ISSUE 3 2020

New Mexico Bankers Digest

Published by
New Mexico Bankers Association
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SBA New Mexico's "2020 Financial Services Champion of the Year"

Lorena has been in the SBA Lending industry since 1997. During her time with Capital CDC, she has assisted over 250 businesses throughout the state of New Mexico, providing financing in excess of $107 million dollars! Lorena is available today, or whenever you're ready to assist with your next SBA 504! Call her today!

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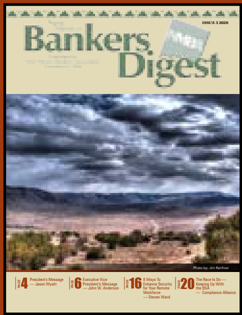

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Our Mission

The mission of the New Mexico Bankers Association (NMBA) is to serve member bank needs by acting as New Mexico banking's representative to government, the public, and the industry; providing resources, education and information to enhance the opportunities for success in banking; promoting unity within the industry on common issues; and seeking to improve the regulatory climate to the end that banks can profitably compete in the providing of financial and related products and services.

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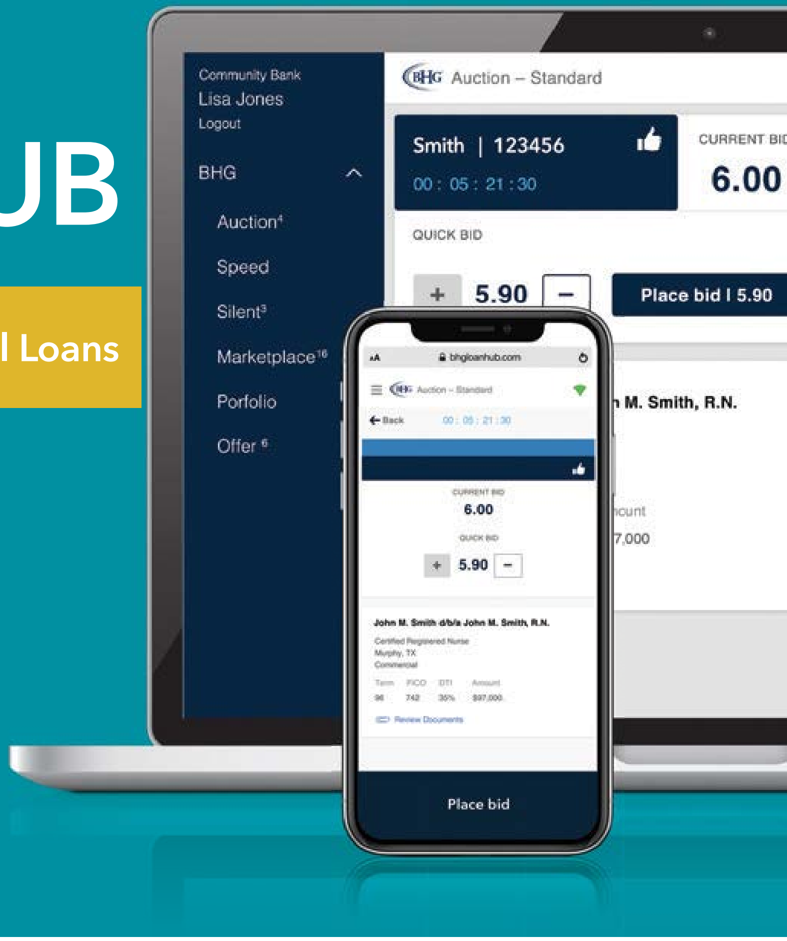

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DANIELLE WALKER
dwalker@em.bhgbanks.com
954.953.5518
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PRESIDENT'S MESSAGE

JASON WYATT
NMBA PRESIDENT

A TRIBUTE TO DON KIDD

My Grandfather's genius was his uncanny common sense, ability to think outside the box and his deep understanding of human nature.

In this article for the New Mexico Bankers Digest, I would like to present a brief biography of senator, banker, philanthropist, high school dropout and GED recipient, Don Kidd. As many of you may be aware, Don lost his battle with pancreatic cancer on Aug. 28, 2020, at the age of 82. Mr. Kidd, as he demanded I call him at work, was the smartest banker I have ever known and my Grandfather.

Don grew up in Crowell, Texas, under very humble beginnings. He began working at the age of 10 in a grocery store earning $3.50 a day. Soon after, he began working for his father as a house painter earning $1 per hour. When he turned 14, his family moved to Wichita Falls, Texas, and Don decided to stay in Crowell by himself and continue to work for a drugstore, movie theater and grocery store. He decided to drop out of high school before his junior year to focus on work. His main goal was to someday get a job where he could wear a necktie. This dream became a reality when Don eventually joined the Marine Corps Reserves and moved to Wichita Falls to join his family. He took a job with a small loan company as a collector of defaulted loans in some of the seedier parts of Wichita Falls and later in San Angelo, Texas, where he met his future wife, Sarrah. On their first date, Sarrah accompanied Don on one of his collection routes.

After getting married, Don joined Pioneer Finance, where he could handle larger loans, and then to the Southwest Investment Company (SIC) as a loan manager. He quickly became the youngest branch manager in SIC's history. Don said this was one of the major turning points of his life because the job required a high school diploma. When he told his boss that he did not have one, he thought he would either be fired or passed up for the position. However, seeing his potential, his boss allowed him to take classes and eventually earn his GED. He said his fondest memory was getting a Christmas bonus at SIC that enabled him to buy his three girls Christmas presents that he otherwise couldn't afford. He vowed to provide the same bonus anywhere he was in management, and he kept that vow for over 50 years.

Don moved up the ranks of finance again when he was hired as the AVP, then VP and manager of the installment loan department at the Bank of Commerce in Abilene, Texas. He enrolled in the Southwestern Graduate School of Banking at SMU and graduated in 1972. He was incredibly proud of his SMU degree.

Don's career took another turn when he joined the Kipp-Rich Banking Group that sent him to Coradado Bank in El Paso, Texas, in 1972. Kipp-Rich eventually acquired an interest in what would become Western Commerce Bank in Carlsbad, New Mexico, where they made Don president and CEO. He would later serve as board member, president and CEO of many Kipp-Rich banks, including Alamogordo, Clovis, Las Cruces and El Paso. At one point, Don was in charge of nine different banks at the same time. Over many years, Don took advantage of opportunities to purchase an interest in these banks. He said he would borrow as much money as anyone was dumb enough to lend him and then pray he could make the payments. Sarrah

DON KIDD

remembers still feeling very poor even when Don began making a decent wage because all of their money went to bank stock loan payments. This turned out to be a great decision because Don later became the majority shareholder of many of the Kipp-Rich banks when Jack Rich eventually declared bankruptcy. Don always credited his success to Mr. Rich because of the opportunities that Mr. Rich gave him.

Western Commerce Bank was always Don's pride and joy. When Don took over, the bank had $14 million in assets. At his death, the bank was worth nearly $600 million. Under Don's leadership, the bank earned an ROE of 20% or more for over 30 years. Don always said his goal was to earn the same as a bank twice as big, regardless of his banks' size.

One of Don's proudest accomplishments was being appointed to the Board of Regents at New Mexico State University, where he was the first and only high school dropout to serve as a regent. He served as a regent for six-years and considered it to be one of the best learning experiences of his life.

In 1992, Don became a Republican State Senator for District 34 in a narrow election that had been a Democratic stronghold for many years. He served in the New Mexico Legislature for 12 years, where his list of accomplishments was impressive. Don's most memorable accomplishments included co-sponsoring the Lottery Scholarship that has provided well over 100k in college scholarships to young men and women across the state, and co-authoring New Mexico's law to protect citizens from predatory lending. Don always said, "It is amazing what you can accomplish when you aren't concerned with who gets the credit for it." Don was known for reaching across the aisle to work on important bills for all New Mexicans. Some of Don's closest, life-long friends were his democratic colleagues.

