



Correspondent Views

BANKERS' BANK OF THE WEST newsletter for community banks

PRESIDENT'S MESSAGE

June 2020

Powered by purpose, perspective, and persistence

Personal perspective can make all the difference in the world—especially when big challenges come our way. We are all free to choose the lens we use to view our life and our potential.

The challenges of the past few months struck on many fronts at a rapid pace, upending lives, creating uncertainty, resulting in too many tragic deaths, and bringing about changes we probably won't fully understand for a long time.

My personal philosophy has been to always move forward—to honor and learn from the past, improve along the way, and stay focused on what is possible, necessary and honorable for the future. I've lost count of the number of times I've repeated this call to action: "If you're not moving forward, you're falling backward."

By mid-March, like many others in our industry, I was joining frequent discussions with various banking associations, business groups, chambers of commerce, peers, regulators, and others working to adapt to the new environment and soften the economic impacts of the pandemic. I want to share a few of the high points from those conversations.

Community banks have been rightly singled out by news media as financial first responders at the outset. Close customer relationships, a hallmark of community banking, proved crucial for identifying and addressing needs. Community bankers who had developed rapport with customers adapted to serve their clients remotely, anticipating and proactively resolving hardships for countless families and small businesses.

Two-thirds of the community banks we polled in our own service area found the overwhelmed

SBA E-Tran system either slow or impossible to access in early April. Rather than give up, they persisted—some banks forming teams of executives, lenders and non-lenders who worked in shifts around the clock, manually inputting PPP applications and uploading well into the night.

Meanwhile, big banks were inaccessible for the most part, and credit unions mainly sat on the sidelines.

With some anxiety now brewing over a recession, I'm quick to point out the stark differences between now and the economic conditions of 10 years ago.

Community banks are strong. Asset quality issues may surface, but today community bank capital levels are at an all-time high while concentration levels are low by comparison. Reserves

are higher, hypergrowth is lower, and residential real estate remains very strong in many markets. In addition, consumers are less leveraged than they were during the last downturn.

Community banks are being recognized publicly for the critical role they've played in sustaining small businesses. For community banking, the here-and-now is amazing.

Of course the hurdles are not completely behind us. The extended post-COVID economic recovery will require all hands on deck. We must continue to support the trade groups that work so hard for us. And staying positively engaged in local communities, which community bankers are known for, has never been more crucial to our country's future than during this period of social unrest. In the end, the rallying cry for weathering the pandemic—*we're all in this together*—holds true for us as a society, too.



Bill Mitchell
President & CEO

TAKING NOTE

VIRTUALLY FITTING FOR THE TIMES

This year, the **WesPay Payments Symposium** is moving to a digital environment. The event will open with a Preconference the afternoon of **Sept. 16** and continue through **Sept. 18** with a program that includes a panel discussion on the challenges encountered in recent months and the lessons learned from them.

Other topics to be discussed at the Symposium are contactless payments, FedNow™, real-time payments, Nacha's "Meaningful Modernization" process, Nacha Certified, findings from the ABA fraud survey, and more. The virtual environment will enable participants to chat with exhibitors and other attendees. AAP, APRP and NCE continuing education credits will be announced.

Reduced registration rates apply until July 31. Visit wespay.org to access the registration link and learn more.

EASIER CHANNEL FOR SPEAKING YOUR MIND

A section of the Independent Community Bankers of America website makes communicating with Congress on grassroots issues a bit less time-consuming than postal mail. Labeled the Action Center, the page (icba.org/advocacy/grassroots-be-heard/actioncenter) displays a running list of issues deemed important and pressing to community banks.

Clicking on any issue will bring up information and tips for drafting a message. When a constituent inputs a message, it is then generated and sent automatically to the congressional representative or senators for the constituent's district. Making PPP more streamlined, easy and transparent is on the current list of issues.

