



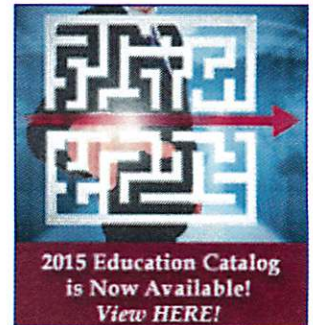
CONNECTED TO COMMUNITY BANKING!



A Bi-Weekly News Bulletin for CBAI Members

February 4, 2015

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CBAI
PROFESSIONAL
DEVELOPMENT PROGRAMS
THROUGH 03/15/2015

WSJ Article Highlights Community Bank Gains in Washington

A *Wall Street Journal* article this week cited the growing influence of community banks and ICBA in Washington as evidenced by recent victories to relax regulations on QM rules and capital rules, and mandate representation on the Federal Reserve Board. In the article, ICBA President and CEO Cam Fine said the association's legislative requests are key to boosting economic growth and that the nation's community banks "are the local lenders" for consumers and small businesses nationwide. "We have at least one community banker in each congressional district in the nation," Fine declared. "And in most districts we have multiple members. It makes for good grassroots." CBAI works closely with ICBA to attain regulatory relief for community banks and believes more good results will occur during 2015. [See WSJ Article.](#)

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Staff Visit to Washington Reinforces Support for Community Bank Positions

David Schroeder, CBAI's vice president of federal governmental relations, visited every office of the Illinois Congressional delegation as well as the Federal Housing Finance Agency (FHFA),

Office of the Comptroller of the Currency (OCC), Consumer Financial Protection Bureau (CFPB), and the Independent Community Bankers of America (ICBA) to discuss issues which are vitally important to Illinois' community banks. [See More.](#)

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[Register Now for CBAI's 31st Annual Capital Conference - April 15, 2015](#)

- › [Banking Essentials](#)
- › [Seminar for the Community Bank Attorney](#)
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- › [2015 CEO Forums](#)
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CBAI
TELEPHONE/WEBCASTS
THROUGH 02/28/2015

- › [Qualifying Borrowers Using Personal Tax Returns Part I](#)
- › [FinCEN Guidance on Banking Marijuana Businesses](#)
- › [Regulator Issues & Update for the Credit Analyst](#)
- › [Setting & Monitoring Effective ACH Exposure Limits](#)
- › [FFIEC Guidance & Recent](#)

processes among others.

This webinar is designed to make you aware of the range of interest rate risk related issues you may face in future exams and will provide you with specific examples of the types of analysis that are necessary to comply with heightened IRR scrutiny.

- Key takeaways from the Winter 2014 FDIC *Supervisory Insights* publication that was devoted entirely to IRR
- Review of the OCC's recent IRR survey of more than 1,300 banks including average statistics for Earnings at Risk, EVE, Betas, Decay Rates and Risk Limits
- What the FDIC says you should expect during your next IRR exam
- A list of the FDIC's most common findings and recommendations during IRR exams
- Description of the exact method examiners use to calculate NMD betas prior to exams to determine if your assumptions are reasonable
- Step-by-step guide to developing an in-house independent review of the ALCO process
- Our recommended IRR Checklist of everything you should prepare for your next exam



▶ Click button above to register for *The Baker Group's Regulatory Update* webinar.

Baker MBS Market Strategies

The MBA's mortgage applications index increased 1.3% from last week, with refi volume up 2.5% and purchases down 2.3%. The most notable change on the week came from a 12.1% increase in government applications, reaching the highest level since June 2013. [Read More.](#)

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Take This Week's CBAI Quick Poll

Take this week's [Quick Poll](#) if your bank currently offers a personal financial management solution (PFM). [Click Here](#) to view results of previous polls.

