch. The data shows that up to 12% of current retail and business customers are consistently switching financial institutions. A recent study published by The Financial Brand indicated this number could be as high as 22% post-COVID, driven primarily by the failures of the big banks to adequately serve customers during the pandemic.

So how do you position your organization for growth?

1. *Checking Product:* You need to get your checking product right. Confusing products does not create value and in turn, develop customer loyalty.
2. *Processes:* It is imperative you remove barriers. Your account opening policies and customer identification program (CIP) practices often inhibit growth rather than encourage it. Read them for yourself.
3. *Promotion:* Community financial institutions have an audience that needs to be maximized and then optimized within a defined footprint. If your bank isn't using targeted, data-driven print and digital marketing to grow PFI customers, you are missing too many growth opportunities.
4. *People:* Your team members must be equipped with the skills and the product knowledge to develop true relationships with customers — customer loyalty is created through customer connections.

The Bottom Line

1. To create loyalty, you have to get the new customer first
2. The checking account is the key to the PFI relationship
3. Once you have them, products, processes, promotion, and people move them up the loyalty ladder
4. The longer customers stay, the more they will contribute
5. You can do things to accelerate that growth
6. Customers are not all the same. You must understand their lifecycle journey with your bank

As with any strategy, there is no silver bullet, but rather, your bank should be looking for a long-term loyalty payoff. ▪

Achim Griesel is President and Dr. Sean Payant serves as the Chief Strategy Officer at Haberfeld, a data-driven consulting firm specializing in core relationships and profitability growth for community-based financial institutions. Achim can be reached at 402.323.3793 or achim@haberfeld.com. Sean can be reached at 402.323.3614 or sean@haberfeld.com.

HOW COMMUNITY BANKS CAN PREPARE FOR CECL CHANGES

The FASB's new credit loss model is one of the most significant accounting changes in recent history. The time to act is now — here's how you can prepare and comply.

In June 2016, the Financial Accounting Standards Board (FASB) issued a new expected credit loss accounting standard, which introduced an updated method for estimating allowances for credit losses. This is referred to as the Current Expected Credit Losses methodology (CECL) and applies to all banks, savings associations, credit unions, and holding companies.

If your institution has not yet adopted CECL, now is the time to refresh yourself on the key changes and — most importantly — to start planning.

What is CECL?

The impairment model introduced by the CECL standard is based on expected losses rather than incurred losses. With that, an entity recognizes its estimate of lifetime expected credit losses as an allowance. CECL also strives to reduce complexity by decreasing the amount of credit loss models available to account for debt instruments.

This change was under discussion for many years prior to its issuance, with the impacts of the global economic crisis highlighting the shortcomings of the Allowance for Loan and Lease Losses (ALLL) framework. FASB concluded that the ALLL approach delayed the recognition of credit losses on loans and resulted in loan loss allowances that were insufficient.

"There are a lot of decisions that need to be made. By starting as early as you can, you avoid any roadblocks in getting CECL implemented by the deadline." – Brian Lewis, RMSG Senior Risk Advisor.

Differences between the previous and the new standards

Previous	New
Loans/leases (could be other valuation reserves)	All debt instruments carried at amortized cost (not those at fair value like AFS securities)
Does not apply to HTM investments	Applies to HTM investments
Threshold = probable loss	Threshold = expected loss
Reporting period focused ("incurred")	Reporting period + forecast ("life of the asset")
Individual assets (specific reserves) + pools at historical loss	Pools of assets with similar risk characteristics + historical loss adjusted for reasonable/ supportable forecast period
Quantitative (data driven) and qualitative (Q-factors)	Shifts focus to qualitative (adjustments based on reasonable forecasts) + quantitative

How will CECL impact my institution?

