THE

KANSAS BANKER

ISSUE 1 2022

2022 BLOK CLASS

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MONUMENT ROCKS, GOVE COUNTY KANSAS

Mortgage Program Assessment

Take this short quiz to assess your bank's mortgage offering

MY BANK DOES NOT OFFER A MORTGAGE PROGRAM	☐ TRUE	☐ FALSE
MY BANK NEEDS MORE PRODUCT VARIETY IN OUR CURRENT MORTGAGE LOAN PROGRAM	☐ TRUE	☐ FALSE
MY BANK DOES NOT HAVE ADEQUATE RESOURCES TO PROCESS AND CLOSE MORTGAGE LOANS	☐ TRUE	☐ FALSE
MY BANK WANTS MORE FLEXIBILITY IN DETERMINING MORTGAGE PRICING AND FEE INCOME EARNED	☐ TRUE	☐ FALSE
MY BANK NEEDS ANOTHER INVESTOR TO OFFER THE MOST COMPETITIVE PRICING TO OUR CUSTOMERS	☐ TRUE	☐ FALSE

If you answered TRUE to any of the questions above:

Bankers' Bank Mortgage can help. If you need support to build a mortgage loan program or an additional resource to add product and pricing options to your existing program, we have easy to implement options designed to fit the needs of your bank. No minimum loan amount or number of loans required.

BANKERS' BANK OF KANSAS
MORTGAGE

Call for a free demonstration and to learn how bbok can help grow your mortgage business.

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Kathy Taylor, EVP, General Counsel
Terri D. Thomas, EVP, COO

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Eric Stofer, SVP, Chief Financial Officer
Mary Taylor, SVP, Communications and Marketing
Julie Taylor, VP, Computer and Information Systems
Sara Blubaugh, VP, Executive Assistant to the President and CEO
Bree Magee, Communications & Marketing Coordinator
Lynne Mills, Receptionist/Special Projects

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Bobby Young, VP, Staff Attorney/ IT and HR Consultant
Dylan Serrault,Compliance First Banking Solutions, LLC Manager
Adeel Syed, AVP, Staff Attorney
Neal Barclay, AVP, Compliance Specialist/Auditor
Jeff Narron, AVP, Compliance Specialist/Auditor
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Kerry Clark, Staff Attorney and Publications Editor
Lewis Walton, Compliance Auditor
Erica Friedt, Compliance Operations Specialist
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KANSAS BANKERS ASSOCIATION

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Cryptocurrencies:
Unlocking Banking's "New Frontier"

By Rob Nichols, President & CEO, American Bankers Association

In case you haven't noticed, cryptocurrencies are an increasingly hot topic of conversation in this country.

According to a Pew Research Center survey fielded in November, 86% of Americans said they have heard about cryptocurrencies, and 16% said they have invested in, traded or used them. Cryptocurrency use is growing particularly rapidly among younger Americans, with 31% between 18 and 29 telling Pew they have participated in crypto transactions.

More often than not, these trades are happening through financial intermediaries — and consumers are increasingly turning to banks to hold these digital assets. In fact, I've heard from a growing number of bank leaders that their customers want to buy, hold and use crypto — and they want to do it through their banks.

Banks have already begun making inroads into the crypto services business — offering a responsible pathway for consumers to adopt these novel financial products. For example, Vast Bank, a community institution based in Oklahoma, recently launched a crypto custody account that bank customers can manage in their app alongside their FDIC-insured dollar account. Or Quontic Bank, which offers a checking product that provides rewards in bitcoin, offering consumers an opportunity to wade into the crypto space without buying it themselves. Large custody banks — such as the Bank of New York Mellon and Northern Trust — are also developing custody services for crypto.

Bank customers know they can rely on their banks to steward their finances and keep their financial data safe. A recent Morning Consult poll highlighted that banks are the most trusted among all financial services providers. Given that, it's no surprise that consumers want to receive cryptocurrency services from their bank. But don't just take my word for it: a survey from NYDIG, a bitcoin services firm, confirmed that a whopping 81% of bitcoin holders would shift their bitcoin to a bank if it offered secure bitcoin storage. Undoubtedly, this "new frontier" of cryptocurrency represents a huge opportunity for banks.

But for banks to successfully navigate this new frontier, the bank regulatory architecture needs to catch up — quickly.

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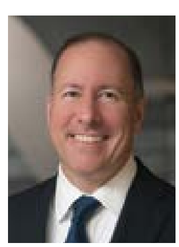
More clarity is needed from the banking agencies about how banks can offer these services in a safe and sound manner. Without this clarity, the unlevel playing field between banks and the rapidly growing cadre of firms seeking to operate as banks while evading the full scope of bank regulations will continue.

There have been some positive developments, with the OCC issuing an interpretive letter clarifying its approach for approving crypto-related activities for national banks. Additionally, a report by the President's Working Group on Financial Markets highlighted the risks of stablecoins, recommending they be issued by insured depository institutions subject to consolidated supervision. Any providers of custodial wallets should also be subject to appropriate federal oversight.

For our part, ABA is taking a deep dive into what we can do to support banks' participation in crypto and other digital assets through both our advocacy and technology partnerships. Additionally, in December, we invested in NYDIG, a leading provider of bitcoin services for banks. This investment will support banks' ability to meet customer demand in this rapidly evolving market so that as we unlock this "new frontier" of cryptocurrencies and digital assets, consumers can continue to place their trust in America's banks to meet their financial needs.

