

Independent Banker

MARCH 2021
independentbanker.org

THE LOWDOWN ON BOLI

The pros and cons
of bank-owned
life insurance

DATA-DRIVEN MARKETING

What is it, and how can
it boost business?

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Full speed ahead

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Cover: Photo by Tony Healey



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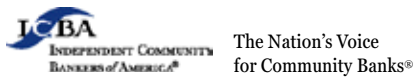
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Independent Banker



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FLOURISH



Rebeca Romero Rainey
President and CEO, ICBA



“Our marketing efforts ...often center on the stories we tell, and they resonate because they unveil the beauty of our joint community experience.”

The art of storytelling began as a way to solidify cultural history and preserve details for future generations. Yet, to be retained, stories have to trigger us to remember them; they have to elicit an emotional response. In short, stories from the heart stick with us.

Our marketing efforts as community banks often center on the stories we tell, and they resonate because they unveil the beauty of our joint community experience. For example, we’ve given home mortgages to the children we watched grow up in our backyards. We have supported retirement plans for those we sought out for advice when we were kicking off our careers. We have kept our communities thriving by offering loans to new entrepreneurs planting roots in our area. One story at a time, we’ve supported generations of people.

We can’t underestimate how much that community connection matters. We are a culture unto ourselves, with deep roots in our communities, and those intertwined experiences demonstrate the strength of the bonds between us. This connected relationship means that when one

of us flourishes, the other does as well. So, when we share our banking success stories, we also spotlight members of our communities.

Consider the small business that stayed open during the pandemic because we were able to secure them a Paycheck Protection Program (PPP) loan, or the expectant parents who built a new nursery through a home equity loan.

Think of the local nonprofit that was able to continue its fundraising because of electronic payment options enabled by our banks, or the family who was able to send emergency funds to an aging parent. These are the histories of our journey as a collective community, supporting one another in times of celebration and difficulty.

ICBA, too, embodies this rich history of community connection.

Founded by a group of passionate community bankers, its members continue to fight to preserve the future of community banking. We carry that torch as we come together during this month’s ICBA Connect and continue our work to advance our founding members’ legacy at a national level.

As you read this month’s *Independent Banker*, I hope its marketing insights inspire your community bank in its own storytelling efforts. We cannot lose sight of the power of our stories and the emotional connection that will link our past to our present and our future. As a close-knit community, we must continue to share our stories for generations to come. ■

 Connect with Rebeca @romerorainey



What you need to know

ICBA offers a “Tell Your Story” Toolkit to empower you to share your community bank’s impact. To find the toolkit, visit icba.org/solutions/tools/tell-your-story

FROM THE TOP



“Despite everything, we remain a thriving network of community banks, united in our common passion for and commitment to our communities.”

Noah W. Wilcox

Chairman, ICBA

Noah Wilcox is president, CEO and chairman of Grand Rapids State Bank and its holding company, Wilcox Bancshares Inc., Grand Rapids, Minn.

This year certainly has delivered a different experience than I had imagined when I accepted the honor of becoming ICBA chairman. In fact, I’ve been teasing Pres Kennedy, ICBA’s immediate past chairman, that when he passed the gavel to me, the floor fell out.

But when you step into a leadership role, you take the helm prepared to address the issues at hand. When I look back on ICBA’s history, I see evidence of the strength and tenacity of our leadership. Our past chairmen have guided us through some challenging circumstances. Just think of Cynthia Blankenship and the late Mike Menzies and Jim MacPhee, who were chairmen during the 2008 financial crisis and its aftermath.

So, when we got wind of the extent of COVID-19, I realized that my chairmanship would not fall into a traditional format. The pandemic

seemed to slow things down and accelerate them at the same time, with a lot of short-term decisions having long-term effects. But I’m an eternal optimist, so my tendency is to figure out how to make the best of a messy situation. In this case, we got to work.

We navigated an unprecedented mass loan experience with the Paycheck Protection Program (PPP), and we saved millions of small businesses. We reconfigured our business operations and created an environment where our teams can be efficient and effective remotely. We offered community aid and supported our customers who needed an extra buffer in difficult economic times.

Through ICBA, we have advocated with key agencies, members of Congress and now two presidential

administrations. We met with President Trump to advise on how the pandemic was affecting our communities. We have had numerous advocacy successes, including dedicated PPP funding for community bank lending, regulatory and tax relief, and relief from beneficial ownership disclosure mandates. And, perhaps most importantly, we found new ways to connect with and support one another.

Now, as we assemble virtually this month for ICBA Connect, we bear witness to the fruits of our labors. Despite everything, we remain a thriving network of community banks, united in our common passion for and commitment to our communities.

This may be the most consequential year of my existence, and I will look back on this time as ICBA chairman with humility and pride. Despite enormous hurdles, we were able to deliver true and meaningful support to community banks, small businesses and local communities. We rose to the challenge. I have no doubt we will continue that course into the future and look forward to what we will accomplish together. ■



My Top Three

Things I’m grateful for:

1. Eternal optimism
2. Making an impact
3. Time to spend with family—and to write a cookbook

 **Connect with Noah @NWWilcox**

CURRENCIES

Bite-sized information and inspiration for community bankers



Some favorite Horicon Bank Take Flight contest submissions include work by local artists (clockwise) Anoush Cowles, Elizabeth Kazda, Geraldine Buteyn, Natalie Spettel and Samuel Bensemann.



Read more about the overwhelming response Horicon Bank's local art contest received on page 10 [🔗](#)



Horicon Bank customers voted Ryan Steiskal's Great Blue Heron as a people's choice winner.

NEWS

Horicon Bank's art show takes flight

A Horicon Bank art contest celebrated both local creatives and the area's wildlife. The \$1.1 billion-asset community bank in Horicon, Wis., invited local artists of all ages and skill levels to submit original pieces that capture wings or flight to its Take Flight art competition. The theme is a reference to the community bank's goose logo and the nearby Horicon Marsh, a refuge for many bird species and other wildlife. Horicon Bank was overwhelmed by the response, receiving more than 250 submissions. Customers and community members voted on their favorites, and the community bank selected three grand prize finalists to receive \$2,000 prizes. Horicon Bank spotlighted 13 winning pieces and other customer favorites in its annual calendar, with grand prize winner Geraldine Butey's piece on the cover. Prior to the pandemic, the community bank had planned to display some of the work in a local gallery. Today, you can find a few pieces the bank has purchased in its branches. "In a time when we could all use a little more kindness, a little more encouragement [and] a little more joy," said Fred C. Schwertfeger, Horicon Bank's chief marketing officer, "we hope this opportunity to lift each other up can really take flight in our communities." —Eric Best

IN THIS ISSUE

"You can't be everything to everybody, and you shouldn't want to be. ... Your goal should be to build a community, not to gain followers just for followers' sake."

—NATALIE BARTHOLOMEW, GRAND SAVINGS BANK
Read more on page 48 ➔

GOOD READS



Time for spring cleaning

With March comes spring, a time to get things in order—and maybe clean that spot behind your desk. Author Gretchen Rubin's *Outer Order, Inner Calm* is a how-to guide to decluttering and reorganizing your home or community bank, giving you both more physical space and bandwidth in your life.

THE STATE OF BANKING



Oklahoma

190
banking institutions

Total assets:
\$156.3 billion

The Oklahoma City area has the largest deposit market with \$42.5 billion in deposits

Median ROA:
1.2%

Commercial real estate has the highest loan concentration at 189%

Source: FDIC Q3-20 statistics

QUICK STAT

52.5%
is the projected 2021 U.S. hotel occupancy rate, up 8.5% from 2020's rate of 44%

Source: 2021 American Hotel & Lodging Association report

BANKER'S HOURS

BY CHRISTOPHER WEYANT



"The marketing team unpacked all of the data from our deep dive. It turns out our target market is someone name Bob Finkelstat in Oswego, Wisconsin."

NEWS

Community bank overdraft prices beat out credit unions

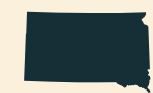
Community banks with less than \$100 million in assets offer better overdraft pricing compared with "rival credit unions," according to a review from Moebs Services, an economic research firm in Lake Forest, Ill. Community banks in this category had an average overdraft price of \$26.26, which was \$2.14 lower than that of similarly sized credit unions, at \$28.40 per overdraft. Both prices were far less than large banks' average of \$33.19, the highest the firm has seen since it started reporting these figures in 1986. "The community banks are offering ... an 8.1% better deal than the credit unions at these average prices," said Michael Moebs, the firm's CEO, in *CU Today*. "So, if the consumer is shopping for transaction accounts, they need to look for community banks or large credit unions with low fees." Visit icba.org/wakeup for the latest updates from ICBA's Wake Up campaign on credit union malfeasance.

THE LEDGER

The state of loan demand

This past year threw a wrench in the financial plans of countless businesses and consumers, causing many to search for temporary relief through a loan. A WalletHub analysis of search and internal credit report data shows where loan demand is centered.

States with the highest overall loan search interest



1. South Dakota



2. Delaware



3. Maryland



4. New Mexico



5. Michigan

States with the most home equity loan search interest



1. Connecticut



2. Minnesota



3. New York

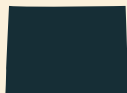


4. Indiana



5. Alabama

States that saw the biggest shift their average inquiry count



1. Colorado



2. Virginia



3. Louisiana



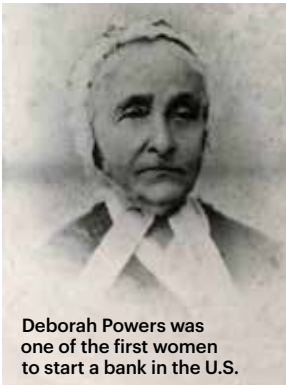
4. Oregon



5. Georgia

Source: WalletHub study published Sept. 30, 2020, based on August 2020 search interest values

HISTORY LESSON



Deborah Powers was one of the first women to start a bank in the U.S.

Women at the helm

These three women bank presidents were pioneers in the American financial system.

Deborah Powers (1790–1891)

The widowed Powers successfully ran her husband’s oilcloth manufacturing business and then established the bank D. Powers & Sons in Troy, N.Y., in 1877. It was a family business operated with the help of her sons Albert and Nathaniel. Powers managed the bank until her death at age 101.

Louise M. Weiser (1837–1898)

The earliest known woman bank president in the U.S. was born in Vermont and settled in Decorah, Iowa, when she married Horace Weiser around 1860. She took over Winnesheik County Bank when Horace died, serving as president for nearly 20 years.

Leila Comstock (1873–1895)

Comstock was assistant cashier and bookkeeper at the Comstock Banking Company in Green City, Mo. In 1892, when she was only 18 years old, she was appointed president of the bank’s original location.

—Julie Kendrick



Don’t miss the ICBA ThinkTECH Innovation Showcase

This year’s cohort of 10 fintechs will show off their solutions at this virtual event on Tuesday, March 16. Go to icba.org/thinktech for details.

QUICK STATS

Delivering PPP relief

Small Business Administration (SBA) data of 2021 Paycheck Protection Program (PPP) loans reveals that community banks are once again driving this stimulus.



51%

of first and second draw PPP loans were made by community banks with less than \$10 billion in assets



\$39.4 billion

the value of first and second draw PPP loans made by community banks with less than \$10 billion in assets



\$86,933

The average loan size of 2021 PPP loans from banks with less than \$10 billion in assets

Source: Small Business Administration data published Jan. 31

NEWS

ICBA members join FedNow pilot program

More than 100 financial institutions and other organizations are taking place in a Federal Reserve pilot program to support development of the FedNow Service, its forthcoming real-time payment network.

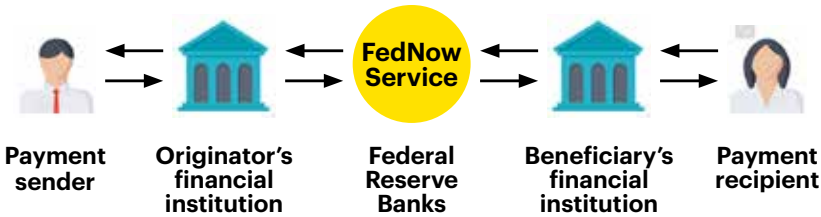
Many ICBA member community banks appear on the list of FedNow Pilot Program participants, which were selected from its FedNow Community group of payments industry leaders. The Fed reports that the pilot will help define what the service will be, develop a roadmap for adoption and craft an overall instant payments strategy.

Community banks that aren't in the pilot can provide feedback on FedNow's development by joining the FedNow Community. Go to frbservices.org/financial-services/fednow to sign up.

"We're gratified by the industry's tremendous interest and willingness to devote time and energy to help us develop the FedNow Service," said Esther George, president and CEO of the Federal Reserve Bank of Kansas City and executive sponsor of the Federal Reserve's payments improvement initiatives. "As a result, we've adjusted to accommodate more participants than we originally planned."

On the heels of that announcement, the Fed also announced that it has moved up its planned industrywide launch of FedNow a full year to 2023. This puts the timeframe of delivery between 2023 and 2024. The Fed said development is well underway.

How the FedNow Payment System Will Work



Source: The Federal Reserve

SMALL BUSINESSES SPEAK OUT



"The reason I started [banking with] large institutions is because when we relocated the business ... those were the names that I knew. ... But as a result of the community bank experience, and especially, how they were here with our business during [COVID-19], I am absolutely moving all my operating accounts and all those things ... over to the community bank."

—JONATHAN MONTGOMERY, FOUNDER, PRESIDENT AND CHIEF APPRAISER OF THE REAL ESTATE APPRAISAL GROUP IN TAKOMA PARK, MD.

See Jonathan Montgomery's video testimonial, and those of other small business owners, at banklocally.org

SOCIAL NETWORK

What community bankers are posting about



Fidelity Bank
@fidelitybank



We recently teamed up with [WDSU News](#) to give one lucky New Orleans resident a \$5,000 home office makeover. Congratulations to Joe Franklin from Terrytown on his big win! We hope we've made working from home a little easier for you. 🖨️💙



Mauch Chunk Trust Company
@MauchChunkTrust



Meet today's [#MCTdogs](#), Charles & Sonny Jim! They had fun running around before they made their doggie treat withdrawals. [#MauchChunkTrust](#) [#MCTbankersyoutrust](#) [#communitybank](#) [#communitybanking](#)

PORTFOLIO

Deep dives into topics that matter to community banks



Farmers & Merchants Bank in Miamisburg, Ohio, plans to open a fifth branch in nearby Springsboro, where it will be the only community bank.



