

COMMUNITY BANKER

THE OFFICIAL PUBLICATION OF THE MONTANA INDEPENDENT BANKERS ASSOCIATION

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Andrew West

It's April Fool's Day today, and I cannot help but think about how crazy the world has become in a relatively short time. I'm not quite sure who the fools are, but I may have some idea! One thing I do know is that my time as MIB President is winding down, and it would be foolish not to reflect on the past few years and see what I can glean from my time as the MIB President.

When I found myself occupying the President's seat, I wondered how things might go during the next couple of years. I had high hopes of possibly traveling and meeting more MIB bankers and perhaps recruiting some new ones. I love a good road trip, and with the distance between Montana's independent banks and their towns, I was sure I would get to see much of this beautiful state. I didn't anticipate that a worldwide pandemic would shut everything down and keep us all close to home for the better part of two years. Oh, how the turntables turned!

So, my dream of gallivanting all over Montana recruiting new members and shoring up old relationships kind of went up in smoke or maybe died behind a surgical mask, so to speak. In the end, we did what we could at the MIB to keep the association working on behalf of all Montana independent banks. We launched a new digital advertising campaign designed to bring community bank


awareness to all Montanans. We all believe we bring something special to our communities in the way of financial support and community involvement.

It is imperative we continue to beat this drum so the people of this great state – and the nation, for that matter – don't forget they have an ally in community banks. The MIB tirelessly fights the good fight and works with our national affiliate, the ICBA, to pressure lawmakers to do the right thing on behalf of community banks in Montana. We also keep a very close eye on the state legislature to ensure they act in the best interest of all Montanans and particularly those who rely so much on independent community banks. Most small Montana towns have an independent bank that is a vital community partner. So, the MIB is ever vigilant, ensuring we can do what we do unencumbered without unnecessary or overreaching laws. We believe in the mission of service and the importance of community banking in Montana.

As I look back on my tenure as MIB President, one thing remains abundantly clear. The bankers of Montana are some of the best people I've ever met. While we are technically competitors, I've never felt a greater sense of camaraderie than I have when a bunch of community bankers gathers. We all are passionate about what we do, and the unity behind the cause supersedes any hint of rivalry. We all want the same thing, and we all are willing to work for it. I am continually astounded at the quality of the folks encountered as I attend various functions. Bankers are just genuinely nice people who like to help others. I'm very proud to be a part of such a magnanimous group.

While my time as the MIB President is winding down, I will certainly remain on the Board and continue to devote my energies to supporting community banking generally and the MIB specifically. I would urge all of you to get involved with the association on some level and to encourage any of your non-member banker friends to join up. The benefits of a strong organization cannot be overstated. Plus, the absolute fun you can have hanging out with MIB bankers must be seen to be believed. You may even get a tabletop skiing lesson in the bar if you stay up late enough! (If you know Tom, you know!)

Overall, I cannot say enough positive things about the Montana Independent Bankers. I would like to also mention our distinguished and exceptionally competent Executive Director, Jim Brown. Jim has been a constant at the MIB for a long time, and I want to take a moment to publicly thank him for his guidance and friendship. He is a rock and a rock star that adds immeasurably to the credibility of the organization. We appreciate you!

Lastly, to all the people who have become my friends throughout the years and who have been supportive during my time as MIB President, I would like to thank you as well. This time has been a great honor for me professionally, and I am grateful for the opportunity. I have learned so much and benefitted greatly from the MIB and the people behind it. You are all the best! Get involved, make some new friends, and you might be surprised how saying yes positively affects your life. It'll be worth your time, I promise. 

High-quality borrowers on demand.

2021 BHG borrower:

WA FICO: **734**

WA Income: **\$287,000**

Avg Loan Size: **\$109,000**

WA Years in Industry: **20**

WA DSCR: **2.6**

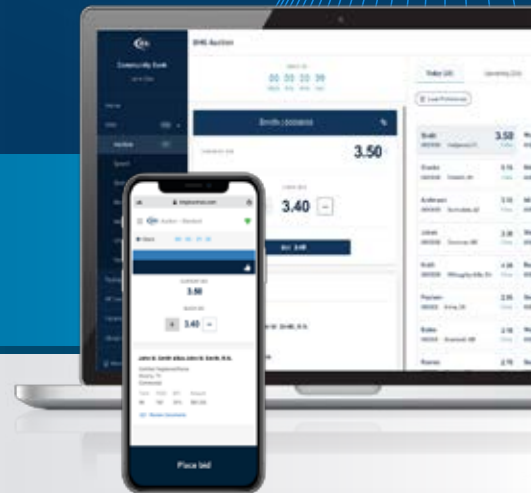


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James E. Brown

Montana is now well into the Spring months. Having grown up in Montana, this is one of the best times of the year to be a resident of the Treasure State. Spring sees the leaves returning to the trees, the grasses are greening up, bears are coming out of hibernation, and the roads into Glacier National Park are being plowed open.

Spring 2022 finds MIB preparing to host its largest member benefit — the Annual MIB Convention and Tradeshow. The MIB Convention is slated for July 27 through July 29. The venue is the scenic Whitefish Lake Lodge located in Whitefish. We will be celebrating the Association's 55th year.

The theme of this year's convention is "One Mission, Community Banks®," a tagline used with permission from our national organization, ICBA. I cannot think of a more appropriate theme for our convention as the slogan reflects the reality that MIB is the only trade organization in Montana whose sole focus is to represent Montana-based community banks.

MIB was formed in the late 1960s by Montana community bankers to promote the health of Montana's community banks and enhance the welfare of Montana's communities. MIB has successfully carried out that mission for over six decades. The importance of MIB's work is being reinforced by events taking place on the national level;

such events demonstrate on an almost daily basis there is a major distinction between the too-big-to-fail banks and community banks.

Since the financial crises of 2007-2009, the assets controlled by the largest 25 banks have grown by more than \$5 trillion, resulting in a renewed threat to the soundness of our nation's financial system. The federal government's regulatory efforts to slow down the growth and influence of these institutions have had the perverse effect of imposing greater hardships on community banks, like yours, that were not the cause or source of the financial meltdown.

I reference the federal government's too-big-to-fail policies in this article discussing MIB's state convention because such policies highlight the continued need for and importance of state community banking organizations, like MIB and its member banks. Community banks serve as the bulwark against dangerous over-concentration in the financial industry and as the frontline for maintaining consumer faith in the industry. To this end, our state convention continues to serve as the best opportunity for you to showcase your important services and find the strength to stand under regulatory pressure.


We at MIB recognize what it means to be a Montana community bank and the pride you take in exemplifying Montana values. That is why we have always chosen to host MIB's state convention at a location within Montana that is easily accessible to our member banks, our associate members, and our vendors.

This year, as noted, the MIB convention will take place in Whitefish. Our convention program will focus on what makes Montana's community banks unique. Because cryptocurrency training and information has been identified as one of MIB's top needs, speaker Dr. Anthony Crawford will present

on this topic. What is more, the Association is excited to announce that ICBA's new chairman, Brad Bolton, will be joining us at the convention. This presents an opportunity for you to hear about what is happening at the federal level directly from the person who oversees ICBA's policy and regulatory decision-making. In addition, the Association expects our trade show participation to be the largest it has ever been. This means that you and your banking staff will have ample opportunity to interact with a variety of service providers and to review the specialized services that help make your institution relevant and profitable.

As usual, the convention activity favorites of golfing and whitewater rafting are available. The annual golf tournament will be held at Whitefish Lake Golf Club. The Middle Fork of the Flathead River will serve as the venue for your rafting adventure. And, of course, MIB will once again host the opening night cocktail reception, the ever-favorite Vendor Cocktail Reception, and the MIB-PAC Silent Auction. These events are designed to give you multiple opportunities to network with your peers in a professional and casual setting.

We are pleased with the program we have put together for this year's state convention. The Association has done its best to ensure that the event will offer you the timeliest education, relevant information, and beneficial trade opportunities possible. We have also made it easier to register for the convention, which can be done online at mibonline.org/convention.