We understand that expanding into cryptocurrency products and solutions won't be for every bank, and that's okay. We firmly stand with banks in their right to decide what products they will offer according to their own judgment and market strategy. However, even with mixed opinions on the value of cryptocurrency as an asset class or as a basis for a product set, ABA strongly believes banks should have access to the tools, partners and regulatory frameworks that allow them to meet their customers' needs.



Email Rob Nichols at nichols@aba.com.

Kansas Supreme Court Issues Decision on Enforceability of Waiver of the Statute of Limitations Clauses

By Kathy Taylor, KBA EVP, General Counsel

On occasion, the KBA receives a request to become involved in a legal matter. Typically, the request is for the KBA to file an amicus curiae brief — or a "friend of the court" brief. In this case, the requesting bank was First Security Bank, headquartered in Beaver, Oklahoma. However, the case involved customers in Kansas and the enforceability of a waiver of the statute of limitations clause in a commercial promissory note under Kansas law. Since most of the commercial promissory notes used in Kansas contain this very clause, the KBA Board of Directors believed this request worthy of its investment.

Briefly stated, here are the facts of the case:

In June 2005, a couple (the Buehnes) executed a commercial promissory note with First Security Bank (FSB) to build two car washes in Kansas. Among other things, the note included a provision that stated that the signer waives "any available statute of limitations to the full extent permitted by law." The Buehnes failed to make the required payments at the set times outlined in the note. Over the next several years, FSB sent the Buehnes overdue notices by mail with no response. In 2014, FSB filed a lawsuit against the Buehnes.

In 2019, the Buehnes moved for summary judgment, claiming that the statute of limitations had run. The Buehnes argued that the statute of limitations had started to run when FSB declared the loan to be in default back in 2006, and that it was now too late to sue.

The district court rejected the Buehnes motion for summary judgment and found in favor of FSB. The Court of Appeals concurred with the district court in an unpublished decision, thereby upholding the ruling. The Court of Appeals stated that the Buehnes had waived their right to raise the statute of limitations by signing the note, which had the waiver provision. The Court of Appeals also held that the waiver was not void against public policy.

Supreme Court Ruling:

On Dec. 30, 2021, the Supreme Court of Kansas affirmed the decision of the Court of Appeals.

Relying on the importance of the freedom to contract, the Court held that a contract between parties is presumed legal and that the freedom to enter into contracts should not be interfered with lightly. Nevertheless, the Court also held that any contract violates public policy if it is injurious to the interests of the public, contravenes some established interest of society, violates some public statute, or tends to interfere with the public welfare or safety.

In this case, the Court found that the waiver in a commercial contract did not violate public policy because it did not cause the Buehnes to suffer any prejudice as it did not take away the ability of the Buehnes to try other legal remedies (e.g., laches or unconscionability) and that the inclusion of the phrase " to the full extent permitted by law" constituted a sufficient safety valve to dispel other undue pressures on public policy.

> ... the Court held that a contract between parties is presumed legal and that the freedom to enter into contracts should not be interfered with lightly.

In finding waivers are not void as a matter of law in a commercial contract, the Supreme Court put the burden squarely on the shoulders of the borrowers to show prejudice.

The KBA was represented in writing its amicus brief by Kersten Holzhueter with Spencer Fane LLP — a KBA Associate Member. Many thanks to Kersten for helping to argue for the parties' freedom to contract in a commercial transaction.

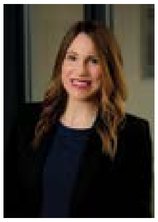
Kathy Taylor, KBA EVP — General Counsel

Big Changes for KBA's Legal Services

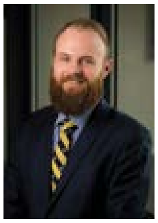
Recently, many exciting developments in the KBA's legal services will benefit KBA member banks. First, the KBA will be reorganizing its legal and compliance services to more efficiently serve banks. The KBA Legal Department will continue its 40-year tradition of providing free legal and compliance information to KBA member banks. For banks wanting more legal assistance, including specific legal advice and document drafting, Kansas Bankers Consulting Services, LLC (KBCS) will continue to provide annual fee-based services for contracting members.

Furthermore, the KBA is proud to announce it has created a new business line, Compliance First Banking Solutions, LLC (CFBS). CFBS will provide the audit and compliance consulting services previously performed by KBCS on a bid-basis. As part of CFBS' offerings, the KBA is rolling out a new service available to participating banks in 2022: Outsource Compliance Services, which will allow banks to outsource compliance to CFBS staff (see next page for more information).

As part of this structural reorganization in legal and compliance services, the KBA has made the following position changes: **Terri D. Thomas**, JD, has been named Executive Vice President and Chief Operating Officer of the Kansas Bankers Association. In this position, she will assist KBA President and CEO Doug Wareham and KBA General Counsel Kathy Taylor with the day-to-day management of the KBA. Terri joined the KBA in 2006 and will continue to provide oversight for all of the KBA's legal and compliance services provided to members and will directly manage KBCS activities. "Terri is a tremendous asset for the KBA. I look forward to her lending her strong organizational and management skill set more broadly to the overall operations of our Association," shares Doug Wareham, KBA President & CEO.



