

Issues & Answers



August 2020

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Bankers Continue to Display Grit

By Glen Simecek, President & CEO, Washington Bankers Association



One of my favorite books of the last few years is Angela Duckworth's *Grit: The Power of Passion and Perseverance*. She talks about grit, a type of perseverance that drives individuals or organizations to

overcome obstacles and challenges that lie in their way so they can accomplish their goals. Duckworth and other theorists see grit and its resulting persistence of effort as the strongest predictors of achievement, more important than intelligence or other personality characteristics.

WBA members have grit.

Not only have we seen this grit from our members, but our fellow state bank-

ing associations. In early August, WBA held our first-ever virtual convention in conjunction with our banking colleagues from Idaho, Nevada, Oregon, and Utah. Instead of gathering at the beautiful Sunriver Resort in Central Oregon, attendees sat in front of a computer, tablet, and smartphone screens. Despite this change in format, the 1,200 participants enjoyed an agenda packed with useful and timely information.

For me, some of the highlights included:

- The great conversation between FDIC Chair Jelena McWilliams and former WBA and current ABA Chair Laurie Stewart of Sound Community Bank. It was particularly interesting to hear how the FDIC, like everyone else, was forced to accelerate their remote work goals while remaining focused on their regulatory mission.

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On the Cover

The Methow River trickles along during the height of summer outside Winthrop.

Photo by Megan Managan

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• One of the many well-attended breakout sessions, a presentation on diversity, equity, and inclusion featuring Cynthia Bowman, Chief Diversity & Inclusion Officer at Bank of America. Given the divisions rocking many of our communities, this is an extremely important and timely topic on which all bankers should continue to focus.

• My personal favorite interview with former Defense Secretary Robert Gates on a wide range of topics regarding America's political landscape and foreign policy challenges. It's not often that we get to hear directly from someone who has held such a critical post in the federal government, especially right before an important presidential election.

But the biggest highlight of all was simply the fact that our five-states were able to come together, overcome the challenge of social distancing, and in a relatively short period develop and present a meaningful program to benefit our members. *(A full recap of Convention is available starting on page 4.)*

We're in the process of developing plans to hold our annual legislative luncheon series virtually this fall. We'll share details when they're available and urge your participation. Similarly, we are working on a virtual "trip" to Washington, DC to communicate with our state's congressional delegation. Our industry's early coronavirus response efforts have provided WBA with a platform to develop stronger relationships with our delegation and we need to maintain that momentum.

Grit is what has allowed bankers working remotely to put in the countless hours necessary to navigate the SBA's evolving program guidelines and secure billions of dollars for Washington employers through the PPP program. It's what continues to sustain them as they take on new and different challenges ranging from accurately and appropriately administering the upcoming PPP forgiveness phase to working with employees whose families face back-to-school scenarios unlike any before. And it's what allows banks to meet such challenges head on and remain focused on their core mission, helping their customers succeed and serving as leaders in efforts to improve their local communities.

Yes, WBA members most definitely have grit.

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Association

Banker Spotlight: Matt Deines

Every other month we'll profile a Washington banker. If you have a banker you would like to spotlight, please contact Megan Managan at megan@wabankers.com.



How did you get started in the banking business?

I started out working at a CPA firm that specialized in audits for credit unions. Over a few years, I got to know Laurie Stewart, President & CEO of Sound Community Bank. She took a flyer and offered me a CFO position when I was 28 years old. It was her vision

and support that helped me get to where I am today. At my first Board Meeting, there was a discussion about converting to a mutual bank charter. As we went through an application process, the FDIC treated us like we were a denovo even though we had been in business as a financial institution for 50 years. During the vetting process a long-term FDIC examiner, Ken Kroemer, asked me "What makes you think you could be the CFO of a bank?" I must have given him a reasonable answer. On May 19, 2003, we converted and became Sound Community Bank. The rest is history!

What advice would you give to someone who is considering a career in banking today?

Be yourself. Learn about as many areas of banking that you can. Don't get pigeonholed into being just a lender or a retail banker. Learn about the CAMELS ratings. These are the most important areas that are looked at by examiners, investors, peers, and executives at other banks. If you can understand capital, asset quality, earnings, liquidity,

and interest rate risk, you will be well prepared to understand our industry. When people ask you what you do, proudly tell them that you are a banker. Lastly, make your boss look good. Their job is likely harder than it looks!

How are you involved in your community?

I am involved at my son's school as a volunteer on the School Commission, as the Basketball Coordinator for CYO, as a chaperone on migrant farmer trips, at my church's executive committee, as a divisional coordinator and manager for Ballard Little League. I am also part of local business associations, including the WBA where I chaired the CFO conference committee, served as a presenter for conferences, and taught the first course in this year's Understanding Bank Performance class.