The MIB Board and staff look forward to seeing you in late July. We particularly look forward to renewing and strengthening MIB's relationship with you, as such relationships help us carry out MIB's sole mission — serving Montana's community banks. 

Build a Winning Cannabis Banking Program

GET THE GUIDE TO COMPLIANT CANNABIS BANKING

The emerging legal cannabis industry brings significant growth potential, along with challenging operational demands and complex regulations. But cannabis banking does not have to mean high-risk banking.

To ensure the processes, procedures, technology, and trained staff are in place to serve this industry, bankers need to start with a plan. Having a clear understanding of what is required to serve cannabis businesses and minimize risk to the financial institution will help bankers prepare for the upfront costs associated with cannabis banking and develop the policies and procedures needed to hit the ground running. With regulations varying from state to state, it's a complex industry with high costs, requiring a considerable investment of time and energy.

Compliant banking operations require continuous enhanced due diligence to help guard against risks such as:

A Robust Illegal Market. According to New Frontier Data, the legal cannabis market in the U.S. is expected to reach \$41 billion by 2025. Unfortunately, the illicit market, valued at \$65 billion by some estimates, is shrinking at a slower pace. Financial institutions must ensure that funds coming through their doors are from legal channels.

Bad Actors. To ensure bad actors are not attaching themselves to good businesses, enhanced due diligence conducted around underlining beneficial owners will continue to be at a heightened level for the foreseeable future.

Legacy Cash. Because the cannabis market existed as a cash business long before legalization and because the industry continues to operate largely as a cash business, a strong BSA/AML program will help ensure that funds coming into the financial institution are from legal cannabis operations.

While the added burden and cost associated with serving this industry may limit the total number of participants in the short term, we expect competition from financial institutions to steadily increase as more states launch legal programs and we get closer to federal recognition.

Financial institutions that invest in technology to improve efficiencies and lower costs today will be able to scale as the industry grows and have a competitive advantage when the economics of the industry change over time and new banks and credit unions enter the market.

Informed by the experiences of pioneering bankers across a growing number of states with legal medical and adult-use programs, the Shield cannabis banking playbook defines a path forward for financial institutions to serve cannabis-related businesses compliantly while benefiting from the financial rewards of this market.

Cannabis banking, simplified.

Shield Compliance transforms how financial institutions manage risk, comply with regulations, and address the operational demands of the legal cannabis industry.

shield assure

Compliance management for financial institution daily operations, including case management and automated reporting.

shield engage

Informed account application process for underwriting and onboarding cannabis business accounts.

shield transact

Compliant mobile payment and payroll solutions to reduce cash transaction dependency.

See how Shield Compliance is helping financial institutions earn the benefits of a compliant cannabis banking program.

✉ info@shieldbanking.com

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ShieldBanking.com/cannabis-banking-playbook





My bank’s tagline is “Where dreams meet solutions,” and it serves as my guiding inspiration at the bank and, now, at the national level. As community bankers, our customers depend on us to keep their dreams alive.



In today’s tumultuous environment, optimism is a skill worth cultivating. Thankfully, that glass-half-full attitude comes naturally for community bankers. So, as I take the helm as ICBA’s chairman, I do so with a healthy dose of positivity.

My bank’s tagline is “Where dreams meet solutions,” and it serves as my guiding inspiration at the bank and, now, at the national level. As community bankers, our customers depend on us to keep their dreams alive.

Think about the thousands of small businesses across the nation facing permanent closure at the beginning of the pandemic; we kept them afloat by working countless hours to secure Paycheck Protection Program loans. Or consider our work to stop the IRS reporting proposal; we went the extra mile to oppose that governmental dip into consumer and business privacy.


We take these actions because we are community continuators. We’re more than just banks. Our success leads to the success of the communities we serve. As community bank leaders, the burden rests on our shoulders to make good decisions, so our banks can support the next generation of customers and employees.

Thankfully, we have ICBA as a partner in this work. I became involved in the association precisely because I want to do my part to ensure every community in the U.S. has a community bank on which it can rely. I see three ways in which we can accomplish that goal:

1. **Advocacy.** We need to continue our regulatory wins. What’s more, we need to ensure agency heads and policymakers know and understand the difference

between our business model and that of “too big to fail” banks, nonbank lenders and credit unions. They need to see the community bank difference.

2. **Innovation.** Technology is the great equalizer. Today, we can offer the same services as the largest institutions in the world, but we bring a high-touch relationship along with it.
3. **Education.** Community bankers have a never-ending quest for knowledge on behalf of our customers, but we also need to invest in the next generation. We must develop a strong lineup for the future of our businesses so our banks remain viable, thriving parts of our communities.

These are big asks, but ones we can accomplish together. You have my commitment to be accessible, responsive and accountable. I ask that you continue to keep advancing your banks and communities. With our inherent drive and positivity as a guide, our efforts will ensure every community in America has a community bank in its corner now and in the future. 

My Top 3

Take these three steps to deepen your ICBA connection and strengthen your bank’s efforts:

1. Read and tweet NewsWatch Today.
2. Schedule a virtual visit to the ThinkTECH Accelerator.
3. Send your leaders to the LEAD FWD Summit (stay tuned for dates).

Connect with Brad Bolton, Chairman ICBA at @BradMBolton.



This Community Banking Month, I invite you to try something new to spread your story. Share a new development, community project or initiative.




As community bankers, we know relationships matter. Our actions in support of local schools, nonprofits, businesses and other community institutions make a difference, and when our customers see our commitment to our communities, it deepens their connection with us.

That strengthened engagement translates to stronger business as well. A 2015 Harvard Business Review study found that emotional connection is twice as valuable as customer satisfaction, and a 2017 Capgemini report concluded that emotional ties can drive a 5% increase in annual revenue.

But when I think back on my days as a community banker, it's not the dollars and cents that stick with me; it's the customer stories I remember. I used to love collecting customer testimonials because I would hear stories of how, for example, a local business that opened a deposit account on the day the bank opened was now a community fixture being run by the second or third generation. In my experience, there's nothing more gratifying than to see a local business thriving and know your bank was part of it.

These are the stories worth telling, the ones that show our commitment to our communities and the people in them, and they extend far beyond the banking relationship. Consider Watermark Bank in Oklahoma City, Okla., and how it trained its team to serve as substitute teachers during a staffing shortage. Or look at our new chairman's bank, Community Spirit Bank in Red Bay, Ala. Like many of your banks, it celebrates with the community — whether it's chocolates on Valentine's Day, tree trimmings at Christmas or pumpkin carvings at Halloween — and captures a snapshot of those activities on social media.

Sharing our stories is as simple as documenting what we're already doing. For example, as new customers are opening accounts, we can note why they chose our banks and use that feedback. When our teams are out at board meetings, service events or community gatherings, they can take pictures and post what they're doing on social channels. We can also use employee surveys to learn how they support the community and empower them to recount those experiences. It's about taking that next step to communicate how we engage.

So, this Community Banking Month, I invite you to try something new to spread your story. Share a new development, community project or initiative. And tag ICBA in your social media posts by using the hashtag #BankLocally so we can help tell your story and further that message. Together, we will ensure the entire nation knows exactly what it means to be a community bank. 

Where I'll Be This Month

I'm headed to Memphis to meet with our state and regional partners, and then I'll be engaging with the team at CRA Partners.

Rebeca Romero Rainey, President and CEO, ICBA



BHG Financial

BHG Financial is transforming the financial industry — leveraging the power of data, analytics, and cutting-edge technology to become the number one source for professional loans and the creator of the largest community bank network in the country.

In 2001, BHG Financial's founders set out on a mission to provide professionals with a better lending experience — one that was simple, efficient, and catered to their unique needs. Built around the belief that hard work prevails, BHG Financial quickly grew from a team of three to over a thousand, including a specialized group dedicated to working with community banks.