Allison Carpenter, JD, has been promoted to VP-Manager of the KBA Legal Department. Allison will directly manage the legal and compliance services provided to the KBA's general membership and oversee the publications produced by the department. Allison joined the KBA in 2012 and has served as Vice President, Staff Attorney and Senior Auditor for the KBA and KBCS.



Dylan Serrault, JD, was promoted to VP-Manager of Compliance First Banking Solutions, LLC. As described previously, CFBS is the new home for compliance consulting and audit services that have been previously offered under the name of Kansas Bankers Consulting Services, LLC. Dylan joined the KBA in 2015 and has served as Vice President, Staff Attorney and Auditor for the KBA and KBCS.

It is only with your continued support that the KBA can provide these valuable services to its members. Thank you!

Compliance First Banking Solutions LLC
A Subsidiary of the Kansas Bankers Association

CFBS Launches New Outsourced Compliance Service

Compliance First Banking Solutions, LLC's outsourced compliance program is the latest service designed to help Kansas Banks.

Compliance in banking can be more than a full-time job. It requires following, understanding and timely implementing constantly updated regulations from a complex banking and regulatory system at the state and federal levels. With all this complexity, it is important to have a compliance team that is expert in the field and ready to implement a new solution or find and address issues before they become a problem for your Bank. It can be hard to find and train the right personnel, especially in a time of high turnover and as many seasoned compliance professionals retire. Compliance First Banking Solutions is here to help. With customizable compliance solutions, our team of compliance experts can help your Bank with a tailored approach.

Compliance First Banking Solutions offers both long-term compliance management and short-term compliance organization. Our long-term management approach allows our dedicated team to work within your Bank for an extended period, developing relationships of trust with your employees and learning what makes your Bank unique. Here, our compliance specialist can take on the functions of a compliance officer to create and implement a permanent compliance solution and oversee your Bank's staff as they handle the day in and day out compliance work.

A different approach may be preferred for some banks. Compliance First Banking Solutions can instead work hand in hand with your Bank's compliance officer. Working within your Bank's structure, our compliance specialist will create a tailored compliance management approach to identify and resolve compliance issues and help train your compliance team to implement strong standards and processes.

Compliance First Banking Solutions will work with you to determine which approach best suits your Bank. Our team can help your Bank transform its compliance program by producing and maintaining risk assessments and overseeing the training of Bank employees and the Board of Directors. We will also work with you to complete regulatory reviews of all compliance areas, including consumer deposit and lending, flood, appraisals, fair lending, CRA assessment and others to identify deficiencies and implement corrective action and training, as needed. Our team can establish compliance meetings on a schedule that best fits your Bank's needs. Here, our compliance specialist can set the agenda, record minutes, guide the discussion and report to the Board.

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As part of Compliance First Banking Solutions' launch, we welcome our newest Compliance Operations Specialist, **Erica Friedt.** A Kansas City native, Erica has worked in banking for over 14 years, spending seven years as a Compliance and Bank Secrecy Act Officer and auditor. As a Certified Regulatory Compliance Manager, Erica has worked in several financial institutions, so she understands the compliance needs of banks, large and small. Erica started her career as a part-time teller and worked as a consumer loan processor before moving to compliance. This gives her a unique insight due to her experience with compliance reviews and exams as both the banker and the auditor. Describing her approach to compliance, Erica says, "Regulators push for a culture of compliance from the top down and recommend taking a risk-based approach. My goal is to make compliance part of everyday operations so it becomes second nature. This is achieved by being proactive and transparent and sharing knowledge and expectations with every member of the team."

Compliance First Banking Solutions is already making a positive impact in Kansas banks. Frank Carson IV of Carson Bank in Mulvane, Kansas, said, "We found ourselves in a quandary when the Bank's compliance officer gave notice to begin a new position this past year. Finding a replacement, properly educating, and maintaining an existing, acceptable regulatory rating at a community bank is no small task. We called the Kansas Bankers Association for help and explained our dilemma; they had the answer. Kansas Bankers Consulting Services [editor's note: now CFBS], a subsidiary of the KBA, is one of the greatest moves we have made in compliance. They have one of the most renowned legal departments in the nation. Well trained, up to date, a great staff that has worked well with all our people. Just what we needed, just what we expected from our KBA."

There is no "one size fits all" approach to compliance. Compliance First Banking Solutions will work closely with you to tailor a compliance solution to fit your Bank's needs. We offer a whole team of compliance experts that will reduce the burden on your employees so they can focus on serving your customers and community. If you are interested in the service, please contact Erica Friedt at efriedt@ksbankers.com.

KBA Announces 2022 BLOK Class

Now in its 16th year, the Bank Leaders of Kansas (BLOK) Program is a leadership development program coordinated by the Kansas Bankers Association. The BLOK program is designed to improve the leadership skills of Kansas bankers, and accomplishes that goal through four primary objectives:

1. To increase the individual banker's understanding and knowledge of the structure and governance of the KBA, including a complete overview of programs, services, and representation provided by the KBA.
2. To increase the individual banker's understanding of the state and federal legislative process and increase their willingness to actively support and defend the Kansas banking industry.
3. To increase the individual banker's understanding and awareness of the various state and federal agencies that govern the banking industry in Kansas and how those agencies interact with the KBA.
4. To improve the individual banker's leadership and communication skills through professional development and leadership training sessions and provide a clear understanding of the individual banker's role as a volunteer KBA leader.