Why do you take time from your busy schedule to volunteer?

My parents instilled in me from a young age the im-

portance of service and giving back. This was further emphasized through my education by the Jesuits at Seattle Prep and Loyola Marymount University. We were taught to be men and women for others. I always get back so much more than I give from volunteering. It provides me with the opportunity to learn from others and to see the world away from banking. I have made so

many new friends from my time spent volunteering. I get tremendous pleasure from being committed to the service of others. It is a fundamental part of my identity.

If you were to thank one person for helping you become the person you are today, who would it be and what did they do?

I am going to cheat and name two people: My parents. I tease them by telling them that I took the best qualities of both of them. My dad is outgoing and entrepreneurial. He also is a man of Faith and possesses a high level of integrity. My mom epitomizes love and maintains energy and excitement about life that is contagious. She told me that

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WBA VIRTUAL TRAINING

PROGRAMS DESIGNED FOR YOUR SCHEDULE

Visit www.wabankers.com/virtual to see our online, in-depth virtual offerings, including our sought-after Development Programs.



Idaho, Nevada, Oregon, Utah & Washington Bankers Associations

2020 Virtual
Convention
AUGUST 5 - 6

Spirit of the West

WBA Hosts Five Western States for First-Ever Virtual Convention

After the COVID-19 pandemic canceled the WBA's in-person Convention that had been slated for Sunriver in early July, the association joined the Idaho, Nevada, Oregon, and Utah Bankers Association to host a first-of-its-kind virtual Convention.

Thanks to fast work by all five associations, the group was able to pull together a top-notch agenda, and invited all banks within the five states to register, and have as many of their banks join as they would like. The event was attended by over 1,200 bankers, sponsors, and exhibitors from throughout the Western U.S., making it one of the largest WBA events ever.

The event kicked off on Wednesday, Aug. 5 with a keynote address by FDIC Chair Jelena McWilliams, who spoke about how the industry has worked hard to help customers in need during the sudden economic downturn and how the agency has made changes in response to the pandemic. She said that while one of her long-standing goals was to introduce more remote exams, the pandemic forced that goal into reality overnight.

Laurie Stewart, president, and CEO of Sound Community Bank and current ABA chair joined McWilliams for a fireside chat, including questions about deposit insurance, continued exam procedures, and more.

Later in the morning, Robert Spendlove, SVP economic and public policy officer at Zions Bank, shared a regional economic picture, outlining some of the ways the var-

ious states are responded to the coronavirus pandemic and how the current employment and other trends may impact states long-term.



Quincy Krosby, chief market strategist at Prudential Financial, followed Spendlove with a more global economic outlook. She focused on how the Brexit situation and continued unrest in Hong Kong and Taiwan may impact global economic landscapes.

Cindy Solomon, CEO of The Courageous Leadership Institute, closed out the morning with a session dedicated to ways to create a culture of courage during a crisis. Acknowledging that the way we work completely changed overnight, she outlined ways that companies and leaders can adapt and foster relationships.

After lunch, Derek White, the chief digital officer at U.S. Bank, discussed how



humans interact with technology and ways the industry can use those interactions to advance their digital and mobile platforms. He was joined by Joan Reukauf, president and CEO of Willamette Community Bank, for a discussion about what banks can do now to keep up.

U.S. Senators Mike Crapo (R-ID) and Jon Tester (D-MT) both addressed attendees, talking about what Congress has been working on and as members of the Senate Banking, Housing, and Urban Affairs Committee, what they see as the outlook in Congress related to bills that

would help the industry.

The first day ended with a conversation between Eugene Ludwig, former OCC Comptroller, and Howard Headlee, president and CEO of the Utah Bankers Association. Ludwig, who led the OCC in the late 1990s shared how he sees the current state of the economy, what may lie ahead for banking, and ways Congress can help improve the outlook.

On Thursday, August 6, the event opened with a discussion between Randal Quarles, vice chair of supervision for the Federal Reserve System, and Scott Anderson, president and CEO of Zions Bank. They discussed the actions the Fed has taken since the beginning of the pandemic, what Quarles thinks the Fed may do in the future to help the economy and other programs the Fed is currently offering.

Rob Nichols, president and CEO of the ABA provided an outline of several election night scenarios and what those might mean for the banking industry.



The event closed with a discussion between former Secretary of Defense Robert Gates and Glen Simecek, president and CEO of the Washington Bankers Association. Their discussion covered a diverse list of topics, including how Gates views the current state of the U.S. foreign policy and administration, as well as looking at how America handled the Cold War, wars in Iraq and Afghanistan, and much more.

