

# Issues & Answers



December 2020

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## Let's Make Sure We're All on the Same Page

*By Glen Simecek, President and CEO,  
Washington Bankers Association*



Elections are a bit like SONAR; they can reveal what's invisible to the eye but lurking below the surface.

For instance, the presidential election results provided another illustration of deep divides between conservatives and liberals, rural and urban voters,

red and blue states.

Closer to home, the banking industry came together admirably to support Jon Jones, president and CEO of Washington Business Bank in Olympia, in his candidacy for a seat on the Federal Home Loan Bank of Des Moines Board. By garnering 97 percent of the eligible bank votes, Jon won the right to occupy a seat formerly held by the CEO of BECU.

This result demonstrates the importance of getting everyone in our industry on the same page

and acting in concert. It's something we will need to continue doing as we head into a 2021 legislative session that, as I write this column, poses more questions than it answers.

There are a few things we know. First, for all the election battles waged across the state, the party margins in the Legislature appear not to have changed. Democrats will continue holding majorities of 28-21 in the Senate and 57-41 in the House. That's not to say that the actual composition of the membership won't change. There will be roughly two dozen new faces in the 2021 session – nearly one-sixth of the total Legislature.

In many cases, the newly elected reflect an ongoing trend for members to come not from the moderate wings of their respective parties, but farther right or farther left. That divide, like the one we see at the federal level, makes it harder to find common ground, build consensus, or drive compromise solutions that work for all stakeholders.

That would be the case even in a normal legislative session – and 2021 promises to be anything but normal.

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## Issues & Answers – December 2020

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### Connect With Us

Connect with the WBA online by following us on our social media accounts.

### On the Cover

Snow covers the hills around the Mt. Baker Ski Area in late December.

*Photo by Megan Managan*

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Lawmakers are expected to operate virtually during the session, but no one – including lawmakers themselves – knows exactly how that will work.

Our best estimate at this point is that legislators may come to Olympia for a couple of days at the start of the session, and, while practicing appropriate social distancing, adopt new rules to enable voting virtually for the remainder of the session. No one knows whether these rules will differ for the committee and floor votes, and it's possible that the Senate and House could adopt separate rules.

We expect the capitol building to be closed to the public, including lobbyists and constituents. There is a chance that only legislative leaders and critical staff will be working in the building, with other members working remotely. But there are still broadband connectivity issues in some rural areas of the state, so some legislators may argue that they need to be in their offices to conduct business and adequately represent their constituents.

The Legislature also is reportedly considering erecting tents in parking lots around the capitol campus to provide an outdoor, socially distanced setting for any face-to-face appointments that lawmakers accept.

Such restrictions are expected to reduce the total volume of bills introduced and heard and to constrain lawmakers' ability to deal with controversial issues. Some members of leadership are saying they want to concentrate on only a few major issues: closing the budget gap created by the pandemic and economic shut-downs; addressing public health issues raised by the virus; and enacting criminal justice reforms in the wake of public demonstrations.

We must recognize, though, that it's difficult if not impossible to rein in 147 lawmakers representing diverse constituencies and with individual ideas of what's important for the future of the state. Even if leadership maintains strong subject matter discipline, it will be fascinating to watch various stakeholder groups position their priorities as aligned with a relatively short list of accepted issues.

The challenge for WBA is that we can't afford to watch this unfold from the sidelines. We must adjust our advocacy tactics to reflect this unfolding new reality so that we continue to effectively protect your interests.

So, we won't be holding our typical annual Bankers Day on the Hill in 2021. But we will still engage with lawmakers and issue calls to action regarding important legislation and at critical points in the legislative process. It will be more important than ever that local bankers act quickly when they receive these messages and contact their legislators.

Finally, there is another important thing you can do before the Legislature is gavelled into session. Take a minute to contact your local legislators. Make sure they know who you are and what bank you represent. Tell them how your bank has helped your community respond to COVID-19, from loan forbearance to processing PPP applications, to philanthropic and volunteer contributions. Thank the legislators for their service, acknowledge they have a tough session ahead and offer to be a resource as they consider bills with consequences for our local economy.

The stronger our relationship with lawmakers going into the session, and the better we work together, the better our chances for success.

