

Issues & Answers



January 2021

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New Year, A New Reason for Hope

By Glen Simecek, President and CEO,
Washington Bankers Association



As the old saying goes, the only certainties in life are death and taxes.

I'm willing to add a third sure-bet to that list: Absolutely no one was sad to see 2020 come to an end.

It was a year that most of us would just as soon forget. From a deadly global pandemic to hellish wildfires decimating the Western United States, and from racial protests and counter-protests tearing apart the streets of our cities to a divisive election season, it seems like 2020 was nothing more than an unending stream of negative headlines.

But if you dig a little deeper, if you look beyond those headlines, you can see some

nuggets of better news for our industry. The words you'll most likely see in describing those nuggets are resilience, responsiveness, adaptability, flexibility, creativity, and philanthropy. There are many other words that describe these traits, but whatever words are used, they are the reason why the banking industry has remained the economic foundation for communities around our state and across the country, despite the economic disruptions caused by COVID-19.

Banks were among the first to act to counter those disruptions. Internally, branch hours were adjusted, employees worked from home, and new processes were established to ensure that customer needs would still be met. Bankers shared the same concerns and uncertainties we all did, but continued to staff their branches, working the drive throughs, all while wearing masks and PPE. Through loan forbearance, restructuring and other

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Connect With Us

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

On the Cover

Early morning sunshine highlights the snow covered trees on Hurricane Ridge in the Olympic National Park.

Photo courtesy of Steve Fung, flickr.com

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means banks proactively made a meaningful difference to untold thousands of individuals, families, and small employers. Banks, already generous donors in their local communities, doubled down on their philanthropic and volunteer activities, helping social service agencies and non-profit organizations respond to the pandemic.

Then came the SBA's Payroll Protection Program, a massive source of federal stimulus dollars introduced as the rules and procedures were still being finalized. Despite the challenges of "flying the plane while it's being constructed," Washington banks helped deploy more than \$12 billion in low-interest and potentially forgivable federal loans to employers around the state.

I like to think that on a much smaller scale, WBA has shown some of the same resilience and creativity as our members. Like you, we certainly didn't know what was ahead for us when we were making our plans for the year. Despite the uncertainty we all felt in late February and March, we quickly realized that virtual events were a must and shifted gears to make it happen. Once the decision was made, the team was liberated to reimagine the future and surged ahead." We couldn't have done it without the strong buy-in from our instructors and bankers who continued to participate in our events.

Other changes followed in rapid succession. Our plans for a multi-state convention in Sunriver, Oregon soon gave way to a virtual conference held in conjunction with our counterparts in Idaho, Nevada, Oregon, and Utah. Our professional development programs, which already relied on webinars and other distance learning formats for some offerings, adjusted to deliver all content virtually. Our annual series of fall legislative lunches morphed into a series of video conferences with lawmakers to discuss important issues like loan forbearance and balancing the state budget in the 2021 session.

You're reading this column on another change that had to be made, as we transitioned Issues & Answers from a bi-monthly printed magazine to a monthly digital one.

I could not be prouder of the small group of dedicated WBA staff who oversaw these and many other changes to our programs this past year. Their efforts have ensured that your organization continues to meet your needs and represent an excellent return on your membership investment.

We all understand that flipping over the calendar to 2021 won't make the challenges of 2020 magically disappear. Our industry and our WBA organization will need to continue pulling together all the resilience, responsiveness, adaptability, flexibility, creativity, and philanthropy we can muster for some time to come. But I'm "death and taxes certain" that will happen.

Just as I'm sure that we all were happy to wave good-bye to 2020.

READY TO LEARN?

Get the latest on WBA events online at
www.wabankers.com/calendar

WBA Prepares for 2021 Virtual Legislative Session

By Megan Managan, Director of Communications & Government Relations, Washington Bankers Association

For the first time in the state's history, legislators will not be gathering in Olympia this month to begin the 2021 Legislative Session. Due to the ongoing pandemic, this year's Session will be held virtually, with key members of leadership in Olympia to run day-to-day operations.

Virtual is just one of many changes WBA and our members will see at the capital this year, with several new members of the Legislature elected following the 2020 elections.

