

Issues & Answers



December 2023

In This Issue

- Page 1** President's Message
- Page 3** ABA Update
- Page 4** Plan Ahead for 2024 WBA Conferences & Development Programs
- Page 5** WBA Celebrates EDP Graduation
- Page 6** WBA Member News
- Page 12** 4 Ways AI Can Help Today's Marketer See Better Results
- Page 13** Embracing FedNow: A Guide for FI
- Page 14** Ag Lender Survey Results



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

2023 is winding down. The signs are all around us: holiday decorations have graced store shelves since sometime before Halloween; there's

seemingly no end to the products that can be pumpkin-spiced; and media outlets are furiously compiling and presenting their "best of the year" lists of books, movies, meals, athletic plays and just about everything else.

We can't do much at WBA about the ubiquitous decorations or pumpkin spice, but we are honored to have this opportunity to join the trend of looking back and sharing a few highlights of the last 12 months.

That list begins – as do all things here at WBA – with our members. From our officers and board members to our committee and task force volunteers, to those bankers who have joined our advocacy efforts joining us in Olympia, visiting lawmakers in the other Washington or visiting state and federal policymakers in the district and

supporting our state and federal PAC—we couldn't do it without you. This is also a time to acknowledge the many bankers who have taken advantage of our professional development opportunities; we appreciate all of you, and it's an honor to see you grow. We value your partnership, your investments, and your commitment of time and talent to help us support the banking industry here in Washington.

This was a challenging year in ways no one could have predicted. Just as we all thought we could catch our breath from the COVID pandemic, the toxic combination of deposit and asset concentrations, interest rate risk, and social media panic sparked the most significant security and soundness questions the industry has faced since the Great Recession. Through all that, WBA members have continued to support our efforts, just as they have supported their customers and communities. That's a testament to the strength of our membership and why we remain so proud to represent you.

Against that backdrop, the industry's 2023 legislative session was relatively quiet. A few dubious proposals, like repealing the first mortgage tax ex-

Continued on page 2



Issues & Answers – December 2023

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On the Cover

Snow covered trees line the horizon as seen from Artist Point at
the Mt. Baker Showsnoe and Ski Area.

Photo courtesy of NWFS

Continued from page 1

emption and creating a state bank, again raised their ugly heads, but they have yet to gain real traction. In contrast, we successfully secured passage of our members' top legislative priority, codifying the long-held "first in time, first in line" lien priority principle in partnership with many other stakeholders in the banking, mortgage, and title industries.

At the federal level, Congressional and regulatory reaction to those high-profile bank failures in March inevitably led to discussions about revamping the highly effective federal deposit insurance system. Unfortunately, those conversations have stalled despite a report with several recommendations from the FDIC. Leaving the system "as is" until the next crisis is not the best option, and we continue to believe a robust discussion around deposit insurance is not only necessary but vital.

While the deposit insurance discussion has been quiet, that's not to say that the regulatory bodies are standing on the sidelines. The FDIC has proposed new capital rules. The CFPB is moving forward with significant new rules governing small business lending, data collection, and mandates around data sharing that could impact consumer privacy. An update to CRA will likely force a significant overhaul of how banks track and report on their investments in the community.

We couldn't be successful without WBA members willing to invest their time to participate in our annual Washington DC trip and other efforts to engage our state's congressional delegation. Beyond those members, we also benefit significantly from our relationship with the American Bankers Association and collaboration with other state banking associations.

Speaking of those other state associations, we continue to expand our partnerships with them in delivering training and professional development programming, with each co-sponsoring state sharing in the resulting revenues. The power of this expanded market reach is essential. For instance, the new Understanding Bank Performance program was a major success – it was offered four times this year, reaching more than 142 students in 25 states.

This program delivery model is likely to continue growing in the months and years ahead. The ebb of the COVID pandemic allowed WBA to return to in-person conferences this year – a development we welcomed enthusiastically because engaging directly with our members is always great. However, our attendance at most of these events was smaller than expected, reflecting a host of challenges related to work-force, expense management, and revamped priorities in the minds of bankers. In the future, we will offer various in-person events to preserve networking and professional development while providing education and conferences increasingly via the virtual environment in 2024.

So, as 2023 draws to a close and we look ahead to 2024, whether I've communicated with you face-to-face, or only across the computer screen, or simply through this magazine and our other electronic updates, I want to again thank you for everything you do – for your community, your customers, your employees, and most of all for WBA.

For all of that, you deserve a pumpkin spice latte!

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The High Cost of Too Much Capital



*By Rob Nichols, President & CEO,
American Bankers Association*

In early October, I sat down with Federal Reserve Vice Chairman for Supervision Michael Barr at ABA's Annual Convention in Nashville. The topic of our conversation was bank capital.

The failures of Silicon Valley Bank, Signature Bank and First Republic Bank have prompted regulators to begin clamoring for major capital increases at larger banks. My question to Vice Chairman Barr was: why?

Why, when the spring bank failures were attributed to a combination of idiosyncratic liquidity challenges, poor risk management practices, and oversight missteps, did regulators put capital in the crosshairs?

Why, when policymakers—including the vice chairman himself—have stated repeatedly that the banking system is strong, resilient, and well-capitalized, is a major change in capital levels suddenly warranted?

While I appreciated the vice chair's willingness to engage in the conversation, I found the answers I received unsatisfying, to say the least.