“[A branch] is a huge billboard or reminder that we are part of the community.”

—SHON MYERS,
FARMERS & MERCHANTS BANK

While the role of branches may be changing, some banks are branching out with more. Read why on page 18 [▶](#)

FOCUS RETAIL BANKING

Why branches are worth the investment

With an increase in online traffic and challenges to in-person banking, community banks may be asking themselves if new branches are necessary. But many bank leaders report they’re investing in new branches because they’re strategic tools for growth. By Roshan McArthur



When it’s safe to do so, Farmers & Merchants Bank invites customers to hang out in its newest branch.

Over the course of the past year, many banks—and businesses of all kinds—have seen their operations become increasingly digital by necessity. In an already shifting banking environment where many transactions often no longer require a physical presence, this has called further into question the branch’s role.

However, in *Independent Banker’s* 2021 Community Bank CEO Outlook survey, 70% of bankers told us they would maintain their existing number of branches, and 16% said they plan to open more this year.

So, why are branches still important to the way that community banks serve their customers? Many banks report today that their branches often have a reduced staff and are more focused on higher-touch services like small business banking or mortgages, but they still serve a primary purpose. Beyond the transaction, the branch may be a bank’s most important tool for engagement, and this is especially so for community banks.

Keeping a personal touch

For Joseph Coccaro, president, director and CEO of Bogota Savings Bank in Teaneck, N.J., the fundamentals of relationship banking haven’t changed. “Our current client base still loves to speak with someone face to face,” he says, “and the younger generation, when applying for a mortgage, have questions and like to look someone in the eye, not via Zoom or Skype, and know they are receiving an honest answer.”

The \$745 million-asset community bank has been around since 1893, but its geographical expansion only started relatively recently, when it opened its first branch in Teaneck in 2004. Last year, however, the community bank saw large-scale changes, not only forming a mutual

holding company and a charitable foundation, but also merging with a smaller mutual savings bank, Gibraltar Bank, and closing on the purchase of a former Wells Fargo branch in Hasbrouck Heights, N.J.

The new purchase is a 15,500-square-foot, two-story branch and office that allows Bogota Savings Bank to move retail operations and accounting departments from a leased facility, while generating rental income from four tenants that lease space. Hasbrouck Heights is a market that the bank had been trying to enter for more than a decade, and Coccaro feels it is well positioned to achieve significant growth because its primary competitors are national banks.

“All have strong deposits and loan customers, but none of them are born-and-bred true community banks,” he says. “The addition of this new location and Gibraltar’s branches will allow us to expand our market area greatly in an efficient manner. One of the locations is in Newark, N.J., and [that branch] will allow us to gain a presence in a large minority metro market.”

Serving the community

Farmers & Merchants Bank in Miamisburg, Ohio, was established



Bank of Vernon balances in-branch innovation like biometric self-entry boxes with touchless online and mobile banking.



“The younger generation, when applying for a mortgage, have questions and like to look someone in the eye, not via Zoom or Skype, and know they are receiving an honest answer.”

—JOSEPH COCCARO, BOGOTA SAVINGS BANK

in 1923 to serve residents and small businesses often ignored by larger banks, and that mission is still going strong. The \$225 million-asset community bank plans to open a fifth branch this September in nearby Springboro, Ohio.

“Once the account is open, there is very little need to visit a physical branch, but it is a huge billboard or reminder that we are a part of the community,” says Shon Myers, Farmers & Merchants Bank’s president and CEO. “We decided to open a branch in a nearby community that we have been able to generate business in, which also puts us into another county.”

It may seem foolish, he admits, to open in a market that already has a

dozen banks and credit unions, but the area’s other community bank was acquired several years ago.

“We really feel we can make a big impact in the community as the only community bank,” Myers says. “Clearly, with 11 other options, we want to do something different that will also show how we support the community with this space, combined with our service and our actions.”

The new branch will focus on small business, as well as growing core deposits to fund loan growth. It has a large room with a stone fireplace, comfortable sitting areas and a good Wi-Fi connection that the community bank will make available to small groups and students to use during the

day or to larger groups for events in the evenings.

Meeting customer needs

Bank of Vernon, which serves rural western Alabama and eastern Mississippi, is seeing similar expansion. Chartered in 1911, the \$200 million-asset community bank has opened two full-service branches since 2017. The first, in the growing community of Caledonia, Miss., filled the gap left when the city’s last bank moved out some 20 years ago. Its second branch is in the nearby

larger city of Columbus, Miss. A third location will open second quarter in East Columbus.

“Our primary objective is to promote community development and services within our target markets,” says Andy Johnson, Bank of Vernon’s chairman, CEO and chief financial officer. “We maintain a view toward improving social and economic conditions by the provision of financial products and services that are enhanced by the physical branch. The bank offers modern mobile and online services needed

Shapeshifting branches

Gina Bleedorn, chief experience officer at Adrenaline, an agency in Atlanta that works with financial institutions on branding and branch design, believes a physical banking presence is as significant as it has ever been.

“The importance of the branch has not changed today, versus six months ago, versus even six years ago,” she says. “But the reason it’s important has changed. And it’s not a new change. Everyone knew it was going this way, but COVID has sped up that shifting reason.”

Those reasons are convenience and peace of mind. “The reason the branch exists today and should exist tomorrow is the same foundational reason it began in the first place: as a place where you can be in physical proximity—or perceived physical proximity—to your money,” Bleedorn says.

However, she says, branches need to take on a new shape. They need to become smaller and more efficient, with a more consultative format. There should be less room for physical transactions, with universal staffing and as many automated transactions as possible, whether those are teller cash recyclers, video tellers or both.

Bleadorn believes community banks need to expand their perceived presence within their communities, which may mean opening new locations but also closing branches to ensure that the remaining branches are located strategically. This may mean creating an array of efficient branch formats that work together, following a hub-and-spoke model.

“It’s really about opportunity,” she says. “How much room, in and around every branch, is there for growth? That’s the key.”

QUICK STAT

16%

of community bank executives said they plan to open more branches in 2021, while 70% say they’ll maintain their existing branches

Source: 2021 Community Bank CEO Outlook survey

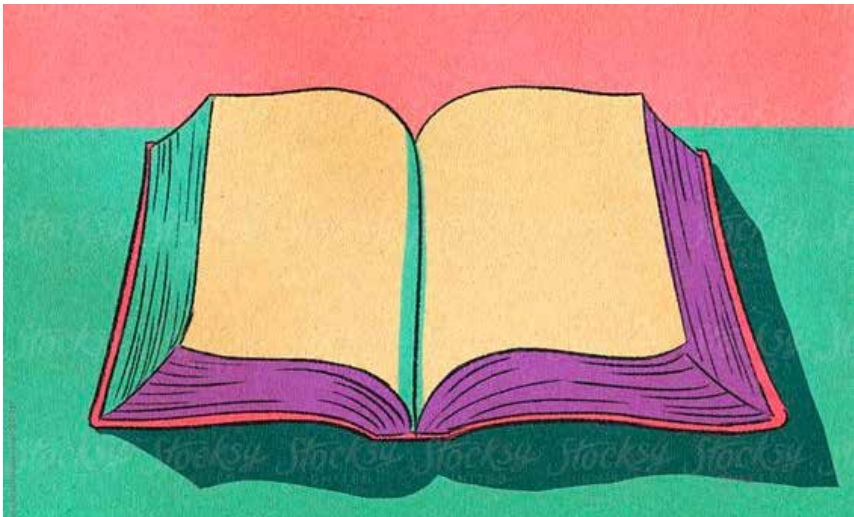
for a touchless transaction, but we understand the physical branch offers a better platform to build relationships and truly understand the needs of our customers.”

The main benefit of the expansion, Johnson says, is more access to primary deposit accounts, which allows the community bank to deploy more capital in its target markets. Another has been that it allows Bank of Vernon to spread out its personnel during the pandemic. He adds that half of the community bank’s Paycheck Protection Program (PPP) loans were a direct result of the Mississippi branch locations.

Other benefits for customers include safety deposit boxes and self-service coin machines, which proved helpful during the recent issues with coin circulation.

“We have moved forward with biometric self-entry boxes in our newest branch,” Johnson says. “This is another unique offering that reaches a segment of the market not touched in the online world. Each product and service provides additional opportunities to improve relationships and outcomes with customers, and in many cases is their first banking relationship. This would not be possible without the physical branch.” ■

Roshan McArthur is a writer in California.



How to be an authentic leader

By Lindsay LaNore, ICBA

The pursuit of authenticity in leadership is not a new concept. It fills shelves in libraries and bookstores, and a quick Google search generates countless articles on the subject. In fact, it’s easy to overthink authenticity to the point of falling victim to its polar opposite: disingenuousness.

Luckily, community banking leaders are known as some of the most boldly authentic people in the world. Authenticity has helped community banks create better customer relationships and stronger teams, and this secret ingredient has contributed to the long-term success of the industry. But what exactly is authenticity, and how do you cultivate it within your bank?

One of the most straightforward tenets of successful leadership

is simple: be true to yourself. As businessman and academic Bill George wrote in his 2007 book *True North*, “No one can be authentic by trying to be like someone else.”

In other words, know who you are. Be clear with yourself about your values and purpose. Self-awareness is critical to authentic leadership.

Think about the following questions: Can you list your three greatest weaknesses or your three greatest strengths? Do you accept the feelings you have about yourself? Do you let others know who you truly are as a person, not allowing group pressure to control your actions?

To quote another author, Simon Sinek, “Authenticity is when you say and do the things you actually believe.” This cannot be overstated. If you talk the talk, make sure to

walk the walk. Back up your words with actions. Lead by example. Be so completely yourself that everyone around you feels safe to be themselves, too. This type of approach is a catalyst to deepening trust in relationships.

Having said that, authenticity also requires self-discipline. Be honest and share personal stories, but be conscious of your thoughts and actions, as well as the effect they have on others. Think about when and where it’s appropriate to share your personal experiences. You are building trust and collaboration, not necessarily making friends. Be sure to read the room.

At the same time, practice being a good listener and be open to differing opinions. One of the best ways of keeping an open mind is by committing to lifelong learning. This will help you understand customer needs, your relationships with your team and new processes that are being developed.

Feed your connections. On that note, don’t miss this month’s ICBA Connect, a two-day virtual experience bringing together great minds, differing opinions and new ideas (icba.org/connect).

Remember that being an authentic leader requires daily practice. But it’s a practice that generates results, establishes enduring relationships, encourages employee creativity and innovation, and boosts team performance and engagement.

And it all starts with being yourself. What could be easier than that? ■



Lindsay LaNore (lindsay.lanore@icba.org) is group executive vice president and chief learning and experience officer

Full page ad

FOCUS INSURANCE

The benefits of bank-owned life insurance

Over the past two decades, banks have increasingly dabbled in BOLI, or bank-owned life insurance. While there are downsides to consider, experts say the benefits of these policies are two-fold: to generate income in the long term and to retain bank leaders. By Beth Mattson-Teig



Bank interest in bank-owned life insurance (BOLI) has been surging amid what some describe as a perfect storm of market conditions.

Two-thirds of banks in the U.S. hold BOLI assets, according to the NFP-Michael White BOLI Holdings Report for Q3 2020. The cash surrender value of those policies totals \$182.2 billion. Banks with less than \$10 billion in assets have, on average, approximately 14% of capital in BOLI.

BOLI has become one of the most common methods of financing the cost of employee and director benefits, including nonqualified benefit plans. It gained considerable traction in 2004 when the Office of the Comptroller of the Currency (OCC) released Bulletin 2004-56: The Interagency Statement on the Purchase and Risk Management of Life Insurance. “That really gave banks the green light to own BOLI and provided clear guidelines for pre-purchase analysis and risk management,” says Russell McMillan, director, business development at M Benefit Solutions in Portland, Ore.

That being said, there has been some cyclical ebb and flow in the demand since the OCC guidance was released. Because of the capital expense involved, BOLI competes with loans and other investments. If a bank is doing well making loans and its loan book is growing, BOLI will typically take a back seat to those loan assets, McMillan says. Over the past two years, demand for BOLI has spiked as interest rates dropped further, loan yields started to fall and yields in a bank’s permissible investment in securities portfolios started to decline.

One of the main reasons that BOLI is attracting more interest from bankers is that yields compare favorably with today’s alternative investments, says Ken Derks, a managing consultant at Nashville, Tenn.-based NFP Executive Benefits.

The credit quality of general account BOLI is fairly high, and banks are getting a nice spread compared with other investments, he says, adding that in the current market, BOLI policies are generating tax equivalent net yields between 3% and 4%.

How does BOLI work?

Banks typically purchase BOLI policies for top executives or directors. The bank is both the owner and the beneficiary of the policy. BOLI is frequently used to help offset and recover the cost of employee benefits, as well as nonqualified benefit plan expenses, supplemental retirement and supplemental life insurance plans for officers and directors.

“Because the cash flows from a BOLI policy are generally tax-deferred income,” Derks says, “if the institution holds the policy for its full term, BOLI can provide attractive tax-equivalent yields to help offset the rapidly rising cost of providing employee benefits.”

San Antonio-based Lone Star Capital Bank bought its first BOLI policy about seven years ago and now holds policies on six of its executive officers. The \$310 million-asset community bank has purchased single policies totaling about \$5 million with proceeds that are tied specifically to funding benefits for each insured person.

“We have really used it to help offset the cost of a particular retirement plan for that person,” says chairman Bill McCandless. Although Lone Star

Capital Bank provides 401(k) plans for all of its employees, it offers an additional retirement plan for those six executives as part of their overall compensation package. It’s an extra step to attract and retain key people, McCandless adds.