Late in 2020, the House and Senate unveiled their plans for crafting a virtual session, which will include virtual committee hearings and testimony. Lawmakers have been asked to limit the number of bills they introduce and focus their bills specifically on those relating to the pandemic, economic relief or development related to the pandemic, or bills that deal with equity and inclusion.

While WBA's lobby team prepared for the Session by defining priorities and speaking with committee

members, we were pleased to welcome back Sen. Mark Mullet as the chair of the Business, Financial Services & Trade Committee. Mullet won his re-election by 57 votes.

The committee also includes several new members, as the committee structure is often reorganized following elections. New members of the committee include Sen. David Frockt, who represents the 46th District in the Seattle area, Sen. Perry Dozier, the new ranking minority member on the committee from the 16th District in Walla Walla, and Sen. Sharon Brown, from the 8th District in Benton County.

WBA also welcomed back Rep. Steve Kirby as the chair of the House Consumer Protection & Business Committee. The committee also includes Rep. Amy Walen, Rep. Cindy Ryu, and Rep. Sharon Tomiko-Santos, Rep. Brandon Vick, Rep. Jeremie Dufault and new member Rep Chris Corry.

During the 2021 Session, lawmakers will focus much of their time on crafting and balancing the budget for the 2021-2023 biennium. Lawmakers have said the current budget, which runs through the end of June can be balanced without additional revenue, but a deficit for the next two years is expected. Because of that deficit, taxes are almost certainly going to be part of the conversation in Olympia, and WBA stands ready to advocate for the industry.

We also expect to continue the consumer data privacy conversation we've been engaged in for the last several years. Early drafts of legislation include a GLBA data exemption for our industry, and we are in continued conversations with the bill's sponsor and stakeholder group.

We also expect legislation on public banking again this year, following the release of the state's study by the University of Washington's Evans School last spring.

While the virtual nature of the Session will pose some challenges for residents and lawmakers alike, the WBA lobby team has built strong relationships throughout Olympia and we look forward to engaging with legislators virtually. Our Legislative Roundtable events last fall were very attended. Lawmakers are very eager to hear from subject matter experts on technical issues.

WBA plans to host similar events, bringing together lawmakers and bankers. More information about how bankers throughout the state can be involved will be available soon.

Once again this year, we will be publishing our weekly Legislative Update with a recap of the week's happenings in Olympia. If you would like to be included on that mailing list, please reach out to Megan Managan at megan@wabankers.com.

If you are interested in learning more about WBA's advocacy efforts and how to be involved, please reach out to our office.



there's no place
like a (new) home.



Please note we've moved offices:

**601 Union Street, Suite 1720
Seattle, WA 98101**

Effective December 28, 2020

Mark Your Calendars Now for 2021 Events

It's the start of a new year – one we can only hope will be better than the last – and if you haven't already mapped out your educational plans for the year, don't forget to include WBA's upcoming conferences and programs.

For the first half of the year, WBA plans to offer our programs virtually, but once in-person events are again feasible, we will offer a hybrid option, allowing bankers to continue to attend events in a way that is most personally convenient to their situation.

Many students of our 2020 virtual programs found the format to be highly effective. One MDP graduate said: "I thought the structure of the virtual classes was very well put together. The speakers of every session were extremely knowledgeable and provided great advice for up-and-coming bankers."

On March 2-3, we will host the Virtual Senior Credit Conference, featuring two half-days of sessions relating to credit.

The first-ever joint Virtual Marketing & Retail

Conference will be held March 17-18, featuring a keynote session by Debra Jasper on ways to effectively do business in a virtual world.

Then on March 23-24, we will host the Virtual Emerging Leaders Conference, aimed at younger leaders within their banks with a focus on leadership and development.

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

Starting on April 28, we'll be offering another virtual session of the Management Development Program, while the virtual Commercial Lending Development Program will begin later in the month.

In the fall, bankers can choose from the Credit Analyst Development Program or the Retail Branch Manager Development Program. The Education/Human Resources Conference, Northwest Agriculture Conference, Northwest Compliance Conference, Women in Banking Conference, and Bank Executive Conference are also slated for fall and early winter.