TOOL FOR ENHANCING PUBLIC AWARENESS

The Federal Bureau of Investigation Internet Crime Complaint Center (IC3.gov) is a resource for reporting and retrieving information about suspected internet-facilitated criminal activity. The site provides access to:

- Internet fraud/crime scheme descriptions and prevention tips listed by type.
- Current and archived consumer crime alerts.
- Links for submitting complaints to the IC3, the FBI, or the NCMEC.

ABOUT

Correspondent Views is published by Bankers' Bank of the West for independent community banks in our service area. To add yourself or someone else at your bank to our email distribution list, please send your request to info@bbwest.com.



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In line with the times, consumers around the world favor contactless

Bankers' Bank of the West Bank Card Department

Research by Mastercard® in April of this year found 79% of 17,000 surveyed consumers across the globe are using contactless payments.¹ Some 46% of the study respondents reported having exchanged their formerly preferred card for a contactless alternative because of coronavirus concerns.²

The broad and swift change in payment preference dovetailed with the physical distancing requirements enacted in many countries. Wary of exposure to the virus through touch, 82% of surveyed consumers across the world described contactless as a cleaner way to pay than cash.³



Of the Americans surveyed, 51% said they have been using cash less often or not at all since the start of the pandemic. Half of the U.S. consumers expressed concern over the cleanliness of touchpads, and 72% would rather not sign at all.⁴

Mastercard calculated a 40% growth in worldwide contactless payments in the first quarter of 2020 (compared to first quarter 2019). Seventy-four percent of respondents worldwide indicated

they will continue using contactless payments after the pandemic has passed.⁵

Naturally, community bankers are interested mostly in the habits and preferences of their own markets. But considering that customer adoption of novel delivery channels—like online banking, mobile banking, remote deposit capture—built slowly, reached a tipping point and then soared in the U.S., it's reasonable and exciting to think contactless payments could follow a similar pattern of acceptance.

As to the ongoing business of meeting your customers' expectations, our BBW Bank Card team is informed, responsive, and happy to set up a call with one of our internal experts to discuss solutions that align with your bank's objectives and your customers' needs and preferences. In fact, keeping community bankers educated and trained on card products, best practices and tools is just as high a priority for us as earning your business.

With our rollout of the Clover® merchant processing solution in April, we expanded on the range of options we can offer your bank's merchants. If you haven't had an opportunity to review these options, please get in touch so we can share the information—and, if you like, conduct a personal webinar for you.

Our team continues making progress on other projects as well, and we look forward to sharing news about them in the future. In the meantime, please let us know if we can be of service. Call our Bank Card staff at **800-601-8630** or email bankcards@bbwest.com.

¹ Mastercard Study Shows Consumers Globally Make the Move to Contactless Payments for Everyday Purchases, Seeking Touch-free Payment Experiences. April 29, 2020. Mastercard Content Exchange. <https://mastercardcontentexchange.com/newsroom/press-releases/2020/april/mastercard-study-shows-consumers-globally-make-the-move-to-contactless-payments-for-everyday-purchases-seeking-touch-free-payment-experiences/>

² Mastercard Study Shows Consumers Globally Make the Move to Contactless.

³ Mastercard Study Shows Consumers Globally Make the Move to Contactless.

⁴ Covid-19 Mastercard Partnership Update: Insights, Contactless Trends, and Investments in Small Businesses. May 2020.

⁵ Mastercard Study Shows Consumers Globally Make the Move to Contactless.

“Payoff” for seeing an educational commitment through can span an entire career

Mary Brown, AAP ▪ VP-Cash Management Services ▪ Bankers’ Bank of the West

Since beginning my banking career in 1974, I have had an interest in all types of payments, especially electronic. I followed ACH payment changes as technology evolved—from data transmitted by punch cards and tapes to software allowing the creation and transmission of files online.

When I decided to attain my Accredited ACH Professional designation in 2003, I realized the task would be daunting and time-consuming. I also knew the benefits would be well worth the effort. That’s why I regularly encourage others to seriously consider pursuing the designation.