Adoption of the new standard will influence internal controls and information likely not previously integrated into financial reporting efforts. In other words, the scope of CECL is far-reaching — spanning corporate governance, modeling, credit analysis, technology, and others. Additionally, CECL affects all entities holding loans, debt securities, trade receivables, and off-balance-sheet credit exposures. In short: it will have significant implications for operations at most financial institutions.

How to proceed toward CECL transition

The time to get started — if you haven't already — is now. This is a significant change with extensive effects and potential risks. Careful — and early — planning is key. Here are nine key steps institutions can take to achieve CECL compliance:

1. Identify functional areas (such as lending, credit review, audit, management, and board) that need to participate in the transition project/implementation and ensure these areas are familiar with the new standard
2. Determine your effective date and whether to early adopt
3. Make a project plan and timeline
4. Discuss the plan and progress with all stakeholders as well as your regulator
5. Determine the ACL estimation method/methods to be used
6. Identify available data and any other data that may be needed
7. Identify potential system changes
8. Evaluate and plan for the potential impact on regulatory capital
9. Have a clear, well-understood process

Finally, it's necessary to take a holistic view to ensure a smooth transition, including:

- Build in testing for data integrity and method estimation validation
- Update other bank policies and reports so they are consistent with processes
- Consider running parallel with the ALLL to evaluate risks
- Back-test as part of supporting modifications and improvements

What are the implementation timelines?

This standard was effective for many institutions by December 2019, and all others will need to comply by March 2023. These dates are based on the Public Business Entity (PBE) status for institutions. Early adoption was allowed for any institution after December 2018.

How can RMSG help?

Risk Management Solutions Group (RMSG) offers a comprehensive suite of regulatory and compliance services for community and midsize banks. Customized to your unique business needs, our consulting services are delivered by experienced subject matter professionals — all at an accessible price.

- When it comes to CECL, it's important to start planning now to ensure you meet deadlines and minimize risk. We can help you with:
- Understanding the requirement and how your community or midsize bank can achieve compliance
- Consideration around various CECL methodologies and which may best apply to your organization
- Reviewing your processes to make sure they are sustainable, manageable, and consistently applied — now and into the future ■

Contact us for a complimentary and confidential risk management consultation. 866.825.6793, riskmsg.com.

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KEY MARKETING STRATEGIES FOR A POST-COVID WORLD

By Keith Brannan, Chief Marketing Officer at Kasasa

Here's the truth: COVID-19 is never going away. Not with a cure or vaccine. Not after we can move freely around the world. And not after we can give our loved ones of all heath and ages the hugs that are both long-awaited and long overdue.

What we're seeing is a fundamental change in what people value and what they expect. It's a seismic shift in societal norms that will reshape our collective future.

For marketers, it's a change in consumer DNA. Behaviors that were already increasing are now skyrocketing. Screen time, search volume, streaming services, social media and messaging, mobile apps — you name it. If it's digital, usage is up drastically across the board.

Business will continue. Banking will continue. But there's no going back.

It's a bold new world.

You already know in-branch traffic is down. What you don't know is when (or to what degree) it will return. For July 2020, 39% of people said they still wouldn't feel comfortable walking into a branch.[1]

The good news is, consumers still plan to bank. In fact, according to Harris Poll research, 22% planned to open a savings account during that very same month of July alone — while another 10% planned to consolidate their debt or credit cards.[2]

The demand for banking services on the whole remains steady. It's the how, when, and where that's changing each day.

Year-over-year changes, by the numbers:

- 2.4x more monthly Google searches for "open a bank account online" (April 2020)[3]

- 1.6x more monthly searches for “personal loan refi” and “auto loan refi” (March 2020)[3]

- 35% increase in digital account applications (July 2020)[2]

If you want to compete, you have to evolve — as both a marketer and a financial institution. You need to expand your responsibilities to capitalize on the trends that are here to stay. Implementing these five strategies today can help you navigate whatever tomorrow holds.

Strategy 1: Take a multi-channel approach to engagement.

Consumers don’t rely on one single channel to make purchase decisions. In fact, 70% of consumers use three or more channels when researching a purchase.