He echoed a common argument among proponents of the so-called "Basel III endgame," namely that the last set of capital changes—instituted after the 2008 financial crisis—did not lead to dramatic economic declines, and that the banking system continued to grow, even while holding higher amounts of capital in reserve.

While these statements aren't false, they're a poor justification for additional capital increases now. The truth is, the post-crisis capital changes did affect economic growth, and they succeeded in driving business outside of the regulated banking sector. Just look at bank mortgage originations in the years since 2007. The share of mortgage originations by banks has declined steadily since the post-crisis rule changes, plummeting from around 80% to just under 30% in 2022. That's just one example—there are others.

Here are the facts:

We already have an effective framework in place that requires regulators to sensibly tailor rules based on a bank's risk profile and business model.

Banks are already holding sufficient capital, as evidenced by the industry's collective weathering of several significant events in recent years, from a global pandemic to a period of rapidly rising interest rates, to resiliency in the face of the isolated bank failures in the spring.

The proposed rules on the table would return our current framework to a one-size-fits-all approach that would put U.S. banks at a competitive disadvantage to their foreign peers. They have the potential to drive more business away from banks and into the less regulated shadow banking sector. They also fail to appropriately consider the potential economic consequences of forcing banks to hold even more capital in reserve.

Bankers know there is a cost to holding too much capital—and it's paid by both consumers and businesses who need credit.

To ignore these realities would be a misstep, especially since history tells us that any capital increase for larger banks will eventually affect community banks as well. That's why ABA has been so vocal in calling on regulators to conduct a thorough quantitative impact study to determine the full extent of potential economic consequences—which they agreed to do in mid-October, alongside an extension of the comment period.

However, simply collecting the data is not enough. Regulators and the public need ample time to review and evaluate the data to understand the full picture—and the current timeline, even with the comment deadline extension, does not allow for that.

Given the wide-ranging effect this rulemaking could have, the only appropriate course of action is for regulators to withdraw and repropose the rule after the data can be fully assessed. Changes to capital rules—even if they are only intended for the largest banks—will inevitably affect all parts of the banking system. This is too important to get wrong.

Events Calendar

January 10 – CBA Bank President's Seminar

January 10 – Virtual Understanding Bank Performance

January 23, 2024 – Executive Development Program

February 7, 2024 – Bankers Day on the Hill

April 19 – CBA Annual Conference; Hawaii

April 24-25 – Virtual Engage Conference

May 8-10 – IBA, OBA, WBA Agriculture Conference; Idaho

June 11-14 – ABA Compliance & Risk Conference; Seattle Convention Center

June 17-21 – DFI Next Generation Financial Leaders Workshop

June 26-28 – 2024 Annual Convention; Skamania Lodge

September 19-20 – Virtual Credit, Lending & Compliance Conference

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

Plan Ahead for Conferences & Development Programs

As we prepare to switch out our calendars for a new year and banks finalize their new budgets, now is a great time to plan for the WBA's conferences and Development Programs in 2024.

The year will begin with the California Bankers Association's **Bank President's Seminar** in Laguna Beach on January 10-11. Starting on January 10 will be the next session of the Understanding Bank Performance program, open to students interested in better understanding bank financials.

At the end of the month, the **2024 Executive Development Program** begins, welcoming students from across the state. This year-long comprehensive program will help aspiring leaders gain the tools needed to take their careers to a new level. This program is expected to sell out, and early registration is recommended.

In April, the WBA will host the second annual **Engage Conference**, bringing together the bank's education, training, retail, and human resource departments for a two-day virtual event. Held on April 24-25 from 8:30 a.m. to 12:30 p.m., bankers can participate in Buzz Sessions, where they can learn and ask questions of subject matter experts in their fields.

Also, the **Management Development Program** is slated to begin in April, helping managers gain skills to expand their knowledge and career paths.

In May, the WBA is teaming up with the Idaho and Oregon Bankers Associations for the annual **Agriculture Conference**, which will be held May 8-10 in Meridian, Idaho. Also in May, WBA will be co-sponsoring the **Puget Sound Business Journal's Women Who Lead Summit**, inviting bankers to participate.

In June, the American Bankers Association will host its annual **Risk & Compliance Conference** at the Convention Center in downtown Seattle on June 11-14. The following week, the De-

partment of Financial Institutions will host its first-ever **Next Generation Financial Leaders Workshop** in Bellevue, helping students learn about career opportunities within the industry.

At the end of the month, WBA and partners from Idaho, Nevada, and Oregon will host the **Annual 2024 Convention** at Skamania Lodge in Stevenson, Wash. The event will feature a Woodland Wonderland theme, highlighting the many ways to enjoy the Columbia Gorge in the summer.

In August, the WBA partnered with the Kentucky Bankers Association to offer its **Fraud Academy**. This program provides bankers of all levels with first-hand accounts and knowledge about the latest frauds and scams used throughout the country. Taught by security experts, including those from the FBI and more, bankers will gain practical knowledge they can implement in their organizations.

Moving into the fall, WBA will host a virtual **Credit, Lending & Compliance Conference** on September 19-20, featuring the same Buzz Session format as during the Engage Conference. The **Credit Analyst Development Program** will also begin in September, while the **Retail Branch Manager Development Program** is slated to start in October.

To learn more about any of the WBA's upcoming events, please visit wabankers.com.



2023 Credit Analyst Program Celebrates Graduation

In the ever-evolving landscape of finance, the importance of skilled credit analysts cannot be overstated. This year, the 2023 Virtual Credit Analyst Program concluded in mid-November with 19 students graduating from the program. This year's program included students from Washington, Oregon and Montana.

