



Correspondent Views

BANKERS' BANK OF THE WEST newsletter for community banks

3rd Quarter 2021

PRESIDENT'S MESSAGE

Still standing shoulder to shoulder, in solidarity—and for our shared cause

I attended a state association board meeting on Sept. 15, the day before its convention was to convene.

During this recent meeting, I couldn't help reflecting back on the same organization's Sept. 12, 2001 board meeting. The atmosphere in the room—the day after the tragic event now referred to as 9/11—was somber to say the least. We were in shock.

The immediate question before us was whether to hold the association's annual convention that same month, as originally planned, or cancel due to the horrific events of the day before. We acknowledged the need to show respect for the fallen.

Ultimately, the board decided that moving forward with the convention would be the best way for us—both as Americans and as community bankers—to honor those who lost their lives.

At that time, I was president of a 13-branch Colorado community bank. Many of our bank's employees were active in the community through civic groups, non-profits, parent-teacher organizations, volunteer fire departments, and the like.

Community banks across the country persisted in providing financial services in the wake of 9/11. Beyond this, many hundreds of community bankers were motivated to take action on a local and very personal level by getting involved in a host of service projects.

So it was no surprise or coincidence that within a couple of days of the 9/11 attack, many of my bank's employees had donated a pint of blood, attended services at a house of worship,

written checks to a relief agency, or offered a helping hand to fill some other need. That's the stuff community bankers are made of.

Twenty years later, our country has again contended with a serious, very trying challenge. We are navigating through what is now an 18-month-long pandemic.

Just as there was no blueprint in 2001 for getting through 9/11, there is no obvious, surefire plan for putting the pandemic and its aftermath behind us. But we as a nation—and certainly we as community bankers—collectively move forward.

There are reasons to hope that getting past our current challenges will make us wiser. If you worked in a bank early

in the 21st century, you probably remember that financial institutions on the whole were at first reluctant to move to electronic check imaging in spite of the efficiencies it offered.

Post-9/11, legislators, regulators and bankers had more experience, new perspectives, and wisdom to draw on. Adoption of check imaging rapidly gained momentum, and today we couldn't imagine moving paper checks.

Forecasters and commentators are already weighing in on some of the lessons businesses have learned over the past 18 months. As for me, I think no industry has performed more admirably throughout the pandemic, or done more to help local economies, than community banking.

I'm not alone in this belief: Elected officials have expressed the same appreciation. They have recognized what our industry is about: *Community*. Thank you for the major role you play in moving us, as a society, forward!



Bill Mitchell
President & CEO

TAKING NOTE

ON THE 2022 RADAR SCREEN

Planning is in progress for the next Bankers' Bank of the West's conference for community bankers. Please mark your calendars and plan to attend:

**Denver Marriott Westminster
Westminster, Colorado
April 27-29, 2022**

The educational sessions will focus primarily on two areas: payments and information technology and security. CivITas Bank Solutions, a Bankers' Bank of the West sister company, is developing the IT and IS-related segments of the program.

Once confirmed, conference details will be distributed by email. To add yourself to the notification list, send an email—indicating “2022 Conference” in the subject line—to training@bbwest.com.

GET SMART ABOUT SD-WAN

A recording of Andrew Jannot's recent hour-long webinar on the merits of adopting SD-WAN technology is available for playback. Titled “Not Your Grandfather's Wide Area Network: Communicate Securely,” the presentation will be informative for technical support staff and senior management. To access the free recording, visit acivitas.com, click the “sign up here” button, register, and view at your convenience.

FIVE REASONS TO FOLLOW CivITas Bank Solutions on LinkedIn



- Get urgent updates and notices of upcoming regulatory changes.
- Keep abreast of policies that can impact community banks.
- Find out when IT/IS relevant articles, tips and videos are released.
- Learn about free educational resources you can use to quickly build your arsenal of knowledge.
- Get relevant data breach alerts.

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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New services shore up safeguards against fraudulent transactions

Jeff Benson, SVP & Chief Operating Officer ▪ Bankers' Bank of the West

The use of anomaly detection in payments processing has grown to the point of being considered an important capability instead of just an option. In its simplest form, anomaly detection reviews and compares prior transactions to a current transaction to assess whether the new transaction is within the historical norm.

Community bankers often develop an intuitive sense of what is “normal” for their customers, and many will call to alert a customer if something seems outside the norm. Technology advances are now giving bankers added support for identifying anomalies and preventing fraud. Bankers' Bank of the West is excited to offer—at no additional cost to current BRIDGE users—tools for spotting anomalies for wires and ACH.

Although no system will catch 100 percent of fraudulent transactions, I believe applying both a banker's customer knowledge and anomaly detection tools will be more effective than using only one or the other. For this reason, I encour-

age you to get in touch with one of our operations specialists to request a summary of frequently asked anomaly detection questions and learn how our system can help you manage payment risk.