“You hope that it is many days and years in the future, but one day that policy will come back to benefit the bank,” he says, adding that the bank earns interest on the policy. The insurance company pays the bank a dividend, which accrues on the policy’s cash value. On the bank’s books, it’s treated as tax-free noninterest income even though it is not cash received. “So, I believe it has worked out very well for our bank,” he adds.

Weighing pros and cons

Experts tend to agree that one of the main selling points of BOLI is its tax-favored treatment. “By far the biggest disadvantage is you pay for the insurance policy up front,” McCandless says. The premiums can be a sizable capital commitment that might range from \$250,000 for an individual to upwards of \$8 million for a group of 15 bank executives.

BOLI is an illiquid asset. It works well if the bank holds the policy until the death of the individual, which tends to make it a long-term asset. Banks can surrender the policy at any time for the cash surrender value, but



“You hope that it is many days and years in the future, but one day that [bank-owned life insurance] policy will come back to benefit the bank.”

—BILL MCCANDLESS, LONE STAR CAPITAL BANK, NA

they would be required to pay taxes on all gains received since they bought the policy. If it’s a modified endowment contract (MEC) policy, the bank would have to pay an additional 10% excise tax on those gains.

Banks should consider what they are doing strategically with their capital before committing funds to BOLI given its long-term nature, McMillan says. BOLI acts as an accounting offset, because it doesn’t generate cash flow. The cash render growth within the policy is an “other income” earnings. So, if a bank has a low cash flow or is in need of cash, BOLI may not be the right product. BOLI might also not be a good option for a bank that is in a negative tax situation, or if it has some carry forward losses, McMillan adds.

Regulators require banks to follow the interagency guidance on purchasing and maintaining BOLI, which includes vendor due diligence. It’s important to partner with a provider that can provide technical and compliance support, Derks says. Another important component is choosing a good insurance carrier.

“It is kind of like making a really long-term loan,” McCandless says. “You have to be very prudent in the insurance companies you choose to work with.” ■

Beth Mattson-Teig is a writer in Minnesota.

QUICK STAT

\$182.2 billion

 The cash surrender value of all U.S. bank-owned life insurance policies

Source: NFP-Michael White BOLI Holdings Report, Q3 2020



FOCUS COMPLIANCE

Keep your ads clean

Like any business marketing its products and services, a community bank must keep its advertising truthful. There are plenty of regulations specific to financial institutions under the FDIC, CFPB and other regulators. By Mary Thorson-Wright

This past year, the Consumer Financial Protection Bureau (CFPB) issued several enforcement actions to financial institutions or companies for misleading or deceptive advertising practices. On the CFPB Consumer Complaint Database, the top advertising-related issues in 2020 were 1) didn't receive advertised terms and 2) confusing or misleading advertising.

Community banks face tremendous pressure to meet customers' and prospective customers' expectations while competing with larger banks and nonbanks. To that end, getting the word out about products and services is critical, but this marketing is limited by regulatory constraints, ethical considerations and messaging challenges.

Terms to avoid

Regulation Z – Truth in Lending covers advertising requirements for open-end (§ 1026.16) and closed-end

credit (§ 1026.24) and has special rules for credit and charge card applications and solicitations offered to college students (§ 1026.60).

Regulation DD – Truth in Savings helps consumers make informed decisions on deposit accounts. Section 1030.8 specifies how rates of return may be expressed and the conditions under which additional disclosures are required to be included in advertisements of deposit accounts. It prohibits misleading or inaccurate advertisements or referring to or describing an account as “free,” “no cost” or a similar term if any maintenance or activity fee may be imposed on the account. Under Regulation DD, the word “profit” may not be used in referring to interest paid on an account.

When creating or reviewing advertising for your community bank, consider the accuracy, transparency

and completeness of your messaging. “Community banks should ensure their advertising is honest and transparent,” says Rhonda Thomas-Whitley, ICBA's vice president and regulatory counsel. “They must adhere to fundamental technical rules and established guidelines, such as prohibitions on using terms like ‘free’ or ‘no cost,’ and ensure that all material information about that product or service is disclosed clearly and conspicuously.”

Both Regulation DD and Z stipulate standards for “clear and conspicuous” information and “actually available terms.” The Unfair, Deceptive, or Abusive Acts or Practices Act, or UDAAP, has broad coverage and applies to any inaccurate information, omitted information or misinterpretation of information including advertisements. Whether the information presented in an advertisement for a bank product or service is clearly and conspicuously presented, is complete and accurate, and describes the actually available terms may be a matter to be determined on a case-by-case basis.

HUD guidelines

The U.S. Department of Housing and Urban Development (HUD) provides advertising guidelines for the Fair Housing Lender/Equal Housing Lender logotype or tagline in advertising. The Fair Housing Act requires all advertising of residential real estate for sale, rent or financing contain an equal housing opportunity logotype, statement or slogan as a means of educating homebuyers that the property is available to all persons regardless of race, color, religion, sex, handicap, familial status or national origin. The choice of logotype, statement or slogan will depend on the type of media used—visual or auditory—or, with display advertising,

“[Community banks] must adhere to fundamental technical rules and established guidelines ... and ensure that all material information about that product or service is disclosed clearly and conspicuously.”

—RHONDA THOMAS-WHITLEY, ICBA

on the size of the advertisement.

With respect to fair lending, a community bank's advertising should reflect the population in its market. It should be inclusive to portray diversity in images that represent a variety of genders, ages, ethnicities, marital statuses and so forth.

“Community banks should ensure the medium used and content are reflective of the population in the market area,” Thomas-Whitley says. “Even if the advertisement unintentionally misrepresents the market area, banks could be exposed to reputational, regulatory and substantive consequences.”

FDIC membership

FDIC Rules and Regulations Part §328.3 covers disclosure of FDIC membership. It addresses the proper statement, proportions of the size and print, and the use of the official advertising statement in advertisements. It is required for “all advertisements that either promote deposit products and services or promote non-specific banking products and services offered by the institution.” The section also describes circumstances that do not require the official advertising statement, including those advertisements for nondeposit investment products. Separate rules outlined in the

Interagency Statement on Retail Sales of Nondeposit Investment Products govern those products.

Website and social media advertising bring unique compliance challenges. According to Thomas-Whitley, community banks must recognize that most regulations were established prior to the growth of digital media, from bank websites to social media platforms. Print advertising may now play a smaller role in a community bank's marketing in favor of advertising via websites or social media. “Every way in which a community bank is communicating with its customers or prospective customers should be assessed from a compliance perspective,” she adds.

Controlling and managing advertising compliance demands a comprehensive approach across all media channels. Best practices for compliant advertising include staff training to raise awareness; formulating consistent messaging, especially for promotions that will be conducted on a broad scale; internal controls over the advertising process, including compliance reviews and third-party vendor management; and periodic compliance monitoring and auditing. ■

Mary Thorson-Wright, a former Federal Reserve examiner, is a writer in Virginia.



Use what you have

By Charles Potts, ICBA

At this time in 2020, community banks were feeling the first rumblings of COVID-19’s impact on their institutions and customers. Early on, community banks found themselves at the forefront of economic relief, helping to process more than 4 million Paycheck Protection Program (PPP) loans. At the same time, they were responding to new challenges and opportunities critical to their success. I recount these accomplishments to make a crucial point.

The digital platforms and solutions community banks employed to process PPP loans and digitalize the onboarding process should serve as the foundation upon which to build new solutions and reach new market segments. Specifically, many, if not most, of these digital tools and solutions can be repurposed to attract new customers and meet the needs of your existing customer base.

With government mandates related to COVID-19 relief efforts, a new round of PPP lending and shifting customer demands, it can be hard to know where

to start. Here are three practical steps your bank can take to ensure success.

1. Conduct a critical inventory.

Consider what tools, services and innovations you put in place to address the crisis. How can you use these to attract new customers? What services and products can you promote to new market segments?

2. Identify what’s missing in your strategic plan. Considering the pandemic’s impact on your organization and your customers, what changes or additions do you need to make to your strategic plan? What new partnerships and technology do you need to put into place to propel you forward?

3. Seek out ICBA resources. Use ICBA resources to identify solutions and companies to help support your community bank’s business goals and capture new market segments. Consider a fintech partner to put digital marketing tools and



Using existing digital platforms and solutions for new customers and markets is critically important.

capabilities in place to support your bank’s performance marketing needs. Participate in ICBA events to learn more about emerging technologies and identify potential startup partners.

ICBA’s 2021 ThinkTECH Innovative Showcase, held virtually on Tuesday, March 16, can accelerate the process of identifying new technology and fintech partners.

The event, following on the heels of ICBA Connect on March 9 and 10, will highlight our third cohort of accelerator participants. For community bankers who have not yet participated in our accelerator program, it is an excellent opportunity to learn about innovative solutions that address new client demands and the needs of new market segments.

Embracing the new normal as “business as usual” and leveraging existing digital platforms and solutions for new customers and markets is critically important. This will help community banks succeed as they continue to provide the high-tech, high-touch level of support that customers expect. ■



Charles Potts (charles.potts@icba.org) is ICBA senior vice president and chief innovation officer

Full page ad



Stop uncertainty from fueling fraud

Recent data shows that the pandemic has allowed fraud to grow. Cybersecurity experts share ways for community banks to prevent potential attacks, as well as information to pass onto customers to arm them with fraud prevention strategies. By Katie Kuehner-Hebert

The COVID-19 pandemic has wreaked havoc in so many ways, including spurring new cyber threats involving fraudsters preying upon the disruption and uncertainty. Within the first quarter of 2020

alone, digital attack rates rose were 20% higher than in the prior quarter, and payment attacks were 49% higher than they were at the end of 2019, according to Arkose Labs. “If this pandemic has given

fraudsters anything, it’s really the chaos and uncertainty they need to be enormously successful,” says Steven Estep, ICBA’s assistant vice president of operational risk. Many of the cyberattacks occurring during this time involve social engineering, which is when a criminal poses as someone else to trick a customer or bank employee into divulging confidential information or conducting a fraudulent transaction. Fraudsters are taking advantage of the fact that many people have gone through changes to their everyday routines, such as moving to remote working or losing their jobs due to the pandemic, Estep says. “Understandably, it’s been a lot easier for people to click on links in a phishing email,” he says. “They may have been caught off-guard just because of the uncertainty or because of the desperate times they may be in.” In fact, many phishing attacks are aimed at getting people to click on links related to the pandemic, according to Jeff Olejnik, principal-CyberTech practice leader at Wipfli LLP in Minneapolis. “For example, one email circulating [tells] the recipient that they’ve been identified as someone who may have been exposed to another person who contracted COVID-19,” Olejnik says. “The email provides a link for the person to validate they’ve received the alert, but in reality the link enables the fraudster to download malware onto the recipient’s computer.”

Attacking bank or work systems Another tactic is when a fraudster impersonates someone from the company, such as a human resources director, asking the recipient to confirm their employee

“If this pandemic has given fraudsters anything, it’s really the chaos and uncertainty they need to be enormously successful.”
—STEVEN ESTEP, ICBA

benefits selection, Olejnik says. But in reality, the phishing email is aimed at gaining the recipient’s username and password to log into the company’s VPN (virtual private network) or Office 365, assuming the company doesn’t require multi-factor authentication. (Multi-factor authentication is when an employee needs more information than just a username and password to log in, such as a one-time passcode that is texted to their device.) Fraudsters are also attacking communication and collaboration cloud services, such as Microsoft’s Dynamic 365 or Teams, which many

QUICK STAT
20%
The increase in the rate of cyberattacks between Q1 and Q2 2020
Source: Arkose Labs Q2 2020 Fraud Report

10 cybersecurity tips to share with customers

ICBA recommends that community banks advise customers to:

- 1. Enable the strongest authentication tools** offered by their bank. Popular authentication methods include biometrics, security keys and single-use codes.
- 2. Use unique passphrases as passwords** and differentiate them across multiple platforms. Length trumps complexity. A strong passphrase is at least 12 characters long.
- 3. Do a system check.** Purge unused apps and outdated or sensitive information stored in old files and emails and ensure all software on internet-connected devices is current.
- 4. Manage social media settings and minimize information sharing.** Just a few data points can create a pathway for exploitation by cybercriminals.
- 5. Use Wi-Fi judiciously.** Limit the type of business conducted over open public Wi-Fi connections, including logging in to key accounts like banking
- 6. Monitor account activity regularly** for irregular transactions and report discrepancies to your financial institution immediately
- 7. Back up intellectual property** and other digital information and store it safely so in the unfortunate event of a ransomware or other cyberattack you have a way to retrieve the data.
- 8. Read the fine print** when purchasing items online. If prompted, do not save credit and debit card information on the merchant’s website or app.
- 9. Be mindful when shopping online** and look for signs of illegitimate websites. Spelling or grammatical errors, missing contact information, and suspicious URLs or email addresses are all red flags.
- 10. Look for special indicators** such as web addresses with https:// that denote extra measures taken to help secure your information. URLs that end in .BANK are assigned for exclusive use by financial institutions.



“Many companies quickly put in some of the communication and collaboration platforms as people started working from home, but they didn’t turn on the security features like multi-factor authentication and restricting who has access.”

—JEFF OLEJNIK, WIPFLI LLP

companies deployed as the pandemic threat increased.

“When the shutdown first happened in March, many companies quickly put in some of the cloud services and communication platforms as people started working from home, but they didn’t turn on the security features like multi-factor authentication and restricting who has access,” Olejnik says. “So, hackers are exploiting this, as well as workers’ weak passwords, such as the popular ‘Winter2020!’”

Robert Johnston, CEO of Adlumin, a cybersecurity and compliance

software provider based in Washington, D.C., says fraudsters who are able to log into a bank’s network could also gain access to an employee’s credentials. That means they could access the bank’s teller, loan origination, customer relationship management (CRM) and other systems.

“Bank employees should not use simple authentication, which in most cases is actually a compliance violation, though many community banks still do that or [may have done it if] they needed to quickly get remote staff up and running,”

Johnston says. “Instead, use multi-factor authentication.”

Phishing and smishing

Fraudsters have taken advantage of new information-gathering avenues made possible by the pandemic, such as the flood of unemployment claims and stimulus payments. This creates opportunities for fraud and cybercrimes, according to Teresa Walsh, global head of intelligence at Financial Services Information Sharing and Analysis Center (FS-ISAC), who is based in London.