## READY TO LEARN?

Get the latest on WBA events online at  
[www.wabankers.com/calendar](http://www.wabankers.com/calendar)

# Playing the Long Game

By Rob Nichols, President and CEO, American Bankers Association



After months of planning and preparation—and if we're being honest, a little angst—Americans went to the polls in record numbers in early November to cast their votes in presidential, state and local races. The contest topping the ticket was one of the most high-profile and most contentious presidential races in recent memory, and at the time of this writing, it isn't quite in the rearview mirror: several states have yet to certify their results, some legal challenges are pending, and of course, the Electoral College has yet to meet.

But with major media outlets calling the race for

former Vice President Joe Biden and Senator Kamala Harris, ABA is preparing for a Biden administration to take over in early 2021. It's also looking likely that Congress will remain divided, with Republicans in control of the Senate and Democrats maintaining control of the House—though with two critical Senate races in Georgia going to runoff elections, it will still be several weeks until we know for certain.

Regardless of how the balance of power may shift, ABA will continue to draw on its nearly 150-year history of working alongside both parties to find commonsense policy solutions that will support economic growth. It's a longstanding tradition that we're proud of, and we have made tremendous progress in recent years in advancing a pro-growth, common-sense and data-driven approach to banking policy.

In fact, many of the significant pieces of banking policy have been bipartisan in nature. Take for example S. 2155—the regulatory reform law that Congress passed in 2018. That effort was a testament to how lawmakers on both sides of the aisle were able to come together to help clear some of the roadblocks that stood in the way of banks' ability to serve their customers, clients and communities.

That same cooperative spirit is desperately needed today, when so many families and businesses are still feeling the extreme economic effects of the COVID-19 pandemic. As we look ahead to 2021, the economic recovery will be top of mind for policymakers in Washington and the financial industry will have an important role to play in the ongoing response.

Banks played a monumental role as economic first responders in the early days of the pandemic to address the economic dislocation that stemmed from the healthcare crisis, and we'll continue our work in the weeks and months ahead—keeping an eye on economic indicators, responding to problems early and helping to restore our nation's economy. ABA stands at the ready to work with the next administration and lawmakers from both parties to bolster the economy, increase opportunity and create a brighter future for all Americans.

At the same time, we won't lose sight of our other policy priorities. We'll continue to put our policy and advocacy expertise to work to address the important issues facing our industry, from AML/BSA reform to CECL to cannabis banking.

As one might expect from a trade association that's been around for nearly a century and a half, our eyes are on the long game. And while some of the tactics we employ may change with the times, our agenda will remain the same—and will continue to be driven, first and foremost, by the banks we serve.



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**Effective December 28, 2020**

# Registration for Executive Development Program Filling Quickly

The registration deadline for the 2021 Executive Development Program is quickly approaching and spaces are filling fast.

Beginning in late January, this 12-month program focuses on preparing a new generation of executive leaders within the bank. Returning in 2021 is our newest session, exploring fintechs and how they play into the banking landscape. Taught by Dave DeFazio, partner at StrategyCorps, and Joe Sullivan of Market Insights, students will learn about the wide variety of fintechs and how they can think about partnerships with these innovators.

If there is a banker in your organization ready to tackle a new career challenge, we strongly recommend enrolling them in this program, as it provides a strong holistic understanding of the industry and what it takes to be a successful executive.

WBA has planned to offer virtual events through the first half of the year and hopes to provide in-person training during the second half of 2021. We are also exploring hybrid events to help bankers maximize their training options.

Next spring, WBA will be offering virtual sessions of the Management Development Program and Commercial Lending Development Program, both beginning in April.

On the conference front, on December 3-4, we've partnered with the Utah Bankers Association for the Virtual Bank Executive Conference.

Crafted for executives and directors at the bank, this conference will provide an post election update, panel of medical experts discussing the pandemic, as well as breakout sessions. WBA will also celebrate the 2020 Executive Development Program graduates

“

WBA did an amazing job of transforming the program due to this environment and adapting to provide us an exceptional educational experience for our growth.

Anita Porter, VP/Branch Manager, Columbia Bank

The WBA EDP class has really opened my eyes to all the different aspects of being a banker and a leader. The classes focused around leadership, communication and conflict resolution have been especially helpful in my current role.

Tim Beauchamp, VP/Market Manager, 1st Security Bank of Washington

”

with a special graduation ceremony.

In the first half of 2021, WBA's conferences will be virtual, including the Senior Credit Conference on March 2-3, and our first-ever joint Virtual Marketing & Retail Conference will be held March 17-18 with breakout sessions designed specifically for those in the marketing and retail departments.