In addition to the anomaly detection service, BBW offers an ACH credit risk monitoring tool that helps banks manage financial risk related to ACH originators. It works by first defining guidelines for your originating companies, then monitoring outbound batches and alerting you if an originator sends something that exceeds its predetermined exposure thresholds.

For customers using BRIDGE, completion of a one-page form is all that's needed to elect one or both services. After BBW receives a digitally signed agreement from a customer, our operations staff will contact the community bank to schedule training and set an activation date.

To discuss either of these tools or request an agreement form, please email our operations area at ops@bbwest.com.

Loan documentation in the digital world

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documentation platforms have likely been able to handle the offsite exams with fewer challenges and business disruption than those burdened with figuring out how to “share” their hard-copy files to facilitate an off-site examination.

The regulatory response during the pandemic has generally been one of leniency and flexibility, including the approach to documentation for off-site loan review. Moving forward, however, the bar for off-site loan reviews will likely move higher, and I would not count on a full return to pre-pandemic exam approaches. Regulatory agencies have realized significant time and cost savings from remote examinations—gains that will be hard to give up down the road. Factor in the ongoing technology advancements that make remote work more feasible, and a future of mostly off-site exams seems more inevitable, and less of a mere possibility. In view of this, banks will need to ensure their loan documentation platforms can facilitate a smooth off-site examination process and not elevate regulatory risk.

As the earnings boost many banks attained over the past two years from PPP lending comes to an end, downward pressure on net interest margin is likely to move front and center on the list of challenges facing community banks in 2022 and beyond. This may be a prudent time to discuss and evaluate potential efficiency gains that could be realized by converting to or enhancing your existing loan documentation platform.

Jim Swanson, a financial services industry professional, brings a balanced perspective and decades of broad experience to every consulting project he undertakes.



Of the many services offered by Bank Strategies LLC, the two most often requested are loan review and strategic planning. To learn more about the firm's services, call Jim at 303-903-9369 or email jim@bankstrategiesllc.com.

Don't “fall” for these cyber threats this autumn

*Chris Tuzeneu, CISA, C|EH ▪ VP–Information Security
CivITas Bank Solutions, a Bankers' Bank of the West Bancorp Company*

We have only one more quarter of 2021 to go, and if you're anything like me it seems like this year was about three weeks long. I would be remiss if I didn't remind you that the holiday season is a peak time for phishing threats, malware, scams, and other cyber-crime activity. Keep a watchful eye on your inbox especially as we move into the final quarter, and be careful to avoid these new and not-so-new threats.

World health themes in phishing campaigns

Over the last 18 months there has been a surge of new topics in malicious emails, including these: pandemic and CDC news, stimulus check updates or cancellation notices, bogus free offers for streaming services, vaccine updates, and unemployment benefit notices. This is of course on top of the existing threat landscape of fake or booby-trapped invoices, evil password reset links, bogus shipping notices, and a host of other attacks.

Business Email Compromise (BEC)

This threat is definitely on the rise, and it won't be going anywhere any time soon. Sometimes it's the “company president” emailing from a strange Gmail address asking you to buy some gift cards as a “surprise” or requesting your cell phone number to do the same. Other times it's an advanced social engineering attack resulting in criminals gaining complete access to a corporate email account that's not protected with multifactor authentication and hijacking some wiring instructions. Either way, the end result is financial losses to the targeted organization. Unfortunately, losses from BEC in the last year and a half exceed other types of check and wire fraud, according to some financial professionals.

Supply chain attacks and zero-days

The common thread between these two nefarious tactics is a risk outside of your direct control that must be mitigated. Vendor management is key to addressing the supply chain risk. That entails ensuring that the traditional vendor checklist is reviewed, the incident response procedures for the vendor are adequate, and your institution has controls in place to quickly sever connections to a given vendor if they are confirmed or suspected of having been compromised. (I like to call this “Vendor Zero Trust”.) The second risk, zero-day vulnerabilities, is managed by maintaining an accurate hardware and software inventory of your environment, monitoring threat intelligence sources for news of these attacks as well as any workarounds or compensating controls, and having a robust patch management program to apply the security fixes in a timely manner when they are released.

With October being Cybersecurity Awareness Month, you're sure to see a lot of great tips in the near future. Take advantage of these resources and get your fourth quarter off to a safe and secure start!

In addition to his role as VP–Information Security for CivITas Bank Solutions, Chris Tuzeneu (pictured here) serves as Bankers' Bank of the West's information security officer.



CivITas Bank Solutions provides tailored information security and technology knowledge to support the needs of community banks. Visit [acivitas.com](https://www.acivitas.com) for more articles and information about the company's services.