Don has served on countless other boards, committees, professional organizations, associations, etc. His accomplishments in the public sector are too numerous to list. However, I should mention that he served as the New Mexico Banker's Association President from 1990-1991. During his tenure as president, a familiar man named John Anderson applied for the position of executive vice president. After the board voted, Don told John jokingly, "Well, John, it was between you and the secretary, and you barely pulled it off by a 5-4 vote!"

Don always had an inferiority complex as a high school dropout. Because of this, he spent nearly all of his free time reading. Don kept every book he ever read and eventually had to build his own library that now has thousands of books on every subject you can imagine. Don was so grateful that he could read and attributed reading to much of his success. He was truly a self-educated man. This is why literacy and education were his main passions. He did not believe in giving anyone anything other than education and opportunity. He would often say, "I don't believe in luck." and, "Luck (success) is where opportunity meets preparation." He also said, "If you have the ability to read and comprehend, you can prepare yourself to take advantage of any opportunity that might come your way, regardless of your social or financial status." He used to say that there is no excuse not to educate yourself. The local library provides books for free and anything you ever wanted to know is in a book somewhere. He would laugh and say that he grew up so poor his Momma had to get the Bible from the library.

Over his lifetime, Don gave millions of dollars to charity. Most of the time, he requested that his donations remain confidential. He did not want recognition because, as he would always say, "Recognition is not the reason you donate." When he would be recognized, he dreaded it. The only donations he gave where he did not mind acknowledgment had to do with literacy and education. Some of these donations were to establish the Don and Sarrah Kidd Scholarship Fund and a Chair in Literacy at NMSU.

His work and donations in education came full circle when he received an honorary doctorate from NMSU in 2006 and gave the commencement speech at my college graduation. He even handed me my bachelor's degree on stage. One part of his speech that I will never forget is when he said, "A college degree is not a vaccination against ignorance," and "Learning is a lifelong endeavor." In 2017, he received the NMSU Presidential Medallion.

On the more intimate side, as a man, my Grandfather was a complicated individual. Even though he was very generous, he was also very shrewd and, at times, very hardened. Anyone who has ever worked closely with him would tell you that he was a great boss and a great teacher, but he could be incredibly difficult to work for at times. He expected his employees to have the same dedication and work ethic as he did. He was an old-school, no-nonsense type of individual. However, he did have a cunning, dry sense of humor. He was well known for his West Texas sayings, some of which could be inappropriate at times. He could use a one-liner to change the tone of very stressful situations. Those who knew him will tell you that even though he would be joking, there was a lesson he wanted you to learn from the joke.

My Grandfather's genius was his uncanny common sense, ability to think outside the box and his deep understanding of human nature. He could take very complicated subjects or situations and simplify them in one or two sentences.

My Grandfather was also ahead of his time in advancing women in the workforce. Today, numerous women leaders across New Mexico and beyond hold very influential and important positions both in the private sector and in government. For example, 90% of the employees at Western Commerce Bank are women, and Western Bank of Clovis is 99% run by women.

When my Grandfather was close to death, he told me that he had read somewhere, " 'As you go through life, you should leave tracks,' and I hope I was able to leave some tracks." After his death, my family and I received hundreds and hundreds of letters, emails and phone calls from people across the state and across the nation that had at some point in their lives been taught, helped or influenced by him. To say the least, it was very touching and humbling to hear the countless stories of how my Grandfather impacted all of their lives in some way. Granddad, you definitely left tracks!

EXECUTIVE VICE PRESIDENT'S MESSAGE

JOHN W. ANDERSON, EXECUTIVE VICE PRESIDENT
New Mexico Bankers Association

2021 LEGISLATURE

New Mexico is not alone in the decision of how to proceed with the 2021 session. According to the National Conference of State Legislatures, only 21 state capitols are open to the public.

The 2021 Legislature is scheduled to open at noon on January 19 for 60 days. The real question is, will the next session be virtual or live? As of now, the State Capitol is closed to the public, and many legislators and other public officials are predicting the next session of the Legislature will be virtual. For the first time in our history, the state capitol was closed to the public during the 2020 June Special Session due to the pandemic. The state Supreme Court upheld the Legislature's decision to close the capitol to the public by a narrow margin, 3-2.

New Mexico is not alone in the decision of how to proceed with the 2021 session. According to the National Conference of State Legislatures, only 21 state capitols are open to the public. The remaining 29 state capitols are closed to the public. In New Mexico, the legislative committee's webcasts and floor proceedings will be available to the general public. It is through technology that we will be able to testify as expert witnesses — not ideal by any means.

Economy

The number one issue before the legislature each year is the preparation and passage of the budget. Some good news came recently. State finance gurus recently announced an overall more positive outlook for the state's financial forecast in June. Of course, there are many unknowns, including the timing and substance of a possible federal stimulus package and the economic impact of the spread of COVID-19.

Economists forecast an improved revenue outlook for Fiscal Years 2021 and 2022 versus the group's June estimate. For Fiscal Year 2021, the September forecast revenue range is $460 million to $1.35 billion higher than the June estimate. For Fiscal Year 2020, revenues are tracking more than $500 million better than the June estimate. The improved revenue projection suggests total general fund reserves will grow to about 29.4% of recurring appropriations, or $2.1 billion, at the end of Fiscal Year 2020. Record-high reserves are an essential backstop to provide flexibility amid uncertain and difficult fiscal circumstances. Thus, New Mexico is in a good position to weather the current economic downturn and public health crisis.

2021 Legislative Issues

State Bank: We anticipate that there will be legislation introduced in the 2021 Legislature to create a New Mexico state bank. There have been attempts to authorize a state bank in the past — most recently in 2011. Some of the considerations which we have recommended the Legislature consider are:

- Will any prospective benefits that come from a public bank outweigh the negatives? The potential risks of public banks are many, but a scattered business focus, lack of expertise in loan origination, undue political influence and lack of oversight are essential considerations. A public bank will not have the deposit insurance that consumers expect, meaning that their deposits would be protected not by the Federal Deposit Insurance Corporation (FDIC) but by taxpayers. The U.S. has nearly 5,300 banks operating more than 86,000 branches securing $13.5 trillion in deposits. The regulated commercial banking sector has a long track record of meeting the needs of small-dollar borrowers, consumer depositors and large-scale enterprises alike.

- The Bank of North Dakota, a bank with approximately $7 billion in assets, is the only state-chartered public bank currently functioning in the United States. The bank was chartered in 1919 pursuant to an explicit and special chartering authority contained in the North Dakota Constitution that is implemented via a specific North Dakota state statutory authority. All deposits of the bank are guaranteed by the state itself and not by the FDIC. There have been no states that have followed the North Dakota model in 101 years.
- Public banks may duplicate the current financial institution marketplace. There is no evidence that the current market is failing to meet consumer banking needs.