To date, BHG Financial has originated more than \$10 billion in loan solutions to top-quality borrowers. What does a top-quality borrower entail? To BHG Financial, it means the following:

- Weighted average FICO: 736
- Weighted average income: \$287,300
- Average loan size: \$108,300
- Weighted average years in the industry: 20

These exclusive top-tier loans can be accessed and purchased by community and midsize banks through a state-of-the-art loan delivery platform: the BHG Loan Hub.

By purchasing loans through the company's proprietary and web-based Loan Hub, community banks can diversify their portfolios and earn interest income. To date, the 1,400+ banks that make up the BHG Bank Network have earned nearly \$1 billion in combined interest income on these top-quality professional loans. Since 2001, no bank has ever taken a loss on the BHG Core Loan portfolio.

Building on two decades of innovation, the BHG Bank Network Membership offers a full suite of programs that include the following:

- **Commercial and consumer loans** — Diversify your portfolio with BHG Financial's time-tested and proven assets. More than \$10MM in top-quality loans are available for purchase daily through the BHG Loan Hub.
- **Digital lending** — Offer consumer financing to your customers online — with no additional risk on your



To date, the 1,400+ banks that make up the BHG Bank Network have earned nearly \$1 billion in combined interest income on these top-quality professional loans.



balance sheet. Tap into BHG Financial for origination and marketing support, and earn 2% immediate revenue off the total funded loan amount.

- **SBA 7(a) loan referrals** — Earn fee income with ease by referring small business customers to Fund-Ex Solutions Group, BHG Financial’s wholly-owned subsidiary.
- **Collection services** — Reduce your accounts receivable while protecting your brand. CCMR3 takes an empathetic, consultative approach to collections that is proven to recover revenue.
- **Risk management services** — Keep your bank ahead of regulatory and compliance changes by tapping into the experience of former regulators from the OCC, CFPB, FDIC, Fed, and more. RMSG provides an affordable suite of services to help your institution control risk.
- **Point-of-sale financing** — Earn fee income by helping healthcare providers, home improvement contractors, and other merchants in your community grow their businesses with customizable financing tailored to their customers’ needs. Refer your network to NaluPay.

and the price risk. With data from over \$50 billion in underwritten loans, the analytics team has gained unmatched insight into its borrowers’ industries, characteristics, and performance.


Using this enormous amount of data, the analytics team works closely with BHG Financial’s full-service, in-house marketing department to develop highly targeted campaigns. This results in more than 43,000 professionals coming to BHG Financial each month looking for financing. And with BHG Financial, these clients receive a unique combination of loan features. The company provides large amounts, extended terms, fast funding, low monthly payments, and white-glove concierge service.

With record growth year after year, BHG Financial continues to be recognized regionally and nationally, earning a spot on the Inc. 5000 for 14 years running and receiving accolades from Great Place to Work® and Fortune magazine, among others. BHG Financial is 49% owned by Pinnacle Bank (PNFP), a \$38.5 billion asset bank, and has headquarters in both Davie, FL and Syracuse, NY.

Each of the above solutions was launched to solve a particular need in the financial community, and every service is built to support the growth of banks. Since the company’s launch, BHG Financial has worked hand in hand with financial institutions to help them increase their bottom lines.

BHG Financial is neither a true fintech nor a traditional bank — it embodies the best of both with top-notch data, analytics, technology, marketing, underwriting, compliance, speed, and customer service. This combination has led to BHG Financial originating record volume from today’s high-earning borrowers with top-tier credit scores.

Carving its own niche as a financial quantitative service company, BHG Financial uses quantitative analysis to determine the performance potential of every borrower

BHG Financial is constantly motivated to push the limits — and financial institutions — achieve success. As BHG Financial continues to grow as a company, they look forward to partnering with even more banks in the future. Their aim is to consistently build new solutions that support financial institutions as they diligently serve their local communities. 



To learn more about BHG, contact Keith Gruebele, EVP, Institutional Relationships, at 954.737.5318 or kGruebele@bhgbanks.com. Or visit our website at bhgloanhub.com/keith.

RISING TIDE

Bonds To Own for a Rate Hike Environment

By Jim Reber, ICBA



Community bankers are nothing if not predictable, and I mean that as a compliment. They are bright, enterprising, have a nose for the risk/reward dynamic and a sense of duty and loyalty to their customers and staff. They're also deathly afraid of rising interest rates.

The last is understandable, speaking as one who has: A) worked for a bank when overnight rates were double-digit; B) personally borrowed money for a home at 12%; and C) worked in financial services during the near-death of the thrift industry. We know how low rates can go. What we don't know is how high they can go, nor for how long.

But what's a bit curious about this widespread fear is that by a number

of measures, community banks in 2022 stand to profit from higher interest rates. This comes from banking regulators, interest rate risk modelers, and even bankers themselves. I suppose the notion of a bond portfolio losing four, five or six percent of its value drives some of this thought process. So, as we haven't had to endure a rate hike scenario since 2018, we'll use the rest of this column to remind ourselves which bonds stand a good chance of performing well if higher rates do indeed prevail in the near future.

Old school

Certainly, the bonds that fit the most traditional definition of a floater have very short reset periods, are indexed to money market

equivalents, and have large or no caps, both periodic and lifetime. The model for such security is a Small Business Administration (SBA) 7(a) pool. These securities float based on the prime rate, which is 100% correlated to fed funds. Most SBAs reset monthly or quarterly and have no caps — so wherever prime goes, so goes your yield.

The rub on SBAs, at least from a risk standpoint, is that many of them come with large premium prices of 108, 109 or even higher. This exposes the investor to unwelcome prepayments. Still, the many benefits (have we mentioned 0% risk weighting?) make them attractive to short investors. It's not uncommon for them to yield around prime minus 2.75%, which will beat fed funds by about 25 basis points (0.25%). They are true money market alternatives.

Mortgage floaters

These days there are few true mortgage-backed securities (MBS) floaters. The ones that do exist usually have an extended period of time with a fixed rate before they convert to adjustable. This "extended period" can be three, five, seven years, or more, so they're really not floaters yet. However, one day they will adjust and help their market value stay relatively stable.

Something new about these is that the Secured Overnight Financing Rate (SOFR) index is becoming more visible. SOFR is the U.S. alternative to London Interbank Offered Rate (LIBOR), and it has generally tracked fed funds so far. And, since these will have prices closer to par, the investor doesn't

have to take a gigantic bite of prepaying risk. Starting yields are wholly dependent on the fixed-rate period and other variables, but they deserve a look.

Clip coupons

Even if you don't own a floater, an easy-to-execute trade that will help limit your price volatility is "up-in-coupon" securities. It doesn't matter if they're MBS, agencies, or munis: The bigger the stated interest rate, the greater the cash flow and the lower the duration.

The best example of this strategy is a tax-free municipal bond that has a big stated interest rate, or "coupon." It's common to see a newly hatched security with a 4% rate that comes to market at an original issue price of 120 or more. This is a quality to be embraced. For one thing, the fact that the yield is tax-free makes the security less volatile than a taxable


bond. If (and when it appears) interest rates rise, the large interest payments will further help keep the value of the bond from falling off the table.

Do-it-yourself

There's another way to inject floating rate securities into your bond portfolio, and that's to build them yourself. It's a simple task to buy and own a collection of long-duration municipal bonds — that's how they typically come to market. A recent innovation is the ability to execute an interest rate swap to instantly, or at some designated point in the future, turn the munis into floaters.

Interest rate product providers are equipped to price out transactions whereby a community bank can convert a bond, a collection of bonds, or a subsector of your balance sheet into short-duration assets that will see their yields

improve every time the Fed has a "policy adjustment." Maybe the best news is that these transactions can now be executed in sizes that fit your community bank's needs.

How many rate hikes might we see this year? That's the subject of myriad conversations around the board room, water cooler, and ALCOs. I'm pleased to report that investments built for rising rates can take on a variety of appearances and are fully accessible to your community bank. 



Jim Reber
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How Financial Institutions Can Support Financial Inclusion

By Terry Ammons, CPA, CISA, CTPRP, Partner, WipFli

More financial institutions are focusing on improving financial inclusion as the pandemic continues to expose inequalities in access to services. Some institutions have already worked underserved, and under-banked communities are actively engaged in solving the issue, but others might be wondering how to get started.