Throughout the event, attendees had the opportunity to learn about a variety of topics during breakout sessions and Rapid-Fire Q&A with experts on banking-related topics. These sessions were designed to provide a high-level overview of current issues in the industry,

from cannabis banking to PPP forgiveness, compliance issues, and more.

On-Demand videos of the various sessions and exhibitor booths will remain open until the end of August.

WBA Member News

North Cascades Bank Donates to Friends of Winthrop Public Library

North Cascades Bank announced a \$5,000 donation to the Friends of Winthrop Public Library in June. The funds will help the group get closer to the goal of building a new community library.

The group recently broke ground on a new building, which will help serve the community better and has plans to open in 2022.



“We are extremely pleased to provide scholarships to this talented group of students,” said Helen Langer Smith, Vice Chairwoman of the Kitsap Bank Board. “This year’s graduates have been particularly challenged to complete their educational requirements during the coronavirus shutdown; and at the same time, they have missed out on many of the traditional fun activities that high school seniors always look forward to. And so we are very pleased to praise their fortitude, applaud their accomplishments, and to support their educational goals.

We are so proud of each one of these talented young people.”

The students plan to attend schools including Olympic College, Western Washington University, South Puget Sound Community College, Eastern Washington University, and more.

Kitsap Bank Announces Scholarship Recipients

Each summer, Kitsap Bank announces the recipients of its annual scholarship, open to graduating high school seniors of employees at the bank. Recipients plan to attend college or a technical school.

This year, the bank awarded seven scholarships to Taylor Bick, Mark Bradshaw, Tessa Nolan, Jacob Petersen, Erica Rosenow, Brendan Smith, and Mitchell Wolfe.

Baker Boyer Donates School Supplies to Local Districts

Baker Boyer Bank donated \$5,000 to help the Walla Walla Public School District to help with school supplies for students

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Registration Now Open for WBA Fall Conferences, Development Programs

As we continue to navigate our way through the COVID-19 pandemic, the Washington Bankers Association had pivoted to move all of our educational programs to a virtual format.

Unlike a webinar format where attendees listen to a speaker for an hour or two, WBA's virtual programs are more like our in-person classes, where students are encouraged to interact with the instructor, the materials, and fellow participants. This allows students to gain more knowledge, building on lessons from the instructors, and promotes continued networking, which happens naturally during in-person courses.

All fall Development Program classes, including the **Credit Analyst Development Program** beginning in September and the **Retail Branch Manager Development Program**, starting in November, will be held virtually. WBA is also revamping the **Executive Risk Management Development Program** to better fit a virtual format. The next session will begin in November and registration just opened.

Thanks to the nature of virtual platforms, WBA is also opening these programs to our partner banker associations, including Oregon, Idaho, Montana, and Utah. Space for the Development Programs will be limited to keep classes small.

Acknowledging the many restrictions still in place for most residents, WBA is also moving the following conferences to a virtual format: **Education/Human Resources Conference**, **Northwest Compliance Conference**, **Northwest Agriculture Conference**, **Fintech Conference**, **Women in Banking Conference**, and the **Bank Executive Conference**. Previously announced dates are remaining the same.

New this fall, Jeffery Johnson will be teaching a virtual **Loan Review Certification** program August through October. This program was designed to help bankers with one or two years of experience in loan review gain their certification. Experienced bankers are also encouraged to attend and update their skills. Students will understand how to determine creditworthiness through credit analysis, gain an understanding of commercial, consumer and real estate loan documentation, regulatory lending guidance, and much more. At the end of the program, students will sit for the comprehensive exam, which is required to earn the certification.

Beginning at the end of September, our virtual **Asset Liability Management Program**, will help bankers in all areas of the industry, gain a solid foundation for how bank manage risk and make decisions. Taught by Karl Nelson, president and CEO of KPN Consulting, and Dave Koch, managing director of advisory services at Abrigo, students will learn how this concept is connected to the overall industry and important for any advancing banker to understand.

Please visit the WBA website at www.wabankers.com for more information about registration for any of our upcoming fall programs.

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she wanted me to become a self-confident person. I think it worked! There may be a few imperfections that I took from them as well, but don't tell them that!

How has your involvement with the WBA helped you advance your career?

I attended the Washington Financial League and WBA meetings and events from a fairly young age. I'll always remember listening to CEOs

and other leaders at some of the top banks in the state down at Cedarbrook back in the early 2000s. It was a great opportunity to hear from the best of the best in our industry. This gave me a key perspective on the impact that our trade associations have on policy and the legislative process. The WBA provides a forum to learn best practices, learn about good (and not so good) vendor relationships, and share common experiences with other incredible bankers and friends of the industry. Finally, it gives me the chance to network with talented

and bright people while meeting new friends.