Your marketing mix needs to meet consumers where they are. A multi-channel approach means a better chance of reaching your intended target and gives your message more chances to resonate.

Reliable channels to reach consumers:

- Social media — 79% of people in the U.S. use social media[4]

- Email (it’s far from dead) — 76% of U.S. adults use email[5]

- Direct mail — 42.2% of recipients either read or scan their mail[6]

- Streaming audio or video — 89% of people use an on-demand streaming service[7]

- Paid search — Paid search visitors are 50% more likely to purchase than organic visitors[8]

Today more than ever, consumers live online. Digital marketing engagement is only accelerating since the onset of COVID-19. Over the first half of 2020, we saw a categorical rise in engagement across digital channels:

- 33% increase in clicks on display ads[9]

- 71% increase in social media clicks[9]

- 28% increase in paid search clicks[9]

Of course, getting in front of your audience is only half the battle. You still need a timely and relevant message to convert eyeballs into customers.

Strategy 2: Transform your branch experience into a digital one.

It’s no surprise that online banking is surging at a time when nearly 40% of people still don’t feel comfortable walking into a branch. But how much do consumers really value the digital experience at your bank or credit union?

Well, when you ask them, here’s the answer: a lot.

For 79% of consumers polled, a complete digital experience is the expectation.[10] And the younger the audience you want to attract, the more the capabilities of your digital experience matters. That means everything from finding personalized answers to opening accounts and banking services, all available via your online and mobile channels.

Creating a seamless digital experience all the way through account opening will pay off in your marketing, too — powering your calls to action to drive end-to-end results.

Strategy 3: Measure your success. At every point in the customer lifecycle.

Hitting your monthly or annual goals is great. But the only way to sustain success is to know WHY you got those numbers. Can you attribute each new account your institution opens back to your marketing efforts — and can you do it with confidence?

It’s important to measure beyond the basic impressions and clicks that give you a snapshot of your channel-level performance.

Continued on page 28

The goal isn't perfection. It's tireless optimization. Iterating and improving your marketing to get higher click-throughs, conversion rates, rankings, and the metrics that matter most to your business.

Continued from page 27

We need to understand the entire consumer purchase journey. Did those impressions and clicks lead to an account being opened?

To give proper credit where credit is due (and to double down on your marketing that moves the needle), you need an attribution model you can trust.

It's a complex process, where cutting corners can lead to missteps. The simplest approach marketers use is last-touch attribution — crediting the channel that pushes the conversion over the finish line as the reason for success. However, this common model can paint an incomplete picture and lead you down the road to short-sighted or less-informed marketing decisions.

A best-in-class attribution model can:

- Account for all multi-channel marketing touchpoints
- Track and attribute anonymous digital consumer data throughout the entire consumer journey
- Realize the true return on marketing investment, so you can optimize smarter going forward

At the end of the funnel, you should see the holistic customer journey, step-by-step. Only then can you truly understand both your marketing performance and your customers.

Strategy 4: Leverage consumer data.

Data is what lets you target new consumers with the right message, for the right product, at the right time. It's also how you predict the right message and product for your existing customers based on what you already know about them.

Unfortunately, data is an area where smaller institutions have the least confidence in their abilities to keep up. Nearly 78% of institutions with assets over $50 billion report that they're "adept" or at least "moderately adept" at recommending the next best actions for marketing to consumers and prospects. For institutions with less than $500 million in assets, that number is all the way down to 16%. And more than 50% of organizations of $1 billion or less in assets consider data analytics a major challenge.[11]

When you start with the data, the marketing itself comes easy.

Strategy 5: Optimize for better results. And never stop optimizing.

If there's one thing we all learned in 2020, it's that the world can change quickly. What works today could look totally different than what worked last week.

The goal isn't perfection. It's tireless optimization. Iterating and improving your marketing to get higher click-throughs, conversion rates, rankings, and the metrics that matter most to your business.