We'll also host the Emerging Leaders Conference on March 23-24 before the Education/Human Resources Conference on May 10-12 at the Historic Davenport in Spokane.

Next summer, the 2021 Annual Bankers Convention will be held with the Oregon Bankers Association on July 14-16 at Skamania Lodge in Stevenson, Wash.

Please visit the WBA website at [www.wabankers.com](http://www.wabankers.com) for more information about registration for any of our upcoming fall programs.

## Events Calendar

**December 3-4** – Virtual Bank Executive Conference

**January 26, 2021** – Virtual Executive Development Program

**March 2-3** – Virtual Senior Credit Conference

**March 17-18, 2021** – Virtual Marketing & Retail Conference

**March 23-24** – Virtual Emerging Leaders Conference

**April** – Virtual Management Development Program

**April** – Virtual Commercial Lending Development Program

**May 10-12, 2021** – Education/HR Conference, Spokane

**July 14-16** – 2021 Bankers Convention, Skamania Lodge

*\*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](http://www.wabankers.com).*

## HAVE NEWS TO SHARE?

Email it to [megan@wabankers.com](mailto:megan@wabankers.com) to be included in an upcoming  
*Issues & Answers*





Special thank you to Cook Security Group, Compliance Alliance, HC3, Harland Clarke, and IP Services for sponsoring this year's event.



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# 2020 Executive Development Program Students Graduate After Whirlwind Year

For the 37 students in this year's Executive Development Program, the program's start was in no way indicative of the end. Beginning in January, the students from Washington and Idaho started as their predecessors before, with classes at the Washington Athletic Club. After just three sessions in person and a distracting upheaval to daily life thanks to the ongoing pandemic, the students swiftly adapted to a new normal, attending the program virtually.

"EDP would be an incredible experience in a normal year, however, during 2020 it rose to the challenge," said Jill Boyle, treasury solutions manager at WaFd Bank. "EDP provided a comradery during a time of uncertainty. A time when we could have hidden, it was comforting to be a part of a group of peers that faced the challenges head-on and supported each other no matter what came our way. We not only got to learn the principles this year, but we also got to apply them. Thank you Washington Bankers for helping us lead through this time and come out of this course stronger."

"None of us knew what 2020 would bring when we signed up, but the WBA (and all of us) rose to the challenge to make the absolute most of the time we had in an unforgettable year. I am forever grateful for my experience here," said Katie Petrik, AVP/Service Manager, Business Systems & Development at Columbia Bank.

The students and their organizations celebrated their accomplishments during the Virtual Bank Executive Conference at the beginning of December.

Congratulations to David Alexander, 1st Security Bank of Washington; Tim Beauchamp, 1st Security Bank of Washington; Jill Boyle, WaFd Bank; Carron Chernobieff, Peoples Bank; Rich Colburn, Columbia Bank; Jody Copeland, First Federal; Meghan Dort, Sound Community Bank; Nathan



Engman, Columbia Bank; Brian Feller, First Federal; Nikki Geiszler, Banner Bank; Christy Jones, Heritage Bank; Jennifer Krug, Banner Bank; Lori Lauzon, Columbia Bank; Jade Lohr, Washington Trust Bank; Kristy Mabrey, First Federal; Angie Martin, Columbia Bank; Rob Mason, Columbia Bank; Kelsey McLeod, Columbia Bank; Nathan Morgan, Banner Bank; Amanda Nino, Heritage Bank; Kasi O'Leary, First Federal; LaVonne Olsen, Peoples Bank; Katie Petrik, Columbia Bank; Daniel Petzoldt, Sound Community Bank; Anita Porter, Columbia Bank; Lindsey Pretty Weasel, Washington Trust Bank; Lisa Pugh, Kitsap Bank; Eleanor Rasmussen, Washington Trust Bank; Eric Schmid, Banner Bank; Crystal Sevier, Washington Trust Bank; Bentley Simpson, Kitsap Bank; Kerry Steele, Heritage Bank; Mary Vanderwood, WaFd Bank; Casey Waddell, Banner Bank; Katy Wagnon, Washington Trust Bank; and Gina Walsh, Peoples Bank.

## 27 Graduate from Virtual Credit Analyst Development Program

This November, WBA celebrated 27 students completing the virtual Credit Analyst Development Program.

The program covers a wide variety of topics relating to credit and accounting, focusing on skills bankers need to build a foundation and advance their careers.