What do you do for fun when you're not in the office?

I love to travel with my wonderful wife, Meg, and watch sports with my teen boys, Mick and Jake. I also love spending time with friends and occasionally getting out on the golf course! I also like to read books and online articles. Does Twitter count as fun? Most of all, being around people is my passion. Family and friends = fun.

Events calendar

September 14-15 – Virtual Education/Human Resources Conference

September 22 – Virtual Credit Analyst Development Program

September 29 – Virtual Asset Liability Management Program

October 15-16 – Virtual NW Compliance Conference

October 27-28 – Virtual Northwest Agriculture Conference

October 30 – Virtual Women in Banking Conference

November 4 – Virtual Retail Branch Manager Development Program

November 5 – Virtual Fintech Conference

January 2021 – Executive Development Program

**Classes and conferences will be virtual unless otherwise noted.*

To register or to learn more about any of the listed events, please visit www.wabankers.com.

Fall Legislative Roundtables Move to Virtual Format

This fall, in lieu of WBA's traditional Legislative Luncheons, we're moving the event to a virtual format. The Legislative Roundtables will feature many of the same benefits as in years past.

Bankers will have the opportunity to join a roundtable with others from their area. WBA Lobbyists Trent House and Carrie Tellefson will provide a legislative briefing, including recap of the 2020 Legislative Session, what lies ahead in 2021, how the pandemic has changed things, and what might be in store for the general election. Following the briefing, lawmakers from your area will join us for a discussion of issues related to the banking industry, and provide time for questions.

To learn more about these events, or to register, please email Megan Managan at megan@wabankers.com.



In July, students in the Executive Development Program learned about Legislation and Politics, including issue pitches to "lawmakers" played by WBA staff.

YWCA BankWork\$ Pivots During Pandemic to Help Job Seekers

By Eric Bronson, Digital Advocacy and Engagement Manager, YWCA

YWCA is working hard to re-employ King County residents by providing relevant job training and placement services. The Economic Advancement team is striving to build equity in our community through a new program called Work\$Ready.

With COVID-19 interrupting in-person programs, like our existing BankWork\$ program for banking career training, YWCA has quickly readjusted the ways we work with job seekers. YWCA is now offering Work\$Ready, a new 3-week course

focused on job readiness skills, 30-second elevator pitches, revamping resumes, interviewing, communication skills, online applications, and soft skills needed to land a job.

Program Manager Mercedes Rippel said that initially, YWCA BankWork\$ staff and leadership began thinking about how to convert the BankWork\$ program into an online class during the Governor's Stay at Home order. As the scale of the economic crisis and unemployment have increased, they joined a curriculum design committee hosted by the Biller Family Foundation to develop Work\$Ready to meet the growing need.

Work\$Ready is designed for any industry and also incorporates updated job search strategies for the pandemic crisis, including how to identify industries still hiring and growth industries for after COVID-19; networking online using LinkedIn and other tools; best practices for video interviews; job searching on a smartphone; establishing interim "survival job" goals, and much more.

"We already had experienced instructors and career navigators, and thus we were able to quickly pivot to create and offer Work\$Ready when it was most needed," said Rippel.

"With this curriculum, our mission, our deep connections with our community, an experienced staff, we were able to put together a job readiness class using Zoom and Google Classroom."

Mercedes and her team knew that they needed to act quickly to help local job seekers update their skills to become re-employed while also giving them a sense of hope and encouragement.

"The class is much shorter than BankWork\$ - only three weeks," Mercedes said. Based on her experience, and the feedback that the team received from participants, the first Work\$Ready class was very successful, with graduate Martha Alpert saying:

"This training made the difference in exploring my strength in professional knowledge, skill, and ability as well as my passion towards helping others; it also gives me a clear direction to decide my future career path instead of just looking for a job, which I was struggling to figure out for a while before I joined this program. I am confident that it will make a big difference in

Industry News

New Hires

Kamyar Monsef
Senior Vice President and Chief Retail
Banking Officer at Peoples Bank

Promotions

Ryan LeCocq
Vice President and Commercial Banking Officer at Peoples Bank

Retirements

David Flodstrom
First Federal Board of Directors

Board of Directors

Sherilyn Anderson
First Federal Board of Directors

Have Industry News to share with WBA? Email megan@wabankers.com or call (206) 344-3472.

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this fall.

Due to the pandemic, the school district will be providing school supply containers to each preschool and elementary student to keep them from sharing items, and will also supply hand sanitizer and other materials to support classroom safety.