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

Events Calendar

January 26 – Virtual Executive Development Program

March 2-3 – Virtual Senior Credit Conference

March 17-18 – Virtual Marketing & Retail Conference

March 23-24 – Virtual Emerging Leaders Conference

April 8 – Virtual Commercial Lending Development Program

April 28 – Virtual Management Development Program

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.*

Industry News

New Hires

Richard Drennen
Business Development Officer at Shield Compliance

Stephanie Davis
Vice President and Compliance Monitoring Officer at Heritage Bank

Clint Gillum
Senior Vice President and Retail Market Manager for the Inland Northwest at Columbia Bank

Dana Conley
Home Loans Servicing and Operations Manager at First Interstate Bank

Michael Charters
Assistant Vice President and Commercial Lending Relationship Manager at 1st Security Bank of Washington

Heidi Collins
Senior Commercial Credit Risk Manager at Banner Bank

Matt Tilghman-Havens
Senior Vice President and Market Leader at Washington Trust Bank

Nick Wolf
Vice President and Relationship Manager at Key Private Bank

Promotions

Bruce Eremic
Assistant Branch Manager at Kitsap Bank

Tim Rhee
Private Bank Team Leader for South Puget Sound at Key Bank

HAVE NEWS TO SHARE?

Email it to megan@wabankers.com to be included in an upcoming *Issues & Answers*



Leaders Gather Virtually for Annual Bank Executive Conference

Bank leadership from throughout Washington and Utah gathered virtually in early December for a special co-hosted Bank Executive Conference.

Following a tumultuous election season, the conference kicked off on December 3 with a live panel discussion on what the election results mean for the industry. James Ballentine, EVP of congressional relations and political affairs at the American Bankers Association, was joined by Geoff Gray, principal and founder of the Gray Company and Brian Smith, EVP, and head of government relations and public policy for Wells Fargo, moderated by Glen Simecek of the WBA and Howard Headlee of the UBA. The discussion ranged from how likely Congress was to pass additional stimulus during the lame-duck session, to how the incoming administration may change things for the industry.

Attendees next participated in a panel session focused on the pandemic and current health outlooks in each of the states and how restrictions are impacting business and what the timelines for a vaccine look like. Paul Benda, SVP for risk and cybersecurity policy at the ABA moderated the panel, which included Mary Huynh, deputy director and CDC public health advisor for the Office of Immunization and Child Profile at the Washington State Department of Health, Dr. Ali Mokdad, professor of health



metrics and sciences and epidemiology at the University of Washington and Rich Saunders, executive director of Utah Department of Health. The state health officials outlined how they planned to handle vaccine distribution and what trends they were seeing in real-time in their respective areas, while Dr. Mokdad offered a global perspective.

Attendees then closed out the first day of the conference in breakout sessions, picking sessions based on topics of interest. Al Forrest, principal of advisory services for

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LIGHTS, CAMERA, SAVE!

a Video Contest for Teens

ARE YOUR FUTURE CUSTOMERS READY FOR THE REAL WORLD OF FINANCIAL MANAGEMENT?

Encourage young people in your community to think creatively about responsible money habits by hosting a video contest at your bank. Register your bank to participate at no cost, and ABA Foundation will help make your contest a success, including:

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The contest runs during February 2021 – Sign up today

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ABA FOUNDATION

WBA Member News

Sound Community Bank Donates to Port Angeles Dream Playground

In late 2020, Sound Community Bank announced a donation of \$5,000 to the Port Angeles Dream Playground.

The money will help add an Orca whale tunnel to the tot lot in the playground.

“We are a local bank striving to improve our communities while offering outstanding service,” said the bank in a release.



First Interstate Earns Honorable Mention for ABA Foundation Community Commitment Awards

During the American Bankers Association's Unconventional Convention in October, the ABA Foundation announced the winners of this year's Community Commitment Awards.

First Interstate Bank earned an honorable mention in the volunteerism category for the bank's annual volunteer day.