CADP, an online program designed to equip aspiring credit analysts with the essential skills and knowledge required in today's dynamic financial sector, blends theoretical learning and practical application, covering a broad range of topics from credit risk assessment to financial modeling and ethical considerations in lending.

Throughout the duration of the program, participants engaged in various interactive learning modules, case studies, and real-world simulations. These experiences not only enriched their understanding of the complexities of credit analysis but also fostered critical thinking and decision-making skills vital for their future roles.

One of the highlights of the program was the involvement of industry experts and seasoned credit analysts who provided mentorship and insights into the practical aspects of the profession. Their contributions were instrumental in bridging the gap between theoretical knowledge and real-world application, offering graduates a comprehensive view of the career landscape they are about to enter.

Congratulations to all the graduates! Those students who



completed the program include Kaden Amen, Bank of Bridger; James Beaudin, Seattle Bank; Diana Bessire, Bank of the Pacific; Lisa Bradley, Heritage Bank; Nicholas Brown, Stockman Bank of Montana; Maggie Campbell, Heritage Bank; Luke Carney, Heritage Bank; Angel Gabriel Ceja, 1st Security Bank of Washington; Cyarah Chaney, Bank of the Pacific; Tejpreet Chauhan, Bank of the Pacific; Chad Conner, Bank of the Pacific; Annalisa Hargrove, Heritage Bank; Jessica Heriot, Bank of the Pacific; Gary Huckins, Commencement Bank; Ivey Hurley, Baker Boyer Bank; Michele Larson, First Financial Northwest Bank; Jake Mast, Washington Trust Bank; Pashtana Rahman, Washington Trust Bank; and Konner Teofilo, Commencement Bank.

The next CADP will be held in October of 2024.



Leaders of Tomorrow Graduate from 2023 Executive Development Program in November

The 2023 Executive Development Program (EDP), a rigorous training program for emerging leaders, celebrated its final session in November, unveiling a new cadre of highly skilled and visionary future executives ready to take on leadership roles in their respective organizations.

This year's EDP helped to hone the skills of mid-to-senior-level professionals, preparing them for the challenges of executive leadership. The curriculum, meticulously crafted to cover a wide spectrum of essential leadership skills, included strategic planning, change management, financial acumen, and effective communication strategies.

A key feature of the program is its focus on real-world application. Participants engaged in various case studies, group projects, and simulations that mimicked complex business scenarios. This hands-on approach was instrumental in equipping the graduates with practical tools and strategies to navigate the intricacies of leadership in the modern business landscape.

The culmination of the program was marked by a graduation ceremony that celebrated the achievements and potential of these new leaders. The event was not just a recognition of their hard work and dedication, but also a forward-looking celebration of the impact they are expected to make in the industry.

"The diverse topics gives participants an opportunity to become familiar with so many aspects of banking. What you will learn will impact you, your teams and your bank," said a 2023 graduate.

"The EDP classes gave us tools for our toolbox. It was well rounded and I loved the classes when we went over our bank's financial statements," said another graduate.

"Set time aside to the homework and pick a mentor that will be your resources, as well as someone who has the ability to direct you to the right person when the subject is not their expertise."

Congratulations to the 2023 Executive Development Program graduates! This year's graduates include: Lorie Blain, Heritage Bank; Dave Broncheau, Washington Trust Bank; Kim Carhee, Heritage Bank; Robin Carroll, Mountain Pacific Bank; Josh Castro, Cashmere Valley Bank; Nick Chong, Washington Trust Bank; Karah Cowan, Community First Bank; Becks Cresswell, Heritage Bank; Justin Dodge, Washington Trust Bank; Ryan Earl, Heritage Bank; Kayla Ferguson, Olympia Federal Savings; Dave Frederickson, HomeStreet Bank; Lisa Fury, Peoples Bank; Aaron Geurts, Zions Bank; Liz Gray-Weekley, Bank of the Pacific, Wyatt Haines, WaFd Bank; Ken Hall, Kitsap Bank; Millie Harding, Washington Trust Bank; Taylor Jernigan, Kitsap Bank; Rich Kilby, WaFd Bank; Danielle King, Community First Bank; Ashley Knauf, Olympia Federal Savings; Joe Larsen, Washington Trust Bank; Kimberly Lemley, Peoples Bank; Staci Lindstrand, Heritage Bank; Dusty Link, Sound Community Bank; Ben Loewen, Washington Trust Bank; Mari Madsen, Olympia Federal Savings; Seth Milliner, Bank of the Pacific, Greg Morris, Banner Bank; Raina Nitz, Olympia Federal Savings, Kris Owens, Washington Trust Bank; Austin Patjens, Heritage Bank; Julie Pearson, Heritage Bank; Deena Ratezyk, Sound Community Bank; Cristina Serra, WaFd Bank; Jamie Shigeno, WaFd Bank; Melissa Siv, Peoples Bank; Rhonda Swenson, U.S. Bank; Sarah Thompson, Zions Bank; Brian Valdez, WaFd Bank; Jason Vatne, Umpqua Bank; and Drew Young, Mountain Pacific Bank.

The 2024 Executive Development Program begins in January.



February 7 • AWB Offices

Register online: <https://votervoice.net/WABANKERS/home>





Sound Community Bank Supports Plymouth Housing

The Sound Community Bank team recently attended the 20th Annual Key to Hope Plymouth Housing luncheon.

The event supports the organization, which aims to eliminate homelessness and address its causes by preserving, developing, and operating safe, quality, and supportive housing.