In fact, the state already provides many of the products and services offered by commercial banks through state government agencies and quasi-governmental agencies to include:

- The legislature created the New Mexico Finance Authority to finance infrastructure projects for the state's counties and cities and certain departments of state government. The objective is to provide low-cost financing for borrowers who might not otherwise be able to access the tax-exempt bond market on a cost-effective basis.
- The New Mexico Mortgage Finance Authority is a quasi-governmental entity that provides financing to make quality affordable housing and other related services available to low and moderate-income New Mexicans.
- The legislature created the New Mexico Small Business Investment Corporation to support small businesses throughout the state by providing equity or debt capital to finance expansion, creating and retaining jobs, and enhancing New Mexico communities' economic livelihood by investing in local companies.
- New Mexico Hospital Equipment Loan Council was created by the legislature to provide the health care industry with access to low-cost capital through tax-exempt and taxable bonds, loans and leases. Both nonprofit and for-profit health care facilities qualify for financing through these bonds.
- The state treasurer provides banking assistance and services to state agencies by accepting money for deposit through the fiscal agent bank, processing withdrawals, reconciling all bank transactions and balances, and managing securities used as collateral per Federal Reserve requirements. The State Treasurer's Office acts as the state's bank and records the receipt and disbursement of all state moneys defined by statute as being in the custody of or payable to the treasurer.
- The State Investment Council manages and invents the state's Land Grant Permanent Fund and the Severance Tax Permanent Fund and also invests funds for other governmental entities.
- Public banks may duplicate the current financial institution marketplace. There is no evidence that the current market is failing to meet banking needs.

Social Security Income Tax Exemption: Several bills are likely to be introduced to exempt Social Security retirement income from state personal income tax. New Mexico is one of 13 states that taxes Social Security benefits. That tax may be a red flag to retirees in deciding where to relocate for their retirement years.

Rent Control: New Mexico currently prohibits state political subdivisions and any home rule municipality from enacting ordinances or resolutions that control or would have the effect of controlling rental rates for privately owned property. A bill is likely to be introduced in 2021 to repeal that law. A repeal of that law was introduced during the 2020 Special Session but not considered.

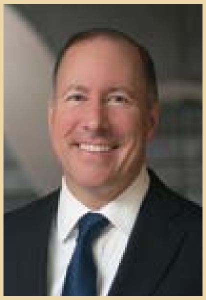
Financial Literacy: A legislative recommendation making a class in financial literacy or personal finance a graduation requirement for New Mexico public high school students. Nationally, 21 states, not including New Mexico, have made a personal finance or financial literacy course a high school graduation requirement. Courses teach budgeting, saving, investing, credit scores and borrowing. Courses are often tailored to be relevant to students focusing on subjects like the cost of college and student loans. Since 2008, financial literacy has to be available as an elective course for high school students in New Mexico public schools. Only 10,722 of the state's 97,076 high school students completed one of these classes during the 2019-2020 school year.

Cannabis Regulation Act: The 2021 Legislature will consider legislation to provide a comprehensive plan for regulation and licensing of commercial cannabis production and distribution, sale and consumption of cannabis by New Mexicans age 21 or older. The proposal will likely impose a cannabis excise tax applied to the price paid for cannabis. The standard gross receipts tax would also be charged on each transaction. It is estimated that the program may raise between $50-60 million for the state's general fund.

Residential Evictions: We expect legislation will be introduced to provide that for the duration of a public health emergency as declared by an executive order promulgated by the Governor, and for 12 months after the termination of the executive order, no landlord may evict a residential tenant for failure to pay rent. A similar proposal was introduced and not adopted during the 2020 Special Session.

Small Business Recovery Act of 2020: Legislators enacted a law in June's Special Session to create a $400 million loan program intended to offer low-interest loans to help businesses and nonprofit withstand the COVID-19 public health restrictions that shut down or restricted businesses. The law is due to sunset on Dec. 31, 2020. Senator Jacob Candelaria intends to introduce legislation next session that would extend the program through next year. He also intends to make several other modifications to the act to encourage greater small business participation. ■

WASHINGTON UPDATE



ROB NICHOLS, PRESIDENT AND CEO
American Bankers Association

Teach Children to Save lessons went virtual in April, and Get Smart About Credit, our fall program, has also been adjusted to include new resources and notes for delivering effective virtual presentations, as well as new modules around saving for the unexpected.

PERSONAL FINANCE FOR THE PANDEMIC ERA:

WHY BANKERS SHOULD DELIVER FIN ED LESSONS TODAY

The pandemic has forced many lessons on us, not the least of which is the importance of being prepared. I don't mean being-well-stocked-on-toilet-paper prepared. I mean having the ability and resources to survive an uncertain and even perilous period. For businesses, that requires having a well-crafted and tested business continuity plan. For households, the most important preparedness tool may be a well-funded savings account.

Those who may not have fully appreciated this before COVID-19 certainly understand it now. A Bank Rate survey this summer found that Americans' top financial regret is not having enough emergency savings to withstand the crisis, followed closely by not having enough retirement savings.

This presents a significant opportunity for banks, which can — and should — help

Many are suffering from the loss of income and find it challenging to pay their expenses; how can they possibly set aside money for a rainy day when it's already pouring?

support both established and fledgling savers as they pursue their savings goals. Nothing is more fundamental to financial wellness than savings.

Given the pandemic's massive economic dislocation, this may seem an odd time to exhort others to save. Many are suffering from the loss of income and find it challenging to pay their expenses; how can they possibly set aside money for a rainy day when it's already pouring? But there's reason to view this as the ultimate teachable moment and an ideal time to convert lessons into action.

In a July survey of hourly workers (by DailyPay and Funding Our Future), 51% said that coming out of the pandemic, they are more likely to save for the future, as opposed to 15% who said they were less likely to do so. Meanwhile, 65% said they don't have any savings account, and 62% said they would save more if there were an easier way to set aside a portion of their paycheck.

These data point to a clear demand for information and tools to facilitate savings, and banks are reliable sources for both.

To help banks meet that demand — and prevent financial regrets in the first place by teaching financial fundamentals to today's youth and young adults — the ABA Foundation has adapted its financial capability programming for today's virtual world. Teach Children to Save lessons went virtual in April, and Get Smart About Credit, our fall program, has also been adjusted to include new resources and notes for delivering effective virtual presentations, as well as new modules around saving for the unexpected.

We all know that strong personal finance skills are essential to success in life. A majority of respondents in the latest Charles Schwab Financial Literacy Survey said that money management was the most important skill for children to learn, outranking the dangers of drugs and alcohol, healthy eating and exercise habits and safe driving practices. And 9 in 10 agreed that a lack of financial education contributes to some of the biggest social issues our country faces, including poverty, unemployment and wealth inequity.

Which brings us to another lesson learned from the pandemic: Significant disparities in health, education and job opportunities persist. Those disparities have exposed some populations to greater risk — of catching COVID-19 or losing a job — and they've left some children more vulnerable than others to the harmful effects of school closures.

Education, including financial education, can help reduce these disparities and give all Americans an equal opportunity to prosper. Few are more qualified to deliver lessons in personal finance than bankers, so I strongly encourage you to register as a volunteer for a financial education program today. The ABA Foundation makes it easy — and free. Visit aba.com/FinEd to learn more and sign up. This is one of the most important ways bankers can make a long-term difference in others' lives.

The more individuals we reach with this valuable information, the better off our communities will be. And there's no doubt it is better to learn personal finance lessons in a class Zoom than in a crisis. ■

AMERICA'S PANDEMIC ECONOMY

By Mark Anderson, Legal and Legislative Assistant, New Mexico Bankers Association

For the vast majority of Americans, particularly those under 50, their relation to the Great Depression has primarily been through hearing their grandparents mention it at family gatherings or learning about it in history classes. Sure, there have been moments of overarching economic peril in the past several decades, but nothing compares to the mass suffering and economic despair that occurred during the Great Depression. Some Americans who have achieved a high level of economic prosperity have largely written off individuals' economic failings as personal failings, the inability of those individuals to rise to the occasion in the American economy. Part of that is based upon a genuine belief that our system consistently rewards the most exceptional, hardest-working people. Some of that is a way to rationalize a system that often punishes people with brutal economic conditions through no fault of their own.