Each year, the bank closes its locations so employees can volunteer in the community. With over 2,500 employees, the annual event has a large impact throughout the bank's footprint. Nonprofit organizations that receive volunteer support also receive a gift from the bank to match \$10 per hour for each employee's time.

Olympia Federal Savings Donates to Homeless Backpacks

In October, Olympia Federal Savings Two-Cent partner, Homeless Backpacks, received a donation of \$2,500.

Customers who use their debit cards throughout the month have two cents from each transaction donated to that month's nonprofit organization.

Homeless Backpacks provides homeless teens in Thurston County with bags filled with food for the weekend, to help them when school programs aren't available. Each bag is designed to fit into a backpack for easy transport.



Kitsap Bank Announces Winners of Annual Edg3 Fund

In late November, during a live virtual celebration, Kitsap Bank announced the winners of its seventh annual edg3 Fund small business competition.

Campfire Coffee earned the grand prize, winning \$25,000, while Sylling's Elderberry received the Innovation Award and a \$10,000 prize and Amma's Umma earned the Community

edg3 Award with a \$5,000 prize, while Campfire Coffee also earned the public favorite award and another \$5,000.

The competition was created to recognize small businesses that not only work hard to make a profit but give back to their communities.

This year, applications came in from across Western Washington, and the pool was narrowed to eight finalists. Throughout October, finalists pitched judges about how the grand prize would be a game-changer for their company.

“We are gratified that so many qualified companies participated in edg3 Fund,” said Tony George, the bank's present and COO.

“We want to congratulate them for all of the

contributions they are making to their industries and communities, especially during this challenging year for many small businesses.”



Sound Community Bank Employees Clean Park

Employees from the Belltown and Cedar Plaza branches of Sound Community bank volunteered in November by cleaning one of the parks in Mountlake Terrace.

Employees spent time cleaning up litter at Terrace Creek Park, which the branches have adopted and will continue cleaning monthly.

U.S. Bank Awards Grants to Spokane's SNAP for Foreclosure Prevention

In early December, U.S. Bank announced it awarded a \$25,760 grant to SNAP in Spokane to assist with foreclosure prevention for Eastern Washington homeowners during the pandemic.

The grant will allow SNAP to continue offering housing counseling services, focusing on foreclosure prevention and lending to clients who have used loans from the organization.

Since the late 1980s, SNAP has offered HUG-certified housing counseling programs, including free homebuyer education, prepurchase and credit counseling, and down payment assistance for low-income families.

Federal Home Loan Bank of Des Moines Awards \$5 Million in Affordable Housing Grants to Benefit Washington Families

Each year the Federal Home Loan Bank of Des Moines (FHLBDM) offers a Competitive Affordable Housing Program,

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which in 2020 awarded \$5 million to six affordable housing projects in Washington which will impact nearly 500 families and individuals.

These projects include grants to Columbia Bank, First Federal, Glacier Bank, Kitsap Bank, WaFd Bank, and Wells Fargo, to help with projects throughout the state.

“Our members understand the importance of addressing the dire need for affordable housing in their Washington communities, particularly during this especially challenging COVID-19 environment, and applaud the efforts of those involved,” said Kris Williams, president, and CEO of FHLB Des Moines. “Thanks to the continued support of our member institutions, the Affordable Housing Program has financed the development of thousands of accessible housing units for three decades. This is a significant milestone, and we are looking forward to continuing this positive momentum for decades to come.”

Since the program began in 1990, FHLB Des Moines members in Washington have invested over \$141 million in affordable housing program awards to nearly 20,000 families and individuals.



Bank of America Celebrates with Hearts for the Holiday

In early December, members of the Seattle Bank of America team volunteered with Hearts for the Holidays, a campaign to help employees bring cheer to local hospitals and nursing homes.

Team members and their families crafted over 150 holiday cards and dropped them off at Tacoma VA Medical Center, Fisher House, and Delores House to help bring some holiday spirit to residents.



1st Security Bank of Washington Donates Presents to Local Elementary

Members of the 1st Security Bank of Washington Lacey team helped local children celebrate the holidays by donating

presents to a local elementary school.

The team delivered 40 individually wrapped gifts to Pleasant Glade Elementary to be handed out to students and their families.