Held for the first time virtually, students said they appreciated the program's interactive nature.

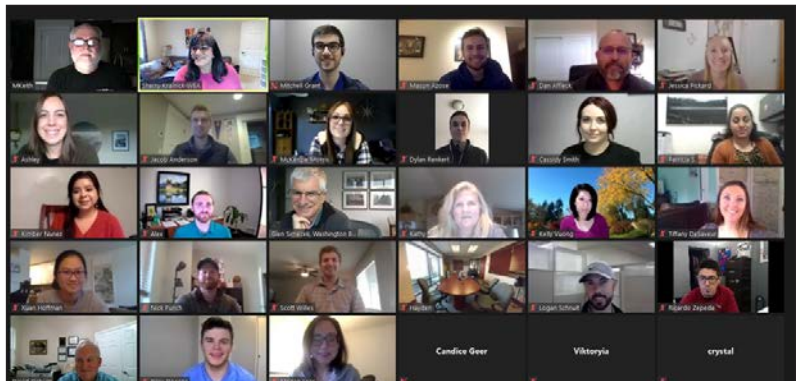
"Being virtually administered at first I was unsure but each instructor/speaker did a great job of keeping the class engaged and presented the material in an understandable way."

"It sure did (meet my expectations) and exceeded. These instructors are very knowledgeable and every topic is geared towards what we need to learn."

Congratulations to Alexander Hoffman, Banner Bank; Ashley Mahan, Baker Boyer Bank; Candice Geer, Mountain Pacific Bank; Cassidy Smith, Citizens

Bank; Crystal Li, First Financial Northwest Bank; Daniel Affleck, Columbia Bank; Dylan Renkert, 1st Security Bank of Washington; Hayden Nelson,

Community 1st Bank; Jacon Anderson, Seattle Bank; Jessica Pickard, Coastal Community Bank; Kathleen Kantrud, Islanders Bank; Kelly Vuong, First Financial Northwest Bank; Kimber Nunez, Cashmere Valley Bank; Logan Schnuit, Kitsap Bank; Mason Azose, First Sound Bank; McKenzie Morris, Wheatland Bank; Megan Lear, Sav-



iBank; Michael Keith, First Federal Saving & Loan of McMinnville; Mitchell Grant, SaviBank; Nickolas Punch, Baker Boyer Bank; Patricia Sanchez, Cashmere Valley Bank; Ricardo Zepeda, Cashmere Valley Bank; Riley Doerge, Commencement Bank; Scott Willes, Community 1st Bank; Tiffany DeSaver, Kitsap Bank; Viktoriya Kastsenda, Heritage Bank; Xuan Hoffman, Seattle Bank.



# WBA Member News



## 1st Security Bank of Washington Distributes Books to Children

1st Security Bank of Washington partnered with United Way of Thurston County this fall to distribute over 2,000 children's books to local organizations.

The group of volunteers from the bank designed, printed, and placed bookmarks in each of the books and created goodie bags to encourage young readers. The books were then delivered to local organizations that would distribute the books to local kids.



## Peoples Bank Donates to Alatheira Riding Center

Early this fall, the Peoples Bank Wenatchee team presented a donation to the Alatheira Riding Center to support the organization.

The \$1,000 donation helps the riding center continue to provide therapeutic and adaptive riding programs for those with special needs and combat veterans with PTSD.



## Olympia Federal Earns South Sound Business Magazine IDEA Award

South Sound Business Magazine's 2020 IDEA Awards were announced in early November, and Olympia Federal Savings earned the Most Philanthropic Company award for their work in the community this year.

The bank was recognized for its various giving programs, where 10 to 15 percent of the profits are given back to local organizations. In 2019, the bank donated more than \$400,000, supporting almost 200 organizations.



## Kitsap Bank Raises over \$30,000 During 'From Shred to Fed' Events

This fall, Kitsap Bank branches hosted From Shred to Fed events, where residents could bring documents to shred and make donations to local food banks.

Throughout September and October, the bank raised over \$30,000 to support nine local food banks to help those in need this winter.



## 1st Security Bank of Washington Lacey Team Volunteers with Food Bank

Members of the 1st Security Bank of Washington Lacey team volunteered earlier this fall with the Thurston County Food Bank as part of the bank's ongoing partnership with the United Way of Thurston County.

Volunteers helped sort and pack donated items for the food banks which has seen an increase in users due to the pandemic.