But, as 2020 comes to an end, it is clear that the United States' economic system has failed during the COVID-19 crisis, and words like "Great Depression" are now being regularly brought up in conversation, not in a historical context but in a very immediate sense. According to a recent study by Columbia University, the number of Americans living in poverty has grown by 8 million since just May. According to the U.S. Department of Health and Human Services, living below the poverty line means a family of four earns $26,000 or less. There are now 55 million Americans living in poverty, with the 8 million added since May. The reason for the rapid expansion in poverty can be directly traced to diminishing federal stimulus in the latter summer months. The CARES Act, passed early in the pandemic, provided a one-time $1,200 stimulus payment and expanded unemployment insurance to temporarily offset rapidly growing poverty rates. But the benefits of the CARES Act have since dried up, leaving large swaths of Americans left to fend with no safety net.

At the beginning of the COVID-19 crisis, it seemed as if the American public was faced with a binary choice: save the economy or maintain the public health? However, it was more than possible to save the economy and maintain the public health, as countries like Germany and France have demonstrated through comprehensive government aid. But, in the confusion over how to approach COVID-19, the U.S. managed to allow both the economy and the public health to implode. There have been continual mixed messages about the seriousness of the virus and the viability of re-opening schools and the economy. In attempting to find ways to reopen the economy, many public officials have completely skipped the step of controlling the virus, therefore rendering any possibility of long-term economic improvement impossible. As long as the virus is around, it will be impossible for the economy to reach anything resembling pre-COVID levels absent extensive aid from the federal government. And, with the federal government sitting on its hands unwilling to pass further economic assistance, it seems inevitable that economic suffering will persist and only increase.

The real question is, how did we get here, aside from the unexpected occurrence of the pandemic? Only a year ago, many public officials, economic pundits and those at the top of the economic ladder were touting an economy brimming with explosive growth, unemployment that continued to nosedive, and a stock market that was soaring at unprecedented levels. If the economy were this record-setting, world-beating juggernaut, surely it wouldn't collapse within months in the face of a pandemic, right? Sure, there would be hiccups, but a complete collapse? The answer is that the economy was never particularly strong in the first place and could only project strength if examined from a completely myopic, slanted viewpoint.

Several factors distinguish the American economy in the 21st century: massive income and wealth inequality, colossal debt and lack of savings, wage stagnation and lack of worker protections. These were enormous problems before the pandemic and have only been exacerbated in the past 6-8 months. However, Americans were being fed a steady stream of propaganda that the economy was incredibly vital and only becoming stronger. The reason for this is quite simple. Media narratives, in the mainstream, are crafted by massive corporations who are benefiting from our current economic system, so there is absolutely no incentive on their end to report on any of the structural problems in our economy. Many Americans then take the view of, "Well, I might be struggling, but things will get better. Just look at how great the economy is." Unwittingly, due to misinformation, many Americans are unable to identify some of the structural problems inherent in our economic system and thus chalk up certain economic struggles solely to personal failings instead of deeper systemic issues. Obviously, we all have a degree of culpability in our own struggles, but there can also be systemic issues at play that should be acknowledged.

The most frustrating aspect of America's current economic plight is that, with our vast wealth and resources, we are capable of putting together a forward-thinking, vibrant economy that could be the gold standard. But we currently lack the will both in Congress and within the general population to fight for changes that are necessary and wildly overdue. An issue that is unique to America in both its scope and depth is student loan debt, which keeps many younger citizens from participating in the economy. According to a CNBC article, less than 11% of federal student loan debt borrowers are repaying their loans during the pandemic. A temporary coronavirus forbearance on student loans has allowed many debt-holders to experience a temporary respite from the burden. According to the article, "Student loans have long outpaced credit card and auto debt as a burden to Americans and each year 70% of college graduates start their lives in the red. The average balance is around $30,000, up from $10,000 in the early 1990s, but many borrowers owe $100,000 or more. The typical monthly payment is $400."

In recent years, student debt has ballooned and wages have remained stagnant, furthering its holders' burden. Many young Americans have reported feeling far more positive without having the responsibility of continually paying off debt. The larger point is that having millions of young Americans burdened with tens of thousands of dollars in debt isn't good for anyone in an already unstable economy. Having young people, who should be entering and participating in the economy, completely unable to participate in the economy degrades a country not only economically but socially. When young people have less of an economic stake in their country, there is less incentive to have positive community interactions. Depression, suicide rates and crime go up, public health and the sense of community drops significantly. There isn't anything positive that arises with saddling millions of people with burdensome debt. Aside from the obvious negative effects it has on the individuals who carry it, it has wildly negative effects on society.

What has become increasingly clear, particularly when viewing an issue as acutely destructive as student loan debt, is that the American people need a break. They need policies that will give them relief, both from an economic and psychological standpoint. For far too long, the boot of corporations and billionaires have been on the neck of the American people, piping out propaganda and convincing millions that positive change isn't possible. While this pandemic has been brutal in many ways, it has also revealed what works and what doesn't. In viewing how effective the initial stimulus payments were in keeping people out of poverty, it shows how potentially useful a Universal Basic Income (UBI) could be. A Universal Basic Income could essentially be labeled Social Security for All, a periodic payment delivered to all citizens without a means test or work requirement.

Proponents of UBI argue that it would provide a safety net for citizens, thus reducing homelessness, crime and providing some debt relief. The argument against a UBI is that it disincentivizes citizens to work and costs too much. This notion that a UBI disincentivizes people to work assumes that $1,000 a month is enough to get by on and that people are inherently lazy, both viewpoints I vehemently disagree with. Americans have proven they want to work, but why would anyone want to work a full-time job without making enough money to get by? The potential benefits of what a UBI could provide far outweigh its potential downfalls. As far as the potential cost, no one brings up cost when discussing tax cuts for billionaires, bloated military budgets, or trillions of dollars to prop up the stock market. We have the money, so why is it that cost only becomes a concern to our politicians when it's a policy that would help regular people? It's funny how that works.

Any discussion of how obscenely out-of-whack the American economy is no longer hypothetical. Without any significant policy intervention, what is going to happen to the millions of Americans entering poverty? Many people have been destroyed economically during the pandemic through no fault of their own, so if the government isn't there to help those people, what is it there for? Why is there a federal government if it absolutely refuses to help the people? The policy solutions are out there, but we must create the will and collective movement to implement them. These policies include a Universal Basic Income, Medicare for All, and a student debt jubilee or partial relief. These policies, which have been called radical in the past, can now be labeled "common sense." We are entering economic conditions that can easily be mistaken for a depression, so what was once thought to be radical may be the only thing that can fix our current predicament. If you're counting on the wealthy and powerful to bail out or help the American people, you will be waiting for a very long time. ■

Mark Anderson,
Legal and Legislative Assistant, New Mexico Bankers Association

EMBRACING A GROWTH MINDSET — AND NEW PARTNERSHIPS — DURING A VOLATILE MARKET

By Danielle Walker, Chief Strategic Officer, Bankers Healthcare Group

The state of lending for financial institutions has changed, causing many banks in New Mexico to shift their priorities — but at what cost? Danielle Walker, Chief Strategic Officer at Bankers Healthcare Group, offers a fresh perspective on how to embrace a growth mindset to build and diversify your portfolio during a volatile market, and what characteristics to look for in a financial partner to reach your goals.

Since the COVID-19 outbreak erupted in the United States, businesses, the economy, and society have been turned upside down. The lending market is no exception to this level of disruption. The tremendous uncertainty of the pandemic has put significant pressure on banks, borrowers, and the financial decisions they're making.

When the SBA announced the Economic Injury Disaster Loan (EIDL) Program and the Paycheck Protection Program, small-business owners moved quickly to secure financing to assist with payroll and other business expenses. Other borrowers opted for working capital loans for a fast injection of cash to cover what the government funding couldn't. And in April, the U.S. Bureau of Economic Analysis announced that the personal savings rate hit a historic 33%, highlighting that instead of spending or borrowing money, some consumers were saving more than ever before.