“Fraudsters are using the same social engineering techniques they have always used to trick people into clicking and/or allowing access to accounts, such as phishing, smishing and business email compromise,” Walsh says. (Smishing, a portmanteau of “SMS,” otherwise known as texting, is a form of phishing via texts instead of emails.) “The difference [now] is they have been exploiting the urgency and fear around COVID-19 as a lure, and, unfortunately, it is a powerful lure.”

Sometimes the evidence of a successful phishing attack is immediate, and other times bad actors implant malicious code to monitor, survey and exploit someone at a later date, says Wade H. Barnes, financial services practice leader at Hartman Executive Advisors, an independent strategic technology and cyber advisory firm in Timonium, Md.

“Phishing attacks remain one of the single most impactful threats,” he says, “as it only takes one employee to click a link or download an attachment [to] cause great harm within the organization despite all of the protections IT has in place.” ■

Katie Kuehner-Hebert is a writer in California.

Expert cybersecurity advice

- Community banks should take an active role in helping their customers avoid hacking attempts. Teresa Walsh, global head of intelligence at FS-ISAC, says community banks should:
- Regularly educate and train employees to maintain situational awareness and report any potential issues immediately. Provide real-world examples and repercussions of successful frauds.
 - Perform regular tests to assess employees’ knowledge and ability to recognize and prevent fraud.
 - Participate in cybersecurity organizations’ information sharing to get advanced knowledge on the motivations and tactics behind new fraud methods.
 - Implement multi-factor authentication for employees and customers.

The big “if”

General market munis have gained favor among community bankers.

By Jim Reber, ICBA Securities



This column has been several decades in the making. Historically, broker-dealers like Vining Sparks that underwrite, position and sell municipal bonds to community banks have been reluctant to promote general market (GM) munis to their customers. Since the creation of the bank qualified (BQ) muni market in 1986, banks have mostly eschewed general market munis.

However, over the past few years or so, depositories have gradually become more accepting of this sector of the market, and its attendant risks and benefits.

In 2021, with liquidity-rich balance sheets and very low funding costs, many community banks have gone headfirst into the deep end with GM issues. There are some compelling reasons for this. For one, it expands the universe of available bonds at a time when the overall muni market has stalled out at around \$3.9 trillion—where it’s been for a decade. For another, an investor can find much larger block sizes than are available with BQs. For another, even when controlling for liquidity and risk, GMs usually yield more than BQs.

We’ll examine why there has been a noticeable shift in sentiment among municipal bond investors.

Focus on funding cost

So what’s the rub with general market munis as it relates to community banks? There are actually several layers of “ifs.”

Let’s go back to the basics of the TEFRA, or Tax Equity and Fiscal Responsibility Act, penalty. A bank is required to add back to income, when calculating its tax liability, 100% of the cost of funds it incurred to finance its position in GMs. However, *if* the organization’s munis

are of the BQ variety, it adds back only 20% of this figure. This gives rise to the term “disallowance” as it relates to expense deductibility. The calculation of the penalty looks like this: (Cost of funds %) X (Disallowance %) X (Marginal tax rate %).

One can see that *if* cost of funds rises, the penalty rises. When deposit rates are low, it’s not too big of a punishment. However, *if* financing costs return to the 2% to 3% levels that has been more the norm, the penalty can increase geometrically.



Education on Tap

Webinar series continues

ICBA Securities and its exclusively endorsed broker, Vining Sparks, will host the next webinar in the Community Banking Matter series on March 16 at 10 a.m. Central. Dan Stimpson and Katharine Bray will present Strategies for an Economy Set to Emerge from the Pandemic. Head over to viningsparks.com to register.

General market muni publication

Vining Sparks has published a Strategic Insight, Considerations for Bank Purchases of General Market Municipals. It discusses the risks and opportunities from investing in general market bonds. For your copy, contact your Vining Sparks sales rep.

For example, a community bank with a cost of funds of 40 basis points (0.4%) and a marginal tax rate of 21% will deduct only about 8.4 basis points from its muni portfolio’s tax-free yield, *if* the munis owned are GMs. *If* cost of funds rises to 2%, the penalty is 42 bps, which is a wallop. The penalty on BQ munis is just one-fifth of this.

General market advantages

Now for the reasons that many portfolio managers are presently ignoring the big “if.” Bond portfolios have jumped in size by 22% since the end of 2019, and community banks have bought all manner of securities, which historically have not been staples. First, there are no size limitations to a GM issue, as opposed to a BQ, which is capped at \$10 million per issuer per year. From an absolute supply standpoint, GMs comprise around 96% of the muni market. Secondly, investors can control their credit risk by performing their due diligence before and after purchase.

Thirdly, due to the relatively ample supply of GMs, all things remaining equal, they usually yield more than BQs. Portfolio managers are betting that the head start on tax-equivalent yields they’re enjoying in this low cost-of-funds era will be enough to offset the yield erosion once deposits become more costly to capture.

Comparison shopping

Recently, there were two nearly identical Texas municipal bond issues that differed in two important features: issue size and yield. Caddo Hills Independent School District and Aubrey Independent School District both borrowed money over a number of years; both were rated AAA by the major agencies. Caddo Hills, a GM issue, was \$49 million,



In 2021, with liquidity-rich balance sheets and very low funding costs, many community banks have gone headfirst into the deep end with GM issues.

while Aubrey, a BQ issue, was \$6 million. The 2036 maturities were priced to yield 1.4% and 1.2%, respectively, to a 2030 call date.

If the end investor was a community bank, and there’s a good chance it was, the GM issue gives the owner a decent jump on a potential hike to its cost of funds down the road. In fact, this advantage wouldn’t disappear until the bank’s cost of funds climbs to more than 1.2%.

There is more to this story than we have space to discuss here. Nonetheless, if your tax-free muni portfolio is limited to BQ issues, you may want to investigate whether it’s worth a dip into the general market pool. In 2021, you’ll be in good company with thousands of other community banks. ■



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



FOCUS MARKETING

Pick up on signals for better marketing

Using data from your community bank, an ad campaign or public sources allows your marketing efforts to find potential or existing customers who’ve already shown interest in your brand. By Elizabeth Judd

This past spring, Google ads for Bank of Charles Town popped up on sites visited by people in neighboring counties who had searched the Small Business Administration or Better Business Bureau websites for Paycheck Protection Program (PPP) loans. It was one of the community bank’s first forays into data-driven marketing. The online ads were a way to “directly target people really interested

in getting that aid,” says Joshua Parham, digital marketing strategist at the \$630 million-asset community bank in Charles Town, W.Va. He adds that they ran two one-week campaigns and got 50 to 60 prospects. Parham explains that the bank purchased data for individuals who checked very specific boxes within their Google searches. Bank of Charles Town didn’t know their identities, only that they were using the search engine

to look up information on PPP loans. “We don’t want it to be creepy,” he says. “We thought about how to best utilize the data that we have and how not to freak people out with our ads.” Rob Birgfeld, ICBA’s chief marketing officer, notes that whenever someone interacts with an ad, visits a landing page or fills out an online form, they are sending signals. “Data-driven marketing,” he says, “is the opportunity to take those signals—take what we know about folks and what they tell us—and be more efficient and effective in how we communicate with them.” Bank of Charles Town worked with Griffin Technologies, which uses demographic and online search data to curate an audience for digital ads. Errin McNulty, a customer success manager for the Overland Park, Kan.-based fintech, emphasizes that with digital advertising, “We help community bankers reach that target

audience so they can tell their story and start a relationship.” **Opportunities abound** Citizens Independent Bank in St. Louis Park, Minn., finds that advertising on a local news station’s weather app is an extremely effective data-driven marketing tool. “In Minnesota, weather is a big deal,” says Tammy Andrews, marketing and public relations director at the \$315 million-asset community bank.

As part of an ad buy, the station ran digital ads for Citizens Independent Bank on its weather app crawl. “I’m absolutely in awe at the number of click-throughs we get,” Andrews says. Those who click on the ad reach a dedicated landing page on the community bank’s website, allowing Andrews to track the source of clicks and the effectiveness of various marketing techniques while building brand recognition.

An emphasis on targeting efforts is what distinguishes today’s data-driven marketing campaigns, says Dan Cahill, senior vice president and director at WebbMason Marketing in Hunt Valley, Md. “The ‘spray-and-pray’ tactics of outbound marketing that were prevalent in the ’90s and early 2000s are being put aside in many vertical markets because of data,” he says. “People are mailing less and targeting more. They’re using data to determine

QUICK STAT

57%

of marketers say they’ve increased their company’s use of first-party or contextual data for targeting in the past 18 months

Source: Winterberry Group, July 2020 survey

“The ‘spray-and-pray’ tactics of outbound marketing that were prevalent in the ’90s and early 2000s are being put aside in many vertical markets because of data. People are mailing less and targeting more.” —DAN CAHILL, WEBBMASON MARKETING

the recipients of whatever outbound they do.” **Where to start** Useful data can originate anywhere from external data packages or public databases to a community bank’s own customer relationship management (CRM) system.

According to Ben Pankonin, CEO and cofounder of Social Assurance in Lincoln, Neb., PPP loans themselves will be a rich source of information for community banks as this information continues to go public. “Soon,” he adds, “we’ll be able to understand the payrolls for every small business in our community in a searchable database.” For banks new to data-driven marketing, Andrews suggests mining the data within your core system. “You might identify your customers who don’t have a checking account and offer them one,” she says. “Targeting your current customers—the ones who already like you—is the cheapest, fastest way to develop business.” Visitors to a bank’s website who leave before completing a sign-up form are another source of data, says Andrews. If a user has entered an email address, Citizens Independent Bank sends a reminder to complete the form. Without an email address, the bank can “drop a cookie”—attach a text file with small pieces of data to the IP

address of the user’s computer—and target that user with advertising again. **Tailored user experiences** Early adopters within community banking have also begun to explore digital experience platforms, or DXPs, says Michael Spinoso, president and cofounder of Unleashed Technologies in Columbia, Md. DXPs change what appears on a bank’s web site based on preferences a user displays while navigating the site. “If you click four times on different kinds of checking accounts, when you come back, I’m showing the advantages of checking accounts and comparing them all for you,” Spinoso says. “If you sign up for a checking account on the website, then I can take that content away. Why would I keep showing you that?” Whether using existing customers’ data for more effective advertising or dabbling in DXPs, it’s critical to measure your efforts. “You can get the richest data sets that will tell you everything you need to know—explicit or implicit—about a customer,” Birgfeld says. “But if you’re not actively measuring the performance of the effort, what good is it? Nothing is worth anything unless you can say what success looks like.” ■ Elizabeth Judd is a writer in Maryland.

Responding to the SolarWinds breach

All institutions, even those with a solid cybersecurity defense, were vulnerable to 2020's SolarWinds Orion cyberattack. Community banks should be ready for a future cyber event.

By Joel Williquette, ICBA



In December, the U.S. was shocked to learn about a cyberattack on the SolarWinds Orion Platform. The breach pushed malicious code to an estimated 18,000 customers, including federal agencies and many private companies, between March and June 2020. Since that time, ICBA has been in close contact with

regulators and government partners, meeting between two and three times a week.

The SolarWinds-related breach is what's known as a zero-day attack. It bypassed all defenses because it exploited a trusted mechanism. That means organizations were vulnerable even if they had immaculate cyber

hygiene, with up-to-date patching and cybersecurity.

The goal of the attack wasn't to disrupt—it was to spy on the government and big technology companies. One of the goals was to gain insights into how to break into secure systems in the future.

What does the SolarWinds breach mean for community banks? Here's a breakdown from a policy and practical standpoint.

How to prepare for another breach

Community banks need to be ready for other breaches. The best way to prepare is to revisit your incident response plan. Just like sports teams practice drills, you need to regularly go through your incident response plans so you are prepared to respond to cyber incidents immediately.

Cyberattacks and breaches are an all-hands-on-deck situation. The more knowledgeable individuals you include in the response, the more effective it will be. Here are a few commonly overlooked ways to marshal the needed resources.

1. Contact your insurance company.

One often overlooked step in community bank incident response plans is to contact your insurance company early in the process. That may seem like a task for down the line, after you have determined the scope of an incident, but it should be one of the first calls you make. Insurance companies have a lot of experience dealing with cyberattacks, will guide you through the information you need to collect during the incident and can often suggest incident response companies they've worked with in the past. Even if you already have an existing incident response vendor, having access to more resources can only help.

2. Promote a self-defense strategy.

Reach out to other community banks in the area and coordinate incident response, cyber breach and disaster recovery plans. Coordinating banks can help one another, providing stop-gap support as needed, in the event one of them falls victim to a disruptive cyber event.

3. Recognize the emotional wear of a breach.

No one really talks about it, but responding to a major cyber event can be emotionally exhausting for bank staff, including senior leadership. That can reduce the effectiveness of the bank's response. If your bank has recently retired executives or board members, it can be worthwhile to include them in the response plan.

4. Talk to your regulators and law enforcement ahead of time.

If you've never had to notify your regulators about a cyber incident or engage law enforcement, now is the time to practice. Make sure you and your staff are comfortable having these conversations and know who to speak with.

Who is protecting banks' data?

Community banks are among the best-protected and resilient businesses in the country. The Gramm-Leach-Bliley Act (GLBA) and other supervisory regulations require financial institutions to protect nonpublic, sensitive customer data (NPII).

The same cannot be said for retailers, technology companies, fintechs and others that process or store consumer financial data. That makes customer data stored in other, more vulnerable locations an attractive target for hackers. Yet the work of sorting out the results of disclosed data often falls back on



Just like sports teams practice drills, you need to regularly go through your incident response plans so you are prepared to respond to cyber incidents immediately.

financial institutions. ICBA will continue to advocate for the security of customer data. Participants in the payments system and all entities with access to customer financial information should be subject to and maintain well-recognized standards similar to those detailed in the GLBA.

Community banks are required to submit sensitive bank information during exams and when filing suspicious activity reports (SARs). ICBA advocates that community

banks should not have liability in the event of a breached government system.

The Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Board are soliciting comments on a proposed rule that would require banks to notify their federal regulators within 36 hours of any computer-security incident. While ICBA welcomes any effort by the supervisory agencies to work in partnership with community banks and provide them with resources to respond to cyber events, we are concerned about a new regulatory burden when community banks are already among the most highly regulated when it comes to information security.

In the months ahead, ICBA will remain a valuable source of information related to the SolarWinds breach and other cybersecurity issues while working to ensure breaches at other entities do not become the burden of community banks. ■

Do you have questions?

Regulators have asked that community banks with questions about the SolarWinds attack and government breaches reach out to their regulator directly. Regulators are available to discuss the breach's impact and provide information on their status and security. ICBA is also ready and available to ask regulators questions on behalf of community banks.



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FULL *SPEED* AHEAD

Faced with the unexpected and unexplainable, it's hard to stay on course. But Robert Fisher is an expert at just that. With his time as an Air Force navigator and his love for fast cars, ICBA's next chairman is ready to help community banks and the customers they serve power through the coming year.

// By Colleen Morrison //

IN

the sometimes tricky terrain of community banking, ICBA calls upon its leadership to help plot a course through the intricacies of industry developments. And who better to take on that role than a former U.S. Air Force navigator?

"My dream growing up was to become a pilot," says Robert "Bob" Fisher, who this month assumes the role of ICBA chairman. "I accepted an Air Force ROTC scholarship to go to college, but I lacked 20/20 vision, so that prevented me from becoming a pilot. The Air Force was still kind enough to let me fly, but as a navigator instead."

With a military career as his launching point, what made Fisher go from Air Force to community banking? Given that his great-great grandfather founded Tioga State Bank in Spencer, N.Y., in 1864, community banking pulsed through his veins. Couple that

with the fact that he and his wife were looking to start a family, and the lure of coming back home to both his home town and community banking was strong.

“I loved flying and the camaraderie of flight crews, but I was also newly married and not a huge fan of bureaucracy and red tape,” Fisher says. “I was also on the road 180 days of the year, which wasn’t really conducive to starting a family, so my wife and I jointly decided that maybe going back home to the family business was not such a bad thing.”

And thus, his career in community banking took flight. Although he was on the CEO track, coming back to Tioga State Bank did not mean starting in an executive position. His father wanted him to be well versed in all areas of the business. Fisher had worked as a teller prior to his military service, so he started as an assistant office manager, working his way through multiple positions, including operations, commercial lending and beyond.

Today, Fisher serves as chairman, president and CEO of Tioga State Bank, which has \$530 million in assets. The work has tested his navigation skills in leading the bank through the economy’s highs and lows, including the COVID-19 pandemic. With his eye on the shifting landscape, Fisher focuses on continuous improvement to benefit his customers and community.

“Early on in my career, my dad said to me, ‘Don’t view yourself as an owner of the bank; view yourself as a caretaker and make it better for the next generation,’” he says. “That’s how I’ve always viewed my role at the bank.”

The strength of the crew

For Tioga State Bank, that caretaker role starts with the staff culture, which is something the community bank takes seriously. In fact, four years ago, the bank set its sights on being recognized as a top bank to work for within the industry. Tioga State Bank has since been featured as a top workplace multiple times.

“As a family bank, we try to treat our staff like family,” Fisher says. “We work hard, but we have fun doing it. It is something we are pretty proud of.”

In addition to the strength of his staff, Fisher emphasizes the importance of having a robust network of community bankers to bring new ideas to the table. In fact, he cites access to other bankers as crucial in shaping

his own institution’s developments.

“I’ve always tried to connect with bankers who I respect and admire, and making those connections has been tremendously valuable,” he says. “Every time I go to a meeting and talk to people, I find something that I can bring back to the bank and implement. Those connections can help make you as a person better and make your institution better.”

Fisher credits ICBA as the primary source for many of these relationships over the years. He interacted with ICBA for the first time when he was just nine years old, when

his grandfather took his family to ICBA LIVE in Honolulu, Hawaii. He has great memories of that experience, and if this year’s convention had taken place in person, he would be coming full circle, starting his chairmanship in that same location.

Beyond that first exposure, ICBA LIVE holds a special place in Fisher’s heart and may have been the driving force behind his chairmanship today. When his friend and colleague Salvatore “Sal” Marranca, ICBA’s chairman

from 2011–2012, asked him to give the opening invocation at his convention, the experience had a profound impact on Fisher.

“I can still remember being on the stage with bright lights and being in front of a couple thousand community bankers—[it was] kind of inspiring,” he says.

Emphasis on technology

Now, he’s taking center stage as ICBA chairman during one of the most difficult times in the modern history of banking. COVID-19 has wreaked havoc on the nation (see X sidebar) and the effects of those issues will reverberate throughout the banking industry for years. “The pandemic will forever impact how people bank and how people want to bank as we go forward,” Fisher says.

One of his focal points in the coming year is emphasizing the need for community banks to focus on technology. “A goal I have is trying to help other community bankers understand the need for continued innovation, the need for the digital experience,” Fisher says.

He emphasizes that analysts predict continued reliance on and migration to digital services. For example, PYMNTS.com research reveals that 84% of consumers who embraced digital solutions for retail products amid COVID-19 plan to stay the course post-pandemic. When

“Early on in my career my dad said to me, ‘Don’t view yourself as an owner of the bank; view yourself as a caretaker and make it better for the next generation.’”



it comes to banking specifically, Accenture found that 50% of consumers now interact with their bank through mobile apps or websites at least once a week. What’s more, 46% would be willing to do video calls with their banker even when branches are open and 35% prefer it to face-to-face meetings.

But digital transformation doesn’t come without its challenges, which Fisher acknowledges. The Accenture report notes that while consumers trust digital offerings on a transactional level, they remain wary of its interface when it comes to counsel: only 28% said they would trust a human advisor “a lot” delivering advice over a video call, compared with 36% and 48% who said they would trust a human advisor “a lot” delivering advice by phone or in person in a branch, respectively.

“We need to make that high-tech, high-touch connection,” Fisher says. “That’s critical to our business.”

He mentions programs like ICBA’s ThinkTECH Accelerator that support bankers in identifying solutions



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to meet their innovation-centric priorities. The program’s 2021 cohort introduces companies that specialize in digital transformation and onboarding, customer self-service, know-your-customer (KYC) and Bank Secrecy Act (BSA) and anti-money laundering (AML) services, fraud and risk mitigation, and beyond. “Community banks don’t have the budgets that the big megabanks have, so we’re going to have to figure out ways to partner with fintech companies,” Fisher says. “ICBA’s ThinkTECH Accelerator is the perfect vehicle to figure out which companies are relevant in providing solutions for community banks.”

Looking further into the future, Fisher sees the need for

LESSONS FROM THE PANDEMIC

When COVID-19 reared its head in March 2020, Robert Fisher and his team at Tioga State Bank in Spencer, N.Y., were poised to support the needs of the community.

“As a community bank, we’ve always worked with our customers, especially if a customer is having a problem,” he says. “With COVID, we had a lot of our customers experiencing issues, so we knew early on that we would figure out ways to help them.”

The community bank ended up processing more than 500 Paycheck Protection Program (PPP) loans to the tune of \$42 million to help local small businesses. These included not only current customers but also any other small business in the community that needed support. “We knew with the PPP that we were going to participate to help our small businesses,” Fisher says. “It was really the only lifeline that they had at the start of this, and we knew that we had to do it for their sake.”

While it was a bumpy road, that’s exactly what Tioga State Bank and other community banks around the nation were able to do. Fisher says his connection to ICBA helped him be better positioned to respond to the need.

“It was invaluable to be connected to ICBA during this,” he says. “We were all sharing information literally as it was happening, and it was great to be able to share that information with my staff so we that could adjust and anticipate some things that the SBA was coming out with. I’m so thankful and blessed that we had that connection with ICBA and other bankers, because it really made a huge difference in our ability to help our customers out.”

So, coming out of this experience, what does he see as the key lessons?

“As a small business ourselves, agility was pretty key to being able to adjust on the fly. Plan for uncertainty and be flexible,” Fisher says. “I think those played out pretty well for our bank.”

community banks to step up their game when it comes to leveraging their data. “Artificial intelligence is going to come more and more into our industry, and we’ve got to figure out how to utilize it,” he says. “We have a tremendous amount of data. We need to figure out how to utilize that data ourselves and anticipate customer needs and products that they need.”

Other priorities

Beyond banking innovation, Fisher points to a level playing field as a key topic on his agenda as chairman.

“We’re fighting for a tiered regulatory framework for community banks,” he says. “We will continue to press upon our legislators and regulators that we’re relationship focused, not transaction focused.”

Fisher’s priorities extend to the credit union imbalance as well. The tax savings that credit unions receive allows them to offer lower interest rates to borrowers, which creates an unfair advantage over community banks. In addition, this tax shelter means credit unions don’t support their communities with tax revenue the way community banks do.

“I’m hopeful that we can get some leverage and start to help people understand the difference between a credit union and a community bank,” Fisher says.

He’s also keeping a cautionary eye on the payments system. With so much activity of late—from talk of a

central bank digital currency to technology giants dipping their toes into the payments pond—he feels community banks need to keep making their voices heard.

“One of the concerns I have is protecting the payments system the way it is set up now,” he says. “Nonbanks are looking to access the payments system, and trying to get an OCC charter, which would potentially give them access.”

Above all, Fisher hopes that community banks can get back to some sense of normalcy during the course of his chairmanship. While that may look different than it has in the past, community banks are up for the challenge by keeping their focus on their communities. That spotlight on the customer will be what differentiates community bankers from others in financial services, he believes. If they rely on that as their guide, Fisher feels community banks will stay on course, doing what’s right for their banks and communities.

“I still see our industry thriving 10 years from now,” he says. “I see a lot of our customers and communities becoming more focused on the importance of local. We’re trying to connect the dots, and say, ‘Bank local, too. It’s just as important to our community to keep money spent and money deposited in the community.’ I’m confident our model of relationship banking will continue to thrive.” ■

Colleen Morrison is a writer in Maryland.

FISHER'S NEED FOR SPEED

As a navigator for the U.S. Air Force, Bob Fisher has always had a propensity for speed, which also applies to his on-the-ground hobbies. “I love cars. I am a huge car guy. I like to go fast,” he says.

Fisher shared that one of his most memorable trips was with his son, Josh, following his 2015 college graduation. The two embarked upon a car-centric experience in Germany, touring the Porsche museum and factory in Stuttgart and cruising the autobahn.

“I think I did 156 miles an hour with my son in the car,” he says. “He was kind of white-knuckled, but it was fantastic. We had a great time.”

Fisher’s love of German ingenuity means he has a few cars in his personal collection that support his need for speed, including a 1995 Porsche 911 993 C2, a much-beloved sports car. Coupled with the fact that the Watkins Glen International



Speedway (WGI) is just 45 minutes away, Fisher has a way to fuel his fast-paced passion.

“I’ve done a few high-performance driving events at WGI,” he says. “I’m a wannabe racecar driver.”



6 WAYS

TO BOOST YOUR

SOCIAL MEDIA

STRATEGY

Community banks are building relationships through an active, thoughtful presence on social media. Rather than a distraction, these platforms are an extension of the close customer relationships that community banks foster. Here, experts share their top strategies for a winning social media presence.

By Julie Kendrick

Community banking is a people-first business. One of the many ways to keep those connections strong is through social media. Enterprising community banks see the value in having a robust and active social media presence. They look beyond the platforms and features,

and instead look to the benefits that can be gained through savvy social media strategies. They understand that social media is just another way to build relationships. “If you’re doing this right, it’s not taking away from the relationships you have, but supporting them,” says Ben Pankonin, CEO and cofounder of

Lincoln, Neb.–based Social Assurance. “Social media is not the hero of your story; the work your bank is doing is. Social media is the tool to support the work you are doing to leave your mark in your community.” For skeptics who doubt how deep those online roots actually go, many experts say you might be surprised

about what smart social media strategies can help you accomplish in forming stronger relationships all around.

“Social media activity can help you further your objectives to help the customers you have and also attract new ones,” says Anthony Englund, the director of digital strategy at MSPC, the content marketing agency in Minneapolis that publishes *Independent Banker*. “It’s a great way to keep people engaged with your brand.”

Even if your organization already has a strong social media presence, there’s always something new to learn in this dynamic field. We spoke with several social media managers and experts at community banks about what’s working for them, where they keep their focus and what they hope to achieve for the future.

1 Focus on your message
Even larger organizations can make the mistake of jumping into a social presence without taking time to consider it as part of a complete brand strategy. It all starts with understanding your community bank’s brand story. “Everything you do should be tied

back to your purpose or mission,” says Emily Mays, vice president and chief administrative officer of marketing at \$160 million-asset Community Spirit Bank in Red Bay, Ala.

“You can’t be everything to everybody, and you shouldn’t want to be,” says Natalie Bartholomew, the chief administrative officer at \$660 million-asset Grand Savings Bank in Bentonville, Ark. “You can have a large following, but a large portion could be bots. Your goal should be to build a community, not to gain followers just for followers’ sake.”

“My philosophy is to ‘share the good,’ being sure to tailor the message so you show how your bank is a true hero in your community,” Mays says. “But always be aware of what’s currently happening in your community and the world. Don’t post happy-go-lucky content when a plant is closing or there’s economic upheaval in the area.”

Tim Martinson, marketing manager at \$736 million-asset North American Banking Company, headquartered in Roseville, Minn., agrees that during hard times, messages and branding must change.

“Early last year,” he says, “our messaging was about starting and expanding businesses, and now it’s more focused on ‘How can we help?’”

2 Stay compliant—always
“Proceed with caution if you’re promoting anything that could come under regulatory

scrutiny,” Mays says. “It’s always a good idea to ask for a second look.”

The Federal Financial Institutions Examination Council (FFIEC) is one resource for consumer compliance risk management guidance.

Your bank may also want to consult with a software company, such as Hearsay in San Francisco or Social Assurance, with platforms that monitor, supervise and allow you to comply with policies and industry regulations. Some banks do this themselves, and others hire agencies to do the monitoring for them.