It means reacting quickly to news stories, regulation changes, algorithm updates, and search fluctuations. Taking advantage of new types of ad units and A.I.-enabled assistance to create more variants to test. Maybe rethinking your old, handy landing page templates and giving a new set of challengers the traffic to shine.

For marketers, and financial marketers in particular, now is the dawn of a new era — where consumer data, digital performance, and results-based decision making can propel your financial institution to new heights. ▪

[1] Source: Kasasa Analytics, 3/22-6/5
[2] Source: Kasasa survey conducted online by The Harris Poll among 1,045 U.S. adults ages 18+, July 2020. For more info on the survey, please contact catherine@williammills.com.
[3] Source: Google trends, June-July 2020
[4] Source: social (https://www.statista.com/statistics/273476/percentage-of-us-population-with-a-social-network-profile/)
[5] Source: email (https://99firms.com/blog/how-many-email-users-are-there/#gref)
[6] Source: direct mail (https://www.smallbizgenius.net/by-the-numbers/direct-mail-statistics/#gref)
[7] Source: streaming (https://musically.com/2019/09/24/music-listening-2019-ifpi-report/)
[8] Source: PPC (https://www.bluecorona.com/blog/pay-per-click-statistics/)
[9] Source: Kasasa Analytics, Q1 – Q2 2020
[10] Kasasa survey conducted online by The Harris Poll among 1,045 U.S. adults ages 18+, March 2020. For more info on the survey, please contact catherine@williammills.com.
[11] Source: Digital Banking Report Research, July 2020, The Financial Brand (https://thefinancialbrand.com/98826/digital-banking-report-financial-marketing-ai-trends

Keith Brannan, Chief Marketing Officer at Kasasa
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WORK COMP INSIGHTS

TIG ADVISORS — YOUR WORKERS' COMPENSATION PARTNER

By Jim Ford, VP, Risk Management, TIG Advisors

Employer Fraud

Most employers purchase adequate workers' compensation insurance to ensure their employees will be properly supported and cared for when occupational illnesses or injuries arise. However, some employers utilize dishonest practices within their workers' compensation programs in an attempt to reduce the related expenses — thus committing employer fraud.

Employers can participate in such fraud by intentionally misrepresenting different organizational factors (e.g., listing an incorrect number of employees, falsifying job classifications or exaggerating risk management program features), underreporting payroll or failing to secure coverage altogether. And while employers may think that they can cut costs by committing fraud, doing so can lead to a range of financial, legal and reputational ramifications.

Review this guidance to learn about key forms of employer fraud within workers' compensation programs, as well as the costly consequences that can result from engaging in fraud.

Main Forms of Employer Fraud

Here are the primary forms of employer fraud:

1. *Misrepresenting employees*

Workers' compensation premiums are determined by several factors — including the number of staff members that an employer has and the particular job roles of these employees. Specifically, employees are assigned class codes based on the work they perform and perceived level of risk associated with that work.

These codes are tied to employee classification rates. The higher the rating, the riskier the employee's job role is. For example, a roofer would be given a higher rating than a carpenter due to the risk of working from heights for longer periods of time.

Higher employee classification rates — as well as a higher number of employees who possess such ratings — lead to greater premium costs. As such, employers may falsely classify their employees to obtain lower ratings and, subsequently, reduced premium expenses. Employers may also incorrectly list employees as temporary workers or independent contractors, or potentially provide an inaccurate number of employees to receive decreased premium costs.

2. *Falsifying payroll*

Payroll is also a key component in the calculation of workers' compensation premiums. In particular, for each employee classification rate, employers pay per every $100 of payroll. That being said, a higher total payroll will result in elevated premium costs.

To avoid higher premiums, employers may falsify their payrolls to appear as less than what they really are (e.g., underreporting annual payroll to be $100,000 when the actual total is $500,000).