This year's class will include a wide range of banking industry talent from across the state. Twenty-one Kansas bankers will participate in four BLOK training sessions to arm them with the knowledge and information needed to be credible and effective advocates for the Kansas banking industry. The first session is scheduled for Feb. 8-10 and will center on the 2022 Harold A. Stones Public Affairs Conference in Topeka.

Members of the 2022 BLOK Class are: Brandi Archer, Consumer Loan Officer, First National Bank and Trust, Phillipsburg; **Jennifer Caughron,** SVP, Bank Card Manager, Bankers' Bank of Kansas, Wichita; **Nick Gideon,** Lawrence Market President, Silver Lake Bank, Lawrence; **Alex Greig,** President of Insurance, Kansas Bankers Association, Topeka; **James Hagedorn,** Vice President, Loan Officer, United Bank & Trust, Seneca; **Sam Jackson,** Loan Officer/Assistant Vice President, First State Bank, Plainville; **Jordan Lauer,** SVP/Loan Officer/Investment Officer, Farmers State Bank, Westmoreland; **Kyle Murrow,** Assistant Vice President, Denison State Bank, Holton; **Deron O'Connor,** Chief Operating Officer, Astra Bank, Hays; **Francis Scheuerman,** UMB Bank, N.A., Kansas City; **Garrett Sharp,** Vice President, Community National Bank & Trust, Chanute; **Clint Shoemaker,** Vice President, Guaranty State Bank and Trust Co., Beloit; **Lindsey Snider,** Market President, Central National Bank, Junction City; **Brock Stuhlsatz,** Vice President/Loan Officer, Citizens Bank of Kansas, Derby; **Greg Thiessen,** Chief Credit Officer, First Bank of Beloit, Beloit; **Cole Thompson,** Investment Sales/Associate, BOK Financial, Overland Park; **Kimberly Wallace,** SVP/Organizational Development, Equity Bank, Wichita; **Lewis Walton,** Compliance Specialist and Auditor, Kansas Bankers Association, Topeka; **Trae Watson,** Loan Officer, Heartland Tri-State Bank, Elkhart; **Evan Whetzal,** Vice President, First Heritage Bank, Seneca; and **Joe White,** Director — Premier Service, INTRUST Bank, N.A., Wichita.

2022 BLOK Sponsors are: INTRUST Bank, N.A., KBA Insurance, Inc., and Professional Bank Consultants, LLC

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How to figure out if your Core Software has been Sunset (Without you knowing it)

By Charlie Kelly, Remedy Consulting

One of our senior directors got a call a few weeks ago from the CEO of a bank core provider. Mr. CEO complained that one of our consultants mentioned to a client that his core system was no longer being supported. The CEO passionately argued that our consultant used the term "sunset" with the client related to his core system.

Now I can see why a software executive would be upset if a consultant told clients that his core was no longer viable, but software can stay in the market a long time in "maintenance" mode. So perhaps we should spend a few minutes on how software decisions are made at the core banking system providers.

Let me explain.

Over my career, I spent several years managing software development teams through the Project Management Office (or PMO), including quite a bit of time at a large core provider. One important thing I learned: not all software gets the same amount of attention from the development team and senior management.

Think of it this way: software companies have only so many resources to allocate to software development each year. Software development is an expense for a core banking systems provider. Based on sales from the previous year, depending on how much profit the management team wants to take and how much they want to spend on developers, they budget how much ends up in that specific software development bucket. If you are a CEO or CFO managing the budget at your community financial institution, you fully understand the resource allocation issue at hand. ***You have choices to make.***

So, let's use an example of how budget allocation works at a software provider. Let's say a software provider has two main products in its software budget, and each of those products has three projects where they can allocate their software developers:

Product A

Maintenance on Product A

New functionality (roadmap item) 1

New functionality (roadmap item) 2

Product B

Maintenance on Product B

New functionality (roadmap item) 1

New functionality (roadmap item) 2

> Old software, once developed, is something of a cash cow. Customers pay for it either on a monthly or annual basis.

First, it is important to understand that maintenance is ***required***. You have no option but to make sure things like bug fixes, software outages, regulatory updates, and third-party interface updates are covered. The software needs to work as the financial institutions pay monthly fees. So, after you have enough developers to cover maintenance, the remainder of the budget can be allocated to new functionality.

The previous example is extremely simplified because I have never seen a software product team with under 10-12 items on their development road map. But for simplicity's sake, let's say that 70% of the development budget of this theoretical provider goes to maintenance. That leaves Product 1 and Product 2 fighting over the remaining 30% of development time across the four new functionality roadmap items. Now, change the four roadmap items to 24 roadmap functions that clients clamor for, and you see the dilemma all software providers face. Which of those 24 projects will be funded this year, and which will have to wait another year?

So, why do you, as a customer, care about this? Why do you need to know about development roadmaps and software developer allocation when deciding whether to keep or change your current provider?