Market Volatility Continues

The severity of the economic impact has caused many issues for traditional banks. Stories of banks working around the clock — putting all their resources toward helping the business owners in their communities get government funding — are not uncommon. And as we enter into PPP loan forgiveness territory, equipped with its own set of challenges, a new hurdle has emerged: mortgage rates have reached a record low, causing many lenders to reconsider the return on their investment for originating or purchasing these types of loans.

At a time when banks would have been focused on loan volume and building their income streams instead of reacting to market volatility, it begs the question: how can banks grow for the future?

Embracing a Growth Mindset

This question holds substantial weight for banks. Now is the time to put growth plans into action and consider new partnerships to build, strengthen and diversify your loan portfolio. Many have seen the value technology has brought during the pandemic: to communicate with one another, to engage customers, to streamline operations and more. Historically, community banks have considered FinTechs or alternative lenders as competition, but now they're looking at these partnerships to strengthen their bottom line.

While partnering with nontraditional lenders has its benefits, it's important to note that not all lenders who claim the "FinTech" title have the same impact financially. These companies can originate loans with ease, but their real differentiator — and the ROI for your bank — are in their historical data.

Not only does this offer insight into borrower characteristics and performance, but it can also help determine performance potential and even the credibility of the lender in the industry it serves. This is valuable information when determining who to partner with and the impact it will have on your business, but it's just one of a few key characteristics to consider:

1. **Track record of success**
   You want a financial partner who can endure changes in the market and can originate quality loans for your portfolio at any time. Early on in the pandemic,

some of the biggest names in FinTech weren't actively lending and struggled to keep their doors open. Please put your mind at ease by partnering with an alternative lender who has a track record of successfully navigating economic downturns and is agile enough to adjust its business model to continue to meet your needs year after year without fail.

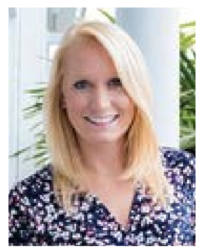
2. **Focus on quantitative analytics**
Utilizing data to make lending decisions is common practice today, but not every FinTech or alternative lender has built proprietary quantitative analysis models to uncover variables to dictate risk. A partner who dives deep into the analytics can make better predictions when originating loans, resulting in a more robust return on your portfolio when purchasing them.

3. **Origination expertise**
Being well-known in the industry doesn't necessarily mean you'll attract the highest quality borrower; that is, unless you serve a niche industry and invest in marketing. Partners who execute innovative, highly targeted campaigns across every channel, and are incredibly selective in who they lend to, offer a unique advantage in the marketplace, and ultimately create a better loan offering for your bank.

4. **Streamlined process**
Few things are as time-consuming as evaluating credit files. Choose a financial partner who can offer consistent loan packages so you can quickly analyze files and make informed purchasing decisions with ease.

5. **Innovative technology, concierge service**
Banks are synonymous with customer service. You take great pride in the experience you offer, and go above and beyond to provide that personal touch you can't get working with a FinTech. Choose a partner who can bring innovative technology to your institution, but equally understands the importance of having live financing specialists available to help your borrowers.

There's no denying that the lending industry is changing — and banks will continue to be impacted for months to come. Those who see this as an opportunity for growth and seek out the right partner today will see greater success tomorrow. ■



Danielle Walker
Chief strategic officer, Bankers Healthcare Group
954-953-5518
dwalker@em.bhgbanks.com
bhgloanhub.com/DanielleW

DIGGING DEEPER WITH YOUR BORROWERS

By Jay Kenney | jkenney@pcbb.com | www.pcbb.com

As of August 8th, the SBA reported that over 5.2 million loans had been made through the Paycheck Protection Program (PPP). While bankers have worked hard to meet their customers' needs with these loans, more hard work is still ahead.

Somewhat lost in the chaos of the current COVID-19 pandemic is that many lenders are also looking at renewals, extensions, and new loan requests from their borrowers.

During this period of uncertainty, the challenge is to make sure that regardless of the loan type, bankers are diligent and direct with customers. To that end, consider doing a "deeper dive" by asking more detailed questions. Below are some of the questions and follow-up discussions that various lenders are having with their customers (so that the risk is appropriately identified and mitigated). Keep in mind that these are generic and may not be applicable for all loan types, and that this list is definitely not exhaustive.

1. **Lay of the land.** What is the stay-at-home status in the state and municipality in which the subject

property is located? Which tenants in the property have been deemed essential? Have any of the tenants received a PPP loan? Have any of the tenants closed, either temporarily or permanently?

2. **Collections status.** What is the current status of your lease/rent collections for the last few months? Are any tenants past due for base rent or common area maintenance payments?

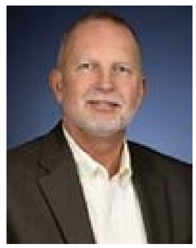
3. **Tenants' status.** Have any tenants requested (or were they offered) rent deferrals, forgiveness, or lease renegotiations? If so, what were the terms, (i.e., 3-6 month payment deferral, interest-only deferral, etc.)?

4. **Operating expenses.** What effect has the pandemic had on your properties' operating expenses (i.e., increased costs for cleaning and maintaining common areas)?

5. **Income statements.** Provide a year-end (YE) 2020 projected income statement considering projected decreased rental income and decreased net operating income. This is important since payment deferrals will be rolling off over the next few months. Provide a YE 2021 projected income statement too.

6. **Guarantors.** All guarantors should provide a current personal financial statement, along with verification of current liquidity. They should also provide a detailed Real Estate Schedule showing all properties, any debt, and loan maturity dates and an explanation as to how the pandemic has affected those properties now, and on an ongoing basis. A decline in other properties owned will have a diminishing effect on the guarantor's liquidity and overall cash flow.

We are all still adjusting to this crisis. However, we can ensure we better understand our customers' needs with a thorough discussion with them. These questions should pave the way for you. ■



Jay Kenney is SVP and Southwest regional manager for PCBB. www.pcbb.com | jkenney@pcbb.com.

8 WAYS TO ENHANCE SECURITY FOR YOUR REMOTE WORKFORCE

By Steven Ward , CIO Manager, CSI

As a result of the COVID-19 pandemic, there has been a marked shift in how we work and use technology to stay connected and execute business. Many institutions are managing remote workforces while navigating the pandemic's ongoing effects, leading to various challenges, including addressing cybersecurity threats.

Understanding the Risks

There is a variety of cybersecurity risks for financial institutions to combat, including:

- **Phishing:** As many employees transitioned to remote work in early 2020, phishing scams skyrocketed with attackers targeting personal email accounts in an attempt to compromise home networks.
- **Malware:** Cyber attackers are leveraging malware to obtain usernames, passwords and payment card information stored in a user's browser. According to security vendor Carbon Black, attacks targeting the financial sector have increased by 238% from February to April 2020.
- **IT Falling Behind:** A recent Aite report noted that IT departments are often short-handed and are now responding to remote work environments' challenges, leading to increased maintenance backlogs and slow response times.
- **Business Email Compromise (BEC):** The FBI issued a warning in early 2020 regarding a spike in BEC scams, which involve a criminal sending an email and imitating the owner's identity, such as a company executive or recognized vendor.

Auditing processes for efficiency will also benefit your institution as you determine whether processes are scalable, have the appropriate number of steps and if they will meet your needs in the future.

How to Enhance Security for Your Remote Workforce

To defend against the ever-present threat of cyberattacks, consider the following tips to secure your institution's workforce.

1. Provide Secure Internet Access

While providing employees with virtual private network (VPN) access will help mitigate cyber threats, there are risks associated with employees using their home networks for business when not connected to VPN. Security solutions that protect your network and users, but do not interfere with business activities are priorities. Encourage employees to address the following questions to reduce the penetrability of home networks:

- What is the quality of your home network?
- Does your home network still have the default password?
- How old is the router?
- What protocols is it running?
- Do your personal devices have up-to-date malware and virus protection, the latest security patches and updated third-party software installed?