“It’s all about risk management,” Pankonin says. “You need great processes in place to help you manage that risk, and a third-party can monitor, archive, read comments and flag them. You don’t want to create a scenario that’s difficult to audit.”

If your bank doesn’t have a social media policy in place, it’s time to make that happen. It should detail things like how comments will be addressed, how quickly and by whom.

“You’ll want to establish who is responsible for what and to set up your own agreed-upon best practices,” says Katelin Cwieka, assistant vice president and communications manager at \$1.9 billion-asset Avidia Bank in Hudson, Mass. “It’s a good idea to provide examples of dos and don’ts, which is helpful when explaining your policy to employees.”

3 Engage your employees
Managing social media can be a daunting task, so it’s smart to enlist help from your staff. At Grand Savings Bank, for example, a group called the

Can you measure ROI with social media?

It’s not surprising those in the financial services industry are often looking for a nice return on investment to accompany their quarterly marketing report. When it comes to an often-upstream marketing effort like social media, that can be challenging to accomplish. Part of the job of a social media manager is to manage those expectations, says Tim Martinson, marketing manager at North American Banking Company in Roseville, Minn. They can even set up systems that connect social to results.

“ROI gets asked about every year, and it’s a challenge to measure,” he says. “Our focus is on brand awareness, which uses different metrics than ones which measure ROI. However, we’re working on processes where we can determine

how seeing a particular post might have led to someone opening an account, for example, and we’re getting better at it.”

Nathalie Bartholomew, chief administrative officer at Grand Savings Bank in Bentonville, Ark., says community bank leaders are better off ditching the idea of ROI when it comes with social media.

“I’m lucky that my team at Grand Savings Bank has empowered me to do my job, and they trust the resources, knowledge and skill sets I have. It takes time and consistency to see results,” she says. “The biggest thing for us is that we used to be unknown and now people know us, because they’ve seen us on social. There’s a definite buzz about our bank, and you can’t put a price on that.”

“MY PHILOSOPHY IS TO ‘SHARE THE GOOD,’ BEING SURE TO TAILOR THE MESSAGE SO YOU SHOW HOW YOUR BANK IS A TRUE HERO IN YOUR COMMUNITY.”

—Emily Mays,
Community Spirit Bank



“I’VE FOUND THAT MOST SOCIAL MEDIA MANAGERS [AT OTHER BANKS] LOVE TO TALK ABOUT WHAT THEY’RE DOING, AND THEY’RE HAPPY TO SHARE.”

—Tim Martinson, North American Banking Company



Grand Ambassadors takes photos and provides content about what’s happening at their branches.

“We always say that people bank with people, so we know our own employees, and their connections in the community can do so much to get others engaged,” Bartholomew says. “They’re asked to share, retweet, comment and like posts, which boosts our algorithm and helps us to be more successful.”

Avidia Bank has a formal advocacy and social selling program to help employees connect with customers.

“We’ve found that 89% of enrolled employees participate with our social messaging on a weekly basis,” Cwieka says. “If we see that adoption rate dipping, we might engage them with a contest and some prizes, but usually it’s just that they love participating. I share a monthly social media report that includes the top five most active employees on a leaderboard, and they love to be on it.”



Learn from your peers

Make sure that your own off-hours scrolling includes people and other banks whose work you admire. “Benchmark what other banks are

doing, and when you like what you see, also follow their social media managers,” Martinson says. “If I see a post that’s intriguing, I’ll reach out and ask them to tell me about it, if they feel comfortable doing that. I’ve found that most social media managers love to talk about what they’re doing, and they’re happy to share.”

Expanding your horizons beyond the financial community can help you with additional inspiration.

“Look at other people’s Instagrams and follower influencers who are in businesses besides banking,” Cwieka says. “Maybe you’ll see a really cool grid design or a custom filter that catches your eye.”



Post at the right time

A few years back, the internet was clogged with charts showing the perfect time of day to post content, platform by platform. It turns out that they weren’t very helpful, since every business, time zone and market are unique. If you read somewhere that posting at 8:36 a.m. on a Thursday guarantees your Tweet will be seen by everyone, you might want to reconsider your posting strategy.

If you’ve found a cadence that works for you, it’s fine to stick with it.

“We typically do all our posting in the morning,” Martinson says. “We’ve noticed we get bigger spikes then, since employees are engaging with the content and spreading it out across their networks more quickly. Every morning, I send an email to all employees, telling them what will be posted that day. It also serves as an extra compliance speedbump, since it gives our compliance director and senior leadership an extra hour to make any adjustments to content.”

It also pays to keep a close eye on your own data. “Pay attention to your analytics and notice what works for you,” Bartholomew says. “And be aware of where your audience is going. If you think they might be shifting to another platform, try to get ahead of it.”



Be creative with your posts

“One of the easiest ways to create strong posts is to speak about what you do for the community, because you’re probably already doing a lot,” Pankonin says. “Tie everything you do back to your purpose for existing as a bank.”

Posts that highlight employees always do well, bankers report. “When the person they’ve been working with in the loan department gets a promotion, people go crazy,” Mays says. “And don’t be afraid to take a chance on fun stuff. For example, National Doughnut Day is June 6, so we posted about it. People love to connect over something fun, and we were able to take advantage of a trending hashtag.”

Along similar lines, Bartholomew always posts on holidays like National Pet Day on April 11. “Those kinds of things always perform well,” she adds.

Other high-traffic posts are typically anything about a community event, or employee contests for activities like pumpkin carving or gingerbread house decorating. And sometimes getting high traffic is just a matter of looking around for visual content that’s happening right in front of you.

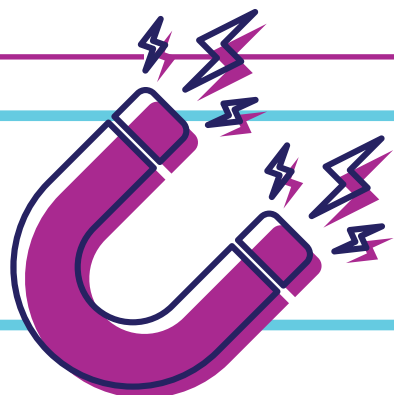
“I did a series of livestreams when we were demolishing an old building to clear space for a new branch we were building,” Cwieka says. “It was just me out there in a rainstorm, recording video on my phone, but it was a great way to get people excited about what was to come.” ■

Julie Kendrick is a writer in Minnesota.

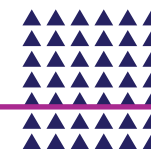


Turn the page to see our tips for mastering social media





THE INSIDE SCOOP ON SOCIAL NETWORKS



WORTH NOTING

FACEBOOK

Audience: This platform still delivers enough user numbers to maintain its popularity, which is why so many community banks post on it at least once a day. Its users skew older, but even younger people might check in daily to use the messaging or event features.

Content: This is the place to share content for a broad spectrum of potential customers. It can be the place to promote new products, and it's also a good spot for longer—three minutes or more—videos.

What's new: First rolled out in 2017 but only just gaining traction with users, Facebook Stories is intended for brief visual content. Like Snapchat of Instagram Stories, they're only viewable for 24 hours, unless you take the extra step to post them in your feed.

Top tip: While livestreaming is built into many platforms, Facebook Live is likely the most popular. One reason why is its increased engagement; it sees six times more interactions than a normal video and people watch them three times as long on average.



INSTAGRAM

Audience: You'll find a younger audience here, and, if you choose to develop a strong Instagram presence, you'll see less competition from other banks, many of whom haven't wholeheartedly embraced the platform. Avidia Bank was an early adopter. "It's by far our most active channel," says Katelin Cwieka, assistant vice president and communications manager at the Hudson, Mass.-based community bank. "It's been untapped by other financial institutions, so we see it as a great opportunity."

Content: Highly visual and well-designed content belongs on Instagram. "We have a fun grid set up, and every other post is part of that grid," says Natalie Bartholomew, chief administrative officer at Grand Savings Bank in Bentonville, Ark. "We make sure our posts are aesthetically pleasing, pretty and different."

What's new: Instagram Reels allows users to create 15-second clips set to music, similar to the TikTok format.

Top tip: Use your Instagram grid posts to cultivate a brand experience while relying on stories to push out daily happenings at the community bank, fluctuations in branch hours and more. Have fun with it.



LINKEDIN

Audience: This is the place to reach businesses and professionals.

Content: "We find it's a good place for professionals to connect and share ideas," Bartholomew says. "It's also an excellent location for talent recruitment."

What's new: Everyone's getting in on the Stories concept, even this more staid platform. LinkedIn's version allows you to share images and short videos of "everyday professional moments," which are viewable for 24 hours.

Top tip: Try cultivating a LinkedIn audience through bank-specific thought leadership, such as educational articles produced by your in-house experts or industry partners.



TWITTER

Audience: Twitter attracts media contacts, industry experts and highly engaged members of topic-driven communities.

Content: The app was designed for fast-breaking news and for responding to unfolding events in your community. Also, it's good place to connect with members of the media who mention specific topics to which you could contribute an expert opinion.

What's new: Fleets are Twitter's new story feature, which allow users to create temporary—or fleeting—posts with less permanence than a tweet.

Top tip: Twitter features trending topics that change moment to moment as masses of users talk about the same things. Topics are also localized in subgroups like states or metros. Try joining in on the conversation started by influencers in your area. Chances are, it'll be seen by local users.

PINTEREST has been seeing more activity from larger financial institutions, which use it to post money management tips and ideas on topics like how to set up an emergency fund, how to plan ahead for tax season and how to create a monthly budget. If your bank already has a blog, some of that content could find a home here, too.

TIKTOK is a youth-driven powerhouse for short-form mobile videos, which range from a few seconds to a full minute. It's a popular platform with an incredibly loyal following, but none of the community banks we talked with were using it, preferring to take a wait-and-see approach to the app.

WANT MORE INFO?

ICBA's "Tell Your Story" toolkit has everything you need to build an effective marketing strategy, including a Social Media 101 resource. And it's free to members. icba.com/marketingtoolkit



**STUDY AFTER STUDY SHOWS
THAT CONSUMERS—
ESPECIALLY YOUNGER
PEOPLE—EXPECT THE
BRANDS THEY SUPPORT TO
COMMIT TO SUSTAINABILITY.
HOW CAN COMMUNITY
BANKS PUT ECO-FRIENDLY
STRATEGIES TO WORK?**

By Karen Epper Hoffman

COMMUNITY BANKS have long distinguished themselves by striving to connect with the local areas in which they operate. But in the interests of thinking globally and acting locally, many are choosing a more ecologically friendly path.

In the past few years, consumers have become more aware than ever of environmental issues and the views of businesses on those issues. Younger customers, in particular, show a distinct preference for companies that share their concern for environmentally positive or sustainable initiatives, products and services.

Millennials are particularly concerned for the planet's well-being and currently make up the largest portion of the workforce. And, importantly, 74% of millennials say they'd be more likely to buy from brands that support causes they care about, according to Nielsen. And members of Gen Z are as, or even more, likely to take the same action.

While the ability to address "green" issues is sometimes seen as the domain of conglomerates and megabanks with deep pockets and big environmental impacts, consumer expectations are rippling out to businesses of all sizes and in industries. Indeed, some community banks are already cultivating their own environmental strategies.

"There are many ways community banks can support the environment both in their backyards and beyond," says Huntley Garriott, president of \$8 billion-asset Live Oak Bank in Wilmington, N.C. "[While Live Oak Bank is] just getting started on formal reporting, we


69%
of North
American
shoppers
willingly
pay a
premium
for recycled
products'

have shared environmental efforts in quarterly earnings reports, annual shareholder reports and stories with local media.”

The community bank has also promoted customer stories and lending metrics, and led employee sustainability campaigns to push forward environmental initiatives.

BUILDING AN ECO-FRIENDLY COMMUNITY BANK

To connect with eco-savvy retail and business customers, community banks must not only talk the talk of environmental progressiveness, but also walk the walk.

“Banks should start by measuring—and managing—their own carbon footprint,” says Naeem Siddiqi, senior advisor for risk research and quantitative solutions at SAS, a business analytics software and services provider based in Cary, N.C.

Siddiqi suggests that community banks look into adding solar panels to their facilities to boost energy efficiency. Some states offer rebate programs, and solar panels tend to pay for themselves in the long term. Siddiqi also suggests that banks consider using green energy providers that offset the energy a customer uses by putting the same amount in pollution-free, renewable energy into the electrical grid.

Shel Horowitz, a green and ethical marketing strategist based in Hadley, Mass., believes it isn’t just internal efforts that are important, but also marketing and advertising to customers and other partners. He says community banks must “make it very clear that they favor green, locally owned and controlled businesses, [and] form partnerships with local vendors and utility companies that can help their clients [make their own businesses greener].”

These greener efforts may include, for example, bulk purchasing that promotes waste reduction, LED lighting or solar energy infrastructure.

“[Banks] must create greater awareness of how businesses can be a problem solver [on green issues],” Horowitz says, “and how this commitment can create profit centers for their clients and other businesses.”

MOVING AWAY FROM PAPER

One easy eco-friendly strategy that many community banks are already promoting is asking customers to go paperless by moving to electronic statements. Accelerated by the COVID-19 pandemic, this move toward digital

is affecting other processes, from closing on a home to signing for a loan.

“Going paperless holds huge benefits for both banks and their customers, including not using trees and paper mills to produce clean white paper,” says Jimmie Paradee, product manager for Paducah, Ky.-based CSI Business Solutions Group. These efforts lead to less chemical runoff going back into the ecosystem and fewer greenhouse gases generated from the many planes and vehicles needed to ship paper statements to customers’ mailboxes, he adds.

Indeed, Griffin McGahey, president of HC3, a customer solutions provider in Irondale, Ala.,

**“ECO-FRIENDLY CHOICES MAY
BE MORE EXPENSIVE TODAY,
BUT THEY WILL HELP PRESERVE
OUR PLANET IN THE LONG RUN.”**

—Naeem Siddiqi, SAS

points out that many financial institutions are “driving paperless initiatives across the whole institution.”