In order to generate falsified payrolls, employers may pay their employees a set salary on the books, as well as an additional amount off the books. By doing so, employees' wages will be reported as lower than reality — establishing deceptive annual payrolls. This practice is also a form of tax evasion.

3. *Embellishing organizational risk management programs*

Adopting effective organizational programs to help protect and support employees — such as workplace safety programs and return-to-work programs — can play a role in reduced workers' compensation costs. In fact, employers who inform their insurance carriers that they have these programs in place may receive premium discounts or other benefits.

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Unfortunately, employers may take advantage of this arrangement by falsely claiming that they have implemented such programs, even though it's untrue.

Employers may also claim that their programs possess added elements or are more robust than they are in reality (e.g., claiming that weekly toolbox talks take place when they actually only occur once every quarter) in an effort to obtain cost savings.

4. *Neglecting to secure a workers' compensation policy*

Despite workers' compensation insurance being required in nearly every state, employers may attempt to cut costs by not purchasing any coverage whatsoever. Employers who lack workers' compensation insurance typically hide this information from others — including their organizational stakeholders and shareholders.

In order to convince others that they have insurance, employers may develop fraudulent documentation (e.g., a fake policy) as "proof of coverage." But in the event that any claims occur, such nonexistent insurance will quickly become apparent.

Consequences of Employer Fraud

Employers who engage in workers' compensation insurance fraud can face severe consequences — both from a legal perspective and from a financial standpoint. First, it's important to note that insurance fraud is illegal. With this in mind, employers who are found guilty of committing fraud could be subject to hefty fines, serious civil penalties, court injunctions, criminal charges, and — in severe cases — jail time.

Second, employers who engage in fraudulent methods to cut premium costs will likely end up experiencing further financial hardship during the claims process. After all, misrepresented employees and false payroll information can lead to the development of inadequate coverage levels, resulting in underinsurance concerns when employees become ill or injured. In these instances, employers could be left financially devastated by a claim and unable to support their employees' treatment needs or provide necessary benefits — making recovery increasingly difficult.

Lastly, employers who are found guilty of committing fraud will likely experience serious reputational damages. Employers' current workers' compensation insurance carriers (if applicable) may cancel or drop their coverage in response to fraud. When employers with previous records of fraud attempt to secure insurance in the future, carriers may be apprehensive of providing coverage. As a result, carriers may neglect to offer coverage or charge significantly higher premium rates.

Overall, it's clear that participating in workers' compensation fraud isn't worth the severe ramifications that can accompany such an act. By maintaining honest workers' compensation programs, employers can effectively protect and support their ill or injured employees.

Contact us today for additional workers' compensation resources. ▪

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DATES AND EVENTS

MIBA

JUNE

WEDNESDAY, JUNE 2, 2021 *2 p.m. - 3:30 p.m.*
Handling Subpoenas, Summonses, Garnishments & Levies

THURSDAY, JUNE 3, 2021 *2 p.m. - 3:30 p.m.*
Treasury Management: How to 'Power Up' Deposits & Fee Income

TUESDAY, JUNE 8, 2021 *2 p.m. - 3:30 p.m.*
Collection Series: Troubled Debt Restructuring in the COVID Economy

THURSDAY, JUNE 10, 2021 *2 p.m. - 3:30 p.m.*
Supporting Documentation for the ALLL

TUESDAY, JUNE 15, 2021 *10 a.m. - 11:30 a.m.*
FinCEN SAR Advisory Update & Handling Increasing Fraud

TUESDAY, JUNE 15, 2021 *2 p.m. - 3:30 p.m.*
Credit Analyst Series: Advanced Financial Statement Analysis

WEDNESDAY, JUNE 16, 2021 *2 p.m. - 3:30 p.m.*
UDAAP & Consumer Protection: Heightened Scrutiny Under a New Administration

THURSDAY, JUNE 17, 2021 *2 p.m. - 3:30 p.m.*
Wire Transfer Compliance: Domestic & International

