

# Issues & Answers



October 2022

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## October is a Month for Learning



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

Signs of fall are definitely upon us. There's a crispness in the air, and the leaves are turning colors. Campaign signs line our streets. And football fans are yelling for – or at – their favorite teams.

Another unmistakable sign of fall is that kids have headed back to their classrooms. WBA member bankers may not spend time sweating the details of new outfits, supplies, and other trappings of back-to-school season. Still, October is nonetheless a month when they will do well to think about some new learning opportunities.

Yes, WBA offers a year-round roster of professional development opportunities,

from multi-session programs to individual webinars, and I encourage you to check out the list online at

[www.wabankers.com](http://www.wabankers.com). But this month, we will also present two noteworthy events featuring exciting speakers worthy of special attention and consideration.

First, we will launch a new Emerging Leaders & Executives Series, designed to bring together younger bankers for networking and learning opportunities. The first of these events will feature a conversation with former WSU and NFL quarterback and current award-winning winemaker Drew Bledsoe.

Following an informal networking period and trivia contest, Drew will share his thoughts on various topics, including effective leadership, overcoming obstacles, applying lessons learned from sports to the business environment, changing careers, and other topics of interest.

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## Issues & Answers – October 2022

*The official publication of the Washington Bankers Association is sponsored by Vericast and WBA Professional Services.*

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We are happy to bring this exciting new series to both sides of the Cascades, with sessions being held on October 25 at the historic Davenport Hotel in Spokane and on October 27 at Cedarbrook Lodge near Sea-Tac airport. Attendees can even order bottles of Drew's highly regarded Bledsoe Family and Doubleback wines for pickup at the event. More information and registration materials can be found at [www.wabankers.com/els](http://www.wabankers.com/els).

The day after the Cedarbrook event, October 28, we will hold our always popular Women in Banking Conference at the Renaissance Hotel in Seattle. For an industry often dismissed as conservative or behind the times, the banking industry has an excellent track record of producing strong female leaders. This event is an annual celebration of that tradition.

Once again, the conference agenda is packed with exciting and engaging speakers, including:

- Sherry Winn, a two-time Olympian and successful basketball coach talks about how to inspire a winning spirit on your team;
- Lisa Fain, a leadership coach, will conduct an interactive session on how effective mentoring can produce greater employee development and results;
- Denyette DePierro, a former ABA staffer who now leads Amazon Web Services' financial services public policy team, will provide an update on cybersecurity and regulatory issues.

Couple these program highlights with plenty of time for networking, and attendees will have an enjoyable and rewarding experience. I encourage you to identify women leaders and up-and-comers within your organization to attend. You can register for a full table at a discounted price, which is a great way to recognize employees making significant contributions to your success.

I know that January is traditionally the time for making resolutions, those important lists on how to improve, do more, or do better. But why not jump on the competition and make October your month to commit to increasing your focus on employee development?

### Contact Us

Contact the Washington Bankers Association at 601 Union  
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Call us at (206) 447-1700 and visit us on the  
web at [www.wabankers.com](http://www.wabankers.com).

### Connect With Us

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media accounts.

### On the Cover

Sunflowers flourish in the late fall sunshine at Bob's Corn  
Farm in Snohomish, Wash.  
*Photo by Megan Managan*

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# Breaking Down the Debate Over Digital Assets



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

As I traveled the country this summer speaking at various state bankers association conventions, I'd always ask this question of my audience: How many of you have clients and customers that are asking you about cryptocurrencies and digital assets? And nearly everywhere I went, nearly every hand would go up.

The interest in cryptocurrencies and digital assets is undeniable—even in the face of recent volatility in digital asset markets. Americans want them: from the casual dabbler to the serious investor, from Gen Z'ers to boomers, everyone it seems wants a bite at the crypto apple. Many banks want to engage, too—as digital assets become more popular, and those banks are exploring ways to meet the needs of customers who want their bank to be the custodian of these assets.

I've written previously about the merits of banks being able to take on custodial roles for digital assets—there are many—and the need for a regulatory architecture that will support them taking on these roles if they choose. That's an area where ABA continues to advocate for banks' ability to enter the digital asset space in a safe and sound manner. But it's just one of the debates that are currently brewing over crypto. There are several others that bankers should be aware of:

Who should regulate? One key quandary facing policymakers right now is: what's the right way to regulate crypto, and to which agency should that authority be delegated?