“For more than 150 years, Baker Boyer has been supporting and investing in our communities. In these unprecedented times, we hope this donation helps to relieve some of the pressure on the finances of Walla Walla Public School and the children and families they serve,” said Mark Kajita, president & CEO of the bank.

Thanks to the All in WA campaign, the bank's donation was doubled, providing \$10,000 for school supplies. The All in WA campaign is administered locally by United Way of the Blue Mountain and is part of the recovery efforts to help Washington communities recover from the impacts of the pandemic.

Columbia Bank Gathers Goods to Help Outsiders Inn



In early July, Columbia Bank Assistant Relationship Banking Officer Paul van der Salm asked members of the team in Southwest Washington to donate goods to help create welcome home packages for Outsiders Inn, a Vancouver homeless shelter that helps men transition from homelessness to housing. The donations required a truck because the original vehicle was too small, full of donated items to help make moving into a new space easier, including towels, laundry baskets, shampoo, toothpaste, clothing hangers, and more.

“I went into it with no expectations,” said van der Salm. “Not sure what I was going to consider a success... but the team knocked it out the park. I had to beg a coworker to use her truck because there was no way the contributions would fit in my sedan.”

Coastal Community Bank Celebrates Arlington Branch Grand Opening

Earlier this summer, Coastal Community Bank celebrated the grand opening of its new branch in Arlington.

As part of the celebration, the bank did 15 prize drawings over 15 days, giving away gift cards to local businesses. The drawing encouraged customers to visit the new branch, but also to promote businesses in the area.

Olympia Federal Savings Announces Employee of the Quarter

Olympia Federal Savings announced in late-July that Casey Kilborn, AVP and district manager, was the employee of the quarter.

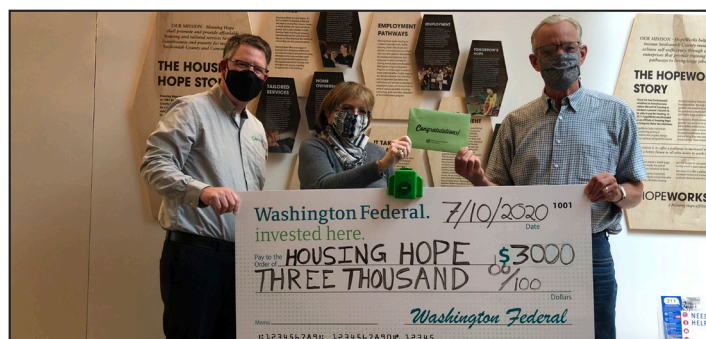
Kilborn was selected because of his leadership supporting

colleagues throughout the bank in response to COVID-19.

He helped the bank's business lending team organize, intake, close, and fund close to 90 Paycheck Protection Program loans for local small businesses and nonprofits. Kilborn also spent many hours in the downtown Olympia drive-thru and on the phone working with clients to go over mortgage loan documents, helping to answer any questions. He did this while also balancing many competing demands, managing the branch, and more.

“We are all so impressed and thankful to have such a great team member, leader, and coworker in Casey, especially during these incredibly challenging times,” Lori Drummond, President & CEO said. “Not only has Casey been focused on serving the needs of our customers and community, he regularly sends out motivational emails to the entire organization and he puts forth extra efforts to connect with his team members on an individual basis to ensure they're getting the care and support they need.”

WaFd Bank Donates to Housing Hope



WaFd Bank announced in mid-July a donation to Snohomish County's Housing Hope's Homeless Family Services Program.

The \$3,000 donation supports the organization's housing and social services programs for families in need.

Kitsap Bank Hosts Shred Day with Soroptimist International of Sequim



Kitsap Bank and Soroptimist International of Sequim recently partnered together to help raise money for the community during a shredding event at the bank's Sequim location.

Donations supported Healthy Families of Clallam County, First Step, and St. Vincent de Paul.

“Thank you, team Soroptimist and Kitsap Bank, and a big THANKS to our community who supported this great event! You are the best,” said Charles Robertson, SVP and head of retail banking and training at Kitsap Bank.

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Columbia Bank Branch Hosts 24-Hour Bag-a-Thon

In mid-July, the Lacey branch of Columbia Bank hosted the first-ever 24-hour Bag-a-Thon for Homeless Backpacks.

The organization distributes 10,000 meals to youth throughout the summer, and this year for the first time provided lunches during the summer and expanded service to almost 1,000 people, including families and school kids. The bag-a-thon was created to help the organization fill bags with food needed for the rest of the summer.