The challenge is identifying how to best serve under-banked and underserved consumers to effectively meet their needs and build trust in a risk-responsible manner. Serving these markets often means filling a crucial role and providing a better alternative to existing services.

In many under-banked markets, there is an accessibility issue. Many consumers do not have access to financial institutions' branches and instead use check cashing and payday lender storefronts, which may be more common in their communities. And while their rates and fees are often exorbitant, these companies thrive by providing extended service hours and displaying clearly defined fee structures right at the counter or window.

Financial institutions that can find ways to offer their services while avoiding barriers like extreme minimum-balance requirements and traditional banking hours will be much better positioned to connect with those who want — and need — equal access to financial institutions.

Partnering for financial inclusion

One strategy many financial institutions are now employing is partnering with fintech companies specializing in financial wellness and inclusion. In recent years, partnerships have been on the rise, with

the financial institution placed in the forefront and the fintech company operating more behind the scenes.

However, with many of the partnerships related to financial inclusivity or wellness, the roles are often reversed. A good example is the credit builder accounts offered by fintech company Chime. These accounts provide a credit card with initially limited capabilities that grow over time with the account holder, based on usage. Though there is an FDIC- or NCUA-insured financial institution behind these accounts, the service and card are provided — and branded — through Chime.

While these partnerships can prove beneficial for both, there are obligations for each to consider, such as whether a product or service is the right fit for a particular customer or member.

Most financial institutions have the expertise (and the data) to understand that even if a borrower is qualified for a loan or credit product, a wider view of other factors like asset and credit data could indicate that it may be too much of a debt burden for the applicant to handle responsibly. If not, fintech companies are only creating more of a burden on these underserved communities.

Before considering a partnership with a fintech, it is important that financial institutions have a very clear vision and understanding of their financial inclusion and wellness programs and what they hope to achieve. This means creating policies with well-defined, measurable goals and sticking to them.

Financial institutions sometimes commit to a program without first defining goals or even what success

looks like and then attempt to implement procedures afterward. This often leads to a suboptimal outcome before it even starts, and the institution runs the risk of being accused of simply “virtue signaling” when it comes to its financial inclusion initiatives.

Compliance, risk and regulatory concerns

Financial institutions operate under specific regulatory standards, and fintechs must understand and appreciate these requirements because regulators can — and will — come for either of them if a problem occurs.

Both should thoroughly vet potential partners to ensure they are in line with visions, expectations and compliance requirements needed for any program’s policy. This will make ongoing reporting and monitoring much easier for both sides because everyone will be aware of agreed-upon measurements (and who is accountable for what).

For financial institutions, risk is always the major factor when it comes to loans and credit products. While all areas of banking have some level of inherent risk, most tend to be more frontloaded. For example, once a deposit account is confirmed and approved, it becomes only a profitability decision or concern (e.g., account limits/requirements, interest rates, fee and maintenance costs). This is not the case with lending or credit since the supporting financial institution will take on more risk with each new loan decision.

Leveraging AI/ML technology

Technology may be the answer for financial institutions wanting to be more inclusive in their decisions without drastically increasing their risk.

Often, the best way to reach and serve today’s under-banked communities is through the right app or platform. Solutions that are quick with user-friendly interfaces and available anywhere, anytime can make banking much easier and much more accessible.

When leveraged and monitored appropriately, technologies like artificial intelligence (AI) and machine learning (ML) solutions can further enhance banking experiences. These technologies can streamline lending processes for consumers while helping financial intuitions make better informed, more inclusive lending decisions.

In most cases, the two fundamental questions regarding lending are “Can the borrower afford to pay it back?” and “Is this borrower an acceptable risk for the institution?”

While traditional credit scoring has been the standard for years, fintech companies are increasingly helping to enhance and fill in the gaps often left open by



Often, the best way to reach and serve today’s under-banked communities is through the right app or platform.




this method. AI/ML technology that augments credit decisioning can help financial intuitions incorporate new, alternative credit data into these processes, allowing them to responsibly consider borrowers who may have lower credit scores but are still reasonable loan risks versus those who are not.

However, these solutions come with some inherent risks that should be carefully considered prior to implementing them. They are designed from sophisticated decisioning models, leveraging proprietary algorithms, protocols and judgment to function.

Unfortunately, this means they can be subject to bias, which could create problems — compromising a program’s intended purpose and/or function. It is vital that fintech companies offering these technologies are aware of the inherent risks and possible weak points for bias to creep in, while financial institutions must understand where and how much they are relying on these models for their financial inclusion programs.

To ensure these platforms remain unbiased, financial institutions need to create comprehensive, stringent monitoring procedures to continuously assess these technologies.

The scrutiny and demand for increased financial inclusivity are growing. Financial institutions and fintech companies are perfectly positioned to help close many of the financial inequality gaps that under-banked and underserved communities have faced for years.

Financial institutions and their fintech partners that can step up and step in to reach out and meet the needs of these customers and members can establish themselves as trusted partners, creating deeper relationships and long-term opportunities for all sides. 



SPRING 2022

By Bill Showalter, Senior Consultant, Young & Associates, Inc.

Young & Associates provides banks and thrifts with support for their compliance programs, independent reviews, and in-bank training, as well as a full menu of management consulting, loan review, IT consulting, and policy systems.

BSA. Q: We found that one of our customers is providing services that make it a money service business (MSB), but it is not registered. What should we do?

A: The Financial Crimes Enforcement Network (FinCEN) states in its BSA Manual that registration with FinCEN, if required, and compliance with any state-based licensing requirements represent the most basic compliance obligations for MSBs. Therefore, it is reasonable and appropriate for a bank to require an MSB to provide evidence of compliance with such requirements, or to demonstrate that it is not subject to such requirements due to the nature of its financial services or its status exclusively as an agent of another MSB(s).

FinCEN asserts that a bank should file a Suspicious Activity Report (SAR) if it becomes aware that a customer is operating in violation of the MSB registration or state licensing requirement. FinCEN also notes that there is no requirement in the BSA regulations for a bank to close an account that is the subject of a SAR. The decision to maintain or close an account should be made by bank management under standards and guidelines approved by its board of directors.

HPA. Q: I am finding mixed messages as to whether the private mortgage insurance (PMI) disclosures are required for loans on investment rental properties. I have been going back and forth on this issue. Which is it?

A: The Homeowners Protection Act (HPA) — there is no implementing regulation — covers only consumer-purpose loans (those for personal, family, or household purposes), so it does not apply to loans involving non-owner-occupied investment properties.

A covered “residential mortgage transaction” is a transaction in which a mortgage, deed of trust, purchase money security interest arising under an installment sales contract, or equivalent consensual security interest is created or retained against a single-family dwelling that is the principal residence of the mortgagor to finance the acquisition, initial construction, or refinancing of that dwelling.

TISA. Q: I’m comparing the fees disclosed on a Truth in Savings account disclosure to a monthly statement for the same deposit product. The account disclosure describes the fee as “A dormant account fee of \$2.00 per month will be charged after three years of inactivity.” The description on the statement is “Service Charge.” Doesn’t the disclosed name of the fee have to be the same or similar enough for the consumer to determine what the fee is for?

A: Yes, you are correct. The Official Staff Commentary on Regulation DD requires that financial institutions must use consistent terminology to describe terms or features required to be disclosed. The example given in the Commentary is that if an institution describes a monthly fee (regardless of account activity) as a “monthly service fee” in account-opening disclosures, the periodic statement and any change-in-term notices must use the same terminology that consumers can readily identify the fee.

TILA. Q: We have a loan to a husband and wife, secured by their home. The wife is the only one on the deed and mortgage. However, our lending team gave both husband and wife rescission notices. But I thought it should be given only to one who is on the deed. Is this correct?

A: Yes, that is the general understanding (though you might want to consult with the bank's legal counsel to understand what is considered an ownership interest in your state). "Ownership interest" does not include inchoate rights such as dower (or curtesy, the male/husband's equivalent of dower) according to the Official Staff Commentary on Regulation Z.