Here is why:

Old software, once developed, is something of a cash cow. Customers pay for it either on a monthly or annual basis. If the software provider can convince its current customers to remain on the product and cover basic maintenance, everything else is profit — all the revenue — very low expense. It is only after enough customers leave that software platform and the revenues do not cover maintenance that the software provider needs to either sunset the product or migrate customers to a newer version.

Oddly, it is in the software provider's best interest to keep some products in "maintenance-only" mode. Older products are often their most profitable. You, the customer of a product gone into maintenance mode, have probably seen some of the signs of one of these cash cows:

- Roadmap items never get finished.
- You are paying for the provider to develop new functionality, which the provider can offer their other customers.
- Quotes for customization or professional services seem exorbitant (they may not have the development team available to customize).
- The only items in their development release notes appear to be maintenance or bug fixes.

At Remedy Consulting, our business includes helping customers through Request for Proposals (RFP's) and demonstrating new software products through our System Selections. Generally, a bank will start an RFP when they suspect their product is just not keeping up with the times, but they often do not recognize these signs of an under-maintained product until we discuss changing the software.

Think about it: the software provider would be insane to tell their customers that the product they currently pay for is no longer at the top of their development priority list. They hope customers renew their contracts and that new functionality is less important to the current customers than the base model you have had for many years. Maybe what the customer pays for the software currently is cheaper than replacing it with another product.

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So, let's go back to Mr. CEO at the top of this article. If you were the CEO of a small core provider where profit margins are already tight, and then you lose some customers, now you hit the tipping point where you need to start laying off developers. Or, at a minimum, struggle to maintain the software without having the resources (or the interest?) to update new functionality.

If this was a larger core, Mr. CEO could migrate his customers to a new product and officially sunset the older product. But smaller cores cannot do that, as they never had the resources to build a newer product. Mr. CEO is in a bad place, and although he didn't declare a sunset of his product, he also has not built new functionality into the product. From our perspective, it would be hard to recommend the CEO's core to one of Remedy's clients in RFP mode.

So, how can you use what we discussed? If you are responsible for making vendor decisions at your bank, keep an eye on the indicators above. If you realize that some software providers are not delivering on their roadmap items, decide what is important to you. If the product is not customer-facing, the price is low, and your team does not require cutting-edge functionality, that might be okay. Consider finding a consultant who knows market pricing during your next renewal and see if you can get a better deal.

However, if a laggard product is client-facing or drives revenue for the bank, it may be time to look at other vendors to see what else is there. If you are already in the process of an RFP, have a product you like, but haven't spent a lot of time on the product roadmap, consider talking to the vendor's client references before buying and ask about that product's history in developing new functionality. How many items have been delivered from the roadmap in the past 18 months?

Please reach out if you are looking for help to determine if you need to complete a system selection.

Charlie Kelly is a Partner at Remedy Consulting and host of BankTalk Podcast. Remedy Consulting helps financial institutions (FI) thrive through specialized consulting services in System Selections, Core Contract Negotiations, Outsourcing/In-House Advisory, Bank Mergers & Acquisitions, and FI Strategic Planning. To learn more about Remedy Consulting, visit www.remedyconsult.net.

Tri-State Human Resources Conference

March 29-30, 2022
DoubleTree, Overland Park

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Don't Get Behind –
How to Develop the Next Generation of Bank Leaders

By OnCourse Learning

A career as a next-generation bank leader offers opportunities in technology, digital marketing, customer relationship management, cybersecurity and more. As the banking industry evolves, your leaders must also adapt.

Think about it, almost every aspect of a leader's world has changed over the last few years. The way we lead and train needs to change too.

Financial institutions have had to find a new way to reach learners. In a lot of cases, in-person training classes have been replaced with compliance training webinars. But does this new training vehicle make the same impact as in-person training?

With over 40 years of experience, we've pulled together a list of why we believe webinars enhance and keep your compliance training programs engaging and current.

Next Generation Bank Leaders Need to Lead Differently Because Workforce is Changing

With Millennials making up a majority of the workforce, it's important to note that typically millennials have a high expectation of how their companies should conduct business and what they stand for. Understanding this and adapting your leadership style to support this will help build a forward-thinking, nurturing, and inclusive workplace.

Tips on How to Effectively Develop the Next Generation of Bank Leaders

Give Workers a Voice

Establishing employee engagement committees that meet regularly can provide your leaders with necessary feedback when reviewing company policies. A next-generation banking leader will take time to speak with employees. They make a point of listening to their employees and do this because they know it's the key to reducing turnover.

Next Generation Bank Leaders Embrace Tech

With all the new fintech available on the market, the next generation of bank leaders needs to lead and coach their clients to adopt new tech.

According to a Deloitte report, 57% of millennials surveyed would change their bank relationship if another firm offered a better technology platform. Ironically, at the same time, the report showed that 84% of millennials seek financial advice (and knowledge).

> Millennials seek learning opportunities differently than older generations. They seek continual ways to improve their work and make a big impact.

Similarly, next-generation leaders are digital natives accustomed to (and even enjoy) eLearning. Attending a webinar or accessing an eLearning course is a comfortable learning format. In fact, technological advancements have made eLearning easier than ever before. Participants can attend from anywhere they have an internet connection — computer or phone, at home or in the office.