## KeyBank Donates Nearly \$500,000 Locally for COVID Relief and Equity Efforts

In mid-November, KeyBank announced it had donated almost \$500,000 in COVID relief and social justice/racial equity efforts in the greater Seattle and South Puget Sound areas.

"It's important that we all come together to support community members who are struggling with the challeng-

## Continued from page 7

es 2020 has presented,” said Matt Hill, KeyBank’s Seattle Cascades President. “We have seen our neighbors hurting to due economic and societal hardships and inequalities, and we at KeyBank are proud to come along beside them and lend a hand.”

The bank provided assistance to businesses, non-profits, and families throughout the organization’s national footprint. In the greater Seattle area, the bank supported Tacoma Housing Authority, United Way Pierce County, REWA, YWCA of King Snohomish, Tacoma Urban League, Urban League of Metro Seattle, and many others.



### Wells Fargo and Partners Award Vehicle on Veteran’s Day

On Veteran’s Day, Wells Fargo, along with partners Rairdon’s Honda of Burien and the Military Warriors Support Foundation awarded a payment-free vehicle to former U.S. Army Chief Warrant Officer 2 Lucas Thompson at The Museum of Flight.

The 2020 Honda Passport was donated as part of the Military Warriors Support Foundation’s Transportation-

4Hereos program, which awards payment-free vehicles and provides one-year of family and financial mentorship to combat-wounded veterans and Gold Star families to help



### ease the transition from the military to civilian life. Yakima Federal Donates to Kittitas County Habitat for Humanity

In late October, Yakima Federal Savings announced a donation to Kittitas County Habitat for Humanity.

The donation, for \$7,500, will help the organization to continue to build homes for families in need.

### Mountain Pacific Bank Hosts Food Drive for Food Bank

Throughout October and November, Mountain Pacific Bank in Ballard hosted a food drive benefiting the Ballard Food Bank.

Customers were invited to drop off donations at the branch to help the local organization, which has seen an increase in users due to the pandemic.

*If you have WBA member news to share, please email Megan Managan at [megan@wabankers.com](mailto:megan@wabankers.com). Submissions are run on a space available basis.*

## ABA Urges All Banks to Offer “Bank On” Certified Accounts

To help reduce the number of unbanked Americans, ABA President and CEO Rob Nichols recently urged all banks to offer a Bank On-certified account. In his opening remarks at ABA’s Unconventional Convention, Nichols also commended the nation’s core processors for committing to make it easier for banks to offer these accounts.

“We believe that expanding the number of banks that offer these safe, affordable accounts can help lower the number of unbanked and underbanked in the country and promote financial inclusion,” Nichols said.

Created by the Cities for Financial Empowerment Fund, Bank On

accounts’ key features include low costs, no overdraft fees, robust transaction capabilities via a debit or prepaid card, and free online bill pay.

Nichols also announced that 20 core technology providers—including Fiserv, FIS, Jack Henry and Associates, and Finastra—have committed to simplifying the process for their bank clients to create and offer a Bank On-certified account.

“The core providers deserve credit for stepping up to support this important initiative and their bank customers,” Nichols added. “Their partnership will make it easier for



banks across the country to offer these accounts and join the Bank On movement.”

Currently, 43 banks offer Bank On-certified accounts, and many banks may already offer accounts that meet the Bank On standards.

“Old National has been a champion of the Bank On program since 2008, and today our Bank On-certified EZ Access account allows us to bring in new clients who otherwise might not have enjoyed the safety and convenience of a bank account,” commented Jim Ryan, chairman, and CEO of Old National Bank in Evansville, Indiana.



# WBA Endorsed Vendor: Harland Clarke

## How HSA Growth Is Impacting the Financial Services Industry

By Philip D. Armstrong, Senior Market Strategist, Harland Clarke

When you look at the history of 401Ks and HSAs, their origins have similar intentions — to help Americans prepare for a retirement that the government and employers are placing more squarely on their backs.

Ted Benna, the “Father of the 401K,” initiated its birth in the late 70s. When Congress passed the Revenue Act of 1978 with a provision in it — section 401K — he branded the most significant retirement vehicle about to replace the defined pension plan.

This law went into effect in January 1980, helping launch the boom-boom 80s. Benna saw an opportunity in the legislation to create a tax-advantage savings account for company employees. Looking back 30+ years later, he never intended this to be the “primary” way for employees to accumulate money for retirement and ultimately be a boom to Wall Street.