EFTA. Q: When crediting back an amount from an ACH dispute, we call the customer. If no contact is made, should a letter be sent?

A: An attempted phone call does not "provide notice" to the customer. Yes, the bank is permitted to notify the customer either in writing or orally (other than if it finds no error), but the key is to notify them – not just try to notify them. Written notices (with copies to file) are generally a better way to document that a required notice was given.

BSA. Q: We are in the process of developing an online account opening. We have a lot to do yet, but our core processor is making our go-live date next week.

A: I am looking at the customer identification program (CIP) section of our BSA Policy and identification we require for in-person account opening. I am getting pushback about requiring secondary identification (ID), as it will slow the online opening process, and we are not sure if the product will even ask for a secondary

ID. It initially will not be an issue because only existing non-business customers will be able to open accounts online, and the option to do so will be contained within online retail banking.

We know the system will require a primary ID. But after we open the product up to new customers, it will be more crucial. I am trying to make the account opening process consistent across both channels. I am looking at the FFIEC BSA/AML Examination Manual, and it doesn't require but does encourage banks to review more than one document for identification.

Do you know how other banks are dealing with the secondary ID issue for online account opening?

A: BSA requires a "risk-based" approach, and online account opening is generally considered a higher risk. As you noted, there are no specific guidelines for secondary ID requirements.

Some banks require secondary IDs for online account opening and have not reported any issues. With respect to the online platform/system, the bank should ensure that it meets its CIP requirements.

Before the bank opens this up to everyone, it may have to find a new way to do CIP. There are numerous companies out there that will do it electronically for the

Continued on page 16



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If your bank does not have a formal preapproval program in place, this is a request for a prequalification. Preapprovals are reportable under HMDA, while prequalifications are not.



Continued from page 15

bank, which can be used for online and offline account openings. The bank's core processor can probably help find such a vendor.

EFAA. Q: A customer brings in two checks to deposit into their account — one for \$5,000 and one for \$8,000. If we want to invoke a “large deposit” exception hold, does it apply only to the \$8,000 check or the aggregated checks deposited on the same day?

A: The latter, the “large deposit” exception, is applied to the aggregate of all checks deposited into a transaction account during a banking day.

HMDA. Q: We have a request from a self-employed applicant who provided their tax returns but does not have a home lined up yet (no address). Is this considered a “preapproval” request?

A: Maybe, depending on what your bank has in place. If you have a formal preapproval program that meets the criteria spelled out in the Official Staff Commentary on Regulation C, 12 CFR 1003.2(b), Comment 3. If your bank does not have a formal preapproval program in place, this is a request for a prequalification. Preapprovals are reportable under HMDA, while prequalifications are not.


TILA/EFTA. Q: We would like to begin offering a reduced interest rate on consumer loans for automatic transfers for loan payments. This will not be a requirement for getting a loan but will be offered as an option for reducing the customer's interest rate. We plan to discuss it with applicants, which will be disclosed in the note/disclosure. Are there any other regulations or disclosures we need to consider or provide?

A: Two different federal regulations come into play here. One is Regulation Z. If the reduced interest rate

will increase to its undiscounted level should the auto-payment cease (due to consumer choice, insufficient funds, or some other reason), then this is considered a variable-rate loan and appropriate TIL variable-rate/ARM disclosures must be given, even if the underlying interest rate is otherwise fixed.

The other rule that could apply is Regulation E. If the automatic payment is to come from another financial institution, then the bank will need to obtain written permission from the consumer before beginning these auto-payments. While Regulation E exempts intra-institutional transfers from this requirement (they are not considered “electronic fund transfers” under the regulation), many institutions go ahead and get written authorizations in this case, too. That way, lending personnel consider it just a routine part of the process regardless of payment source.

Insider Credit. Q: An “insider” pledges collateral for a loan but will not be a borrower/ signer on the loan. Is this an “extension of credit” to the insider under Regulation O? Our exam team was hesitant to provide a definitive answer.

A: The examiners may have been hesitant because the answer is, “It depends.” If the insider is merely putting up some collateral and will receive no benefit from the loan, then it is not an “extension of credit.” However, if the insider will benefit, then the “tangible economic benefit rule” in Regulation O comes into play, and the loan is considered an “extension of credit,” subject to all applicable Regulation O provisions (prior approval, non-preferential terms, lending limits, etc.). 



Young & Associates provides banks and thrifts with support for their compliance programs, independent reviews, and in-bank training and a full menu of management consulting, loan review, IT consulting, and policy systems.

Remember to Connect “Early and Often” with New Employees

By Bob Greening, UBB



As the competition for quality employees increases and hiring needs escalate, there's more pressure for banks to improve their onboarding process. The last thing a community bank wants to do is restart the time-consuming (and often expensive) hiring process because a new employee voluntarily leaves after just a few months.


It is critically important to talk with new employees soon after their first day to uncover potential or hidden issues. Don't wait until their performance or behavior indicates a potential problem, and don't wait for their official performance review. By then, it may be too late, and the employee could be halfway out the door.

Make it a point to meet with new hires within their first 30-60 days at the bank. Start by reminding them you're glad they're here and value their input. Ask some of the suggested questions listed below.

Splitting the questions up into short discussions with various people in the company may put the new employee at greater ease. Ultimately, your goal is to discover what they do/don't like about the job, environment and/or bank and be sure their expectations

are being met, which will enable you to nip any problems in the bud.

- Why do you think we selected you as an employee? (This question may surprise the new employee but, at the same time, boost their confidence.)
- What do you like about the job specifically and the bank overall? Can you compare the bank/job to our explanation during the hiring process and orientation? Is there anything you don't understand about your job specifically or the bank?
- What's been going well? What are the highlights of your experiences so far, and why?
- What hasn't gone well, and are there any lowlights you have encountered?
- Concerning time, do you have enough, too much or too little to do your work?
- How do you see your job relating to the bank's mission? (Hopefully, you've already presented the mission before hire and at orientation.)
- What do you need to learn to improve, and what can the bank do to help you become more successful in your job? (To keep from building false expectations, this question should only be asked if you are prepared to follow up with the request.)
- Which co-workers have been helpful since you arrived? (This helps the bank identify which employees can be influential to retaining the new hire.)
- Who do you talk to when you have questions about work, and do you feel comfortable asking?
- Does your supervisor clearly explain what the bank expects of you? When your supervisor offers constructive criticism or corrects your work, how do you feel about it?
- How well do you get along with co-workers? Have you had any uncomfortable situations or conflicts with supervisors, co-workers or customers?
- Do you believe your ideas are valued?

Finish the discussion by asking employees if they have any questions or suggestions on how to manage the job better. This overall approach helps to demonstrate the bank's genuine interest in its employees and goes a long way towards increasing your employee's retention. 

It's Time to Dust Off Your Economics Textbooks and Develop a Marginal Cost of Funds Culture

By John Biestman, FHLB



Rising Rates: It's Time to Implement a Marginal Cost Culture in Your Bank

Rates are on the rise. Banks are watching what their competitors are doing with their deposit rates. Richard H. Thaler, Behavioral Economist and recipient of the 2017 Nobel Prize for Economic Sciences, once summed up the human gut-level emotion of peer pressure and competition: "An especially good way to gain weight is to have dinner with other people. On average, those who eat with one person eat about 3% more than they do when they are alone; members of a group of four eat about 75% more; those in groups of seven or more eat about 96% more."

Being Mindful of Decision-Making Biases

The current rate environment stirs up the competitive juices of many a bank, causing deposit pricing decisions to come from error-prone biases as: availability (this just happened), outcome (that's never happened), confirmation (that's what I thought would happen) and salience (fear factor) and even the ostrich effect (that can't possibly happen). To temper decision-making biases, now is a good time to pull out your college microeconomics textbooks and instill a marginal cost of funds culture within your bank.