Additionally, training admins can now more easily track participation with training webinars. Rather than having paper sign-in sheets on clipboards, which need to be manually added to your LMS, eLearning and training webinars track participation digitally. With just a click, you can track who attended.

Build Career Paths and Ladders

Provide an outline to training programs by career track to provide clarity on what is required to reach the next level of leadership. Every team member should have a plan for self-development, department development, and ultimately how the overall business goals will be met.

Enable Access to Unique and Meaningful Training

Millennials seek learning opportunities differently than older generations. They seek continual ways to improve their work and make a big impact. By providing them on-demand and high-quality training content, millennials control which skills they want to work on and which ones fit into their day-to-day. This method will fit seamlessly into the work your next generation leader is already doing — getting them ready for the future.

Enable Your Current Leaders to Be Good Coaches

Empower your teams to empower their teams. By investing in your current leader's coaching skills, they can, in turn, help develop the next generation of bank leaders. Every interaction with their own direct supervisor, an employee in the training department or a member of senior leadership could change into an opportunity to develop leadership skills and strategic thinking.

Close the Experience Gap

Leaders who are confident and have experience develop these skills over time. To close that gap, you must frequently engage all potential next-generation bank leaders to be involved in institution problem-solving. Becoming an experienced leader comes with just that, experience.

The Future

Since COVID-19, financial institutions have had to innovate and adapt to compliance training. Adding variety to your training mix, including webinars, can keep your employees engaged and compliant.

At BankWebinars.com, industry experts from all over the country share their expertise and knowledge. Compliance training webinar attendees hear firsthand from industry experts and gurus on targeted, relevant and timely topics.

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Pub. 11 2022 Issue 1

Banks and Human Resources

By Josh Heck, Syndeo

Your do-everything HR professional just left the bank. Now what? Does your bank's human resources department consist of one person in charge of other important facets of the organization, such as payroll processing and accounting?

If this hits home for you, think about what happens if that person leaves your bank. You suddenly find yourself in need of solutions and quick. How you proceed can be a make-or-break decision for you and your organization.

You could choose to parcel out those functions to another person who likely already wears several other hats within the bank and add more to his or her already full plate. That may be a short-term fix but could end up causing more trouble than it is worth in the long run.

Hiring a replacement makes sense if you can find the right person and get them trained in short order. That in and of itself may prove difficult amid all of the hiring challenges employers have faced over the past year.

An optimist will be confident in the ability to overcome those challenges and find someone who will expertly handle HR and various other functions of your day-to-day operations. But you may take a more pessimistic view to prepare yourself for a worst-case scenario of that person ending up not being a good fit or leaving your bank for another job opportunity.

Then, you are right back where you started.

Why your bank needs HR

The field of human resources has become increasingly complex. In a broad sense, HR is an important component in how an organization's culture is developed, reinforced and in some cases changed if necessary. Then, there are the responsibilities of attracting and retaining top talent.

Additionally, HR professionals are involved with pay, employee performance management, and understanding and correctly applying a myriad of employment law regulations. The latter has taken on an even greater significance during the COVID-19 pandemic, with frequently changing guidance on how or whether new laws will be applied — correctly to ensure compliance — in the workplace.

Is your bank equipped to handle sexual harassment and employment discrimination claims? How about wrongful termination or unemployment claims? These are among the various reasons why a dedicated HR professional should be considered essential and not a luxury for small and medium-sized businesses.

Too much is at stake for your bank to not take HR seriously.

The Society for Human Resource Management (SHRM) recommends employers take on a dedicated HR professional once the business reaches 15 employees. Perhaps you appoint an HR person or group of people in house. Maybe it's a third party handling HR on behalf of your organization. In some cases, a mix of the two may make sense for your bank.

HR outsourcing is becoming an attractive alternative for Kansas banks. It takes many of your bank's administrative tasks off your hands, which allows you to focus on growing the organization and serving Kansas communities.

An outsourced HR provider also can handle payroll processing, employee benefits administration and assist with your staffing needs. HR outsourcing also gives you a team of easily accessible and highly trained professionals who are always looking out for your bank.

Bank leaders who outsource their organization's HR say they appreciate that the relationship is treated like a partnership, giving them added peace of mind yet doesn't dictate how to run the organization.

Ultimately, you have to decide the HR structure that best fits the needs of your bank. But don't leave one of your bank's most important operational aspects to chance.

About the author: Josh Heck is Syndeo's marketing manager. Reach him at jheck@syndeohro.com or by phone at (316) 440-9940.

For the 24th consecutive year, the Kansas Bankers Association is offering its heartwarming *Scenes of Kansas Calendar*, which celebrates Kansas' beauty and highlights your bank at an affordable price. What sets this full-color calendar apart is the personal way in which it is created. Photos chosen for the calendar are taken by Kansas bank employees, executive directors and their immediate families. Landscapes, seasons, Kansans, events—all images inspire and evoke a warm feeling of Kansas. Your bank's name, and if you prefer, your bank's logo will appear along the bottom edge of each calendar, remaining in full view throughout the year.