Volunteers and staff worked from 3 p.m. Friday to 3 p.m. Saturday, packing 7,400 bags of food for those in need. The bags of food are available at school sites in the Olympia, Tumwater and Tenino school districts on Fridays.

US Bank Volunteers at Food Lifeline

Member of the US Bank Seattle team volunteered with Food Lifeline in July, working in PPE due to the coronavirus pandemic, helping package and organize food for those in need.

Kristy Dickson, Seattle market leader for consumer and business banking, said “thank you to Food Lifeline for keeping our safety a top priority, as we keep helping feed our community. It was so nice to spend time with you all.”

Kitsap Bank Announces Employee of the Second Quarter

Kitsap Bank announced that Kattie Essex, an accounting specialist, was the employee of the second quarter.

Essex joined the bank in 2012 and was promoted to her current position in 2019. She was chosen for the award by her

peers, who praised her worth ethic, willingness to work with others and desire to share knowledge.

“Kattie is a key employee; her passion for teamwork and collaboration makes her a valuable asset at Kitsap Bank,” said Alan Crain, chief financial officer. “Our ability to serve our customers well is directly dependent upon how well we work together as a team. Kattie excels in this area and we’re very pleased to honor her with this award.”

Olympia Federal Savings Donates to MayDay Foundation

In July, Olympia Federal Savings Two-Cent partner, the MayDay Foundation, received a donation of \$2,600, thanks to customers using their debit cards throughout the month.

For each transaction of an OlyFed debit card, the bank donates two cents to the local nonprofit of the month.

First Financial Northwest Bank Donates to Hub N Spoke

First Financial Northwest Bank employees raised \$527 for Hub N Spoke as part of the bank’s Dress Down for Charity.

Each month, bank employees can donate to a local nonprofit for the opportunity to dress down. Hub N Spoke provides basic needs to improve the lives of those who are less fortunate. The organization works locally and internationally, providing sanitary products, basic hygiene, as well as items like glasses and wheelchairs. They’ve helped people in Washington, as well as Jamaica, Ghana,

Mexico and Spain.

If you have WBA member news to share, please email Megan Managan at megan@wabankers.com. Submissions are run on a space available basis.



Foreclosure Protection: Where Are We Now?

By Chris Bell, Associate General Counsel, Compliance Alliance

The COVID-19 pandemic has changed American life as we know it. As the country continues to deal with the health crisis, the effects of containment measures ripple through the American economy. Unemployment remains high as state economies expand and contract in inverse proportion to the virus’s spread. Regulators are in an arms race with rapidly changing markets, forcing banks to adapt to an ever-changing regulatory landscape. Even as we struggle to deal with the immediate concerns, we know the effects of this pandemic will be with us for some time. Economic shocks will continue to reverberate and play out in the housing markets around the country. As we shift into the next phase of

operating in the pandemic and consider what options exist to help struggling mortgage borrowers, we should take note of the status of the expansive mortgagor protections passed by Congress, federal agencies, and other government authorities.

Protection for Federally Backed Mortgage Loans

In the early days of the pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. One of the primary sections of this law established a 60-day moratorium on foreclosure proceedings against homeowners with

federally-backed mortgage loans. The CARES Act’s mortgage foreclosure moratorium applied to single-family residential mortgage loans secured, guaranteed, or made by FHA, USDA, VA, or Fannie Mae or

Freddie Mac. Originally scheduled to expire at the end of June, the various agencies extended the moratorium on foreclosures and evictions until at least August 31, 2020.

The CARES Act also granted Federally backed mortgage loan consumers experiencing financial hardship related to the COVID-19 pandemic, the right



**COMPLIANCE
ALLIANCE**

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Check Writers are More Important Than Ever Before

In this era of digital banking, it may be surprising just how many people still write checks — and why.

Just as surprising is the lost opportunity financial institutions face by missing out on check order capture at account opening or leaving it up to third-party providers to drive check reorders. There's money being left on the table, and the revenue potential of check programs is being downplayed.

Recent research has revealed some eye-opening trends with check writing:

The vast majority of Americans use checking accounts, with only 6.5% of households being unbanked. Approximately 14.5 billion checks are still being written each year and “order checks” ranks third in the top 10 search terms on bank websites

What does all this mean for the financial institution? In short, it means that while checks as a payment method continue to decline, consumers are still writing checks.

The average household balance by number of checks written each month increases based on how many checks are written.

Furthermore, customers who order checks from their financial institution hold higher total household balances:

- No check order from their financial institution: approximately \$15,000
- Checks ordered from their financial institution: approximately \$20,000

When you multiply that number by total checking accounts, the number might make you think twice whether or not checks are still relevant.