Kitsap Bank Volunteers with Community Boat Project

Kitsap Bank's Port Hadlock team recently attended the retirement party of the Community Boat Project's local leader, Wayne Chimenti.

The bank partners with the organization that teaches young adults life skills through boating.



U.S. Bank Volunteers with El Centro De La Raza

U.S. Bank in Seattle recently participated in the annual El Centro De La Raza yearly event, Building the Beloved Community Gala.

The event supports programming offered to the community, including the Si Se Puede Academy, for young adults to continue their education.



Olympia Federal Savings Participates in Concern for Animals Fundraiser

The Olympia Federal Savings team participated in the annual Concern for Animals fundraising event this fall.

Sponsors and bidders raised money to help the organization continue its goal of keeping pets and their families united and healthy.

Continued on page 7

Industry News

New Hires

Adam Jackson
Senior Vice President and Commercial Team Leader at State Bank Northwest

Jim Latourelle
Vice President and Relationship Manager at Washington Trust Bank

Nancy Khoury
Associate Commercial Relationship Manager at Banner Bank

Duane Yates
Sales Manager and Senior Loan Officer at 1st Security Bank of Washington

Stacy Suydam
Senior Vice President and Commercial Banking Officer

Jim Latourelle
Vice President and Relationship Manager at Washington Trust Bank

Paul Martin
Commercial Banking Division Manager at WaFd Bank

Jenna Meyer
Vice President of Client Success at Shield Compliance

Bern Osterhaug
Vice President of Operations at Shield Compliance

Cari Conklin
Chief Engineer at Shield Compliance

Stephanie Baer
Director of Compliance at Shield Compliance

Promotions

Dominic DeCaro
Vice President and Small Business Banking Director at Washington Trust Bank

Curtis Arnesen
Senior Vice President and Senior Director of Commercial Banking at First Fed Bank

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

Continued from page 6

JPMorgan Chase Team Attends Tacoma Urban League Annual Gala

The JPMorgan Chase Greater West Community Management team, recently attended and supported the annual Tacoma Urban League 2023 Empowerment Awards and 6th Annual Gala event.

The event includes the announcement of scholarship recipients, and Tacoma Mayor Victoria Woodward was honored with the 2023 Empowerment Award.



Washington Trust Bank Volunteers with Second Harvest

The Washington Trust Bank team volunteered with Second Harvest Inland Northwest this fall.

The group sorted and bagged pears for the food bank, boxing over 5,000 pounds to be provided to people in need this year.



WaFd Bank Sponsors Bank On Forum

In October, WaFd Bank sponsored the annual Bank On Forum by the Financial Empowerment Network.

The event included two sessions and information about fostering financial belonging in local communities.



U.S. Bank Seattle Team Volunteers with Making Strides Against Breast Cancer

U.S. Bank Seattle team members recently volunteered at the Making Strides Against Breast Cancer event.

Bankers who participated in the Women's

ERG group and friends and family supported the walkers at a water station.



Commencement Bank Participates in Walk for Babies

Several members of the Commencement Bank team recently participated in the Pediatric Interim Care Center's Walk for Babies.

The group was part of the 218 total participants to finish the event, which raised money for the local organization that provides care and comfort to newborns recovering from prenatal drug exposure.



Baker Boyer Bank Sponsors State of the Cities Event

Baker Boyer Bank recently sponsored the annual 2023 State of the Cities Luncheon.

The event featured the mayors of Kennewick, Pasco, Richland, and West Richland, providing updates on their cities and discussing strategies and initiatives for the coming year.



Bank of America Volunteers with Habitat for Humanity in Spokane

Bank of America Spokane team members volunteered at the Habitat for Humanity Spokane retail store.

The group helped organize and stock items at the store, which supports Habitat's mission of providing affordable housing in the community.



HomeStreet Bank Hosts Winter Clothing Drive

As the temperatures dropped this fall, HomeStreet Bank's University Heights branch hosted a Warm Winter Drive collecting winter items.

The items donated, like winter coats, were given to a local organization to help those in need.

Continued on page 8

Continued from page 7



Sound Community Bank Participates in Park Cleanup

Sound Community Bank participated in a park cleanup at Terrace Creek Park in Mountlake Terrace.

The team members included Devin, Frank, Elisabeth, and Eleanore, who helped pick up trash and keep the park clean for the community.



Mountain Pacific Bank Teaches Financial Literacy Class

The Mountain Pacific Bank compliance and retail teams recently hosted a Safeguard Against Fraud and Scams class at Homage Senior Services.

The presentation allowed the seniors to learn about the latest scams and best practices to stay safe from phone, text messaging, computer, and internet scams.



Chase Seattle Teams Volunteer with Food Lifeline

Chase Seattle business banking and home lending team members recently volunteered with Food Lifeline.

The group bagged 1,200 pounds of frozen vegetables and another 10,200 pounds of squash in two hours.

Olympia Federal Honors Two with Quartely Awards

Olympia Federal Savings announced the winners of two of its quarterly awards this fall.

Deidre Michie, a human resources generalist at the bank, was the quarter's recipient of the Lori G. Drummond Lead-

ership Award.

The award recognizes employees who demonstrate the bank's values in their work.

Kim Combs, administrative marketing associate, was named the quarter's Kris Fischer Excellence in Customer Service award winner.

This award recognizes employees who display superior internal and external customer service daily.



Bank of America Opens New Seattle Branch Downtown

In early November, Bank of America celebrated the grand opening of its newest downtown Seattle branch.