The Role of Marginal Cost in Deposit Pricing

You remember the marginal cost equation, right? In any profit-seeking enterprise, it's the relationship

between the change in a firm's total cost relative to the change in the quantity of goods produced. If your marginal cost exceeds your marginal revenue, you're out-of-the-money. In the case of banking, the same concept would apply, especially in the areas of deposit pricing and promotion. Economic theory would dictate that if you are able to attract deposits at an incremental rate that is less than your marginal cost, you will attract funds below your marginal cost. The worst thing you can do is attempt to attract deposits at a rate that is higher than your marginal cost.

When it comes to deposit pricing, especially when you're launching defensive strategies, it's critical to get your bank to understand the concept and adopt a marginal cost culture. You'll see that shifting to a marginal cost of funds mindset will help you minimize the cost of obtaining funding and force you to think about how your rate-sensitive members might impact any incremental deposit growth, as well as how varying degrees of rate sensitivity might alter your cost of obtaining funds in a rising rate environment.

Building an Effective Defensive Marginal Cost of Funds Strategy in a Rising Rate Environment

You've likely seen an inordinate degree of deposit growth in recent years. It's been a tough environment in which to invest your low-cost source of funds. What will break the snap? The end of the zero-interest-rate



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When it comes to deposit pricing, especially when you're launching defensive strategies, it's critical to get your bank to understand the concept and adopt a marginal cost culture.


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policy? A decline in the savings rate? Reallocations of deposit dollars? Either way, you'll need to assess your cost of funds not by gut or based upon what the competition is offering but by looking at how much it costs to fund your bank at the margin. Again, you need to consider the impact on your total funding costs for each increment of funding. Like many banks, it's becoming more difficult to obtain non-interest income. It's tough to cover expenses now that many banks are supporting loan-to-asset ratios well below 70%. Growing competition is placing stress on your asset and liability pricing. It's time to adopt a data-driven deposit pricing decision-making culture in order to mitigate margin and earnings, and capital erosion.

Defensive funding strategies involve not having to unnecessarily pay for deposits that would have left your bank anyway, had you decided not to raise deposit rates. Paying up for deposit balances that you were never at the risk of losing can be very expensive. If not now, you may soon be asking yourself the question, "If my competitors are raising rates on their deposits, should I respond in lock-step?" As competitors raise deposit rates, do you "stand pat" and let the rate-sensitive depositors go elsewhere? Or, do you simply match the competition? In the "stand pat" scenario, it's important to model the impact of letting rate-sensitive depositors leave and replacing the foregone funding with readily available wholesale alternatives.

In order to address that pivotal choice, you'll need three basic ingredients: 1) Organization-wide discussion of segmenting rate-sensitive depositors from non-rate-sensitive depositors. That means treasury, lending, retail, and other pillars of your institution working together. 2) A just-in-time funding alternative for accurate comparative benchmarking. An example would be comparing the marginal cost of funding a deposit relative to an FHLB advance of comparable duration. 3) Data analytics that can assist you in quantifying your marginal cost of funding analysis and pricing campaigns. These analytics would include the marginal cost of funds, calculators, and tools that can help you assess the competitive product and market landscape.

Deposit betas are now low but can turn on a dime. We're all watching for that first sign of a competitor's deposit rate hike. Some are looking no further than the online banks to move first. You never know when deposit loyalty becomes more transient, and you'll be focusing on preserving exiting funding levels. At the beginning of a rate tightening cycle, it's important to develop defensive pricing strategies to avoid paying unnecessarily for deposits that would not have left anyway. Marginal cost of funding is not just about modeling various cannibalization and pricing scenarios. It's about instilling a marginal cost culture within your bank. Eleanor Roosevelt had a great answer to the question of whether or not you should match a competitor's deposit rates: "You wouldn't worry so much about what others think of you if you realized how seldom they do." 

FHLB Des Moines has the tools and resources that can help you implement a marginal cost discipline. Feel free to reach out to Eric Jensen, senior vice president/relationship manager, 206-434-0581, ejensen@fhlbdm.com, who can always assist Montana banks with timely liquidity and interest rate risk strategies and solutions.

ICBA Announces 2022-23 Executive Committee


By Alabama community banker Brad Bolton, elected ICBA Chairman

San Antonio — The Independent Community Bankers of America® (ICBA) today announced the election of its 2022-23 Executive Committee during the 2022 ICBA LIVE national convention in San Antonio.

Brad M. Bolton, president, CEO and senior lender of Community Spirit Bank in Red Bay, AL., was elected ICBA chairman and serves as chairman of the ICBA Executive Committee and board of directors. Joining Bolton on the ICBA Executive Committee are:

- **Chairman-elect:** Derek B. Williams, president and CEO of Century Bank & Trust in Milledgeville, Ga.
- **Vice-Chairman:** Lucas White, president of The Fountain Trust Co. in Covington, Ind.
- **ICBA President and CEO:** Rebeca Romero Rainey of Washington, D.C.
- **Treasurer:** Sarah Getzlaff, CEO of Security First Bank of North Dakota in Bismarck, N.D.
- **Secretary:** Tim R. Aiken, president and CEO of Union Bank Inc., in Middlebourne, W.Va.

- **Immediate Past Chairman:** Robert M. Fisher, chairman, president and CEO of Tioga State Bank in Spencer, N.Y.
- **Past Chairman:** Noah W. Wilcox, president, CEO and chairman of Grand Rapids State Bank and its holding company, Wilcox Bancshares Inc., in Grand Rapids, Minn.
- **Past Chairman:** Preston L. Kennedy, president and CEO of Zachary Bancshares Inc. in Zachary, La.
- **Consolidated Holdings Chairman:** Jack A. Hartings, chairman of The Peoples Bank Co. in Coldwater, Ohio.

“It’s an honor and a privilege to work alongside these exceptional bankers to ensure the voice of the nation’s community banks is well represented,” ICBA President and CEO Rebeca Romero Rainey said. “Our members go above and beyond for their customers and communities every day, so it’s only fitting that ICBA’s appointed leaders share those values and are unwavering in their dedication to ICBA’s mission of creating and promoting an environment where community banks flourish.” 



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Helena Area Chamber Names Opportunity Bank 2021 Business of the Year



Opportunity Bank has been named the 2021 Business of the Year by the Helena Area Chamber of Commerce. The announcement was made at the Chamber’s 15th Annual Awards luncheon on Thursday, Jan. 27, 2022. In recognizing Opportunity Bank, Chamber Board Chair Bob Heberly noted, “There were many keynotes of why they are the top nomination.” He called out the bank’s work with businesses for PPP loans, support of employees during the pandemic, and the number of volunteer hours contributed by Helena employees to local organizations.

The award was accepted by Bank President and CEO Pete Johnson.

“We’re very proud of what we do. As a community bank, we take that term very seriously. We’re committed to our community, and Helena is our home,” said Pete. “It is certainly a group effort ... it’s a big operation, and I have a fabulous team.”

The Big 100

2021 was a year with a positive focus. In August, Opportunity Bank kicked off a year-long observance of the 100th year in business. This milestone is one to be celebrated in a big way. Opportunity Bank is calling the celebration The Big 100, leading up to the anniversary

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We’re very proud of what we do. As a community bank, we take that term very seriously. We’re committed to our community, and Helena is our home ...

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of the bank’s founding on Aug. 16, 1922. During this anniversary year, the bank will give 100 gifts, tell 100 stories and share 100 lessons learned in 100 years of banking. These stories and lessons are provided by bank employees past and present, business customers who turned to Opportunity bank to help their businesses thrive, and customers who count on Opportunity Bank for sound financial products, services and relationships.

Pandemic Response

Opportunity Bank met the challenges of the ongoing pandemic head-on. Programs that began in 2020 carried through and evolved throughout 2021 to meet changing needs.

The commercial lending team provided swift access to the Paycheck Protection Program (PPP) that helped businesses, self-employed workers, sole proprietors, and non-profit organizations continue paying their workers during the COVID-19 pandemic. Opportunity Bank also worked to ease the financial impact of COVID-19 for homeowners with proactive communication and engagement with Montana Housing for the CARES Act emergency housing assistance program.