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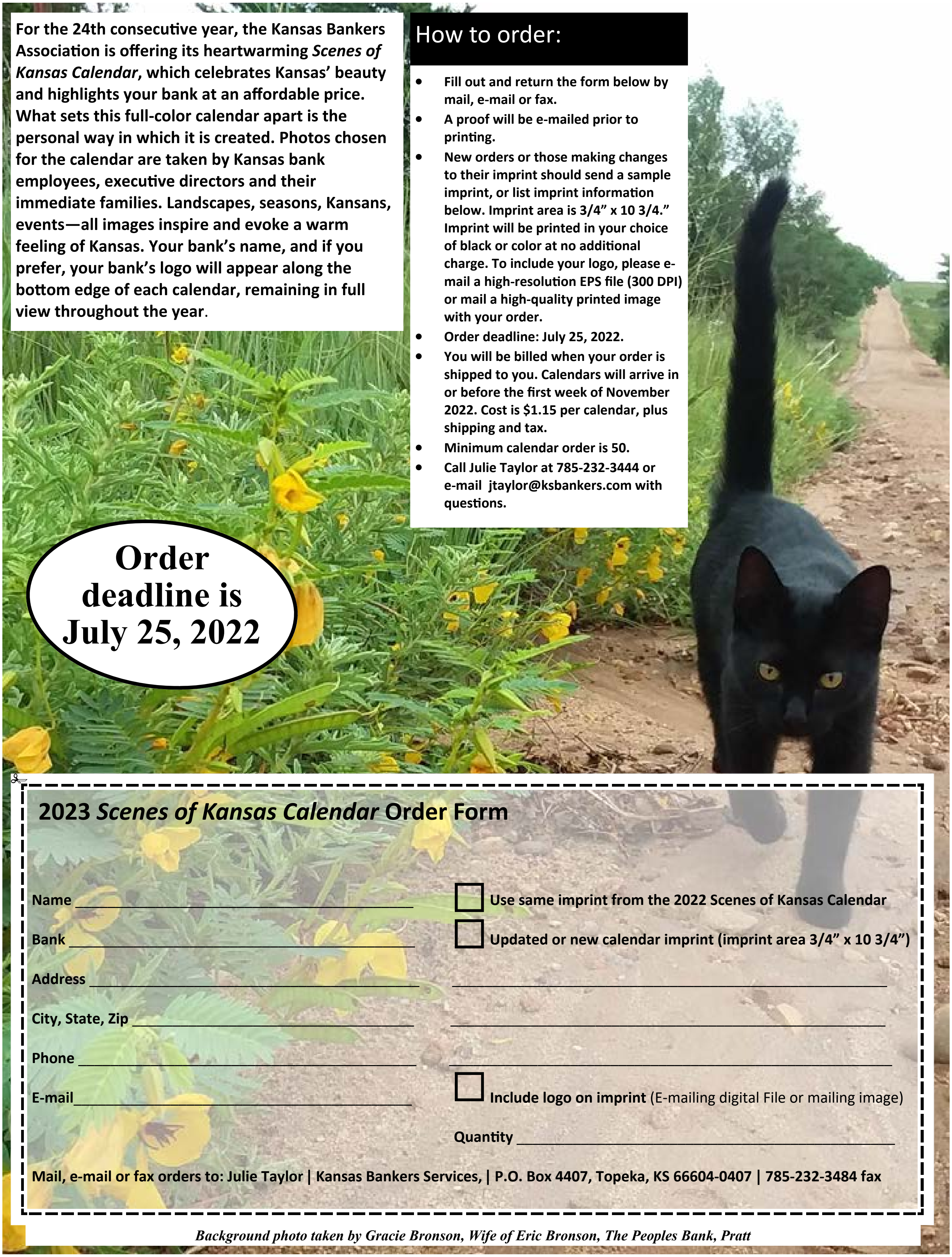

Background photo taken by Gracie Bronson, Wife of Eric Bronson, The Peoples Bank, Pratt

BRIEFLY IN KANSAS BANKING

Bankers Are Reappointed to the Kansas Housing and Kansas Development Finance Authority

KDFA president Rebecca Floyd and KHRC Executive Director Ryan Vincent announced that Suchitra Padmanabhan and Chris Donnelly were reappointed to serve another term on the Kansas Development Finance Authority (KDFA) and Kansas Housing Resources Corporation (KHRC) board of directors. In addition, two new members were appointed by Governor Laura Kelly and confirmed by the Kansas Senate Confirmation Oversight Committee last year. They are Wichita nonprofit director Moniqueka Holloway and Topeka attorney Jonathan Small.

Suchitra Padmanabhan serves as chair of the KDFA and KHRC boards and was reappointed this year, becoming the first board member in the group's history to serve three terms. A certified financial analyst, she currently works for BC Capital, where she created an asset management platform for fixed income investments and provides advisory services to private equity funds. Previously, she served with Security Benefit Group, Deutsche Bank and Lehman Brothers. She holds degrees from Dartmouth College and the University of Chicago.

Chris Donnelly, a banking executive from Tonganoxie, was reappointed for a four-year term. Recently retired as president and CEO of the Bank of the Prairie in Olathe, he has held executive leadership roles with Country Club Bank of Kansas City, Mo., First State Bank and Trust of Tonganoxie, First Security Bank of Overbrook, and Home State Bank of Hobart, OK. He is a graduate of Oklahoma State University.