2. Create an Acceptable Use Policy

In this new hybrid reality, employees may be more likely to use corporate-owned devices for personal business. Create and communicate a clear Acceptable Use Policy and outline your specific policies for business devices. Your institution's Acceptable Use Policy should also explicitly address work-from-home environments to educate employees on expectations and risks of remote work.

3. Use Mobile Device Management

If your institution issues business-owned devices to employees or if employees use personal devices for business, consider implementing mobile device management and encryption to safeguard all devices with access to your institution's data. This technology will also allow your IT support staff to fix issues remotely or install updates.

4. Implement Web Content Filtering

Web content filtering can extend beyond a VPN connection, offering additional layers of security. By providing web content filtering capabilities, your institution can protect off-network devices while preventing employees from accessing malicious or inappropriate sites and mitigating threats like malware.

5. Enable Multifactor Authentication (MFA)

Multifactor authentication is one of the best ways to protect your workforce from the two largest threat vectors: social engineering and phishing. Through MFA, multiple credentials are required to verify a user's identity. According to Microsoft, MFA can help prevent over 99% of account compromise attacks since a fraudster cannot gain account access solely by obtaining or cracking a password.

6. Strategically Invest in Technology

The number of available technology solutions designed to support your institution can be overwhelming, but remember that you should not invest in technology that does not align with a business objective or support revenue generation. As you consider technology options, think holistically about your institution's IT strategy, goals and environment.

7. Develop Well-Documented Processes

Revisit key processes and determine how to integrate them in the new reality of remote work and if current technology accommodates existing processes or requires updates to enhance security. Auditing processes for efficiency will also benefit your institution as you determine whether processes are scalable, have the appropriate number of steps and if they will meet your needs in the future.

8. Promote a Security-Minded Culture

As employees work remotely, your institution should prioritize employee cybersecurity education to create and maintain a security-minded culture. By creating a culture focused on security, you can educate employees on proper online conduct and reinforce the importance of asking for assistance after engaging in potentially risky behavior.

Future of Remote Workforces

The way we work has been transformed as a result of COVID-19. As the financial services industry's landscape continues adapting, your institution should prioritize security to serve your customers better.

Check out our remote workforce security infographic to learn more about how CSI can help you manage your remote workforce. ■

Steven Ward has over 29 years' experience in technology with 14 years in community banking technology and currently serves as CSI's vCIO manager.

THE 411 ON FASTER PAYMENTS

By William J. Schoch, President and CEO, WesPay

As we approach the final quarter of 2020, I find myself contemplating the significant changes in the payments industry. This is a dynamic period for bankers with opportunities for new bank services that can enable greater engagement and retention with customers and increase deposits. I decided to take a tally of recent accomplishments, and hopefully add some clarity to the evolving payments landscape as we consider our business plans for 2021.

One recent trend is the mainstreaming of Person-to-Person (P2P) payments. Early innovators in this space include PayPal, Venmo (owned by PayPal), and Cash App (developed by Square). This category of payments is estimated to be $1 trillion in the U.S. It allows users to send one another money virtually immediately from their devices through a linked bank account, debit/prepaid card or stored value balance. In this space, the game-changer appears to be the expansion of “Zelle” by Early Warning Services to a growing number of U.S. financial institutions.

Zelle is an interesting undertaking, as it's not actually a new payments network, but a platform using existing infrastructure such as online credit authorizations via Visa and MasterCard plus the ACH network for settlement. In the first six months of 2020, $133 billion was sent via 519 million transactions through the 924 participating financial institutions. Although the service was initially launched to enable financial institutions to compete with FinTech P2P services, it is quickly expanding to allow businesses to complete electronic disbursements to consumers for payouts or reimbursements.

NACHA is engaged in a multiyear effort to establish Same Day ACH (SDA) as a viable faster payments option. As the name implies, a settlement is measured in hours, not minutes, which is now the standard with P2P solutions, and occur throughout the business day. A new third SDA window will be established in March 2021 to enable payments submitted at 2:45 pm MT/1:45 pm PT to result in good funds with the payee at 4:00 pm MT/3:00 pm PT. This solution provides a greater window of availability during the business day. It is expected to expand usage by business users in the Mountain, Western and Pacific regions of the U.S.

Emergency disbursements and faster collection of payments via the ACH seem to hold broad appeal for business users. In 2Q 2020, SDA volume climbed 37% over a year earlier, with 81.6 million payments. The average dollar amount of an SDA payment increased by 33% in the second quarter, compared to the first quarter of 2020, as the allowable SDA transaction size increased to $100,000. As a low-cost payments network with a 50-year reliable track record, we believe businesses will continue to look to the ACH for both consumer and business applications.

The latest addition to the faster payment scene is Real-Time Payments (RTP) from The Clearing House. This may be the most interesting recent development because it’s the first entirely new payments network in the past 40 years and enables payments settlement in mere seconds. This network is built on a platform that uses an international standard for messaging and has the same underpinnings as solutions in the United Kingdom and Singapore. This is a credit-only, “push payment” platform. The Clearing House is owned by 25 of the largest banks in the U.S. and has committed to being operational in the network.

This “big bank” orientation of The Clearing House has made some community institutions hesitant to implement the solution. Independent banks, retailers and credit unions actively

lobbied the Federal Reserve to develop a competitive solution, which leads to the announcement of FedNow by the Federal Reserve Board in 2019. An industry update by Governor Lael Brainard in August 2020 confirmed that the Fed is on track to implement their instant payments systems in 2023/2024.

The functionality of RTP and FedNow is expected to be similar in several core ways:

- As the category implies, instant payments are measured in seconds from submitting a payment instruction until good funds are received by the payee/recipient.
- Because settlement is immediate, adequate funds held by the business in a bank account are necessary to initiate the payment.
- Both payments networks allow a "request for payment" capability that is expected to be a game-changer for bill payments by enabling a service provider to notify their client that a payment is due and a simplified response — with the requisite security — to complete the payment.

The challenge with all new payment solutions depends on the basics of supply and demand. We expect both the RTP and FedNow instant payment solutions to be successful in the long-term because of the early implementation of the large banks, which account for a majority of U.S. deposits (supply side). However, we are learning that these solutions' business adoption is taking time and may require changes in the payables processing stream for established corporations (demand side). We expect business innovation to result in eventual demand and to follow the broad adoption curves realized in other industrial countries globally.

There is no lack of opportunity for banks to expand their suite of payment services to consumers and businesses. The faster payment solutions I outline in this article overlap in many regards. Understanding each of the payments networks' core capabilities and overlaying those with your clients' needs and the bank's goals will result in the most successful implementation. Digital services will only continue to raise the bar for service expectations, and payment delivery speed is no exception. ■

William Schoch is President and CEO of WesPay, the nation's oldest and one of the largest associations dedicated to helping members grow and improve their use of electronic payments. He is responsible for developing and implementing strategic initiatives to grow the association and provide maximum value to its 1000 members through information, education, and advisory services. He was appointed to his position at WesPay in 2008.

In 2016, Bill was the incorporator of WesPay Advisors, a wholly owned subsidiary of WesPay, which provides payments consulting in the areas of payments strategy, process improvement and payments regulation. He serves as a director and the secretary of the WesPay Advisors Board.

Bill currently serves on the boards of WesPay, WesPay Advisors as board Secretary, and Nacha. He also serves on the operations committee of the U.S. Faster Payments Council. He recently served on the board of USA Technologies, the Federal Reserve's Faster Payments Task Force and the steering committee for Nacha's Payments Innovation Alliance. Bill is a member of the American Society of Association Executives (ASAE) and the California Society of Association Executives (CalSAE). He is a frequent speaker on payments-related topics.