Commencement Bank Donates to Chance 4 Children

Throughout 2020, Commencement Bank has picked various local nonprofits to receive donations.

This winter, instead of the bank's annual holiday celebration, members of the Commencement Bank marketing and IT departments chose to donate to Chance 4 Children, which helps foster children.

The bank fulfilled a wish list, which will help local children have a little extra this holiday season.

Bank of America Grant Supports WSU Life Sciences Incubator

In early December, Bank of America announced it would be making a \$250,000 grant to Spinout Space in Spokane (sp3nw), a new life sciences incubator that will launch start-up companies. The program is part of Washington State University's Health Sciences.

The grant will help the incubator with research and innovation into biotech, pharma, diagnostics, and medical device companies.



Washington Trust Bank Donates to Treats 2 Troops

During the holiday season, members of the Washington Trust Bank team, in partnership with KREM TV station, collected and created handwritten cards for Treats 2 Troops.

Cards were dropped off at Washington Trust branches, along with items donated from a registry, to be sent to service members who couldn't be home for the holidays.

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

WBA Endorsed Vendor: Harland Clarke

Defending Against Fraud's Synchronized Attack on Banking and Consumers

By Andy Shank, Vice President of Fraud and Risk Management

Fraud is a hot-button topic for Americans today. Consumers are passionate about protecting their hard-earned money. The banking industry works hard to stay one step ahead. Unfortunately, the risk of fraud is increasing in effort and sophistication, making an institution's duty to protect themselves and consumers more important than ever.

The growing influence of social media, an increase in mobile banking, and rising financial challenges are a dangerous mix for today's consumers when it comes to protecting their money. Today's fraudsters are getting up close and personal with consumers in their efforts to separate them from their funds. Their aggressive, highly synchronized schemes become more intricately creative and sophisticated each day — and they are growing in boldness.

Checks, in particular, have become an increasingly popular target of payments fraud. Why? Because checks are long-established. Traditional. They fly under the radar of today's instant payment technology. And checks expose two common and glaring character flaws typical in criminals — laziness and impatience (more on this later), as a single check can access a very large sum of money.

Preying on the weak and vulnerable

The "felony lane gang" is an industry catch-all term for a scheme in which counterfeiters recruit people who are vulnerable, unemployed and desperate by paying them a small amount of money to cash fraudulent, large-sum checks at a branch. The check cashers are frequently put in high-visibility work uniforms, like construction gear, to add credibility to the transaction. The ringleaders often drive their pawns to branches in rental cars, using the furthest drive-up lane for their transactions.

These gangs are transient and move when their presence is discovered by local law enforcement. While there are occasional check-casher arrests, the gangs' ringleaders usually evade capture by keeping a safe distance from the pawns they manipulate to cash the checks.

Scams designed to exploit mobile banking

Temporary branch closures have increased the popularity of remote banking advancements, like mobile deposit. And this fast, easy, faceless technology quickly caught the eye of scammers, who viewed remote access as a perfect opportunity to commit account takeovers (ATO) and deceive account owners.

ATOs fall under the category if it seems too good to be true, it almost certainly is. The scammer gains the victim's trust, acceptance — and account information — frequently via a phishing email or social media ploy. Sometimes it is romance fraud, a work from home opportunity, or simply the promise of free money; but one thing remains constant, the scammers gain the victim's confidence to gain control of, or take over, the victim's account. This fraud frequently culminates with the deposit of a fraudulent check.

Then, the deposited funds are either quickly transferred out or

withdrawn. By the time the fraudulent check is returned to the financial institution, the scammer is in the wind and the victim is left holding the bag.

Opening new accounts for fraud

It's much easier to prevent the opening of a fraudulent account than to detect and restrict one that's already open. But, because fraudsters specialize in deception and adjustments that exploit weaknesses, new account fraud is emerging as one of banking's biggest concerns, and becoming exceedingly difficult to detect. Institutions must look beyond standard credit report-based identity verification to ensure they are not opening fraudulent new accounts.