Currently, the Securities and Exchange Commission and the Commodity Futures Trading Commission are both vying for the role of crypto cop. Two separate bills have been introduced this summer—one by Sens. Cynthia Lummis (R-Wy.) and Kirsten Gillibrand (D-N.Y.) and another by Sens. Debbie Stabenow (D-Mich.) and John Boozman (R-Ark.)—that would delegate most of this authority to the CFTC. Simultaneously, there are some in the crypto community who are calling for the creation of a whole new regulatory agency dedicated to digital asset supervision, though this seems far less likely.

Regardless of which entity ultimately ends up with regulatory authority, it is imperative that it develops clear

definitions of digital asset products that are based on the risk that each category of digital asset carries. Working with the banking agencies, any prospective crypto regulator must also ensure a level playing field between bank and non-bank entities in the digital asset markets and establish clear guidelines for risk management and consumer protection.

Payments system access? Another key question is the extent to which nonbank crypto firms should have access to the payment system. The Federal Reserve took a significant step toward answering this question in mid-August when it finalized a framework for assessing which entities may be granted payments system access. This framework creates a tiered system for evaluating incoming requests, and under it, institutions that engage in novel activities would undergo a more extensive review.

Access to the payments system is a significant privilege and comes with many responsibilities. As the Fed begins evaluating new requests for access, we'll be watching carefully to ensure that these new guidelines are appropriately accounting for the inherent risks that come with some of these new financial players.

Is there a use case for a CBDC? Finally, there's the question of a central bank digital currency and whether there's a use case for it in the U.S. As ABA told policymakers in several comment letters and testimonies over the last year, our view is that no such case exists—for every problem that proponents say a CBDC could solve, the fact is that there are already solutions available that don't involve a government-created currency. Financial inclusion is just one example: Banks are already making great strides to bring more unbanked households into the financial system by offering Bank On-certified accounts.

Not only would a CBDC be duplicative of private-sector solutions that already exist, but it also has the potential to have an incredibly damaging effect on bank balance sheets and the flow of credit to households and businesses if the Federal Reserve were to become a competitor for bank deposits.

All of these ongoing debates underscore an urgent need for a fair, well-calibrated regulatory framework for digital assets—one that promotes responsible innovation while minimizing systemic risk and protecting consumers. And that's a framework we'll continue to fight for.

## Industry News

### New Hires

Kurt Cottier  
Senior Vice President, Senior Lending Officer at UBB

### Promotions

Sandy DiBernardo  
Director of Community Outreach at Olympia Federal Savings

Ryan Betz  
Senior Vice President and Chief Strategy & Marketing Officer at Olympia Federal Savings

Kelli Holz  
Chief Financial Officer at WaFd Bank

### Board of Directors

Riley Clubb  
Baker Boyer Bank

### Retirements

Jeff Godown  
Olympia Federal Savings

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

# Registration Now Open for 2023 Executive Development Program Starting in January

Registration is now open for the WBA's flagship **Executive Development Program**.

This 12-month comprehensive and rigorous course prepares bankers for a new role in leadership within their organization. It also features classes on various topics executives need to understand to run a bank successfully.

In 2023, the program will transition back to the majority of classes held in person in Seattle, with a select few sessions held virtually. One of the most significant benefits of EDP is meeting with other regional bankers and learning and working together.

Also, next year WBA has updated the sessions on leadership, management, ethics and negotiations. These sessions will provide students with real-time feedback and information to make themselves stronger leaders and find ways to be stronger team leaders and managers.

This program will sell out, so we strongly encourage early registration to secure a spot.

At the end of the month, WBA's Emerging Leaders Committee is hosting its first **Emerging Leaders & Executive Series**, featuring a conversation with former NFL quarterback turned winemaker Drew Bledsoe about his career, leadership, and what you can learn from his journey, blazing a trail into a new career and industry.

Join us on October 25 in Spokane at the Historic Davenport Hotel or on October 27 at Cedarbrook Lodge in Seattle from 4-7 p.m. for networking, wine, and a chance to learn from Bledsoe.

The **2022 Women in Banking Conference** will be held on October 28 at the Seattle Renaissance Hotel in downtown Seattle. Lisa Fain, CEO of the Center for Mentoring Excellence, will keynote the event with an interactive session on ways to build inclusive mentoring programs. The agenda includes a closing session with Sherry Winn, a two-time Olympian, basketball coach, and author, on how to unleash your inner winner.