And yet, this new product became a way for employers to unshackle themselves from costly, guaranteed-for-life, pension plans. In just two years, more than 50 percent of large companies were offering the investment plan.

With two bull markets in the 80s and 90s, over a 15-year timeframe, 401K assets grew to more than \$1 trillion with 30 million active participants. Compare that to HSAs over a similar period of time. Devenir projects in 2020 HSAs will top \$77 billion in assets with 29 million account holders.

Clearly, there are some “shackles” on the HSA — which some could argue is a better savings vehicle than a 401K from a tax perspective — that are holding it back. Let's count the links of the chain:

- A limited number of people can participate. To be eligible, you must have a high-deductible health plan. That immediately eliminates more than half of America.
- Compared to 401Ks, annual contribution levels are not even close for HSAs. For 401Ks, they are more than three times greater. (2020 HSA contribution limits for individuals is \$3,550 and families is \$7,100 with an additional “catch-up” contribution of \$1,000 for 55+ individuals.)
- HSAs offer limited use for qualified expenses. And maintaining receipts is a must for any potential IRS audits.
- Medicare aged Americans are excluded. The group that continues to work past age 65 cannot take advantage of this tax savings vehicle.

These are the most notable limitations, but there are more to consider.

### HSAs – it takes a pandemic?

Unlike the birth of the 401K, HSAs were born thru many surrogate parents pushing the adoption of this new health/wealth retirement account. In fact, many of those people are now part of the American Bankers Association HSA Council, helping promote to Congress, the IRS, State Legislatures, and the media the benefits and rewards of fully embracing the HSA.

In light of the current pandemic, suddenly we all are concerned about our health and the health of the world. Imagine if HSAs had grown to the levels of 401Ks or a modest fraction of today's 401K \$6.2 trillion in assets. Those individuals most seriously impacted by

COVID-19 would be able to access money for health and preventive care.

Already part of the \$2 trillion relief fund passed by the government, HSAs have been cleared to cover COVID-19 testing and over-the-counter medications during the pandemic.

Getting more attention now for future relief packages is the Personalized Care Act (PCA) sponsored by Senators Cruz & Braun, which is focused on eliminating the primary shackles holding down HSAs.

If passed, the PCA essentially would:

- Extend HSAs to millions of Americans by eliminating the high-deductible health care plan requirement so any health insurance coverage makes you eligible to open an HSA.
- Triple the HSA dollar contribution limits.
- Allow HSAs to pay for healthcare premiums.
- Allow HSAs to pay for direct Primary Care.

### Does this matter to financial institutions?

Long before we were all faced with the uncertainty forced upon us by COVID-19, we surveyed 5,500 banks and credit unions to gain an understanding of whether or not HSAs are important to their business. What we heard even then was a resounding “Yes.”

Here are some highlights from the survey:

- 50 percent of financial institutions are interested in HSAs, but lack product and industry knowledge to integrate them within their current lines of business.
- Institutions need to break down the silos among retail, commercial, and wealth management. Is it a DDA account, wealth management or commercial product/service?
- More than 50 percent of financial institutions that responded currently offer an HSA. Mid-size to small banks see it as a competitive advantage in local markets for commercial and small business accounts. What do they like best about the product? The low-cost, sticky deposits!
- 91 percent have no strategy for non-funders. Institutions are struggling with resources, and with knowing how and when to communicate with and engage account holders to take “ownership” of their HSAs.
- 66 percent of customer service reps not adequately trained.

This is a symptom of lack of education and resources constraints, but ultimately, it inhibits adoption.

These are just some of the key insight shared from our recent survey. To receive a complimentary copy of the complete survey results, [click here](#).

Even with a number of impediments — lack of education, lack of employer contributions, and lack of legislative support to broaden the market — HSA assets continue to grow at a double-digit compound annual growth rate.

Their time will come. Where 401Ks may have been oversold in replacing the defined pension plan, HSAs, with their triple tax benefit and retirement safety net, are being under sold.