The financial center at 7th and Olive features the newest technology, including three full-service ATMs, private offices, and on-site financial specialists to work with clients.

"For more than 150 years, Bank of America Seattle has served the greater Seattle community with our innovative products and services and an unwavering focus on helping our clients improve their financial lives," said Clayton DeHaan, region executive for Bank of America Seattle. "Our relocation to 7th and Olive further demonstrates our commitment to responsible growth and the optimism we feel around Seattle's business district and our local economy. Whether it's retail banking, lending, small business needs, financial guidance from Merrill, or our best-in-class digital tools, we're on a mission to empower our clients to bank when, where, and how they choose."

The center also features art by local artists, done in partnership with social enterprise group ArtLifting.

HomeStreet Bank Donates to Housing Hope

HomeStreet Bank announced a donation to Housing Hope this autumn.

The bank donated \$500 to help the organization continue its work in Snohomish County, which allows individuals to overcome poverty, escape homelessness, and become self-sufficient.



Baker Boyer Bank Announces Employee of the Quarter

Baker Boyer Bank announced that Alexis Blackmore was the bank's employee of the quarter.

Blackmore works in Walla Walla as a cash management

Continued on page 9

Continued from page 7

advisor and was nominated for her continual excellence in working with clients and ways to find innovative and secure solutions to enhance business processes.



First Fed Bank Welcomes Two to Club 100

First Fed Bank announced that two employees, Andrea Robertson and Julie Ranson, joined Club 100 this fall.

The club honors bank employees who have volunteered over 100 hours during the year.

Robertson volunteered over 100 hours this year by working with animals, the Bainbridge Rotary Club, and other events in the community.

Ranson volunteers with Whatcom Hospice, Domestic Violence and Sexual Assault Services of Whatcom County, Opportunity Council, and the First Fed Foundation.



1st Security Bank of Washington Donates Turkeys to Angel One Foundation

This autumn, 1st Security Bank of Washington donated \$500 to the Angel One Foundation to help purchase turkeys for Thanksgiving.

The organization provides a food and clothing bank to help those in

need and will use the turkeys to help families have a special meal during the holidays.



Kitsap Bank Hosts Shred to Fed Events

Kitsap Bank hosted another round of its Shred to Fed events this fall, donating more than \$21,000 to 10 local food banks.

Throughout September and October, the bank invited

community members to bring sensitive documents for shredding at various Kitsap Bank locations. It encouraged donations to a local food bank at the same time. Over 110 bank employees volunteered their time to work the events this year.

Along with the bank's corporate donation, Kitsap Bank generated more than \$34,000 for food banks in Kitsap, Jefferson, Clallam, and Pierce counties.

The bank has donated over \$90,000 to these events in the last four years.



Peoples Bank Announced People's Choice Impact Grant Winner

Peoples Bank announced that Children of the Valley won the People's Choice Impact Grant this year.

The \$10,000 grant will help the organization purchase a van to transport elementary-age students home from after-school programs safely.

The winner was selected from nominations and voted on by the community.



North Cascades Bank Volunteers at Harvest Mobile Food Event

The North Cascades Bank Grand Coulee team recently volunteered with the Harvest Mobile Food team at Zion Lutheran Church.

The group passed out food to over 180 cars that drove through during the two-hour event.

Continued on page 10

Continued from page 9



1st Security Bank of Washington Supports Puyallup Food Bank

As part of the 1st Security Bank of Washington annual holiday food drive, the bank recently donated to the Puyallup Food Bank.

The \$5,000 donation will help the food bank continue its mission, particularly during the holiday season.



First Financial Northwest Bank Hosts Blanket Drive

The First Financial Northwest Bank's residential lending team recently hosted a blanket drive.

The drive helped support Vision House, located in the bank's hometown of Renton, which works to end the cycle of homelessness.



Yakima Federal Savings & Loan Donates Land to American Legion of Sunnyside for New Park

On Veterans Day, Yakima Federal Savings and Loan announced the donation of the land known as Veterans Park to the American Legion Post 73 of Sunnyside.

The park, located between the bank's Sunnyside branch and the Jerry Taylor Veterans Plaza, has long been a common-use park owned by the bank. The donation makes it

officially the property of the Sunnyside veteran's group, with the land valued at \$108,700.

"With the donation of this land, Yakima Federal is pleased that what has been known as Veterans Park now truly belongs to the Veterans of American Legion Post 73 of Sunnyside," said Leanne Antonio, president and CEO of Yakima Federal Savings.

"The donation by Yakima Federal Savings & Loan of Veterans Park to Post 73 is a great addition to the Jerry Taylor Veterans Plaza," remarked Greg Schlieve, Commander of American Legion Post 73. "We will now be able to use a narrow strip of ground alongside the sidewalk to install an Information Booth where visitors can find where a plaque's been engraved at the Veterans Plaza. With 720 plaques already engraved, we needed a place to set up an Information Booth, and the park will work beautifully for this purpose. We can't tell you how happy we are to have it. Thank you."



Commencement Bank Attends Olympia Education Foundation Breakfast

Commencement Bank's team recently attended the Olympia Education Foundation Breakfast, which supports the Olympia School District.

The event raises money for various programs the district offers, such as teaching and learning grants, mental health initiatives, and the Principal's Emergency Fund to provide students with supplies, clothes, and more to help them be successful.



Banner Bank Rings Bell for Salvation Army in Spokane

Spokane's Banner Bank team recently rang the bell for the Salvation Army.