On January 25, WBA is launching its newest program, a **virtual cybersecurity tabletop exercise** run by NUARI, a nationally recognized leader in cybersecurity. The event is open to any financial institution doing business in Washington state and includes unlimited virtual registration.

Attendees will be given a scenario and guided through the exercise while testing their procedure and protocols in real-time. The training is designed to help institutions gain valuable insight into their processes and test planned responses.

The **2023 Northwest Compliance Conference** will be held on March 16-17 at the DoubleTree Hotel, Seattle Airport for compliance professionals across the region.

This annual conference features two days of compliance specific topics, including updates on regulatory issues, and what to watch for in the coming months.

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

## Events calendar

**October 12** – Retail Branch Manager Development Program

**October 25** – Emerging Leaders & Executive Series, Historic Davenport Hotel, Spokane

**October 27** – Emerging Leaders & Executive Series, Cedarbrook Lodge, Seattle

**October 28** – Women in Banking Conference, Seattle Renaissance Hotel

**January 18** – Executive Development Program

**January 25** – NUARI Virtual Cyber Tabletop Exercise

**March 16-17** – 2023 NW Compliance Conference, DoubleTree Hotel, Seattle Airport

*To register or to learn more about any of the listed events, please visit [www.wabankers.com/calendar](http://www.wabankers.com/calendar).*



# WOMEN IN BANKING

# Conference

OCTOBER 28, 2022 RENAISSANCE SEATTLE HOTEL

Register online at [www.wabankers.com/wib](http://www.wabankers.com/wib)



# Legislative Roundtables Return, Fostering Local Connections with Policymakers

Throughout September, the WBA Advocacy team and bankers from throughout the state met with local lawmakers during the annual Legislative Roundtables.

Back in person for the first time since 2019, these meetings were designed to foster relationships between bankers and lawmakers and have the opportunity to discuss current issues facing the banking industry.

The seven lunches were held throughout the state in Tacoma, Bellevue, Vancouver, Spokane, Kennewick, Mt. Vernon, and Seattle.

Led by Glen Simecek, WBA president and CEO, and WBA lobbyists Trent House and Carrie Tellefson, bankers, participated in a legislative briefing where they learned about issues likely to come up during the next legislative session and how they can work with lawmakers.

Lawmakers throughout the state were interested to hear how bank clients continue to be impacted by the pandemic and other issues such as inflation, workforce shortages, and more.

Thank you to Heritage Bank for hosting the Tacoma event and Washington Trust Bank for hosting in Spokane.

The next WBA Advocacy event will be Bankers Day on the Hill, scheduled for January 26 at the Olympia Ballroom.



## Washington Bankers Participate in Annual Capitol Hill Visit

At the end of September, 11 bankers traveled with WBA to Washington D.C. for the annual PNW Capitol Hill visit, the first time the trip has taken place since 2019.

The 40-plus bankers from Nevada, Oregon, and Washington participated in briefings with the banking regulatory agencies and spent an afternoon on Capitol Hill meeting with the state's Congressional delegation.

The group discussed their opposition to Durbin 2.0, which would change the credit card routing requirements and encourage support of ECORA and the SAFE Banking Act.

During the trip, bankers participated in briefings with Federal Reserve Gov. Michelle Bowman, who talked about the work the Fed is doing regarding the economy and solicited feedback from the bankers about how inflation and other issues were impacting local communities and customers.



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## Peoples Bank Volunteers at Greater Oak Harbor Chamber of Commerce Golf Tournament

Late this summer, the Peoples Bank team members volunteered at the Greater Oak Harbor Chamber of Commerce and Coupeville Chamber of Commerce Golf Tournaments.

The volunteers hosted a tent during the tournament, providing treats and water to golfers, and they went through the tournament.

## Washington Trust Bank Hosts Say It With Socks Campaign



Washington Trust Bank hosted a new Say It With Socks campaign this summer, hosting a donation drive for clean socks to be provided to nonprofits throughout Washington, Idaho, and Oregon.

Employees donated over 500 pairs of socks which will help those in need as organizations such as Advocates Against Family Violence, Boys & Girls Club of Columbia Basin, Children's Villiage, Family Resource Center of the Tri-Cities, and more.

## Community First Bank Presents 1st Annual Richard C. Emery Business & Finance Scholarship

Community First Bank and the 3 Rivers Community Foundation president the inaugural Richard C. Emery Business and Finance Scholarship in August.