Case in point: A 2008 PayItGreen Alliance survey vetted by the Environmental Protection Agency (EPA) found that an American household could save 6.6 pounds of paper, 63 gallons of water and 4.5 gallons of fuel per year simply by choosing to receive paperless statements and bills. In 2020, National Westminster Bank in the U.K. went completely paperless, saving an estimated 450 million sheets of paper and 100 million envelopes annually.

Scott Flowers, the managing director for retail and small business for Dallas-based Endurance Advisory Partners, says community banks should use electronic signature vehicles like DocuSign while paying “specific attention to regulatory required wet signatures.”

Aside from the cost-benefit of moving more document-intensive transactions to be

1.barons.com/articles/two-thirds-of-north-americans-prefer-eco-friendly-brands-study-finds-51578661728

7 EASY ECO-FRIENDLY IDEAS TO GET BEHIND



1 Use post-consumer-waste or compostable products. Where your community bank can’t reduce its use of paper or other products, using sustainable materials reduces what goes or stays in landfills.



2 Make use of natural light and replace incandescent bulbs with energy-efficient bulbs as they burn out.



3 Ask employees to turn off their computers and other devices at the end of the day.



4 Subsidize transit fees or install bike storage to encourage employees to take transit or bike instead of driving.



5 Promote eco-conscious celebrations like Earth Day (April 22) and National Energy Awareness Month (October) on social media. Employees could also volunteer to pick up litter or join a local organization’s festivities.



6 Add native plants to a branch’s exterior to save water, energy and money.



7 Recycle electronics and batteries instead of throwing them out. Most states require electronic waste recycling by law.


70%
of American
believe
corporations
should do
more to
address
climate
change²

paperless, Paradee points out another cost savings: postage. “Customers pay as much, or more, for postage than they do the actual statements,” he says. “Banks spend tens of thousands, sometimes hundreds of thousands of dollars, in monthly postage fees. The quicker they can get their customers switched over to electronic statements, the quicker it will affect their bottom line.”

SHOUTING ABOUT IT

Community banks can win points with customers—and potential customers—by marketing their environmental efforts and making headlines in their communities. “Greening any business is still newsworthy,” Horowitz says. “Banks can reach out to eco-beat reporters with what they’re doing; to the banking and financial trade press about what motivated them and how other banks could emulate them;

and to the general press to highlight what they’re doing for clients in the nonprofit world who are greening up.”

It’s important to remember, however, that even with the potential long-term brand and financial benefits, eco-friendly practices also have inherent value for the planet.

“Being an early leader in this charge has tremendous potential to enhance brand reputation in an increasingly environmentally conscious world, particularly among consumers who are already committed to sustainability,” Siddiqi says. “Banks should also be cognizant, however, that it’s not all dollars and cents. Eco-friendly choices may be more expensive today, but they will help preserve our planet in the long run.”

Karen Epper Hoffman is a writer in Washington state.

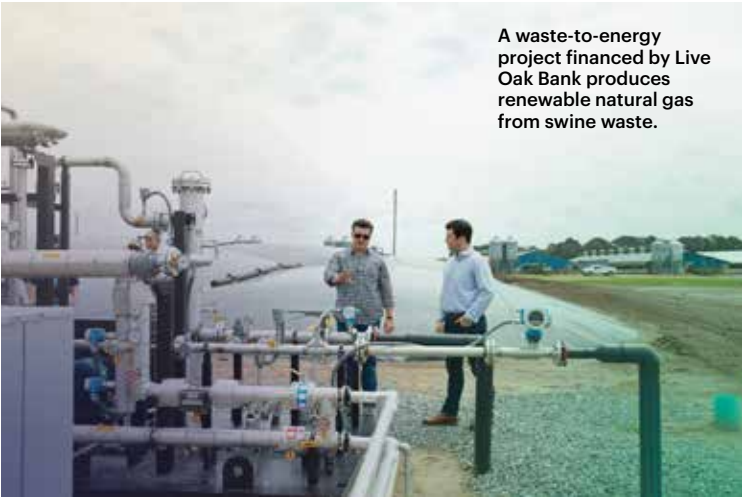
2. <https://climatecommunication.yale.edu/visualizations-data/ycom-us/>

How Live Oak Bank goes green

Live Oak Bank has a broad, cross-sectional commitment to the environment across customers and lending verticals, says Huntley Garriott, president of the Wilmington, N.C.-based community bank. It markets renewable energy financing and “the innovative work our customers are doing in the space, such as a waste-to-energy project in North Carolina,” he adds. The bank’s energy and

infrastructure lending team also promotes the clean energy projects it’s involved in across the country.

Within the bank’s headquarters in Wilmington, Live Oak Bank constructs its buildings to meet or exceed LEED, or Leadership in Energy and Environmental Design, standards. The community bank meets these green certification requirements by including LED lighting, tinted windows, energy-efficient HVAC units, water stations and recycling programs throughout its offices.



A waste-to-energy project financed by Live Oak Bank produces renewable natural gas from swine waste.

“Our [Wilmington] campus includes solar panels across building rooftops to offset emissions, 200 native trees that have been planted and 27 acres of preserved historic pine tree forest,” Garriott says. Live Oak Bank is also adding a philanthropic level to its environmental offering by encouraging its employees to donate to local sustainability-focused nonprofits.

“We are expanding efforts to broaden the diversity of our board to expand dialogue at all levels,” he adds. “Having buy-in from all levels of leadership is key to ensuring the longevity and success of sustainable initiatives.”

CONNECTIONS

A meeting place for community bankers



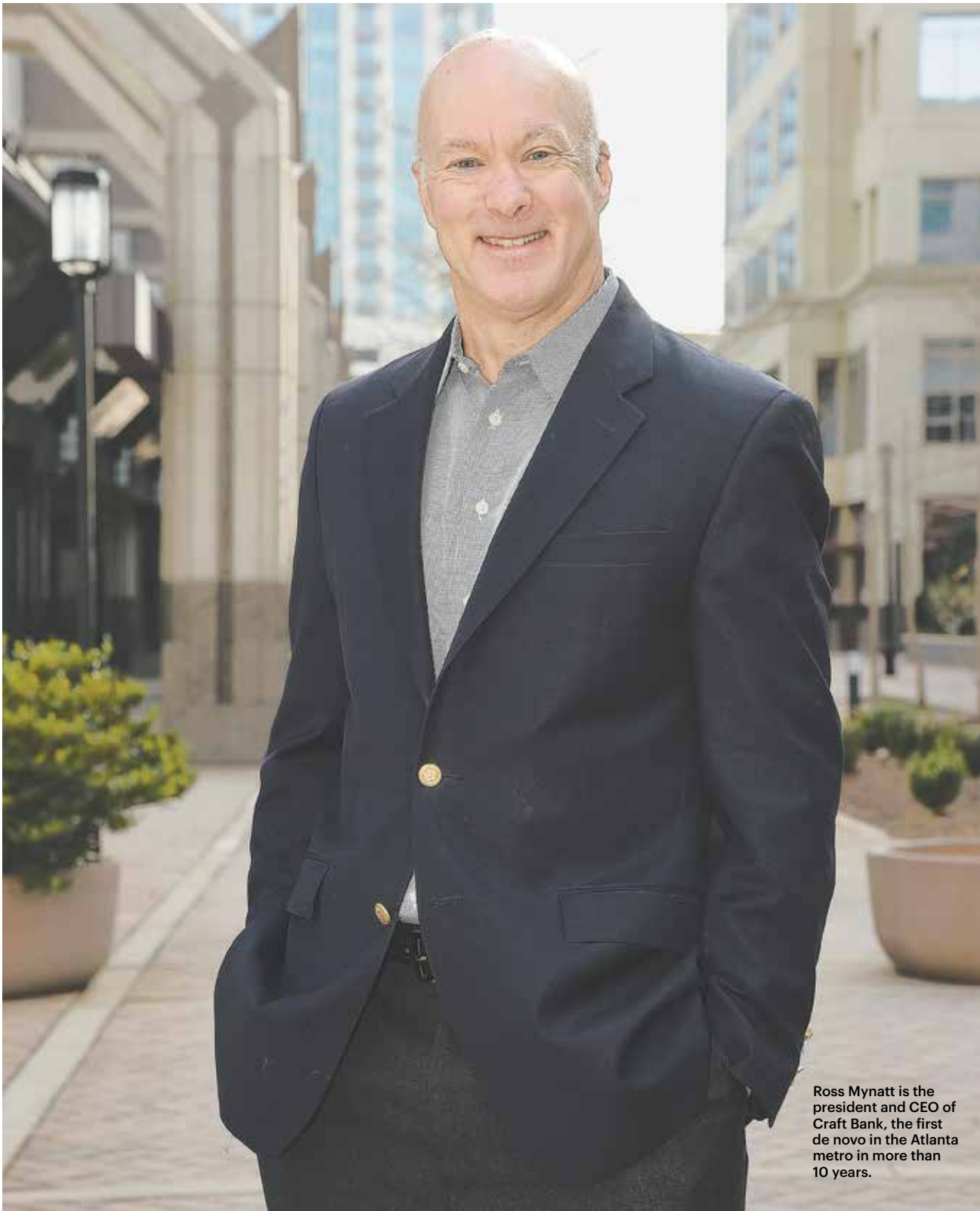
President and CEO Robert Gillis Jr. (far left) delivered a \$60,000 donation to the Gloucester Education Foundation this past November.



“It really comes down to this. Our children are our future, and it’s our responsibility to give them every opportunity to succeed.”

—ROBERT GILLIS JR., CAPE ANN SAVINGS BANK

Read about the community bank’s program to pass on banking expertise to the next generation on page 72 >



Ross Mynatt is the president and CEO of Craft Bank, the first de novo in the Atlanta metro in more than 10 years.

Tailor-made banking

Craft Bank, Atlanta’s first de novo bank in more than a decade, was about to open—and then the pandemic arrived. Now open, it promises to give potential customers the ability to craft their banking experience. By Margaret Littman

Atlanta hadn’t seen a new community bank open in more than a decade. The dearth of de novos applies statewide, too, with just four new banks opening in the state of Georgia in the past decade. Now, however, the drought is over.

Craft Bank, based in Atlanta, opened on Oct. 15, 2020, after a process Ross Mynatt, president and CEO, describes as the most difficult of his career. While organizing a new bank may not be an easy task at the best of times, doing it during a global pandemic limited the group’s fundraising tactics and made it harder to recruit organizers. Mynatt says it wasn’t possible to apply the brakes mid-ride, however, as they were already working with consultants and attorneys. At the point shutdown orders began, he says, “There was no Plan B.”

But the team believed there was room for a local de novo bank in the area. When doing their initial research, Craft Bank staff analyzed Atlanta ZIP codes. Where there were community banks, those community

banks did well. They had healthy market share even when competing against national banks that had found success in neighboring ZIP codes. Mynatt, who had worked at other community banks in the area, was convinced there was opportunity.

Plus, there was demand for local banking. Before the Great Recession, there were 27 community banks inside the perimeter of Atlanta’s Interstate 285. When Mynatt and his team started their process in early 2019, there were just five.

“Atlanta has only gotten bigger, and there are more people,” he says, “yet those numbers went from 27 to five.”

Raising capital virtually

The world turned upside down between early 2019, when the Craft Bank team started their work, and when the pandemic hit in early 2020. It required the team to think creatively about how to surmount newly raised roadblocks.

For example, the small initial staff reduced their payroll and cut other expenses to make more funds available for the launch process. Fundraising was another challenge. When it became clear that a large in-person event at a country club—the old way of soliciting investment—was a nonstarter due to lockdown restrictions, the Craft Bank team shifted gears. Capital-raising events became virtual.

“It was a challenge to stay positive,”



“Because everyone is local, we can make that decision or craft that proposal very quickly. We do not need to explain to someone else what Piedmont Park is.”

—ROSS MYNATT, CRAFT BANK

Mynatt says, “but that did not mean that we did not believe in ourselves.”

As the stock market and the pandemic recession went through cycles, so did the ability to fundraise.

“We hit a lot of plateaus,” he says, noting that there were pauses at the \$7 million, \$13 million and \$17 million levels until the Craft Bank team reached its \$20 million goal thanks to approximately 200 investors. “It felt like we were stuck at [\$17 million] forever.”

Craft banking

Despite the challenges and the delayed opening, Mynatt believes that the community bank and its mission are well suited to current circumstances. Craft Bank’s one physical location doesn’t have



The Craft Bank team includes (from left to right) Ross Mynatt, president and CEO; Beth Martin, chief experience officer; Mike Cullinan, chief credit officer; Brandy Harris, loan service manager and compliance manager; Kitty Kendrick, chief financial officer; Patsy Templeton, group operations manager; and Greg Griggs, chief lending officer.

an ATM, a drive-thru or a night drop, which had been the plan pre-pandemic as well. Craft Bank employees are empowered to grab a laptop and meet prospective and current customers where they want, be it at a park or a coffee shop.

“We will make all the decision-makers available [to customers] in one sitting,” Mynatt says. “Because everyone is local, we can make that decision or craft that proposal very quickly. We do not need to explain to someone else what Piedmont Park is. All of our folks live here, work and play here.”

The bank’s name reflects this approach. Chief experience officer Beth Martin, who had worked with Mynatt at a different community bank, came up with it while driving her car. She had been thinking about the kind of relationships they’d be building, allowing customers to craft how they wanted to be banked. And that was it. Like craft brewing or arts and crafts, the name is meant to signify that the bank can tailor products and services to customers and their needs.

“The word ‘craft’ implies great care

being taken,” Mynatt says. “Not only are we trying to craft solutions; our clients or customers can craft the kind of experience they want.”

Craft Bank is primarily a commercial bank, working, in particular, with fintechs and other small- and medium-sized businesses.



“Customers are coming to us and saying, ‘You are a new bank, prove to me that your platform is as robust as you say it is.’ So, we show it to them. I don’t know of other banks that will do that.”

—ROSS MYNATT, CRAFT BANK

It also serves individual customers and reaches out to those who are unbanked and underbanked within a seven-mile radius.

Mynatt says the bank’s size—no more than 40 staffers and an eventual goal of \$500 million in assets—will allow the community bank to be nimble. Craft Bank’s business plan projects operational profitability by the second quarter of year two and cumulative profitability by the end of year three.