Throughout 2021, Opportunity Bank continued programs to help employees with pandemic-related

issues. Early in 2020, Opportunity Bank responded quickly and generously to support the needs of our employees. Prior to any government reimbursement, the Bank created a bank of special COVID-19 paid time off to provide employees with paid leave, separate from vacation/sick leave already provided to employees. The Bank has continued to “refresh” this special time off in 2021, and it is still available for employees in 2022. Upwards of \$100,000 have been paid to 150 different employees for COVID-related paid leave.

Growth


2021 also saw the bank poised for continued growth with the announcement of an agreement to acquire First Community Bank, headquartered in Glasgow. With the acquisition complete, Opportunity Bank will grow approximately 25% in assets, and add branches in six new communities for the bank. The closing of the acquisition is expected in May 2022.

Investment in Helena

In 2021, Opportunity Bank announced plans to build a 20,000 square-foot operations center in Helena on the site of the former Capitol Hill Mall. Construction is expected to begin in the spring of 2022.

Ultimately, 65 bank employees will work in the new building, bringing many local departments under one roof.

- Opportunity Bank employees will benefit from a state-of-the-art 99-seat training facility.
- There are plans to have the training space available to the public for meetings and events.
- The building is an investment in the Helena economy, using local design, engineering and construction teams.

“We’re really proud of our culture. That’s why we love being so involved in the community,” Johnson said in addressing Chamber guests. “It felt kind of like old home week up here ... you don’t have to go very far to get a connection.” 

Opportunity Bank of Montana is headquartered in Helena, Montana, with 24 locations across the state. In business since 1922, the bank offers a full line of personal, commercial and agricultural banking products with online and mobile banking services. The bank employs over 400 people, all working in support of the mission To Provide Strong Financial Futures for Montanans. For more information, contact Katie Walsh, Marketing Director at (406) 457-4056 or katiawalsh@oppbank.com.

Together, let's make it happen.



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MIB Outstanding Young Banker Award




magazine and on the website. This award is based on the community banking values of good citizenship, community service, and sound banking skills. This award recognizes the impact that the candidate has in his or her business each day and the difference she or he makes by investing in their community. Eligible applicants must be under age 35, employed by a current MIB member bank for three consecutive years or more, and not have been the recipient of a prior MIB Outstanding Young Banker Award.

The application can be found on the MIB website: Mibonline.org/Training/Scholarships & Awards/Outstanding Young Banker Award. You can mail the application to PO Box 4893, Helena, MT 59604-4893, or email it to jbrown@mibonline.org. The deadline is June 27, 2022. 

This award is to recognize upcoming leaders in Montana’s banking community, and we honor one special young banker each year. The recipient of this award will receive free convention registration, three nights of lodging during the 2022 MIB Annual Convention — held July 27th-29th 2022, in Whitefish — \$100 in travel expenses, an honor plaque to display in his or her office, and prominent mention in the MIB

Renee Miller Retires

Renee Miller is retiring after 46 years of service to Citizen’s Bank & Trust Co. and the former Continental National Bank. We will miss her and wish her the best in her future endeavors! 



Eagle Bancorp Montana Announces Executive Management Succession Strategy


On Mar. 16, 2022, Eagle Bancorp Montana, Inc. (the “Company,” “Eagle”), the holding company of Opportunity Bank of Montana (the “Bank”), today announced that Peter J. Johnson, President and Chief Executive Officer, will retire at the end of the year. The Board of Directors named Laura Clark, the current Executive Vice President, Chief Financial Officer and Chief Operating Officer of the Company, to succeed the position of President of the Company and the Bank, effective Apr. 1, 2022. She will also join the Board of Directors at that time. Following Mr. Johnson’s retirement on Dec. 31, 2022, Ms. Clark will assume the responsibilities of President and Chief Executive Officer of the Company and the Bank.

“Pete has been a remarkable leader and a highly effective CEO, and we wish him every happiness in his well-deserved retirement as we continue to build on his legacy,” stated Rick Hays, Chairman of the Board. “During his tenure, he has navigated the Company through a period of significant change, including over the course of the Great Recession and the global pandemic, and he has fostered a culture that continues to differentiate us in the marketplace.” Mr. Johnson has been with the Bank since 1981 and has held the title of President and Chief Executive Officer of the Company since 2007. He was responsible for taking the Company through its second step IPO in 2010, guiding the Bank through a branch acquisition and four whole bank acquisitions and contributing to the growth of Eagle from \$240 million in assets June 30, 2007, to \$1.44 billion in assets at Dec. 31, 2021. Mr. Johnson will continue to serve on the Company’s Board of Directors.

“Laura has extensive and broad experience in Montana banking and is one of the most respected bankers in our Montana markets. She has earned this opportunity,” said Mr. Johnson. Ms. Clark joined Eagle in 2014 as Senior Vice President and Chief Financial Officer. Over the past eight years, Ms. Clark’s strategic contributions have helped the Company to grow in both regional footprints as well as customer product offerings and services.

Prior to joining Eagle, Ms. Clark served as the Senior Vice President and Chief Financial Officer of the Bank

of Bozeman since 2005. Her experience spans over 40 years and includes a variety of executive positions with First National Bancorp, Bankers Resource Center, Security Bank, Bank of Montana System and Montana Bancsystem. Ms. Clark holds a Bachelor of Arts degree in Business and Spanish from Montana State University in Billings, Montana, after completing her studies at the University of Salamanca, Spain. She also serves as a Board Member of Exploration Works and Montana Independent Bankers and is a member of the Helena Rotary Club.

To complement the transition, Miranda Spaulding will be promoted to Senior Vice President/Chief Financial Officer effective Apr. 1, 2022. Ms. Spaulding, CPA, was promoted to Vice President in 2018 and is currently the Corporate Financial Director. She has been with the Bank since 2013 and has over 20 years of experience in financial reporting for public companies. Ms. Spaulding holds a Bachelor of Science degree in Business-Accounting Option and a Master of Professional Accountancy degree from Montana State University. She is a certified public accountant and a member of the Montana Society of CPAs and the American Institute of CPAs. Additionally, Ms. Spaulding is on the Steering Committee for Intermountain’s Festival of Trees. “Taking a methodical and thoughtful approach to this transition was important to us,” said Hays. “We wanted to ensure that our customers, employees and shareholders feel confident with the planned transition in leadership. We have been very fortunate to have been led by Pete and the team he has built these past 15 years. We firmly believe that Laura, Miranda, and the team will continue with the same dedication and enthusiasm.” 

About the Company

Eagle Bancorp Montana, Inc. is a bank holding company headquartered in Helena, Montana, and is the holding company of Opportunity Bank of Montana, a community bank established in 1922 that serves consumers and small businesses in Montana through 23 banking offices. Additional information is available on the Bank’s website at opportunitybank.com. The shares of Eagle Bancorp Montana, Inc. are traded on the NASDAQ Global Market under the symbol “EBMT.”



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MIB 2022 CONVENTION AGENDA

WEDNESDAY, JULY 27, 2022

- 12:00–5:30 Registration
- 1:00–4:00 MIB Board Meeting
- 5:00–6:30 Welcome Cocktail Reception
- 6:30–9:00 Dinner on your own*

*This gives associate members the opportunity to dine with their favorite bankers.
MIB recommends making early reservations as Whitefish is a resort town.