Rich's wife, Kathy, and daughter, Jody, represented the Emery family in choosing the recipients and presenting the scholarship. Emery was a former Community First Bank president and CEO.



The award's first recipient was local student Jeremy, who will use the funds to continue his education.

The scholarship is available to Benton or Franklin County students who have demonstrated an interest in business, finance, economics, or accounting.

## WaFd Bank Donates \$2,000 to GreenTrike



WaFd Bank donated GreenTrike to support the organization's Play to Learn Pierce County initiative this summer.

Play to Learn is a free, community-based program designed for families with young children, and the donation will strengthen their ability to do this work.

## First Financial Northwest Bank Volunteers with Your Money Matters



Right before school began this fall, First Financial Northwest Bank team members volunteered with Your Money

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Matters, putting together school supplies and student backpacks.

The items were donated to local students in the Your Money Matter financial mentoring program, which focuses on offering financial literacy programs.

### U.S. Bank Team Sorts Watermelons at Food Lifeline



Several U.S. Bank Seattle team volunteers volunteered in late August at Food Lifeline, where they sorted watermelons.

The team sorted over 10,000 pounds of watermelons that would be distributed to people throughout the area experiencing hunger.

### KeyBank Volunteers with Big Brothers Big Sisters of Puget Sound



Members of the KeyBank Hispanic-Latinx KBING recently volunteered with Big Brothers Big Sisters of Puget Sound, helping to prepare for the organization's annual picnic.

The group donated backpacks for the third year in a row, filled with school supplies for the youth members of the program.

### Sound Community Bank Volunteers at Big Brothers Big Sisters Annual Picnic

Sound Community Bank volunteers helped at the Big Brothers Big Sisters annual picnic for the bigs and littles this summer.

Members of the bank team helped with activities throughout the event.

### Seattle Bank Volunteers with Wellspring Family Services

The Seattle Bank team volunteered for the second year in a row with Wellspring Family Services this August.



The volunteers helped prepare for the organization's upcoming Family Resource Fair, which is aimed at alleviating the cost burden of school supplies. They put together 300 backpacks with over 1,000 school supplies and over 500 books to help children succeed during the school year.



### Washington Trust Bank Volunteers at Benton-Franklin Fair & Rodeo

Washington Trust Bank Kennewick team members participated in this summer's Benton-Franklin Fair & Rodeo as part of Washington Trust Bank Day.

The volunteers passed out special pink swag and cowbells for Tough Enough to Wear Pink Night at Horse Heaven Round-Up Rodeo. The

event raises money for the Tri-Cities Cancer Center Foundation and local hospitals providing preventative care and treatment.

### 1st Security Bank of Washington Matches Donations to Stuff the Bus



Earlier this summer, 1st Security Bank of Washington hosted its annual Stuff the Bus school supply drive to help local students.

The bank also matched donations from the community to help provide more supplies to students in need.



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### HomeStreet Bank Foundation Donates to Vision House

During the 10th Annual HomeStreet Foundation Charity Golf Tournament, the bank recognized and honored its community partner Vision House.

The bank also announced a \$50,000 grant to the organization to help them continue their community work.

Vision House works to end the cycle of poverty and homelessness by providing permanent housing for families with children.

### Washington Trust Bank Hosts School Supply Drive



Members of the Washington Trust Bank's Crew in Blue hosted a school supply drive in Washington, Idaho, and Oregon to provide items to local students in need.

In Spokane, the teams collected over 1,300 items for Whitman Elementary, Shaw Middle School, and John R. Rogers High School.

### KeyBank Celebrates Winner of Key4Woman Pitch Contest

This September, KeyBank was one of the sponsors of the Key4Woman Women-Owned Business Pitch Contest.

The winner was Dotz Allergy Friendly Baked Good from Tacoma.

The event was created through a partnership between the bank, The W Marketplace, the University of Washington Tacoma, and the University of Washington Foster School of Business.



### North Cascades Bank Donates to Lighthouse Christian Ministries

At the end of August, North Cascades Bank announced it would be making a donation to Lighthouse Christian Ministries in Wenatchee.

The bank pledged to donate \$10 to a local food bank for every new account opened during the first week of August. Because of that pledge, the bank was able to donate \$320 to the organization and other food banks throughout the bank's footprint.