TUESDAY, JUNE 22, 2021 *2 p.m. - 3:30 p.m.*
Call Report Preparation: Schedule RC-R, Regulatory Capital

THURSDAY, JUNE 24, 2021 *2 p.m. - 3:30 p.m.*
Collection Series: Managing Mortgage Delinquency

TUESDAY, JUNE 29, 2021 *2 p.m. - 3:30 p.m.*
e-Everything: Compliance in an Online Environment

JULY

JULY 21, 2021
Elder Abuse & Human Trafficking: One Day Seminar
Jefferson City, MO

AUGUST

AUGUST 24, 2021
3rd Qtr CBC Meeting
Jefferson City, MO

SEPTEMBER

SEPTEMBER 13-15, 2021
44th Annual Convention & Expo
Lake Ozark, MO

SEPTEMBER 15-16, 2021
Leadership Division Conference
Lake Ozark, MO

SEPTEMBER 23, 2021
Essentials in Banking: Part II
Jefferson City, MO

SEPTEMBER 29-OCTOBER 1, 2021
Annual Security Conference
Jefferson City, MO

ADVERTISER INDEX

Agricultural Lenders School

A Unique Opportunity For Early Career Agricultural Lenders

June 7-9, 2021 Columbia, Missouri

Program

The Agricultural Lending School was designed to train early to mid-career lenders specializing in financing agriculture. Participants typically work in banks, farm credit associations, agribusinesses, state agencies and finance companies.

Sessions use practical examples to demonstrate concepts focused on issues critical to successful agricultural lending. Speakers use a balance of presentations, exercises and case studies to provide a quality adult learning experience.

Topics

» Introduction to Agricultural Financial Statements
» Keys to Agricultural Credit Analysis
» Financial Benchmarks and Comparative Data
» Communicating with Farmer Clients
» Practical Servicing Issues Specific to Agriculture
» Emerging Issues in Agricultural Finance
» Legal Review and Lien Documentation
» Managing Agricultural Risks
» Completing the Agricultural Loan
» Farm Service Agency Programs and Perspectives

Instructors

Dr. Freddie Barnard is a Professor Emeritus of Agricultural Economics with Purdue University and has a wealth of experience in agricultural lending. He was a pioneer in the development of the Farm Financial Standards and has taught extensively at various U.S. banking schools and meetings on agricultural finance and analysis.

Other speakers include lending professionals, industry experts and university faculty.

History

Since the Agricultural Lenders School was founded in 2000, it has successfully trained more than 500 agricultural lenders from Missouri, Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Nebraska, New York, North Dakota, Oklahoma, Pennsylvania, Tennessee and Texas.

Who Should Attend

Early career lenders (zero to five years experience) or experienced lenders who are assuming new agricultural loan responsibilities are the intended audience for this school.

For more information or special accommodations, please contact Angela Freemyer at (573) 882-4087 or muconf4@missouri.edu. If you have questions regarding program content, please contact Ryan Milhollin at (573) 882-0668 or MilhollinR@missouri.edu.

MIBA Missouri Independent Bankers Association

September is right around the corner where we will gather for another exciting Convention & Exhibition for our MIBA Membership, family, & friends. This year's 31st Annual MIBA Scholarship Auction on Tuesday, September 14th, 2021, is at The Lodge of Four Seasons Golf Resort & Spa Shiki. We hope you are thinking about what special gift you will donate.

On Tuesday, the Exhibit Hall will close at 3:00pm and the Happy Hour Reception and Silent/Live auction will begin at 4:30pm in the Granada Ballroom. All registered bankers and exhibitors are invited and welcome to join the "bidding frenzy" for all items donated!

If you already have your gift to donate, call the MIBA offices at (573) 636-2751 or go to MIBA.net > Annual Convention & Exhibition for your donation form.

Donations to and purchases at the auction are not deductible for federal income tax purposes.

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