In the end, it's the simple and predictable mistakes that do criminals in. Their Achilles' heel is impatience — they want money now. To expose and impede them, we simply need to increase our vigilance — and use technology against them. Technology is our great advantage.

But, it's not that simple. Advanced technology, like mobile deposit, often lulls institutions into a set-it-and-forget-it mentality. That's when risk increases and fraudsters quickly swoop in. To optimize their effectiveness, mobile platforms need frequent review and tweaking. As fraudsters adapt their schemes, institutions must also adapt their screening mechanisms to stay one step ahead.

Plus, security technology is more than what's on our phones and screens, it extends to the actual payment method: checks. For example, Harland Clarke's mobile security features Photo Safe Deposit®, ImageMatch® and MobileMark® offer powerful, state-of-the-art security for mobile deposit capture.

Your best strategy is to gain a clear understanding of the fraud today, learn best practices on how to defend against it, and know what's available in fraud protection technology — so that you're always one step ahead of the bad guys.

For us, at Harland Clarke, it's much more than business, it's personal.

Our 145+ year history is rooted in checks, and we don't like it much when criminals try to use them to victimize our clients, businesses and consumers. We feel it's our professional, social and moral responsibility to lead the way in the fight against fraud by understanding emerging trends and continually investing in innovative fraud-prevention technology that exceeds industry standards.

Harland Clarke offers protection financial institutions and consumers can count on with more security features on all standard check stock than any other provider in the industry.

Andy Shank evaluates Harland Clarke's processes and products for security vulnerabilities and fraud risks. He brings more than 18 years of experience assessing risk and investigating fraud, at the local, state and federal level and across multiple sectors. Andy uses his strong knowledge of how fraud occurs to help lead Harland Clarke's check fraud prevention efforts and enhance the customer experience with an improved sense of security.



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COVID Help for Home Financial Services and Consumer Coalition Launches Borrower Awareness Campaign

A broad coalition of financial services stakeholders – including mortgage servicers, trade associations, housing counseling agencies, governmental agencies, and think tanks – recently launched a consumer awareness campaign to reach borrowers who have missed one or more mortgage payments as a result of the COVID-19 pandemic and may be eligible for forbearance assistance under the Coronavirus Aid, Relief, and Economic Security (CARES) Act or other forms of mortgage payment relief. The campaign will also target borrowers whose forbearance plans are ending and who need to contact their servicer to extend that form of payment relief or request additional assistance. The campaign is designed to augment the successful outreach that is already underway by mortgage servicers and housing counseling agencies nationwide, supplementing existing communications efforts and virtual events for homeowners in need of assistance.

The lead sponsors of the campaign include the Mortgage Bankers Association (MBA), the American Bankers Association (ABA), the Housing Policy Council (HPC), and NeighborWorks America. In addition, the Consumer Financial Protection Bureau

(CFPB) has provided support to this initiative, including the authorized use of its logo, to help reach consumers who need help.

“The goal of this campaign is simple: Make sure borrowers facing COVID-19-related financial hardships know that help is available, but that they have to call – call their servicer, call a HUD-approved housing counselor, but please call!” said Bob Broeksmit, CMB, MBA’s President and CEO.

“The COVID-19 pandemic has caused financial stress for millions of individuals and families across the country, and America’s banks are here to help,” said Rob Nichols, ABA president and CEO. “ABA is pleased to join this broad coalition of partners in this campaign to let distressed borrowers know that there is help for those struggling to pay their mortgage.”

“HPC and our member companies are pleased to contribute to this collaborative effort, which harnesses the power of numerous, diverse organizations to convey a consistent message with a clear call to action to homeowners in need of mortgage payment relief,” said Ed DeMarco, Presi-

dent of the Housing Policy Council.

American Bankers Association

“NeighborWorks applauds this effort of raising awareness for borrowers who may be experiencing financial

distress,” shared Marietta Rodriguez, NeighborWorks America President and CEO. “The campaign plays forward a critical lesson learned from the 2008 housing crisis, effective borrower outreach strategies must include a multi-sector response, from lenders, servicers, industry groups, and community-based nonprofits.”