### U.S. Bank Opens Remodeled Branch in Issaquah



In early September, U.S. Bank celebrated the grand re-opening of its Issaquah branch after an extensive remodel.

During the celebration, the bank presented a \$3,000 donation to the Issaquah Food and Clothing Bank, a nonprofit which provides quality food, clothes, hygiene items, and case management resources to anyone in need.

### Heritage Bank Hosts Volunteer Day



In mid-September, Heritage Bank closed all of its branches for an afternoon so employees could spend that time volunteering in the community.

Nearly 500 employees worked on various projects

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The group also heard updates from CFPB Director Rohit Chopra, FDIC Acting Chairman Martin Gruenberg, and OCC Acting Comptroller Michael Hsu.

Those on the trip also participated in a guided tour of Arlington National Cemetery and the U.S. Capitol.



## Bank On Washington Forum Returns In Person This Month



The 2022 Bank On WA Forum is coming up on October 24 and 25! Join in person to reconnect as a community of providers, reignite our passion for supporting the financial wellness of all Washingtonians, and build solutions based on the resilience of all communities, as we emerge together from the isolation and challenges of the pandemic.

Learn more and see the full agenda online at <https://everyoneiswelcome.app.neoncrm.com/np/clients/everyoneiswelcome/event.jsp?event=10&>.

## ABA's #BanksNeverAskThat Anti-Phishing Campaign Returns

ABA's #BanksNeverAskThat campaign has earned praise from policymakers, won creativity awards, and most importantly, educated tens of thousands of consumers about how to spot phishing scams.

Registration is open now for our 2022 campaign—kicking off October 3!

ABA will be making fresh and fun updates to BanksNeverAskThat.com and adding new content to the easy-to-use toolkit.

Look for videos, animated graphics, digital signage and more—free for ALL banks, courtesy of ABA.

### BACK THIS OCTOBER!

## Turn your customers into expert scam spotters

**Register Now** Free for all Banks



# Loan Strategies to Help Your Customers Fight Inflation and Earn Their Trust

*By Stephenie Williams, Vice President, Financial Institution Product and Strategy, Vericast*

It's no secret that over the last two-plus years public trust in our nation's leading institutions has severely declined. Whatever the reason, people are less likely to look outside of their inner circles for guidance and advice on important life decisions.

## **Vericast Survey Reveals a Disturbing Trend**

What you may not realize is the shift from institutional trust appears to have bled into the financial services industry. Our recent survey of 1,000 U.S. adults revealed this alarming trend: people are increasingly turning to alternative sources for financial information, advice and assistance.

While our poll shows that every generation is affected, the change in attitude and behavior of Generation Z (ages 10–25, our survey included those 18–25) stands out. This coming-of-age generation, now with more income to spend, save and invest, is the most likely to report

that they may seek financial advice from online practitioners who in many cases appear far less qualified, knowledgeable and accountable than professional financial advisors.

## **It's Not Only Gen Z With Trust Issues**

A notable percentage of millennials (25%) and Generation X (22%) say they also turn to

YouTube videos for important financial planning advice for paying off debt, choosing loans, opening credit card accounts, taking out home equity lines of credit, and more.

## **Yes, It Has Come to This ...**

More than 60 percent of all survey respondents said they seek financial advice from social media. Institutions must now compete with

Tik Tok®, YouTube® and other sometimes opportunistic social media influencers for the opportuni-

ty and privilege of being consumers' go-to for the financial advice, products and solutions they need to navigate surging inflation and a slowing economy.

Interestingly enough, the resource that scored highest across all generations was friends and family.

## **Financial Institutions Have a Clear Advantage**

This additional survey information provides financial institutions with valuable insight into the unique advantage they hold over their social media rivals: an ability to proactively reach out and connect on a personal level with customers and prospects anytime, anywhere and from any channel.

Does that mean "friends and family" status with consumers is achievable?

## **How Do You Promote Loans and Build Trust?**

The answer is ubiquity, relevance and empathy. People not only want — but expect — to receive easy and convenient access to loans, advice, guidance, and financial services designed to help them survive inflation and prepare for the economy's next period of growth.

Omnichannel Lives Require Omnichannel Approaches

It's not enough to focus your loan marketing efforts on a single channel, or two, even.

Successful financial marketers know their customers expect a connected and

omnichannel experience and make a point to deliver that experience to the channels they prefer to interact with most.