An enticing zero-calorie recipe for stickier commercial customer relationships

Bankers' Bank of the West Bank Card Team

Customer loyalty is a prized, precious, and often elusive commodity that has to be earned on an ongoing basis. Community banks that provide individual attention and high-touch service have a competitive edge in retaining both consumer and commercial customers.

But today's savvy businesses customers are also looking for the sophisticated products they need to run their operations efficiently, competitively, and securely.

That's where Bankers' Bank of the West comes in. Our merchant services program comes with a host of built-in features—including marketing assistance for your bank, 24/7 technical support, a dedicated training team for your employees, and automatically included acceptance of Visa®, Mastercard®, Discover®, and American Express®.

In addition, BBW staff performs back-office monitoring and a daily review of risk reports,

as well as full back-office operational management. With our merchant program, your community bank generates revenue and maintains a strong relationship with the merchant, who benefits from BBW's expertise and support.

Our mobile payments solution gives your commercial customers access to a user-friendly, flexible and affordable payments acceptance solution with a variety of integrated capabilities. Utilizing it, your merchants will be able to securely accept contactless, credit card, signature and PIN-based debit card, and EMV® chip payments.

In providing leading-edge solutions for your business customers, you further their success and set the stage for a mutually beneficial long-term relationship, i.e. customer loyalty.

Please let us know how we can help; contact us at bankcards@bbwest.com.

BBW staffer considers added role a chance to make a greater contribution

David Philippi, a member of the Bankers' Bank of the West Bank Card team since 2013, took on an expanded role on October 1. In addition to his work as AVP—Bank Card Operations, is now VP—Business Development for CivITas Bank Solutions, the BBW subsidiary that provides a range of technology and security solutions for community banks.



In announcing David's added responsibilities, BBW President **Bill Mitchell** noted the communication and relationship-building skills David has developed in his eight years with the Bank Card team will help CivITas (acivitas.com) grow its business as well.

David said he's eager to help CivITas enlarge its customer base, especially since many community banks have voiced a need for right-sized, affordable information technology and security services.

"The demand is definitely there," he said. "Now it's mainly a matter of raising awareness of the expertise CivITas brings to the table."

At the same time, David stressed that his commitment to supporting community banks as a member of the Bank Card team remains intact. He said he thrives on interfacing with community banks and their customers to support ATM/debit, merchant, and credit card services.

Staying current with changes in the bank card sphere is a prerequisite for everyone in the department because accountability for responding to questions and resolving issues is shared across the board.

"Here's an example," David said. "Our debit program has a powerhouse of a processor. But the factor that most clearly separates us—meaning Bankers' Bank of the West—from the rest of the pack is our customer service. Supporting our banks is where we pull out the stops and add value to the relationship. It's how we live our mission, *'we champion community banking.'*"

To get in touch with the Bank Card experts, email bankcards@bbwest.com or call them at **800-601-8630**.

Loan documentation in the digital world

Jim Swanson, President ■ Bank Strategies LLC, a Bankers' Bank of the West Bancorp, Inc. Company

Many community banks have made the decision to digitalize their loan document platforms over the past 10 to 15 years. Some, however, continue to operate with traditional hard-copy loan files. For those that have converted, going back to hard-copy files likely seems unthinkable at this point. Yet for the others, digitizing their files may still seem unnecessary or potentially daunting.

Early adopters often had to convert the hard-copy documents they received to electronic format. The tide has since turned: It's now banks still on hard-copy systems that feel more and more as though they are swimming upstream, having to convert digitally received files into paper documents. Certainly the inefficiencies of printing out an electronically received 100-page appraisal or tax return, hole punching it, and



manually filing it are obvious. But extrapolating that hassle into a strategic priority to digitize the platform remains elusive to some.

They might be waiting for an “Aha!” moment to signal it's time to make the transition, or they may want to see a clear-cut cost/benefit analysis to justify the move. Neither is likely to happen.

While switching to a digital documentation platform may seem like the end game, the quality and efficiency of digital platforms—which include internally developed systems, add-on solutions offered through core system vendors, and dedicated third-party supported platforms—can vary greatly. Ultimately, the efficiency gains and other benefits obtained from going digital can be impacted by system limitations of the chosen platform and the level of effort staff put into maximizing the functionality of the platform. A poorly executed or designed digital loan documentation platform can be every bit as inefficient and frustrating as messy, unorganized hard-copy loan files, and either will undermine institutional loan documentation risk management efforts.

Another consideration relative to loan documentation platforms is the regulatory variable. Since the start of the pandemic some 18 months ago prompted most regulatory agencies to conduct exams fully off-site, nearly all banks have been through an exam. Banks with imaged loan

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