“These are incredibly challenging times, but there are options for homeowners who are experiencing financial hardships due to the COVID-19 pandemic. The CARES Act provides important relief to homeowners seeking assistance on their federally-backed mortgages, and I’m happy to support this campaign in getting the word out about financial relief options that can help eligible borrowers stay in their homes,” said CFPB Director Kathleen L. Kraninger.

Additional Information for Consumers: The campaign participants urge borrowers

Continued on page 10

Need assistance with virtual events?

Introducing WBA's new virtual conference platform:

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Fully customizable event platform available for your events

WBA support for as much or as little as you need!

For more information, contact Duncan Taylor at duncan@wabankers.com.



Avoid Common Mistakes with IRA Beneficiary Designations

By Dennis Zuehlke, CISP, Ascensus

“The best surprise is no surprise.” Holiday Inn adopted this famous tagline in the 1970s to reassure guests that staying at one of their hotels would ensure that there were no surprises. After all, nobody likes unwelcome surprises, whether it be a lumpy pillow in a hotel room, an October surprise in a Presidential election, or the surprise a family receives when an IRA beneficiary designation—or lack thereof—results in the intended recipient not receiving the IRA assets.

The trouble with an IRA beneficiary designation mistake is that it’s often not discovered until the IRA owner has died and it’s too late to correct it. Beneficiary designation mistakes can result in payment of the IRA assets to an unintended beneficiary, additional tax and legal expenses, delays in distributing the IRA assets, and reputational risk to you as the IRA trustee or custodian.

Following are some of the most common IRA beneficiary designation mistakes and best practices to help avoid them.

Missing Beneficiary Designations

More than one third of all IRA death claims processed by Ascensus are submitted for processing without a beneficiary being identified, either on the IRA document itself, or on a separate beneficiary form. In these cases, payment of the IRA proceeds is made to the deceased IRA owner’s estate under the default provision of the Ascensus IRA agreement. From a tax standpoint, payment to the IRA owner’s estate generally is the least desirable option and often requires the IRA owner’s family to incur additional expense in estate processing procedures to collect the IRA proceeds. It also increases processing time and delays payment of the IRA assets to the IRA owner’s family. Just as important, the distribution of the IRA assets under a state’s probate laws may not reflect the deceased IRA owner’s wishes.

As an IRA trustee or custodian, you should make it a practice to have beneficiary information for every IRA you hold, which can be gathered on the IRA application at the time the account is opened. IRA applications and initial and subsequent beneficiary designations should be permanently retained. However, there are several reasons why you may not be able to locate a beneficiary designation form at the time of the IRA owner’s death. Perhaps your organization merged with another entity, and you may not have received beneficiary information as part of the merger. Perhaps your organization moved to an electronic record system and older beneficiary forms may not be available electronically, and—if stored in a paper format offsite—may not be readily available or retrievable.

As a best practice, your organization should have a robust record retention system for its IRA program. If older beneficiary designation forms are still retained in paper format, they should be readily accessible, with backup copies stored offsite. Electronic records should be indexed properly so that forms can be found and accessed when needed. You should periodically review accounts for beneficiary information, and proactively reach out to IRA owners to obtain beneficiary information in cases where a beneficiary form is not on file.

Outdated Beneficiary Designations

IRA owners often name a beneficiary at the time they open the account and then they forget about it. In the interim, they may get married, have children, get divorced, remarry, and never take the time to update their IRA beneficiary information. The omission is often not discovered until the IRA owner dies, with consequences that can



be emotionally devastating to the family. In many cases of remarriage, the IRA owner’s former spouse remains the beneficiary of the IRA. While more than half the states revoke the right of a former spouse to inherit, other states do not, so the IRA assets often

end up being paid to a former spouse, which is likely not what the IRA owner intended. In other cases, when the original beneficiary was a parent or sibling who is now deceased, payment is then made to the IRA owner’s (or beneficiary’s) estate absent the naming of a contingent beneficiary. This often forces the family to incur the expense of probating the estate for the sole purpose of collecting the IRA assets.

As a best practice, you should periodically remind your IRA owners to review and update their IRA beneficiary information. Some IRA trustees and custodians ask IRA owners to review their beneficiary information whenever they make other changes to their accounts or as part of an amendment mailing.