## **Understand Customers Better Using Data and Insight**

All those channels mean there's no single path consumers will follow to engage with you. It also means

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the paths will be more complex.

There are numerous data points involved that indicate consumers' needs and preferences, their key decision drivers and acceptance barriers, and what inspires them to act, just to name a few. It's critical to get to know your customers and potential customers, including

how they navigate life, both online and offline. Only then can you build an efficient and effective loan marketing strategy that engages consumers how, when and where it matters.

### Provide Value Financially and Emotionally

Rising prices are putting a strain on consumers financially and emotionally. A slowing economy and skyrocketing inflation are eating up their savings as they struggle to fill their tanks, put food on the table, and even purchase everyday essential retail products.

Customers will still need money for the basics, like food, gas and essential everyday items but also seek funds for major purchases, home repairs, tuition, and savings for unplanned expenses. Offers for home equity loans, credit cards and personal loans provide the immediate financial relief for mounting consumer money woes.

- Home equity loans allow homeowners to leverage elevated home values and turn them into the funds they need to pay bills, make overdue home improvements, pay off debt, or even take a vacation — and, best of all, provide much-needed peace of mind.
- While credit card offers on the surface seem like a solution inconsistent with rising debt, a closer look shows how credit cards can stem the rising tide of debt with low- and no- interest rate balance transfers and squelch rising prices with rewards for groceries and gas.
- Fixed-rate personal loans offer a quick, no-col-

lateral way for qualified customers to have the flexibility to make large purchases, consolidate debt, or tide them over until the economy improves.

### Be Data-Driven and Creative

Data is key to lending success during inflationary times. With the right targeting, you can lend smartly, with fewer concerns. Here are a few proven strategies:

- Run a one-time or ongoing loan generation campaign. Target homeowners with credit card debt. You could also enroll in trigger-based alerts for customers applying for loans with other lenders.
- Conduct a proactive outbound call campaign. Use your data for a variety of targets including existing mortgage holders or customers who have payments going to credit cards other than yours.
- Use highly targeted digital advertising. Use demographic, intention and behavioral data points to connect with customers through digital banking, and on connected tv or the web. Using data will help you be top of mind — and trusted — when the need arises.

### It's Primetime for Lending and Connecting

Now is the time to pour your energies into executing a successful omnichannel, data-driven loan acquisition campaign.

Show customers and prospects that you truly understand and care about their problems and challenges by offering solutions that address their financial and emotional needs and gain their trust.

*Stephenie Williams has more than 20 years of experience in direct marketing, strategic planning, product management and promotions of the financial services industry.*



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# Cryptocurrency: Is It Safe or “Sus”?



By Carol Ann Warren, Associate General Counsel, Compliance Alliance

In today's financial regulatory environment, two of the hottest topics are: (1) cryptocurrency and (2) cyber-security. Within the past year, multiple agencies have released various regulations and guidance regarding cryptocurrency, banking, and cyber-security, both individually and collectively.

As my teachers would say, if something is said more than once, it is probably important, and you will likely see the material again. Similarly, cryptocurrency and the threat of cyber-security is likely here to stay, and regulators are preparing for those implications. Banks are now put on the spot to adapt to the market shift and the regulations that will surely follow.

## What is cryptocurrency?

The Merriam-Webster's dictionary defines cryptocurrency as “any form of currency that only exists digitally, that usually has no central issuing or regulating authority but instead uses a decentralized system to record transactions and manage the issuance of new units, and that relies on cryptography to prevent counterfeiting and fraudulent transactions.”

## How does cryptocurrency relate to banking?

For bankers, the question of how cryptocurrency relates to banking is pressing and it is hard to answer. Cryptocurrency usage is typically stereo-typed between two different groups: underground-market transactions (i.e. drug market or selling a kidney online) and GameStop/Reddit kids that almost crashed the stock market in 2021. Volatility and illicit activity are two of the biggest regulatory fears for bankers; so how do banking and cryptocurrency relate?

First, who are the individuals that actually invest or use crypto currency?

According to a November 2021 article from Pew Research, 16% of Americans have used or are invested in cryptocurrency. Of those 16% of Americans, 52% of those individuals are between the ages of 18-49. The individuals in this age group are not the typical “in person” banking customers. As the market is shifting and these individuals have more market power, banks are scrambling to advertise to this group. Cryptocurrency may be a way to successfully do that.