A customer's affluence is also more highly correlated to check writing than to age. Regardless of age, as income increases, so does check utilization.

Avoid Missed Opportunities

Given these findings, it's in the best interest of financial institutions to ensure new customers order checks when they first open an account, regardless of channel. Not ordering checks at account opening is inconvenient for the customer — and it represents significant

lost revenue for the financial institution.

How much lost revenue? For an average-sized institution that opens 1,000 new accounts per month, providing the remaining 70 percent of new customers with check orders (and assuming average per-order revenue and reorder cycles over the lifetime of those accounts) the total would be \$400,000.



Harness the Potential

The big question most financial institutions have is how to reach potential check writers to harness the revenue potential they represent. Doing so requires a comprehensive program of best practices that includes five main performance components.

Order Capture

Without securing the first check order at account opening, future opportunities are compromised. Fee income, cross-sell, up-sell, reorders — all are potentially lost.

The most important step a financial institution can take to improve order capture is to ensure new account representatives — and other employees — understand the importance of check capture. Often, there is a problem of perception. An employee doesn't use checks, therefore assumes the customer doesn't use checks either. It's important that employees at all levels are aware that the vast majority of consumers still use checks. This should be included in training and materials — and underscoring the importance of check writing in defining primary financial institution relationships should be a priority.

Another important step is to ensure that checks are a clearly defined part of the account opening process. The number-one reason customers don't order checks at account opening is because they were never asked.⁸ In some cases, consumers assumed checks were provided automatically and were surprised when they didn't show up in their mailbox. Just as financial institutions offer a debit card to every customer, they should also include a check offer — every single time.

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my job search, resume structure, and the interview techniques I have learned will lead me to find my dream career job soon.”

Another graduating student, who wished to remain anonymous said, “The trainers were highly experienced and you know that they will answer right away any question raised.”

YWCA plans to continue offering Work\$Ready for as long as it's needed and will continue to develop new ways to meet the growing need for job readiness in our community. If you'd like to sign up for the next Work\$Ready class, call 206.823.5753 or 253.736.2301, or email bankworks@ywcaworks.org to be enrolled.

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to request six months of forbearance (with an option of six additional months), regardless of delinquency status. Congress prohibited servicers from charging any fees related to this forbearance. Mortgage delinquency status is frozen in place during forbearance, even if the bank suspends payments during the forbearance. As it stands today, customers can request forbearance under the CARES Act until the earlier of the end of 2020, or the end-date of the national emergency concerning the novel coronavirus disease outbreak declared by the President on March 13, 2020, under the National Emergencies Act.

State and Local-level Protection

Many state and local authorities enacted policies to protect mortgage borrowers and renters. The details of these state and local foreclosure bans vary. Banks should refer to the official websites for their state and local governments to assess the scope and requirements of applicable prohibitions. While effective dates vary widely, many of these protections remain in effect until respective governors lift statewide emergency declarations.

Private loans

The CARES Act provided no relief for loans that are not federally-backed. Banks should refer to the appropriate investor guidelines for mortgages sold to private investors. Banks should refer to guidance from its regulators concerning their expectations regarding non-federally-back mortgage loans held in portfolio.

Troubled Debt Restructuring (“TDR”)

If neither a federal nor state morato-

rium applies to a residential mortgage you hold in portfolio, you may still be able to exercise your authority to assist pandemic-affected borrowers who are struggling financially. Regulators have urged banks to work with customers and prudently modify loans in a safe and sound manner. Section 4310 of the CARES Act provided banks relief from TDR. In April, regulatory agencies issued revised interagency guidance to help banks sort modification requests into three groups: (1) loan modifications covered by Section 4310 of the CARES Act; (2) those outside of Section 4310 deemed not to be TDRs; and (3) those outside of Section 4310 that may be TDRs. In June, regulators released new interagency safety and soundness examiner guidelines. These guidelines instruct examiners to not criticize institutions for doing so as part of a risk mitigation strategy intended to improve existing loans, even if a restructured loan ultimately results in adverse credit classifications.

To be covered by Section 4310 of the CARES Act, a loan modification must: (1) relate to COVID-19, (2) be executed between March 1st and December 31st (assuming the current national emergency does not end earlier than the end of the year), and (3) the underlying obligation must be not more than 30 days past due. If a loan modification meets these three criteria, financial institutions do not have to report it as a TDR; however, the financial institution should maintain records of the volume of such loan modifications.