Incomplete or Incorrectly Completed Beneficiary Designations

Paying IRA assets to an incorrect beneficiary can be costly for an IRA trustee or custodian—both in terms of financial liability and reputational risk—so it is crucial to obtain complete information for each beneficiary; not only to identify the beneficiary at the time of death, but to assist in locating them. It is also critical that the beneficiary form is properly completed. Make certain that the percentages for each level of beneficiary—unless they are to be divided pro rata—add up to 100 percent, that the form is signed by the IRA owner (and a witness if required by your organization), and a consent of spouse is obtained if needed when naming a nonspouse beneficiary.

Obtain complete information for each beneficiary, including full legal name, address, and date of birth. Many IRA trustees and custodians also require the beneficiary’s Social Security number. Avoid vague or ambiguous designations such as “all my children” or “trust.” All My Children was an American television soap opera, but it is not an appropriate designation for an IRA beneficiary form. Instead, the IRA owner should list the full legal name of each child. Likewise, if naming a trust, make sure the full and complete name of the trust is listed on the form. For example, Joe Smith Revocable Living Trust, dated July 20, 2014. Finally, if the IRA owner makes a mistake when completing a beneficiary designation form, discard the form and start over, or at a minimum have the IRA owner sign and date any hand-written changes.

You should review beneficiary designation forms for completeness and accuracy before accepting them. If an error is later discovered, the IRA owner should be contacted and asked to complete a new beneficiary form. In cases where an IRA owner chooses not to name a beneficiary, ask her to check the box on the beneficiary designation form to indicate that she has elected not to name a beneficiary at the time. You may also want to remind her that the terms of the IRA—not her will—generally govern the distribution of assets from her IRA, and encourage her to complete a beneficiary form.

Incorporate Best Practices

Incorporating best practices for obtaining and retaining IRA beneficiary designations will ensure that IRA assets are paid in accordance with the IRA owner’s wishes, and reduce the chances of paying out IRA assets to an incorrect beneficiary, along with the legal, financial, and reputational risks of doing so.

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in need to call either their servicer or a HUD-approved counseling agency. To find a HUD-approved counseling service or more information about forbearance, visit

www.cfpb.gov/housing. Borrowers should avoid anyone who seeks a fee in exchange for obtaining forbearance assistance.

Additional Information for Servicers and Counselors: Industry and counseling

agency partners can download images for use in emails, social media, and other customer communications. To access ‘Not Ok? That’s Ok’ project materials, visit www.covidhelpforhome.org.

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FICAST covered ALCO and balance sheet management, focusing on how the pandemic has changed the industry and what CFOs and bank leaders need to consider going forward. He covered crucial balance sheet risk management lessons learned from the pandemic and strategies to mitigate risk.

Sharon Dye, president of Sharon Dye Consulting & Associates, provided a session on change intensity and culture consistency and ways bankers can use neuroscience. She talked about how leading through change requires a set of skills to counteract the brain's natural tendencies and tools organizations and leaders can use to help ease transitions.

Paul Godfrey, professor of business strategy at BYU's Marriott School of Business, covered ways to recalibrate strategy during a time of high risk and uncertainty. His session included ways banks and their board of directors can use the lessons of 2020 to plan for the future.

On December 4, the conference started with a session by Ron Shevlin, director of research for Cornerstone Advisors, on bank-

ing's delusions about digital transformations. He explained that while many banks feel they are ahead of the curve on offering digital products, in reality, they lag behind non-bank players and that the industry must continually strive to think outside of the box to remain relevant.

Laurie Stewart, president, and CEO of Sound Community Bank and immediate past chair of the ABA offered a quick update on the various Development Programs offered by both WBA and UBA before each state celebrated their 2020 Executive Development Program graduations.

The conference closed with a live discussion between Headlee and Jon Huntsman, former governor of Utah and ambassador to China and Russia. Over the hour-long conversation, Huntsman offered his view of how America and the most recent election is viewed internationally, what lessons we've learned globally about the pandemic, and things to watch as the new administration prepares to deal with foreign policy.



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