Nacha administers the AAP test in the fall of every year. In preparation for the test, contact your regional ACH association regarding any educational resources or opportunities that might assist you. WesPay, one of 11 regional ACH associations, offers certification programs consisting of education on varied aspects of ACH. I found the program an effective strategy for mastering the knowledge required to pass the AAP exam. WesPay also offers an AAP Exam Prep Workshop annually, which is an intensive three-day program created to prepare AAP hopefuls for the exam.

Be sure you have access to a current ACH rule book as well. I started preparing for the test in January by reading the entire rule book and then taking the Exam Prep Workshop led by WesPay.

After passing the exam and attaining your Accredited ACH Professional designation, you are required to maintain your knowledge by earning 60 continuing

education credits in a five-year period; otherwise your accreditation will expire.

An AAP designation proves you have acquired deep and extensive expertise in multiple facets of electronic payments as well as an understanding of the entire payments system. As a rule, earning an AAP can be expected to increase your contribution in the workplace, enhance your professional status, and broaden your career options.

Among other things, your ACH knowledge will assist you in explaining the service to cash management customers. It will also enable you to understand and recognizing risk, resulting in loss prevention for your employer.

For anyone with an interest in obtaining an Accredited ACH Professional designation, I would suggest looking into education offered by your regional ACH association or by Nacha. And if you plan to take the exam this fall, make the ACH rule book your constant companion in the coming months.



Mary Brown joined Bankers’ Bank of the West in 2008 after working 26 years for the Federal Reserve Bank of Kansas City and holding other positions in the fields of data management and financial services. She still keeps an ACH rule book nearby when working.

NEW EMPLOYEE WELCOME: SHARVELLE

Until May 5, her first day of work as a compliance analyst for Bankers’ Bank of the West, **Sharvelle Washington** had spent her entire career working for Fortune 500 companies, Promontory Risk Review and Western Union among them.

“I expected working in a smaller organization—and in a banking environment for the first time—would be different from anything I’d experienced in previous jobs, but I had no idea just what it would be like,” she said. “Here I truly feel a part of something. I can make a positive impact, and that’s a relief.”

Currently, Sharvelle’s responsibilities at BBW relate mainly to compliance, vendor management, and BSA. She has a bachelor’s degree in business admin-



Sharvelle, an avid sports fan, is looking forward to the comeback of pro sports. “ESPN covered Cornhole Mania in May,” she said. “I’m craving some real sports.”

istration and project management, and she’s preparing to take an exam for an accreditation his summer.

In her free time, Sharvelle enjoys watching and playing team sports. She was on the Utah State University basketball team until an injury sidelined her, and she has since coached fifth-grade and high school girls’ basketball—a role she wants to take up again soon.

“The best gift ever was watching the most rebellious, defiant member of my team progress and become the most outstanding player by the end of the season,” she said.

Asked to summarize her approach to work and life in general, Sharvelle said she returns time after time to this core belief: “Everything will work out. It always does.”

Transition to advanced online cash management system approaching

Bankers' Bank of the West is making steady progress toward the migration to BRIDGE, the new cutting-edge online cash management system for BBW's community bank customers. The move to BRIDGE will afford enhanced functionality, integrate more robust risk management such as anomaly detection, and serve as a platform for future payment systems. BIDS will be replaced with BRIDGE on July 27.

"Strategically, BRIDGE represents an investment in the success of the community banks we serve," said **Jeff Benson**, BBW's senior vice president and chief operating officer. "With advanced tools that streamline operations, improve efficiencies and reduce risk, our customers will be better equipped to meet the needs of their markets, adapt to industry changes, and stay profitable."

Jeff added that although some resistance to change is a common human trait, bankers generally accept the need to adapt in the financial services industry as a 21st century reality. Sophisticated technology has become a tool of the trade, vital to meeting customers' needs in a competitive and ever-shifting banking environment.