To get there, Craft Bank promises customers the best of both worlds: modern, convenient banking with the hands-on approach of community banking and the freshness of a new organization. The community bank is busy offering demos to potential customers interested in its digital banking platform.

“Customers are coming to us and saying, ‘You are a new bank, prove to me that your platform is as robust as you say it is,’” Mynatt says. “So, we show it to them. I don’t know of other banks that will do that.” ■

Margaret Littman is a writer in Tennessee.



Teaching banking to new generations

For three decades, Cape Ann Savings Bank has operated a unique program where a branch operates within a local high school. It's been a vehicle for multiple generations of students to learn banking basics and connect with the community bank. By Judith Sears

Cape Ann Savings Bank in Gloucester, Mass., has brought banking into the heart of public schools. For 30 years, the \$750 million-asset community bank has partnered with Gloucester High School to run a program that combines classroom learning with hands-on banking experience.

Students, overseen by a bank employee, run a Cape Ann Savings Bank branch located right inside the school. Students and staff can open accounts at the branch, which is typically open during lunch hours when school is in session. "It's like a science lab," says Robert Gillis Jr., Cape Ann Savings Bank's

president and CEO, "but this is a bank lab." Gloucester High School teachers recommend students for the program, which accepts six to eight per year. In addition to running the branch, students take one of two courses, either a personal finance course or a bank theory course. Bank executives modeled the program after other bank-school collaborations that had sprung up in neighboring counties. "We thought it was a good idea to help the educational opportunities of high school kids," Gillis says, "so they learn to balance a check book or how to use credit."

Student enthusiasm
Students have embraced the bank program. It has seen three second-

generation student bankers whose parents participated in the program. "The kids signed up because their parents thought so well of it," says Jennifer Orlando, vice president and marketing officer. "We've had comments from students over the years saying that it's the best decision they made in high school."

In fact, Mindy Nicastro, a Cape Ann Savings Bank commercial loans officer, is a program alumnus. "It's the best program ever!" Nicastro says. "It gave me opportunities that I wouldn't have otherwise had. It was especially important for somebody who didn't go to formal secondary education, and I believe it has led to my career success."

The interest in practical finance has grown at the high school. A few years ago, for example, Robin Pine, a Gloucester High School educator, held a Credit Fair event in the school hallways. Students visited various tables to learn about deposits, lending, credit and other topics. "I was amazed at the enthusiasm of the students [and] at how excited they could be about rather dry topics," Gillis says.

Recently, Cape Ann Savings Bank increased its commitment by offering three \$1,500 scholarships annually to graduating seniors of the Gloucester, Manchester-by-the-Sea and Rockport high schools. Students who successfully complete the bank program are given preference for the scholarships, which are named in memory of former bank employee Sandra Tucker, who spearheaded the program's founding.

'We volunteer where we can'
The high school's program is just one example of Cape Ann Savings Bank's involvement in public education. "We are a community bank, and



"We are a community bank, and the schools are the heart of the community."

—ROBERT GILLIS JR., CAPE ANN SAVINGS BANK

the schools are the heart of the community," Gillis says. "The many different educational programs that we support financially and with our time cover the span from preschool through college."

For example, the community bank participates in the Massachusetts Saving Makes Cents program. Students in third, fourth or fifth grade open a savings account with a \$5 deposit, which the bank matches. From that, students save small

amounts—even coins—which a Cape Ann Savings Bank employee collects on weekly visits.

Staff from the bank also volunteer in the First R Reading program, visiting schools once a month to read aloud to children in kindergarten and first grade.

"We volunteer where we can," Orlando says. "We are very, very involved in educational events." ■

Judith Sears is a writer in Colorado.

Flourishing through education

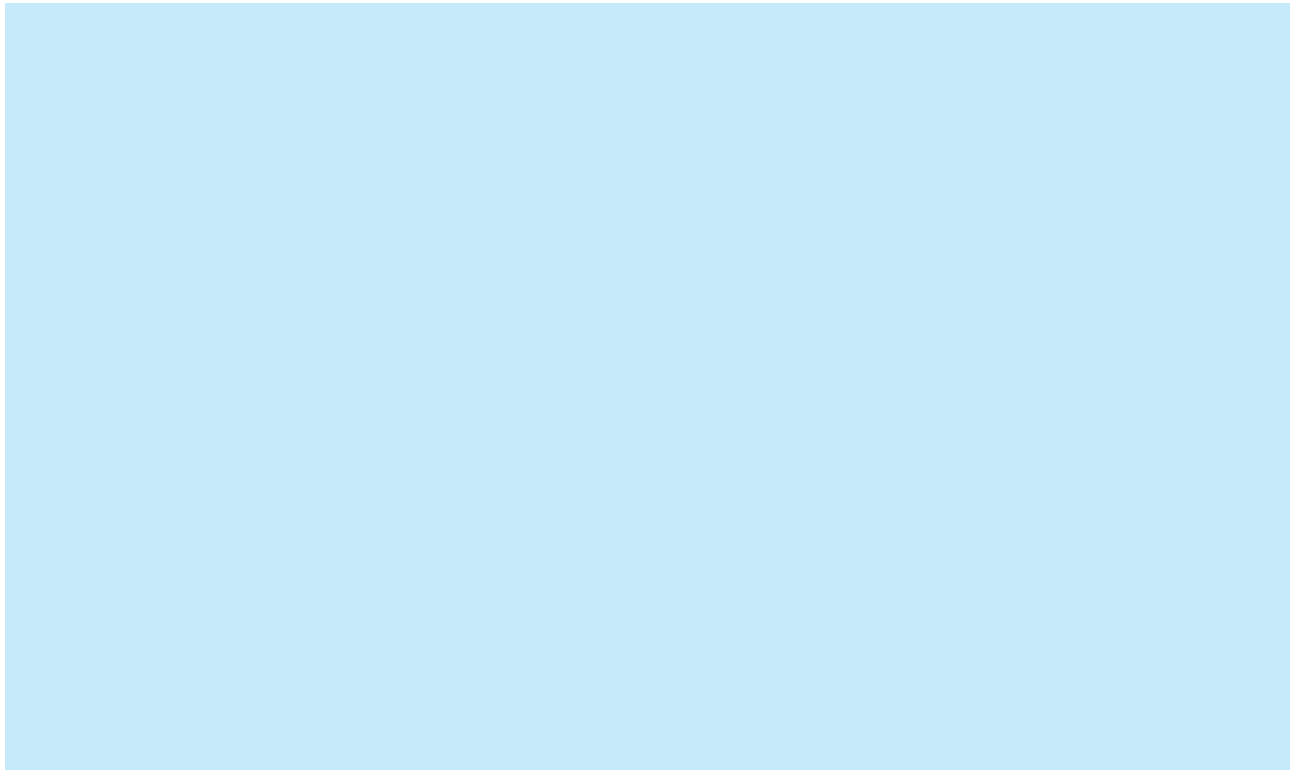
Cape Ann Savings Bank in Gloucester, Mass., recently demonstrated its commitment to education with a generous \$60,000 donation to the Gloucester Education Foundation (GEF), a 501(c)(3) program that provides wide-ranging support to the Gloucester Public School District, from start-up funding for a computer science program to a 3D printing lab.

The community bank has been a steady GEF supporter. Every March, for example, bank employees volunteer to run the concession stand at the group's annual citywide fundraiser.

When GEF announced a capital campaign to raise \$3 million, Cape Ann Savings Bank quickly got behind the effort. GEF's goal was to build an endowment large enough for the foundation to provide greater support to the schools in the long term.

In explaining the community bank's generosity, president and CEO Robert Gillis says his team sees education as crucial to a flourishing community.

"It really comes down to this," he says. "Our children are our future, and it's our responsibility to give them every opportunity to succeed."



Community bank-focused fintech

More community bankers than ever are participating the third year of the ICBA ThinkTECH Accelerator, an initiative to foster community bank-friendly innovation and fintech partnerships.

ICBA ThinkTECH Accelerator 3.0 kicked off in January with a cohort of 10 fintech finalists. Now in its third year, the 12-week bootcamp, a collaboration with the Little Rock, Ark.-based Venture Center, is designed to educate fintech entrepreneurs on a range of topics, including cybersecurity, lending and customer engagement, in order to better their businesses and teach them about the interests of community banks.

ICBA, a team of community bankers and The Venture Center select the fintechs from hundreds of applicants interested in the program. This year, participants also completed a five-week incubator prior to the start of

the bootcamp. The goal for ICBA and community bank executives, along with a network of industry leaders, is to provide mentorship and critical feedback to help the cohort further improve their solutions for the community banking marketplace. One of the ways they achieve that is through one-on-one meetings with hundreds of community banking influencers.

“The most helpful thing was learning what fintechs perceive community banking’s pain points to be and the market solutions they’ve created to address them,” says Charles Flurry, chief innovation officer of First Financial Bank in El Dorado, Ark., who served as a mentor in the accelerator. “The accelerator is a great exercise for bank management to start thinking about what *could be* rather than what is.”

Meet the 2021 cohort

While the previous two accelerators took place at The Venture Center’s Little Rock office, this year’s ThinkTECH Accelerator is being hosted virtually, which allows for more bankers to participate. By signing up for a session, community bankers can take part in productive conversations with the fintech founders, expand their networks and attend Q&A sessions.

Sherry Valley: Banker turned biker

Sherry Valley, a vice president and senior business banker at \$153 million-asset Minnesota Lakes Bank of Delano, Minn., has been riding motorcycles since 2010, a hobby that has taken her across the country.

I rode on the back of my husband's bike for a couple of years.

While he was in Iraq, he bought a motorcycle, a Harley-Davidson. So, when my husband came home, he and I went together to the motorcycle training and got my license. I decided that I was going to try this. I bought a tiny little Honda motorcycle and started on that in 2010. After a while, I knew I needed to get a big-girl bike, and that's when I bought my [Harley-Davidson] Fat Boy.

Most of the time, my husband

and I ride together. We have gone to the Sturgis Motorcycle Rally, we have gone to [Grand Tetons National Park], we've gone through the Rocky Mountains and we've gone east to Milwaukee for the Harley-Davidson anniversary party.

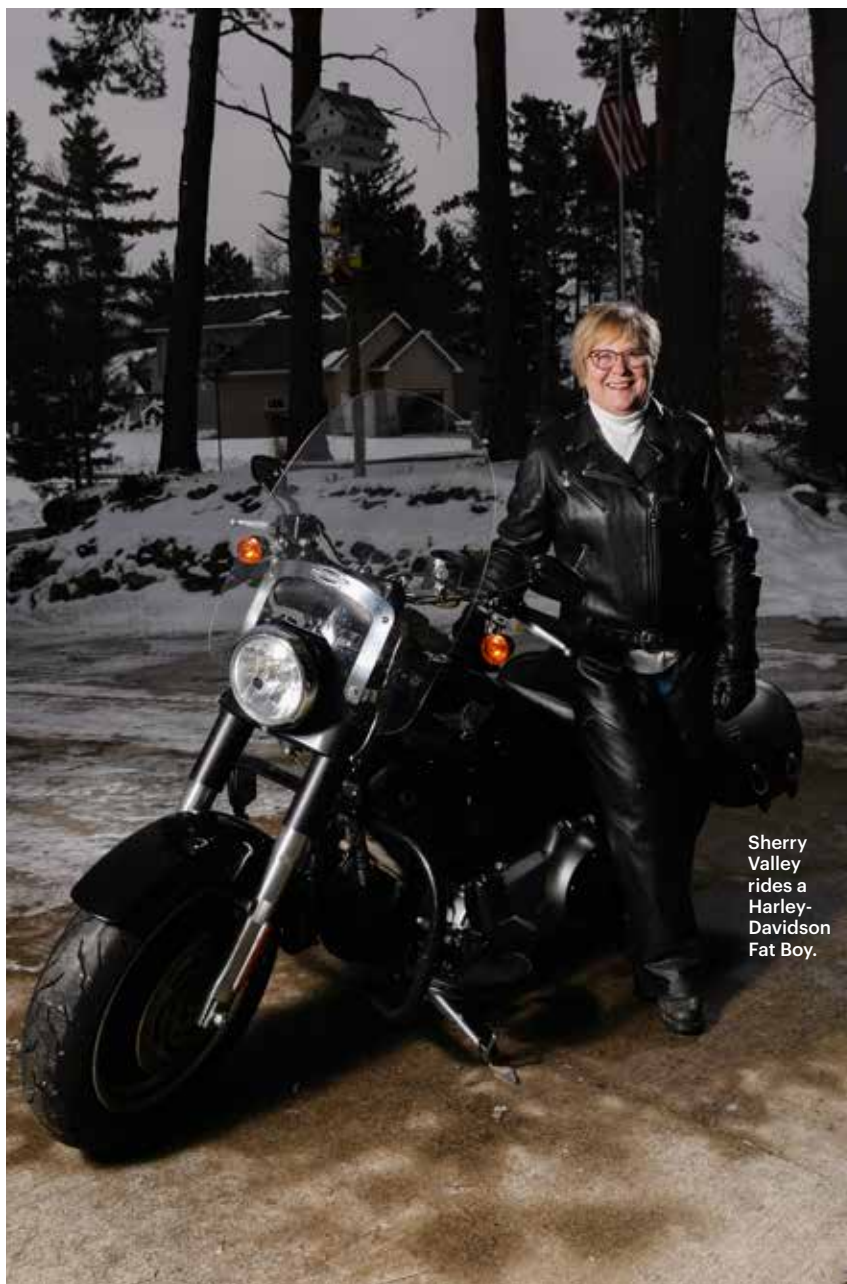
Anybody that wants to ride, you really should try riding.

Harley-Davidson has bikes in all different shapes and sizes, so you can make it your bike. I've gone to four or five motorcycle rallies over the years and I have yet to see a bike that's exactly the same as mine.

It applies to any hobby, not just motorcycling, but you have got to go after what you want in your life.

My husband and I just live our lives to the fullest and want to explore and experience all kinds of different things and aren't afraid to go after it.

—Sofia Haan



Sherry Valley rides a Harley-Davidson Fat Boy.