This annual event raises money to help the Salvation Army continue its work there.

Continued on page 11



Cashmere Valley Bank Donates to Kitteritas County Search & Rescue

Cashmere Valley Bank announced a recent donation to the Kitteritas County Search and Rescue team.

The bank's Ellensburg branch presented a check to Jim Nale, the vice chair of the KCSR, on behalf of all of the group's volunteers.



First Financial Northwest Bank Hosts Shred It Event

First Financial Northwest Bank hosted a Shred-It event in November with LeMay Mobile Shredding.

The community was invited to bring documents to be disposed of safely.

The bank has hosted a variety of these shredding events throughout the year across its footprint of branches.

Washington Trust Bank Build Food Kits for Second Harvest

Washington Trust Bank employees volunteered at Second Harvest Inland Northwest in November, where the teams packed food kits for the Bite2Go program.



The program provides meals for almost 10,000 elementary, middle, and high school students who face chronic food shortages at home.

The volunteers packed over 3,000 kits in a few hours, providing a critical resource to needy kids.



Liberty Bank Supports YWCA Kitsap County

Liberty Bank recently sponsored the YWCA Kitsap County's 2023 Women of Achievement Event.

The YWCA, celebrating 75 years, hosted the annual event to recognize its continued mission to eliminate racism and empower

women.

Liberty Bank's Rhonda Morris, SVP/Chief Risk Officer, Denise Nicolet, SVP/Senior Relationship Manager, and Galina Georgieva, VP/Relationship Manager, attended the event.

If you have news to share, please email it to megan@wabankers.com. Submissions are run on a space available basis.

Yakima Federal Savings Hosts State House Committee



Members of the Washington State House Consumer Protection & Business Committee recently visited several locations in the Yakima area, including a visit with leadership at Yakima Federal Savings & Loan.

The group discussed ways the banking industry is working in the community to provide a variety of banking and other services, and how lawmakers can help business and the local economy.

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Four Ways AI Can Help Today's Marketer See Better Results



By Pradeep Ittycheria, President, Digital Marketing & Technology Solutions, Vericast

Artificial intelligence (AI) refers to the development of computer systems that can perform tasks that typically require human intelligence. AI is often seen as a blanket term or only thought of

as chatbots and ChatGPT when it is so much more. Depending on your comfort level, the term "AI" might elicit negative perceptions. Regardless, AI is here to stay, and marketers who aren't onboard yet should get onboard quickly. Because AI has emerged as a game-changer for marketers.

Let's dive into four ways AI is changing marketing.

Content Customization

AI can be a marketer's best friend when it comes to making sure content hits the mark with the right audience. It does this by crunching a vast variety of data, like what people buy and where they're from, to serve up tailored content and product suggestions. It lets you give your audience exactly what they want, which boosts engagement and increases the odds of a sale. AI is also adept at displaying ads in a context that matches the message. So, if you're reading about, say, fitness, you're more likely to see ads for gyms and health products — it just makes sense, right?

Dynamic Creative and Image Recognition

AI doesn't just stop at content. It also supercharges ad creation. AI can quickly test out different versions of ads and tell you which ones work like a charm. That means your marketing budget is spent where it counts, instead of throwing money at ads that aren't getting results. Plus, AI can look at pictures and videos on the web and figure out what's in them. That's not just helpful for finding products you spot in images, but it also helps protect copyrights and can

even clue you in on what people are saying about a brand just by looking at their social media pics.

Smarter Targeting and Data Analysis

Wouldn't it be nice to know what customers want before they do? That's AI in action. It can analyze tons of data, like interests and online habits, to segment consumers. This means you can show ads that are spot on for that group's needs and desires. AI's crystal ball also extends to predicting future trends and customer behavior, helping marketers make the right moves to keep you engaged. Remember, it's all about getting the right ad in front of the right person.

More Efficient Strategic Media Buying

AI doesn't just throw ads into the digital wilderness and hope they land on the right doorstep. It figures out who should see the ads. AI quickly analyzes data to find the right audience for a specific ad campaign. It can also participate in real-time auctions and bid on ad space (and make sure you're not overpaying). And AI knows which placements perform best and allocates your budget smartly. Plus, it ensures the same message goes out across all digital platforms, keeping your brand consistent and on point.

AI makes marketing smarter and more efficient. It's an essential tool for marketers looking to make the right moves and get better results.

Want to know more? Check out "The Power of Machine Learning to Drive Customer Loyalty" or contact us.

Pradeep Ittycheria is the President, Digital Marketing & Technology Solutions for Vericast. He is a Technologist and Entrepreneur with experience in Software Engineering Management, Product Management, Business Strategy, and Corporate Development. In his career, he has been a member of management teams that have turned around companies and created value for investors through successful exits.



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Embracing FedNow: A Guide for Financial Institutions



By, Terri Luttrell, Compliance and Engagement Director, AbriGo

The evolving landscape of the U.S. payment system has witnessed remarkable advancements in the past, and the Federal Reserve's FedNow Service continues to innovate. The FedNow Service, which went live July 20, 2023, is the new instant payments

infrastructure developed by the Federal Reserve to enable real-time payments between all financial institutions on behalf of their customers or members. FedNow allows individuals and businesses to send and receive payments within seconds at any time, on any day of the year, so the receiver can use the funds immediately. Since FedNow is immediate, the service eliminates the credit risk associated with payment apps that transfer funds on a delayed basis. As financial institutions look to stay ahead of the curve, preparing for and setting up the FedNow system will become a priority if it has not already.