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SHAZAM: Advertising at the ATM

A New York startup company is hoping to convince ATM users to watch ads in lieu of paying a fee to use their ATMs. The ATM video screens also relay national and local news through a partnership. The startup has launched more than 50 ATMs across Manhattan, Queens and Brooklyn in hopes of generating enough revenue from advertising to offset fee revenue. The company plans to eventually expand to Boston, Philadelphia and Washington, D.C. Interestingly, this concept may have a negative impact on large financial institutions (FIs), potentially opening the door for community FIs to attract some of these potential converts. [Read SHAZAM Blog.](#)

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CBAI Legal: Contractor's Platting Insufficient to Enforce Mechanic's Lien

On January 27, the Third District Illinois Appellate Court ruled in the case of Christopher Burke Engineering vs. Heritage Bank of Central Illinois that a contractor is not entitled to enforce a filed mechanic's lien against opposing interests of a secured lender bank in circumstances where the only service or benefit provided by the contractor was preliminary platting of vacant real estate intended for development and there was no evidence that the platting enhanced the value of the property. For more details on the case, [Click Here.](#)

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Recruiting New Bank Directors - Is Your House In Order?

Banks need to keep in mind that prospective director candidates will likely be conducting due diligence on the bank at the same time the bank is conducting due diligence on the candidate. To ensure that your bank can attract top candidates for board positions, there are certain guidelines to consider before the recruiting process begins. [Learn More.](#)

RECRUITING NEW BANK DIRECTORS - IS YOUR HOUSE IN ORDER?

Cathy Ghiglieri
President, Ghiglieri & Company

Many banks need to add new board members because some are reaching a mandatory retirement age or because others who agreed to stay through the financial crisis now want to rotate off the board. Banks need to keep in mind that they will be under close scrutiny by any prospective candidate who will be conducting due diligence on the bank at the same time the bank is conducting due diligence on the candidate. In order to ensure your bank can attract top candidates for board positions, consider the following before beginning the recruiting process:

(1) Needs assessment: The board of directors should conduct a needs assessment to identify which qualities and skills in new board members would augment the skill set of the current board.

- Does the board need someone with steep knowledge of banking, such as a former banker or regulator?
- Is the board lacking knowledge of a particular product or service being offered by the bank?
- Does the board need a local community leader?

Identifying the knowledge and skills the board needs is critical to ensuring a satisfactory recruiting process.

(2) Corporate Governance: While all potential board members will likely inquire first about the amount of the bank's Directors & Officers Liability Insurance coverage, the more knowledgeable candidates regarding banking will also inquire about the corporate governance practices, i.e. the manner in which the bank is overseen by the board of directors. The board should determine how answers to the following questions would affect the recruiting process:

- Does the bank have an outside, non-executive, chairman of the board?

- What is the composition of the board by gender, skill set, and number of outside directors?
- How are agenda items gathered for board meetings?
- Is there dialog between board members at the meetings or do board meetings consist only of presentations made by management?
- Is there an executive session at each board meeting?
- On which committees would a new board member sit? How are the agendas for committee meetings set? What are the duties of each committee?
- How and when do board members receive information for the board meetings? Does the bank make it easy or difficult for board members to obtain information to make informed decisions? For example, do board members access board packages via a secure portal on the internet a week prior to the board meetings or is access to information made difficult by requiring board members to go to the bank to read the board packages?

(3) *Board Training:* New board members need to make informed decisions from their first meeting, so how they get up to speed on the issues facing the bank is important.

- Is there an orientation session, complete with an orientation manual?
- Is there training for new board members on the banking industry in general?
- What kind of ongoing training is available to board members?

(4) *Strategic Planning:* The OCC's Semiannual Risk Perspective for Spring 2014 states that "strategic risk remains high for many banks."

- Does the bank have a strategic plan and how often is it reviewed by the board?
- What strategic planning process is in place and how involved is the board?

(5) *Board Assessments and Peer Evaluations:* Board assessments and peer evaluations are part of good corporate governance.

- Has the board completed a board assessment, which is an evaluation of how well the board is overseeing the operations of the bank? If so, what are the areas that have been identified for improvement?
- Has the board performed peer evaluations, which are evaluations of each individual director's performance on the board? If so, what type of assistance is given to directors in need of improvement?

There is no better time to get your house in order than when guests are due to arrive, and likewise, reviewing these five topics, and perhaps making some adjustments ahead of the search process, will pay dividends in attracting new board members.

Ms. Ghiglieri is the former Texas Banking Commissioner and is President of Ghiglieri & Company, a bank consulting firm based in Austin, Texas. She is the co-author of "The Ultimate Guide for Bank Directors." Contact her at cathy@ghiglieri.com or visit her website at www.ghiglieri.com.