THE RACE IS ON — KEEPING UP WITH THE BSA

By Compliance Alliance

During normal times, it can be challenging for bankers to get their arms around the regulatory requirements surrounding the Bank Secrecy Act (BSA) and anti-money laundering (AML) regulations. So, when you add a global pandemic, such as COVID-19, things can get a little dicey, especially when navigating competing priorities.

Fortunately for us, the Federal regulators have been proactive in providing the banking industry with up-to-date compliance guidance (although it is essential to note the guidance did not extend the BSA regulatory reporting deadlines) relating to the pandemic. Furthermore, the Financial Crimes Enforcement Network (FinCEN) went as far as creating a webpage devoted to coronavirus updates. A brief scan of their webpage includes the following advisories:

- Advisory on Cybercrime and Cyber-Enabled Crime Exploiting the Coronavirus Disease 2019 (COVID-19) Pandemic
- FinCEN Advisory on Imposter Scams and Money Mule Schemes Related to Coronavirus Disease 2019 (COVID-19)
- FinCEN Advisory on Medical Scams Related to COVID-19
- Companion Notice to FinCEN COVID-19 Advisories
- Paycheck Protection Program Frequently Asked Questions
- Updated FinCEN Notice to Financial Institutions Regarding COVID-19
- FinCEN Notice to Financial Institutions Regarding COVID-19

In these statements, FinCEN encourages financial institutions to communicate concerns related to the COVID-19 pandemic and to remain diligent in detecting related suspicious activity. Hopefully, by now, banks have passed the stage where concerns exist over the potential delays in filing required BSA reports — suspicious activity reports (SARs) and currency transaction reports (CTRs) — but know that risk was really for many.

That brings us to suspicious activity monitoring and reporting, a staple of a safe and sound BSA program. By now, suspicious activity, including illicit fraudulent transactions, is not particularly new to us. We have dealt with many types of fraud — ACH, loan and identity theft fraud — to name a few. But, since FinCEN has suggested that the banking community “remain alert about malicious or fraudulent transactions similar to those that occur in the wake of natural disasters,” we should take a look at the emerging trends connected to COVID-19:

- Imposter Scams — Bad actors attempt to solicit donations, steal personal information or distribute malware by impersonating government agencies (e.g., Centers for Disease Control and Prevention), international organizations (e.g., World Health Organization (WHO), or healthcare organizations.
- Investment Scams — The U.S. Securities and Exchange Commission (SEC) urged investors to be wary of COVID-19-related investment scams, such as promotions that falsely claim that the products or services of publicly traded companies can prevent, detect or cure coronavirus.
- Product Scams — The U.S. Federal Trade Commission (FTC) and U.S. Food and Drug Administration (FDA) have issued public statements and warning letters to companies selling unapproved or misbranded products that make false health claims about COVID-19. Additionally, FinCEN has received reports regarding fraudulent marketing of COVID-19-related supplies, such as certain facemasks.
- Insider Trading — FinCEN has received reports regarding suspected COVID-19-related insider trading.

When you throw in the reminder regarding the importance of detecting trends related to COVID-19 medical fraud, imposter scams, and cyber-enabled crime, the banking industry has the daunting task of being the watchdog for fraudulent transactions.

Where do we start? Begin with the bank’s system for identifying potentially suspicious activity. Most banks have multiple channels that funnel unusual activity to the appropriate party for research and reporting.

First, and likely most important, bank employee detection is key. During day-to-day operations, employees may observe unusual or potentially suspicious transaction activity or requests. During this pandemic, it is important that employees be aware of the FinCEN emerging trends and the potential red flags that may be uncovered. Further, it would be appropriate to share the bank's own specific unusual activity trends if any are identified based on the bank's customers, products and services, and geographic location.

Second, monitoring systems are designed to detect potential suspicious activity, whether manual or automated. For manual monitoring, the goal is usually to identify higher-risk transactions, such as those involving large amounts of cash or those to or from certain geographies, which may need to be tweaked when considering the current FinCEN emerging trends relating to the coronavirus.

Automated account monitoring systems can make it easier to identify individual transactions unusual activity patterns or deviations from expected activity. These systems can capture a wide range of account activity, such as deposits, withdrawals, funds transfers, automated clearing house (ACH) transactions and automated teller machine (ATM) transactions, directly from the bank's core data processing system. However, the program parameters and filters should be reasonable and tailored to the bank's activity to identify or control and may need some fine-tuning based on our current COVID-19 environment.

Remember, the battle against suspicious activity has only begun at the identification stage. Once identified, the bank still has the responsibility to review and research the activity and ultimately come to a final SAR decision. If a decision is made to file a SAR related to the COVID-19 pandemic, it is important to provide information with a high degree of usefulness for government authorities, including law enforcement. FinCEN has requested that appropriate information is included in any report to help identify the fraud, such as:

- If the suspicious activity is related to an ACH payment from a state unemployment insurance program, please clearly mention COVID-19 UNEMPLOYMENT INSURANCE FRAUD in field 2 of the SAR (Filing Institution Note to FinCEN) as well as in the narrative. This will make it much easier for your SAR to get to law enforcement teams working with the states on unemployment fraud.
- If the activity involves a counterfeit check or ACH payment for the EIDL program, please also clearly mention COVID19 EIDL FUNDS FRAUD in field 2 of the SAR (Filing Institution Note to FinCEN) and state this in the narrative, as specific prosecutorial teams are working on EIDL fraud.

Remember, financial institutions should provide all pertinent available information in the SAR and narrative. The better the story (i.e., the narrative), the more likely it will assist law enforcement in identifying and acting against COVID-19-related crimes.

As we continue to do our part to fulfill our BSA regulatory duties, it is important to remember those that may be impacted most — customers and community members. Continue the good fight and remain vigilant during these challenging times and help protect those most susceptible to being taken advantage of from those bad actors.

CAN A LENDER "GET LEAN" IN PORTFOLIO RISK MANAGEMENT?

By Brian J. Ruhe, Golden Eagle Insurance

There has been plenty of discussion over the last many months about how the community banking world might look when we come out of this pandemic. Speculation and opinions are all over the board. The economic fallout is of great concern, and community lenders find themselves juggling priorities and recalibrating for the future. On the consumer-facing front, digital banking and technology are hot topics, "strategic innovation" is a focus, and customer relief and mediation tactics are a balancing act. Inside the lending operations, there are concerns about PPP loan forgiveness, increased delinquency and default impacting collections staff, and continued remote workplace struggles with administrative workload balance adjustments across operational teams. Whew. Community lenders have plenty on their plates — with many taking a "keep our head above water" mentality while navigating these difficult times. Many "new projects" have been put on hold. This mindset might seem fine for now, but could this approach lead to some missed opportunities for positive change along the way? Some significant changes in the middle of a crisis may be worth considering.

The issues that community banks will face going forward are quite complex — too numerous to address in one sitting. As the COVID-19 pandemic drags out from a recession into recovery, there is one very specific aspect worth discussing: uninsured loss mitigation within portfolio risk management. This is certainly an area of focused concern for a community lender during these challenging times. But could a bank or credit union look at it more closely with a "get lean" approach to the review?

Many community lenders remain committed to some old-school processes within their loan operations. In some cases, inefficiencies and frustrations can be common issues connected to these burdensome administrative strategies. Many fingerprints can be found within these cumbersome procedures, as employees can be quite involved. The structure of these processes within loan operations is anything but "lean." Collateral insurance tracking, along with the action of force-placing insurance, is one of these administrative burdens. Whether a lender tracks in-house or outsources to a paid third party, this work can be frustrating and tiresome. The main objectives are for the lender to be protected against uninsured loss and to meet regulatory demands. If these objectives can be met without any tracking, good employees can be utilized in much more productive roles elsewhere — why wouldn't a lender consider this alternative?