Debbie Wendt, senior vice president of operations for BBW, explained that the new system incorporates many features for improved flexibility and productivity. For example, BRIDGE gives community bank administrators full control over setting up their users and assigning system privileges as well as modifying and deleting users.

"I think the net effect of the various built-in enhancements BRIDGE offers will be a better user experience," Debbie said. "At this point, we're on schedule to complete all the project preparations ahead of the rollout, and we'll continue doing everything in our power to make the transition to BRIDGE as straightforward as possible for our customers."

Short list of improvements BRIDGE will bring

Tokens take the place of biometric units

The biometric authentication used by BIDS will be replaced with a token-based authentication device at no charge for existing users. The device, a YubiKey token, requires no software.

IP restriction capability

If you choose, BBW can restrict which IP address can access your BRIDGE account.

Transaction archive

BRIDGE will archive (at no charge) 12 months of transactions, and the system supports the ability to pull reports and download transactions from the archive. BRIDGE has the capacity for storing more than 12 months of transactions.

Cash letter management

BRIDGE's improved process of deriving, adjusting and returning cash letter transactions makes cash management more efficient for your bank.

International wire and foreign currency orders

Exchange rates will be displayed based on the selected currency, and the exchange rate will be calculated automatically on BRIDGE.

Duplicate wire detection

BRIDGE will alert you of a possible duplicate wire before releasing it.

Wire confirmations via email

Simply add email addresses of the individuals who want to receive wire confirmations.

Registration open: WSDEF Symposium for Community Bank Directors

October 25-27, 2020 ■ JW Marriott Scottsdale Camelback Inn Resort & Spa, Arizona



Partial list of program highlights . . .

- Dr. Stephen Happel, Professor Emeritus of Economics at the Arizona State University W.P. Carey School of Business
- Tara Humston, SVP-Supervision & Management, Federal Reserve Bank of Kansas City
- Panel discussion: Outside directors exchange perspectives on a range of topics

Find full agenda, hotel details and registration portal at WWW.WSDEF.ORG

Security everywhere: Protecting production post-pandemic

Chris Tuzeneu, CISA, C|EH ■ Systems Administrator ■ Bankers' Bank of the West

How has your Business Continuity Plan changed in the last six months? If your bank is like most financial institutions, I would expect you have updated sections about VPN connectivity, remote work capabilities, and streamlining communications. But have you had a chance to consider securing remote people and technologies? Have you updated your Incident Response Plan to include risks affecting employees out in the field?

There have been plenty of operational challenges in the last several months. We are finding new ways to maintain productivity and business continuity while protecting the safety of our employees and customers. But we may also need to adjust our strategies to keep our customer information safe as the threat landscape continues to evolve. Here are a few important things to consider.

We can no longer rely on the security perimeter of a network firewall. Although the VPN gives us that protection whenever we need to access shared files or other resources, we cannot assume that our employees will be connected to the VPN 100% of the time. In such situations, network security is limited to whatever features are available on the employee's home router. Those are almost always less than an enterprise grade firewall, not to mention other security layers we have in place. It is important to think about compensating controls that will fill the gap on whatever laptop or desktop our people are using. Be sure that whatever security solution you use for monitoring, patching, and scanning your devices is up-to-date, and that someone is responsible for checking it.

Threat actors just might watch the news more often than you do. At a recent cybersecurity summit, Microsoft put words to a fact that security analysts worldwide have already known for some time: Phishing campaigns have already started to move away from keywords such as "Coronavirus," "COVID-19," and "pandemic," and zeroed in on more current topics such as social justice and racial equality. Whatever solution you use for email security, it is a good idea to adjust it frequently to ensure the maximum number of malicious emails are blocked.