The guidance from regulators is that banking, one of the most highly regulated industries in the country, is supposed to mix with crypto currency, one of the most unregulated commodities in the world. The two seem to be like oil and water, but the Office of the Comptroller of the Currency (OCC) argues in Interpretive Letter #1170 that it is more like M&Ms and popcorn, an unlikely, yet satisfying combination.

The OCC didn't actually say that, but they did argue that for banks, providing custodial services related to cryptocurrency would be in line with a bank's intended purpose -- “safekeeping” of assets.

As the banking world has been shifting from physical currency and safekeeping to virtual safekeeping for many years now. Therefore, the argument is that providing services for cryptocurrency is not a far fetched idea, but a natural progression.

## How does cryptocurrency relate to cyber-security?

Because cryptocurrency is “so hot” right now and because of its anonymity, it is a prime target for hackers and bad actors around the world. From what the banking industry is seeing with P2P activity in Relation to Regulation E and the new Interagency Guidance on cyber-security, the question many bankers are asking is “do we want to add cryptocurrency to this dumpster fire?”

The answer: Maybe.

The Interagency Guidance defines a “cyber-security incident” that rises to the level of a “notification incident.” A cyber-security incident “is an occurrence that:

(i) Results in actual or potential harm to the confidentiality, integrity, or availability of an information system or the information that the system processes, stores, or transmits; or

(ii) Constitutes a violation or imminent threat of violation of security policies, security procedures, or acceptable use policies.”

This new guidance is giving rise to new policies, procedures, and safeguards for banks to have to implement. Ultimately, this is giving time to prepare for the inevitable cyber-security attack, but this is not without cost to the bank.

The next question is if a bank takes on servicing cryptocurrency customers, does this increase the risk of a cyber-security incident?

The answer: Probably.

Ultimately, this will be more of a cost-benefit analysis for the bank. According to a recent CNN article, there were over \$1.9 billion worth of cryptocurrency stolen in 2022, so far. According to FIN-CEN, ransomware attacks are at an all-time high and only continue to increase.

There is an argument that combining the banking with cryptocurrency will only lead to an increase in cyber attacks on banks, which is likely true.

## Is it worth it?

The answer: Maybe.

Banks need to have safeguards in place to protect current assets, private information, and to comply with the myriad of new guidance. There is an argument that the infrastructure is already there.

Lastly, several agencies acknowledge the risk associated with servicing cryptocurrency and still push for banks to consider servicing this group.

At the end of the day, a bank is one of the safest places to keep assets, virtually or physically. Therefore, banks may want to consider servicing this group, because banks have specialized in safekeeping from its existence. If they choose not to service this group, they may miss out on a lucrative market opportunity.



## Continued from page 8

throughout the bank's footprint, including organizing the library and supply closet, picking up garbage, cleaning houses, and more.

### Olympia Federal Savings Participates in Heroes for Housing



Olympia Federal Savings recently participated in an extraordinary Heroes for Housing event in Thurston County, championing the need for affordable housing opportunities.

The event helps Homes First continue its community work to fill the housing needs gap.

### First Interstate Bank Hosts Annual Volunteer Day



First Interstate Bank hosted its annual Volunteer Day in mid-September, when it closed branches for a day to allow

employees to spend time in their community.

In Washington, volunteers spent time at the Washington Gorge Action Program and the North Pacific County Food Bank.



### Baker Boyer Bank Hosts Breakout Session at Tri-Cities Women in Business Conference

During the Tri-Cities Women in Business Conference this September, the Baker Boyer Bank team members hosted a breakout session

on financial empowerment for women, investing in you and your dreams.

The Tri-City Regional Chamber of Commerce hosted the event, and the team presented to a packed room.

### Yakima Federal Savings Presents Annual Yakima Sunfair Parade

In late September, Yakima's Annual Sunfair Parade returned for the 61st time.

Yakima Federal Savings and Loan was the event's title sponsor, and this year's grand marshal was Verlynn Best, president and CEO of the Greater Yakima Chamber of Commerce.

### Baker Boyer Banker Graduates from Graduate School of Banking at Colorado

In late September, the Graduate School of Banking at Colorado announced that Mario Delgadillo has completed its program.

GSBC diplomas are earned after completing a three two-week annual session at the University of Colorado Boulder and Delgadillo was one of 168 students to graduate this year.



## Registration Now Open for 2023 Executive Development Program

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