The community banking model is the definition of relationship banking at its finest. From supporting the communities in which they serve to the valued relationships with customers, community lending has a vital role in keeping their local economies dynamic and growing by lending to good folks within their region. "One element that has kept the traditional model alive for so long is that community banks know their customers — and likewise, their customers know them — which I believe fosters greater customer loyalty," said Ben Bernanke. Why would a bank or credit union want to keep a cumbersome administrative process — cumbersome for both their customers and employees — in place if more efficient and robust solutions exist? Change can be tough to embrace, but we are dealing in a unique and difficult period that requires some outside of the box thinking. Borrowers will also be facing some challenging times ahead in this recovery as they work hard to get through the economic downturn. Does the threat of unbelievably expensive force-placed insurance help that situation? It is not certain if the prevalence of force-placed insurance policies will increase in the coming months. Still, there is no doubt that an increase in force-placed premiums during these delicate times will lead to an increase in loan delinquency and default. Lenders can avoid this pitfall — and give their struggling customers a better chance of survival — by eliminating force-placed insurance altogether.

Taking a 360-degree blanket approach to protect against uninsured loss is one creative way to eliminate the burdensome administrative issues and customer loyalty problems noted above. Innovative blanket portfolio protections can be tailored to fit the risk management goals of any community lender. This type of adjustment can become a "get lean" game-changer for a bank or credit union. FTE employees can be utilized in more productive roles within loan operations — especially with the many other changes coming down the road for community lenders. This approach will reduce the volume of future charge-offs within the collections department, as eliminating force-placed insurance will provide your good customers a better chance at surviving this downturn. Blanket programs are designed in collaboration with the lender, with protections for residential mortgage lending, commercial real estate and equipment lending, agricultural lending, and consumer lending. Blanket protection can provide 24/7 coverage against uninsured loss along with full compliance with examiners. This portfolio protection strategy is not necessarily a "new" offering, but one that sure seems to fit with the issues surrounding the community banking industry today.

Many community lenders that have made the switch to blanket programs share that they "will never go back to tracking insurance." They recognize that the elimination of collateral insurance tracking allows for a greater focus on actual improvement ■

BANK NEWS

Jill Gutierrez, Bank 34 President and CEO, Retires

After 48 years in the banking industry and 13 years at Bank 34, Jill Gutierrez, president and CEO, retired on September 30, 2020. "During Jill's tenure at Bank 34 she was instrumental in leading the bank out of the Great Recession and served as our leader in strengthening the culture and credit standards we enjoy today. Under her leadership, we have seen the bank accumulate a first-class team that is well-equipped to propel our organization into the future. Jill helped guide us through two of the biggest events in our 86-year history with our acquisition of a bank in the Phoenix market in 2014 and our second-step conversion to a fully public company in 2016. We wish Jill an enjoyable and family filled next chapter and are happy she will continue to serve by our side on the board," said Randall Rabon, chairman of Bank 34's board.

Before joining Bank 34, Gutierrez worked as senior vice president and senior lending officer at Western Bank in Alamogordo and First National Bank in Alamogordo. From 2001 to 2007, she was senior vice president and market president at First Federal Bank in Las Cruces. Ms. Gutierrez has been employed in the banking industry since 1972.

Citi CEO Corbet Announces Plans to Retire in February 2021; Jane Fraser to Succeed Corbat as CEO

Citi CEO Michael Corbat announced that, after 37 years at Citi, including the last eight years as CEO, he plans to retire from Citi and step down from its board of directors. The board of directors selected Jane Fraser, currently Citi's president and CEO of Global Consumer Banking, to succeed him as CEO in February. Fraser has been at Citi for 16 years and has been in her current role since 2019.

Montoya Named Dean of Anderson School of Management

UNM Provost James Holloway praised Mitzi Montoya's wealth of experience as well as her "entrepreneurial spirit and drive" in welcoming her as the new dean of the Anderson School of Management.

"I truly believe she will be a shot in the arm for business development in New Mexico," he said.

Montoya comes to UNM from Washington State University, where she was a professor at the Carson College of Business. Before joining WSU, Montoya served as dean of the business school at Oregon State University and dean of the College of Technology and Innovation at Arizona State University.

Montoya said she views Anderson as a model for business schools of the future. A diverse body of future business leaders is prepared to face the challenges ahead with resilience and adaptability. Her research lies at the intersection of marketing, technology and innovation and has focused on virtual teams and collaborative technology. "As we have all experienced with the coronavirus pandemic, where we are all working and learning remotely," she says, "virtual work is not quite the same, and doing it well is easier said than done."

She received her B.S. in applied engineering science and Ph.D. in marketing and statistics from Michigan State University.

Citi Pledges $1 Billion to Narrow the Racial Wealth Gap, Confront Wealth Inequality

Citigroup, the nation's fourth-largest bank by asset size, pledged more than $1 billion over the next three years to address the widening racial wealth gap and increase Black Americans' economic mobility.

"The pandemic is a health crisis with severe economic implications. It's led to an unveiling of the systemic racism that has existed in this country for far too long," said Citi's CFO Marc Mason, who's part of a small cadre of prominent black executives on Wall Street.

The funds will be directed toward expanding access to banking and credit building in communities of color, investing more heavily into Black-owned businesses, promoting Black homeownership's growth, and strengthening Citi's antiracism policies and practices.

Bancorp 34, Inc. Announces Voluntary NASDAQ Delisting

Bancorp 34, Inc., the holding company for Bank 34, announced in August that it has notified the NASDAQ Stock Market of the Company's intent to voluntarily delist its common stock from the NASDAQ Capital Market. The Company intends to withdraw its common stock registration with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934. In addition, the Company has adopted a stock repurchase program for a total purchase not to exceed $600,000. ■

BANKERS ON THE MOVE

Herrington Promoted by Bank of Albuquerque

Jordan Herrington has been promoted by Bank of Albuquerque to senior vice president, commercial real estate relationship manager. Herrington joined Bank of Albuquerque in 2005 as part of the Accelerated Career Track program, a rotational development training program for college graduates. After completing the program, he spent two years in the consumer bank before moving to the commercial banking division, later rising to the role of corporate banking relationship manager. In 2017, he moved to the commercial real estate group, where he has spent the last three years. Herrington has a bachelor's degree in business administration from the University of New Mexico. He is also currently a member of the board of directors for Junior Achievement of New Mexico, commercial real estate development association NAIOP New Mexico chapter, and the New Mexico chapter of RMA.

James Crotty Named Bank 34 CEO and President

James T. Crotty is the new President and CEO of Bancorp and Bancorp 34. Mr. Crotty has spent the last 16 years of his career at KBW advising and working with community banks on various strategic initiatives. Jim's primary focus has been on mergers and acquisitions, debt and equity capital raising (including mutual to stock conversions and IPO's), branch and asset purchases and divestitures and overall strategic planning initiatives. During his tenure at KBW, Mr. Crotty has been intimately involved in over 90 M&A and capital raising transactions. Before his time at KBW, Jim served as a software engineer and consultant for a software development firm.

He is a graduate of Miami University in Ohio, where he majored in Management Information Systems (MIS) with a minor in Finance. Mr. Crotty has been a frequent speaker at several different state banking associations, BKD banking symposiums and Financial Managers Society events. He holds a series 7 and 63 securities license. Crotty joined Bank 34 in July 2020 as Co-President and Co-chief executive officer. Mr. Crotty has been appointed to the board of directors of both companies. ■

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This magazine is designed and published by The newsLINK Group, LLC | 855.747.4003