Implementation is not mandatory, and as of August 2023, only 41 financial institutions out of approximately 9000 have adopted the new FedNow Service. Although faster payment systems undoubtedly give banks a competitive advantage, many financial institutions appear to be waiting for early adopters to work out any kinks in the new system. Some financial institutions may be hesitant to adopt FedNow because the service can potentially reduce fee income associated with other payment methods. Instant payments may easily replace these other means of payment, such as ACH, check, and debit and card payments.

A quick look back at other historical payment processing shifts shows that this slow adoption is not unusual. In 2004, the Check Clearing for the 21st Century Act (Check 21) took effect. The shutdown of air travel after the September 11, 2001 attacks had an unforeseen impact on check clearing, leading to an urgent push to allow payment based on electronic checks rather than mandating the presentation of paper checks.

Much like FedNow today, Check 21 was not mandated when it rolled out, and financial institutions in 2004 were slow to adopt it.

Electronic clearing methods sped up check processing, and many FIs didn't want to lose interest on the float. Some were unwilling to change their processing operations without the assurance that many other banks would do likewise. Sound familiar?

"Lesson one ... is that implementation will come over time. Financial institutions will have different appetites, so they will have time to learn about it and learn from the activity of others," said Chacon, VP of Product Management, AbriGo.

As cost reductions and quality improvements at banks using electronic clearing and Check 21 authority were realized, competitive pressure and other incentives led banks to adopt electronic check-clearing methods nationwide. By the second quarter of 2009, the Federal Reserve calculated that paper check depositshad declined to fewer than 4 percent of

checks processed at the Reserve Banks, replaced by imaged deposits. This same customer and member demand will likely lead the financial services industry to adopt FedNow. For now, the question for FIs is when, not if, the time will be right for them to strategically implement instant payments.

Anti-money laundering and fraud implications for FedNow

Real-time payment systems like FedNow present opportunities and challenges in anti-money laundering (AML) and fraud prevention. The instantaneous nature of transactions means financial institutions have a shorter window to identify and halt suspicious activities. Some of the methods for mitigating risk with real-time payment systems include:

- Investing in robust fraud detection and AML systems
- Continuously training staff on emerging fraud techniques
- Balancing instant payment offerings with strict AML and fraud prevention protocols
- Collaborating with regulators to establish clear guidelines
- Sharing insights across institutions to strengthen the financial system against illicit activities

Another vital compliance consideration is sanctions screening. OFAC issued guidance in September 2022 regarding instant payments, emphasizing that financial institutions should take a risk-based approach to managing sanctions risks, including:

- Highlighting critical factors that may be relevant in determining a risk-based approach
- Developing and implementing innovative sanctions compliance approaches and technologies to address identified risks
- Encouraging instant payment systems to incorporate sanctions compliance considerations as they develop new payment technologies.

A meaningful way to limit fraud risk is to control how customers or members use FedNow offerings. Financial institutions should conduct a risk tolerance review and instant payment risk assessment when developing an instant payment compliance program. Consider the following risk tolerance and risk assessment mitigation factors:

- Determine how much money can be sent through the FI. The FedNow Service is setting network-level transaction limits, which will cap the amount per transaction that a financial institution can send. However, each FI participating in the FedNow Service will also be able to configure a lower transaction value limit which they may adjust over time using their institution's risk policies as a guide.
- Decide how much money the FI is willing to accept. FedNow participants can submit an "accept without posting" status. This would indicate to the originating institution that more information is needed for compliance or fraud considerations before payment is accepted. Financial institutions will be able to request more details about the sender, similar to how FedLine

Continued on page 11

Ag Lender Survey: Liquidity, Farm Income Top Ag Lender Concerns for Producers in 2023

Liquidity has become the primary concern among agricultural lenders for their producer customers followed closely by farm income levels, according to the 2023 Agricultural Lender Survey report produced jointly by the American Bankers Association and the Federal Agricultural Mortgage Corporation, more commonly known as Farmer Mac (NYSE: AGM and AGM.A). Rising input costs, previously ranked as the top concern in 2021 and 2022, dropped to the third highest this year, according to the report released today at the ABA Agricultural Bankers Conference in Oklahoma City.

"After a record-setting year of farm income, producers have experienced some margin compression in 2023 and lenders are taking notice," said Jackson Takach, Farmer Mac's chief economist. "During economic cycle transitions, the fundamentals are increasingly important, and I think that's why you see lenders rank balance sheet liquidity and farm income levels as their top concerns facing producers in the coming year."

"Despite margin compression, agricultural credit quality remained strong in 2023," said Tyler Mondres, senior director of research at ABA. "Lenders expect a return to trend for credit quality in the coming year, which was reflected in a moderate increase in concern for ag loan deterioration. While lenders are taking prudent risk management steps in response, such as reviewing underwriting standards and loan terms, they are prepared to continue providing critical support to America's farmers and ranchers."

The annual survey—now in its eighth year—provides insight from agricultural lenders to gauge overall industry sentiment on the farm economy, expectations on land values, prospects for the coming year and issues facing the broader economy. Responses represent a range of institutions by size—from less than \$50 million in assets to more than \$1 billion—and by geography. Key findings from this year's survey report include:

Top Lender Concerns for Producers

Liquidity and farm income returned to the top of the list of lender concerns for producers. Concerns about other inflationary pressures (rising interest costs), the No. 1 concern in 2022, fell to the third greatest overall concern for producers in 2023. Recession risk remained a middling concern for lenders despite worries about an economic slowdown over the coming year.