Like the preamble of our Constitution — We the People — everyone should have the same opportunity ... in this case, to invest in a

**Continued on page 11**



## Thank You to



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ISSUES & ANSWERS

# BSA/AML Compliance Strategies In a COVID-19 Environment

By Elizabeth K Madlem, Vice President of Compliance Operations, Compliance Alliance



The formal study of risk management has been around since World War II and involves learning how to identify, assess and manage financial risks for an organization. It has long been associated with market insurance, protections from accidents and use of derivatives. It evolved into contingency planning, analyzing various risk prevention activities and portfolio management. Operational and liquidity risks emerged as a formalized concept in the 1990s as financial institutions intensified their market risk and credit risk management activities. Risk management has become a corporate affair—it is a major player in the decisions of an institution's management and monitoring policy. The concept of risk began to cover pure risk management, technological risk management models, and operational risk. And as the identification of new risks emerged, so did an expanded concept of

operational risk.

Fraud risk is a form of operational risk. It is the risk to current or projected financial conditions and resiliency arising from inadequate or failed internal processes or systems, human error or misconduct, or adverse external events. Fraud historically has been known to increase during disaster-related events. The unprecedented COVID-19 pandemic is no exception to this increase. Fraud can be characterized as an international act, a misstatement or omission to deceive others with the sole purpose of a victim suffering a loss or a perpetrator achieving a gain. It can be internal or external but the key takeaway with fraud is that financial institutions subject to the Bank Secrecy Act are mandated to upkeep an anti-money laundering compliance program and process. Meeting BSA and AML obligations during a pandemic has proven challenging. It has forced financial institutions to adopt a new "business-as-usual process" that magnified challenges for financial crime management programs within institutions of all asset sizes.

Financial institutions, despite any differences in scale, are all facing work from home shifts, evolving customer behaviors and expectations, along with a rise in pandem-

ic-related fraud patterns. The combination of financial and health risks opens vulnerabilities and creates more opportunities for fraudsters. The Agencies recognize that the current environment is (1) unprecedented and (2) requires flexibilities. Back on March 16, 2020, FinCEN released a state to financial institutions regarding the impact of the COVID-19 pandemic. It encouraged financial institutions to communicate their concerns related to the pandemic and to, above all things, remain alert to illicit financial activity. It encouraged financial institutions that had concerns over potential delays in filing any required BSA reports (CTRs and SARs) to contact FinCEN and their functional regulator as soon as practicable.

Second, FinCEN outlined the emerging trends connected with COVID-19: imposter scams, investment scams, product scams and insider trading. Financial institutions are reminded to review FinCEN's 2017 advisory FIN-2017-A007 for descriptions of other relevant typologies, which included benefits fraud, charities fraud and cyber-related fraud. Entering "COVID19" in Field 2 of the SAR-template when reporting suspicious transactions linked to COVID-19 was highly

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## Promontory Interfinancial Network Changes Name to IntraFi Network

The innovative fintech is adopting new names that better describe its suite of financial services — popular products that until now have included CDARS®, Insured Cash Sweep®, Insured Network Deposits®. Going forward, the company's deposit products will be consolidated into IntraFiSM Network DepositsSM and its funding products will become IntraFi Fund-

ingSM.

The new name recognizes the evolution over the past 18 years, from a small fintech providing a single service for less than 100 banks to a company offering an array of all-weather solutions to thousands of institutions. It's a new name, but the same people, products and service to financial institutions like yours.

### Industry News

#### New Hires

Jason Miller  
Digital Bank Marketing Manager at Coastal Community Bank

Cathi Stroud  
Post-Closing Specialist at First Financial Northwest Bank

Elliott Pierce  
Chief Credit Officer at First Sound Bank

Javier Tovar  
Mortgage Loan Representative at Peoples Bank

Sandra Stipe  
Mortgage Loan Representative at Peoples Bank

Alina Coonc  
Vice President and Small Business Loan Officer at Peoples Bank

#### Promotions

Robert Nesbitt  
Senior Vice President and Commercial Banking Team Leader at 1st Security Bank of Washington

Taylor Jernigan  
Assistant Vice President and Employee Relationship Administrator at Kitsap Bank

Jody Copeland  
Vice President and District Branch Manager at First Federal

Brian Kunkel  
Director of Commercial Lending at 1st Security Bank of Washington

Jennifer Ruckman  
Vice President and Regional Manager at Kitsap Bank

#### Board of Directors

Rilla Delorier  
Board of Directors at Coastal Community Bank

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

# PANDEMIC RESOURCES

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encouraged. But key pressure points continued to emerge in the new environment for financial institutions. Not only were financial institutions required to identify fraudulent and potentially suspicious activity outside of normal trends, they had to detect disaster-related fraud, increase their protection of elderly customers and report on COVID-19 trends and losses. This is not to say financial institutions have not risen to the challenges.