THURSDAY, JULY 28, 2022

- 7:15–9:30 Registration, Foyer
- 7:30–8:15 Breakfast
- 9:00–5:00 Exhibitor Setup
- 8:30–9:30 SEMINAR: Patrick Barkey
- 9:40–10:40 2022 Membership Meeting

Afternoon Activities:

Boxed lunches served

11:00–5:30 Annual MIB Golf Tournament

11:00–5:00 River Raft Trip

- 4:00–5:30 Registration — Foyer
- 6:00–7:30 Vendors on Exhibit
 - Vendors' Night cocktail Reception & Awards
 - PAC Auction
- 7:30–9:00 **Dinner 55th Anniversary Celebration**
 - Guest speakers: ICBA Chair Brad Bolton**
 - Retired Col. Scott Wheeler, "Battle of the Bulge"**

FRIDAY, JULY 29, 2022

- 7:15–8:15 Registration
- 7:15–8:15 Vendor Breakfast **SPEAKER: Melanie Hall**
- 8:30–11:30 Exhibitor Take Down
- 8:45–9:45 SEMINAR: Diversity, Equity, and Inclusion:
 - The Next Challenge for Community Banks By Jeff Thompson, CRCM
- 9:50–10:40 SEMINAR: Preparing for the Worst Ben Hayden, Tenax Solutions
- 10:45–11:45 SEMINAR: Lucrative SBA/USDA Lending – A Great Strategy For Your Institution
 - By Arne Monson, Holtmeyer & Monson
- 12:00–1:00 Lunch
- 12:10–1:00 SEMINAR DURING LUNCH: DR. ANTHONY CRAWFORD CRYPTOCURRENCY
- 1:10–1:55 Final Guest speaker: Steve Beck "How to have a great day every day"
 - Closing of the 2022 Convention by the new MIB President

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Whitefish, MT

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Support the cause of Montana's community banks by contributing an item to the MIB PAC Silent Auction fundraiser!

What can I donate?

Auction items can be anything! Popular donations include hunting/fishing/outdoor gear, travel/vacation packages, jewelry and accessories, gourmet wine and food packages, electronics, Made-in-Montana goods, and any unique items from your area!

How do I donate?

Simply complete this form and return it to Jim Brown at MIB. Be sure to indicate whether you intend to mail the item to MIB's office or hand-deliver it to the convention registration booth at Whitefish Lake Lodge. *Don't know what to donate but still want to contribute?*

You can also send a personal check and let us do the shopping for you.

NOTE: Montana law prohibits corporate donations to PACs. All contributions, including donated items, must be purchased with PERSONAL FUNDS.

MIB PAC Silent Auction Donation Form

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Phone (____) ____ - _____ Email _____

Items Donated (please include a description, including approximate value)

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I will send a PERSONAL CHECK in the amount of \$ _____ to MIB to defray the cost of the auction.

Donated items can be mailed/delivered to MIB before **Monday, July 25th**, or dropped off at the MIB registration desk at the MIB Convention & Trade Show.

Item(s) will be mailed/delivered to the MIB office (1812 11th Ave., Helena MT 59601).

Item(s) will be hand-delivered to the MIB registration desk at the convention.

Please complete this form and email to Jim Brown at jbrown@mibonline.org.

Thank you for supporting the MIB PAC!

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Five Important Financial Tips to Teach Your Kids

By Laura Pearson

Those raised without much financial guidance understand how important it is to learn about money early. Especially with saving and investing, applying financial knowledge from childhood is key to compounding financial gains. Thankfully, there are many resources you can use to inform your children about economics, so they are set up for a promising future. Here are five tips you can pass along:

1. You Can't Always Get What You Want

It makes sense that you would want to give your kids the world, but spoiling them will give them an unrealistic view of what is available to them when they leave the nest. By teaching them the actual value of items they desire, they will better understand the hard work behind every purchase. You don't want to raise your children with a strong scarcity mindset, but they need to understand the hours of work it takes to pay for necessities and bonuses.

2. Practical Math Is Important

Learning math with real-world applications will help your kids with their number skills while teaching them financial literacy. There are several curriculums explicitly aimed at teaching kids these skills, so seek them out if you need extra help. Books like "Rich Kid, Smart Kid" by Robert Kiyosaki also aim to provide specific knowledge that matches their level of understanding.

3. Home Investment Is Smart

Whether you own a home or not, you can help your kids understand the concept of renting vs. owning. Go through the costs of ownership, and pay attention to extra expenses like yard maintenance, property taxes, and taking care of appliances yourself. Teach how property taxes are determined using this formula: Assessed Value multiplied by Tax Rate equals Property Tax. This will help them set goals for their future home.


4. You Can Be Your Own Boss

Many people focus on the school-to-work pipeline, which is still an excellent decision for some, but it depends on their desired career. However, teaching your kids business skills allows them to envision their own enterprise. This is another opportunity to learn what it takes to fund a business. They can

learn about personal savings, obtaining loans from a bank, getting investors, using credit cards, and even crowdfunding.

5. Talking About Money Is Okay

An aversion to talking about money is widespread. You probably have numerous examples of being discouraged from talking about money and told that it's rude. Without talking about money, however, it's hard to improve your financial literacy and competency. Make sure that your kids feel open to discussing money with you and understand when and how talking about money is appropriate. You may not want them to boast or pry, but having business conversations with future friends and colleagues can often be hugely beneficial. Make sure your kids don't see money as a taboo subject, and they have a better chance of handling their money well.


Finance can be challenging to talk about, especially if you weren't raised in a family open about money. More people are realizing that talking about money is the key to a lot of wealthy people's success, and there are ways to do it without being arrogant or rude. Teaching your kids about money early gives them the opportunity to be successful and comfortable with their economic situation as soon as possible. 



ICBA LIVE 2022

The 2022 ICBA Live was held in San Antonio from February 27-March 3. The weather was nice and the opportunity to reconnect with banking industry colleagues from across the nation was enjoyed by all.

MIB held a reception with up to 80 people in attendance. It was a great time for building relationships.

The ICBA PAC auction had very unique gifts to bid on and great food to enjoy while mingling. 



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The Montana Housing Partnership invites you to the 2022 Annual Housing Conference, which will be held virtually on June 14-15, 2022. We are excited about the opportunities that will be available this year. The conference will be utilizing Whova, which allows attendees a great deal of access and interactive ability.

The conference is offering two days packed full of great content including:

- Three plenary sessions
- 15 breakout sessions, including professional development for staff and board members
- Specialized office hours with HUD, USDA, Federal Home Loan Bank, State Department of Commerce, and DPHHS where you can get your questions answered and hear updates
- Five interactive Table Talk sessions where organizations will give a quick update on the housing work they are doing
- In-person networking events — more coming soon on this
- Access to recordings of all plenaries and sessions will be available through both the Whova web-based app (for 3 months) and mobile app (for 6 months)

COST - two great options:

- \$150 for individual registration
- \$500 organization ticket to cover up to 10 in your organization, including your Board

Register now at mthousingpartnership.org/2022-registration.

Thanks to 2022 sponsor, Enterprise Community Partners, you will have the opportunity during registration to nominate a Montana organization you this is doing incredible work for the People's Choice Award! The organization with the most votes at the end of the conference will receive \$3,000 to put toward making a promotional video for the work they are doing.

Become a Sponsor!

This conference is possible because of dedicated sponsors, and we would love to have you as an event sponsor, as well! Opportunities have been filling up quickly, please visit the mthousingpartnership.org/sponsorships for more information and to sign up. The final sign-up deadline, as well as payment and ad, is May 2, 2022.

Questions about sponsorships can be directed to Michelle Rogers at mrogers@nwmt.org or by calling 406-604-4547.



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- 12-JUL** Deposit Operations Comprehensive Compliance, Including BSA
- 13-JUL** Vendor Due Diligence & Effective Vendor Management
- 14-JUL** Proper Repossession, Notice & Sale of Non-Real Estate Collateral
- 14-JUL** Understanding Call Report Regulatory Capital: Standards, Ratios, Risk Weighting
- 19-JUL** Advanced Beneficiary & RMD Considerations
- 20-JUL** Powers of Attorney In-Depth: Good Faith, Fraud & Fiduciary Capacity
- 20-JUL** Things That Keep Boards Up at Night
- 26-JUL** Record Retention Rules for Zoom, Microsoft Teams, Slack & Other E-Collaboration Platforms
- 27-JUL** New ACH Rules Effective 9/30/22: Nested Third-Party Sender Roles & Risks
- 27-JUL** Elevating Your Fraud Prevention Strategies
- 28-JUL** Checking Account Signature Cards: CIP, IRS & Disclosures



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