Top Overall Concerns for Lenders

The various impacts of a rising interest rate environment were a common theme in the 2023 survey. Accordingly, interest rate volatility remained the No. 1 perceived concern facing lending institutions in 2023. Lender competition along with credit quality were the second and third greatest overall concerns, respectively.

"After the Fed hiked rates 425 basis points in 2022 and an additional 100 basis points in 2023, it is no surprise that interest rate volatility remained the No. 1 concern facing ag lenders' institutions," Mondres said. "While elevated rates have not depressed loan demand, it drove deposit costs to a decade-long high for ag banks in the second quarter of 2023."

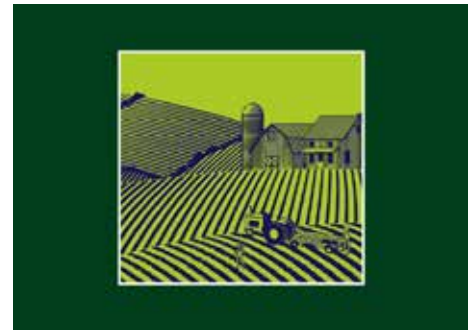
Sector Concerns

Respondents' level of concern for dairy and swine increased in 2023. More than half of respondents ranked their level of concern for dairy a four out of five or higher and nearly a quarter expressed similar concern for swine, up from 28% and 15%, respectively, in 2022. In comparison, concern levels declined by a notable amount for fruits and nuts and beef cattle.

Profitability Expectations

Ag lenders estimate that more than three-quarters of their borrowers will remain profitable in 2023 and two-thirds will remain profitable through 2024.

However, there was greater dispersion in responses regarding the level of overall farm profitability. Only 28% of lenders reported an increase in borrower profit margins, down from 66% last year. Lenders expect farm income compression over the next 12 months, with 70% projecting a decline in farm profitability.



Land Value and Cash Rent Expectations

Farmland values continued their upward march in 2023. Lenders' perceptions of farmland values showed an increase of 11% in 2023, with some variation across regions. However, several tailwinds have turned to headwinds as incomes have declined and interest rates have increased. As a result, most lenders expect land values will remain stable over the next year. Cash rents, meanwhile, have been slower to increase and could rise further in 2024.

Credit Quality

Survey respondents across all regions reported lower ag loan delinquencies and charge-off rates in 2023. However, lenders expect credit quality to deteriorate in the coming 12 months, reverting to historic levels. Consistent with this expectation, more than two-fifths of respondents reported tightening underwriting standards and loan terms in 2023 (up from 30% and 22%, respectively, in 2022).

Loan Demand

Ag lenders reported an increase in demand for both loans secured by farmland and agricultural production loans increased in 2023. Respondents anticipate that loan demand for both categories will continue to increase over the next 12 months.

Approval Rate

Lenders reported an average agricultural loan application approval rate for new loans of 86% in the 12 months leading up to August 2023 and expect the approval rate for renewal requests to be 89% in the following 12 months.

The annual ABA and Farmer Mac Agricultural Lender Survey report is a joint effort to provide a look at the agricultural economy and market forces from the unique perspective of ag lenders. More than 260 agricultural lenders completed the survey between Aug. 1 and Sept. 1, 2023. The responses came from a diverse set of institutions, ranging from those with under \$50 million in assets to those with more than \$1 billion in assets. Regionally, the responses were somewhat concentrated in the Corn Belt and Plains.

ABA and Farmer Mac have been working together for more than a decade to offer the financial and educational tools bankers need to serve their agricultural customers.

To view the full Agricultural Lender Survey Report, please visit aba.com/agsurvey.

Continued from page 1

allows financial institutions executing wire transfers to ask for more information about the source of funds before completing the transaction.

- Determine who can send or receive funds. Each financial institution can set its own rules and limits regarding FedNow payments. Review customers on a risk-based approach.

Best practices for adopting FedNow

Adopting FedNow is important for banks and credit unions in today's fast-paced world.

It's critical to be competitive and meet the expectations of members and customers. To be successful, financial institutions should follow these best practices for FedNow implementation:

- Conduct an infrastructure review: Assess and upgrade, if necessary, your existing IT infrastructure to ensure compatibility with the FedNow system.
- Employee training: Continuous training sessions will ensure that staff are familiar with the new system and associated fraud trends, ensuring smooth transactions and customer service.
- Security protocols: Fraud detection and sanctions screening systems should be in place to monitor transactions.

- Engage with partners: To guarantee seamless integration early on, collaborate with technology providers, third-party vendors, and payment service providers.
- Customer education: Keep your customers informed about the transition to real-time payments and the benefits they can expect.
- Regulatory compliance: Regularly review federal and state regulations associated with real-time payments to maintain full compliance.

Adopting FedNow requires a blend of technological readiness, organizational training, and customer outreach. As real-time payment becomes the standard, those institutions that adapt quickly will be poised for success in the new digital economy.

Financial institutions should determine when the time is strategically right to implement FedNow. The competitive environment may lead to a sooner implementation than expected. can align your processes and procedures with your risk level and stay ahead of compliance requirements.

Terri Luttrell is a seasoned AML professional and former director and AML/OFAC officer with over 20 years in the banking industry. She has successfully worked with institutions in developing BSA/OFAC programs, optimizing various automated solutions, and streamlining processes while ensuring all regulatory requirements are met.

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