FinCEN's April 3, 2020 notice encouraged financial institutions to "consider, evaluate, and, where appropriate, responsibly implement innovative approaches to meet their BSA/anti-money laundering compliance obligations." Institutions have considered the health and safety of their employees and customers, and have maintained the stability of the financial system, managing, and mitigating the risks of money laundering and fraud losses. But what considerations should financial institutions continue to focus on as they navigate BSA/AML compliance?

**Contingency Plans**—Financial institutions need to be anticipating best and worst case scenarios. How will the financial institution re-establish its BSA/AML program and obligations once pivoting from remote work and a more return to normal? If the pandemic continues, what longer-term necessities and measures need to be taken to maintain or increase its BSA/AML practices?

**Customer Due Diligence**—COVID-19 has transitioned much more rapidly than an organic migration to online presences. Customers are expecting banks go even more digital via their online channels. This has not been without changed expected activity for both individuals and businesses. Has an institution increased its daily transaction limits to meet increased demands for additional cash? Has cash hoarding strained a bank's CTR filings? Did the organization experience an increase in false positives for fraud due to changing customer behaviors? Financial institutions need to continually evaluate their programs to grab control of the challenges and added workload to its BSA/AML staff.

**Risk Assessments**—No longer something for larger or more complex financial organizational structures, the need for risk assessments has increased. Customers have changed the scale of their operations. Programs like the Paycheck Protection Program under the CARES Act have flooded lending and operations divisions within the bank, which inhibits adequate oversight. Risk assessments need to continue to be reassessed on both a customer base and organizational level to re-consider the nature and purpose of customer relationships, continue that development of customer risk profiles, and reassess bank operational systems and controls. This was re-emphasized in the update to the FFIEC BSA/AML Examination

Manual released April 15th.

**Coordination and Communication**—Identifying logistical challenges is one aspect; effectively communicating them to bank staff is another. Internal communication is essential. Impactful and cohesive running of compliance teams will aid financial institutions in minimizing the challenges of administering an effective BSA/AML compliance program during a pandemic. A risk-based approach with diligent adherence to a bank's BSA obligations are going to define compliance problem areas and assist financial institutions in mitigate their risks.

**Technology**—FinCEN's April guidance encouraged financial institutions to be innovative through the deployment of "novel technologies." While this encouragement has many possibilities, it does create challenges for financial institutions. Banks still must maintain prudent evaluations whenever implementing innovative approaches to current BSA/AML processes. Financial institutions need

to maintain robust oversight of their vendor management relationships with third-party providers, especially as it relates to BSA/AML program implementation. Safety and soundness and consumer protection are heavily impacted by technology, increasing a bank (and regulator's) focus on monitoring.

The COVID-19 pandemic has introduced or an increased emphasis on a risk-based approach to BSA compliance. It has supported flexibilities as promulgated by FinCEN and other agencies. While regulators have highlighted the difficulties realized or otherwise by financial institutions, little reassurance or solutions have been offered. For this reason, financial institutions need to consider, evaluate, and determine what a risk-based approach means for its own institution. Criminals are luring targeted, vulnerable individuals and companies with an even stronger virtual presence—these attempts are aimed at undermining the bank's due diligence and "know your customer" processes within a remote environment. It is imperative that financial institutions review FinCEN and other Agencies' releases on advisories highlighting common typologies used in fraud, theft and money laundering activities related to the pandemic. The significant increase in online and digital transactions coupled with cyberattacks and related fraud is only going to continue to impact remote platforms and processes. Understanding the new and expanding definition of fraud risk will force financial institutions to remain diligent with BSA/AML controls and procedures related to the pandemic.

*Elizabeth Madlem is the Vice President of Compliance Operations and Deputy General Counsel at Compliance Alliance. In the past, she served as both the Operations Compliance Manager and Enterprise Risk Manager for WaFd Bank, a \$16 billion dollar organization headquartered in Seattle.*

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Health Savings Account.

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tools such as checks and cards; and marketing services such as deposit and loan acquisition programs, digital marketing, and promotional products for businesses. Learn more at [www.harlandclarke.com](http://www.harlandclarke.com).

*Philip Armstrong leads B2B market strategy for Harland Clarke's Health Savings Account vertical*

*supporting financial institutions and third-party administrators in delivering customer engagement strategies to their clients and employees. He has more than 25 years of experience in financial services, technology, entertainment and e-commerce, and advertising.*

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