Security training cannot be left on the back burner, especially now. A dispersed workforce presents a host of communication challenges. It is a lot more difficult to hold meetings, especially ones that involve the entire bank. It may be easy to try to make an exception for regular security training since everyone has so much going on. But in fact, now more than ever security needs to be a priority for everyone across the organization. Staying cautious, reporting phishing threats, double-checking wire information, and passing that education along to customers will go a long way toward keeping the names of our banks out of the news. Cyber-attacks have spiked dramatically in recent months. Taking time now to personally remind your people of the importance of maintaining a security-aware culture is one of the most worthwhile investments you can make.

We will need to continue to keep things like this in mind for the future, as there is a good chance that some of the changes we have made to our operations and business continuity are here to stay.

COVID-19: A briefing on credit risk management in uncommon times

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Nobody working in the banking industry today has worked through a situation like the one we now face. Still, we can draw on lessons learned and strategies that have proven successful in earlier times. A handful of ideas that could be especially relevant are:

- Scrutinize and monitor internal credit risk identification systems and ensure they are working effectively.
- Provide problem loan identification/management training for less experienced staff and refresher training for others.
- Closely police and address weak or timid account management.
- Thoroughly and realistically assess management's ability to address issues and effectively guide the business forward.
- Promote a culture that expects (and in particular, does not discourage) problem loan identification.

- Scrupulously scrub loan files and aggressively address deficiencies soon after weaknesses are identified.
- Update lien/title work and valuations on collateral.
- Be prepared to shift account servicing responsibilities if a lender does not demonstrate skills or motivation to effectively manage stressed relationships.

Finally, a closing recommendation: Remain grounded and optimistic, but prepare for the downside scenario. Even if the outcome of the pandemic is less consequential than many fear, investing time and attention to ensure your people and risk management systems are up to handling challenges that might not materialize could prove much less painful than playing catch-up due to lack of preparation.

Jim Swanson has three decades of industry experience as a banker, consultant, and regulator with the Federal Reserve system. Contact him at 303-903-9369 (jim@bankstrategiesllc.com).

His daily objective and greatest reward: to delight customers

In January, Bankers' Bank of the West purchased an equity stake in Bankers' Banc Investment Services, LLC, the holding company of First Bankers' Banc Securities Inc. (FBBS). In becoming a shareholder, BBW added a broker-dealer to its umbrella of services for community banks.

Duane (nickname **Dewey**) **Kerner**, a vice president who has been with FBBS since 2016, moved in late February from St. Louis, Mo., to Denver, where he now works from his office at BBW's headquarters. He and BBW's correspondent team had just gotten acquainted and started discussing joint visits to community banks when pandemic concerns forced them to shelve travel plans for the foreseeable future. Still, BBW is eager to introduce Dewey—in print, at least.

In Oblong, Ill., a small village in the east-central part of the state, Dewey enjoyed spending summer days baling hay for area farmers with his buddies at around the age of 12—a memory he described as “about as good as it gets.”

The high school Dewey attended was well-known for its math team, which earned a reputation for winning regional and state championships to count. As a senior, Dewey placed third overall in the individual exam for calculus.

After graduating from Eastern Illinois University with a bachelor's degree in biology, Dewey accepted a position as a loan officer for American Equity Mortgage, where he worked on residential mortgages. The next career move he made was to FBBS, where he completed his Series 7 and 63

financial licensing. He graduated from the Iowa School of Banking in 2019.

“I feel lucky FBBS saw something in me and realized I had what it takes to make it in the industry,” he said. “It's easy to succeed in a company that knows if they take care of their employees, their employees will take care of their customers. That makes FBBS a true standout in my eyes.”

Dewey explained investments for bank portfolios is a niche area of finance—one he's well-suited for.



One of Dewey's great passions is the NFL—the Chicago Bears in particular.

“One of the great rewards of my job is a happy customer at the end of the day,” he said. “It's not unusual for someone to call with a specific idea in mind. After we discuss a few more options, the customer might decide a different product will suit their needs. The appreciation in that client's voice is one of the best shots of energy out there.”