If a loan modification fails to meet any of the three criteria for Section 4310 coverage, it does not automatically result in a TDR. Regulators will deem a modification as not to constitute a TDR if it relates to COVID-19, extends no more than six months,

and the underlying obligation is not more than 30 days past due. The only subjective criterion is the relationship of the modification to COVID-19. As a best practice, banks should have the borrower certify that the requested change is due to COVID-19. To not raise HIPAA concerns, the certification should be general and not address specific health details. While such a certification is not required to be in the loan file, it would show future examiners that the lender followed the guidance in good faith. If a bank receives a modification request that is outside the scope of Section 4310 and does not meet the described criteria, the bank should assess whether the modification would be a concession to the borrower that the bank would not otherwise consider and act accordingly.

As with everything related to the COVID-19 pandemic, expect mortgage foreclosure protections to change as the county continues to deal with the long-term effects of our national crisis. The federal agencies may extend the protections relating to the loans they back, and Congress will undoubtedly reassess the CARES Act's protections as the end of its covered period draws near. Despite how things change, you can count on the Texas Bankers Association to bring you the most up-to-date information available as we walk hand-in-hand through this crisis.

Compliance Alliance is an endorsed member of WBA PROS and provides an all-inclusive compliance solution for banks of all sizes. Compliance Alliance provides its members an ever-increasing set of bank compliance tools and services that help them stay up-to-date with federal consumer and regulatory requirements.

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Channel optimization

Once the initial check order has been captured, branch employees should not spend another minute on check ordering. This frees them up to do other tasks and improves overall efficiency of the branch.

Instead, customers should be moved to self-service channels to place reorders of checks. In addition to improving branch efficiency, online and phone channels can introduce products and services that branch employees may not. An optimized eCommerce experience for check ordering platforms is key to success, as it promotes self-service, while also reducing operational costs by reducing the amount of training branch staff needs.

Additionally, there is a significant increase in average order value (AOV) when customers go online to place their own reorder. This income is lost when reorders are placed at the branch as the branch staff is less likely to offer check accessories when a check order is placed by a customer.

Another reason for moving reorders online is convenience. A financial institution's website is open 24/7/365. Customers don't have to wait for the lobby doors to open or wait in line at the drive-through or ATM.

Marketing

Checks, checkbooks and check delivery vehicles can all be used as marketing tools designed with engagement in mind, branded to promote your financial institution's colors, look and feel. Consistency in branding is key, as the average revenue increase attributed to always presenting the brand consistently is 33 percent.¹⁰

Custom designs that represent the

community, local organizations and charitable causes can be utilized to drive check orders and reinforce the financial institution's standing in the community. It also gives high message visibility, frequency and longevity. Every time a check is written or a new check pad is accessed, an impression is made. The impressions repeat over the lifetime of the check order.

Cross-sell and Up-sell

If nearly \$1 million in lifetime revenue isn't incentive enough, consider the lost cross-sell and up-sell opportunities. Remember that check writers buy an average of two more products and services from their financial institution than non-check writers.

Best-in-class print technologies provide full-color, customized financial product messages targeted to specific account types. Introduced a few years ago, Harland Clarke's CheckFolio packaging can accommodate full-color messaging for financial institutions to showcase the services most important to them. Each time a customer opens this folio, whether to write checks or to remove a pad from the portable cover, an impression is made.

Don't underestimate the value of custom-designed checks. They can be brand differentiators for financial institutions and effective marketing tools to reach the very customers that are most valuable to your financial institution — without tapping into your marketing budget.

Security

A 2019 ABA survey reported that check fraud accounted for 47 percent, or \$1.3 billion, of industry deposit account fraud losses¹¹ affecting multiple generations, including Millennials and Baby Boomers. In

addition, \$432.4 million in fraud was reported to the FTC through the end of March 2020. In light of this reality, check security, especially for your high-value, loyal check writers is very important — for customer satisfaction and your financial institution's bottom line.

The proliferation of mobile banking also means customers want to know what kind of mobile security features your financial institution utilizes and what kind of support they have access to in the event they become a victim of check fraud. In fact, 22 percent of consumers surveyed said they would use mobile capture more frequently if they had better assurance that their checks had been deposited securely.¹³

Making sure your check program focuses on security and that your institution effectively communicates any security-related features to your customers gives them peace of mind, delivers a better customer experience and builds loyalty.

The Bottom Line

Check writers are critical to the profitability of a financial institution. They are loyal, have more investable assets, and buy more products and services from their financial institution. It's important to embrace them at every level of the organization.

Most importantly, check ordering should be included with each account opening. It not only provides customers with a product they need — it also ensures they purchase it from the financial institution. This opens new marketing channels to cross-sell and up-sell financial products and services over the lifetime of the account.

With 14.5 billion checks still being written each year, it's a demographic few financial institutions can afford to ignore.

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