Now settled Denver, Dewey and Katie, his wife of five years, are looking forward to the recreational activities Colorado has to offer—like hiking with their two dogs, whitewater rafting, and watching Nuggets basketball at the Pepsi Center. He added he wouldn't mind improving his golf game, either.

“Back home I have great parents, two sisters, two brothers, and plenty of nieces and nephews,” he said. “But part of the reason Katie and I were drawn to Denver is the wonderful environment it provides for family life. Raising happy, well-rounded children is high on our bucket list.”

You can reach Duane Kerner at 314-835-4961 or dkerner@FBBSinc.com.

Bank Card Department officer elected to industry association advisory board

Since joining Bankers' Bank of the West in 2013, **Kate Holloway** has steadily grown her expertise and her sphere of professional responsibilities as a member of the BBW Bank Card team. She earned the Certified Payments Professional designation from the Electronic Transactions Association two years ago.



In March, Kate became an advisory board member of the Western States Acquirers Asso-

ciation, a not-for-profit organization focused on keeping merchant acquirers, independent service organizations and merchant-level salespeople educated and up to date on the needs of the ever-changing financial services industry.

As AVP of bank card products for BBW, Kate serves as a relationship specialist and team leader, facilitates training, and manages projects that support customer banks.

We acknowledge Kate for her dedication to community banking and her fellow industry professionals.

COVID-19: A briefing on credit risk management in uncommon times

Jim Swanson, President ▪ Bank Strategies LLC

Like death and taxes, economic cycles are inevitable. Between 1929 and 2008, the U.S. experienced 14 recessions. Early this year the country was in its longest stretch of economic expansion (10+ years) in recent history, so a downturn was not unexpected. What hadn't been anticipated was its source—the COVID-19 pandemic—and the extent of its impact on our lives and economy.

Banking rides the coattails of economic cycles. Long periods of economic expansion through recent decades have sometimes left banks short on experience in managing loan portfolio stress during downturns. Over the years, veteran bankers with battle scars retire, their roles taken on by a generation that has never experienced a downturn. Having bolstered efforts to attract, retain and deepen customer relationships since 2009, the banking industry may again find the skills well-suited to those goals are not easily adapted to recognizing and managing borrowers under stress.

Much as we hope for a relatively quick economic recovery, a V-shaped rebound—the least painful scenario put forward—is by no means assured. A prolonged recovery would increase both the odds of problem loans and the need for proactive risk identification and workout strategies. The portfolio risks posed by this unique environment could be especially challenging for less experienced staff to manage.

- Strong management is critical to lasting business success. The long economic expansion preceding the pandemic likely masked certain risks and performance in weaker managed businesses that would have emerged eventually over time but instead became apparent under stress. The pandemic



impact will likely pose a significant risk to these businesses and the banks that have financed them.

- Record federal stimulus funds have been pumped into the economy, concealing the near-term impacts of the pandemic. For some programs (i.e. Payroll Protection Program), certifications that the funds granted were needed to support ongoing operations were largely based on an honor system versus documented need. Furthermore, the forgiveness component of the PPP remains fluid with some associated uncertainties.
 - The new-normal in a post-pandemic world is still unclear, but it is realistic to expect some consequent consumer and society behavioral changes could have lasting effects on formerly successful businesses or sectors.
- Many banks, in a show of support and goodwill toward their customers, have approved payment modifications that might not be need-based.
- Federal tax deadlines have been extended, increasing the probability that banks lack the current borrower financial reporting they need to accurately gauge financial trends pre-pandemic.
- Regulatory agencies have relaxed traditional supervisory expectations and requirements on several fronts to encourage and support the industry's efforts to work with customers under COVID-related hardships. While the easings are welcome, they are expected to be temporary with normalized expectations returning as short-term issues are resolved and attention shifts to longer-term concerns.

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