Hays banking expert, **Alan Deines**, was appointed to the board in 2020 and continues his service.

Neal Kaiser New Ag Lender at The Citizens State Bank

Neal Kaiser has joined The Citizens State Bank as an ag lender. Working at its Goessel branch, Kaiser is a graduate of Kansas State University with a Bachelor of Science degree in Agronomy. He grew up in Lehigh but has Goessel ties as both of his mother's parents were born near there.

"I've heard very good things about The Citizen State Bank through friends and family," he said. "It feels like the right move to become a part of that experience for myself and also to help others with their agriculture needs."

Kaiser will handle a variety of ag lending needs for area customers, including operating lines of credit, input lines and equipment.

"Neal's experience in the field of agriculture will make him an important part of our lending team," said Kirby Smith, market president in Goessel. "He understands the unique skills it takes to operate an agri-business."

In addition to his banking role, Kaiser helps manage a 2,000-acre farming operation that includes crops, hay and pasture.

Bankers from Bank of Labor in KC Recognized for Sponsorship

During a National Association of Asian American Professionals-Kansas City (NAAAP-KC) Holiday Soiree on Dec. 2, 2021, Bank of Labor bankers Pang Lo, Mai Lee, Mary Buche (SVP) and Piia Perales were honored to be recognized for Bank of Labor's sponsorship of NAAAP-KC. Buche found this group to provide ERG support for some minority employees but found a lack of representation in senior and board positions of Asian American females and males in the banking industry. She has seen increases in the east and west coast, but the Midwest is behind in representation.

The NAAAP-KC is a nonprofit, all-volunteer organization that promotes career advancement opportunities and professional leadership development of Asian American professionals in all fields. The Kansas City Chapter hosts various activities (Happy Hours, networking dinners, cultural events, workshops, etc.) throughout the year to allow members to engage with NAAAP-KC and accomplish everything they can to become part of their organization.

"As an Asian American female in banking, yes, I have felt a lack of belonging," Buche said. "This group provides a sense of belonging. It was especially important after the increase in violence against the Asian community, and Asian Americans are still being labeled as foreigners."

Buche said communities need to acknowledge what is happening in our communities that affect employees and the bank, and if the bank doesn't have those resources, they can find groups to provide support through organizations such as NAAAP-KC or Young Latino Professionals, for example.

Barta Joins Citizens State Bank

Rachael Barta joined the staff as a loan officer at the Citizens State Bank & Trust Co. in Ellsworth as of Nov. 1. Barta brings 12 years of bank experience from a previous bank where she worked in the accounting and operation departments. At Citizens Bank, she will be offering all types of lending, including consumer, business, personal and agriculture.

"We are very pleased to have Rachael join us," said David Brownback, CSB&T president. "She has hit the ground running and will be a tremendous asset to our team."

Barta and her husband, Brad, have two children: Coulson, 11, and Kynzie, 9. In her spare time, she enjoys golfing, attending her children's sporting events and being outside whenever possible.

Two Banks Come Together to Serve Local Market

Community Bancshares, Inc. (CBI), the parent corporation of Community National Bank, announced they completed the acquisition whereby BOTS, Inc. has become a part of Community Bancshares' Banking Organization. BOTS, Inc. is the parent company of VisionBank. Community National Bank (CNB) President and CEO Dorsey Hall said, "We are very happy to complete this transaction and have the professional team of VisionBank join our company. The leadership and board have operated a very successful bank. VisionBank will be a great addition allowing CBI/CNB to expand our Kansas family of customers. As we stated in our original announcement, we believe the culture, the customers and the staff of VisionBank fit into CNB's culture perfectly."

CBI plans to merge the two banks midyear 2022. Gary Yager, President/CEO of VisionBank, reiterated, "I personally take pride in this transaction as I believe it the best for both our customers, we work so hard for and our staff."

Alden State Bank Celebrates Retirements of Rowland, Frederick with Open House

The Alden State Bank celebrated the retirement of Tom Frederick and Janiece Rowland with an Open House Friday, Dec. 10. Alden State Bank President Todd Rowland shared

some history of the bank, noting that his grandfather, Fred L. Fair began working for the Alden State Bank as a cashier in December, 1939. He purchased controlling interest from J.H. (Jim) Fair in 1947 after returning from his service in World War II. Fair hired T.N. (Tom) Frederick March 1, 1958, after Frederick returned to Alden from his service in Germany.

Frederick started as an Executive Vice President and focused on lending and selling insurance through the Alden State Agency. He was awarded the prestigious Kansas Bankers Association "50 Year Club" in 2008. Since 2008, Frederick has been selling insurance through the Alden State Agency in Alden.

"Tom has always been a part of the Alden State Bank family and has been walking in and out of the doors in Alden for over 60 years. Tom's many hats that he wore at the bank and his decades of service to the Alden community on the city council make his knowledge of local history unparalleled," Todd Rowland said.

Janiece (Fair) Rowland started at the Alden State Bank in her youth, cleaning the bank with her sisters Sondra and Arlene. As she grew older, she would work the teller line in the summers and during school breaks. Janiece and her husband Chuck Rowland returned to the Alden community in August 1984 to run the Alden State Bank when Fred (and his wife Alma)

Continued on page 26

Continued from page 25

retired. Prior to returning to banking in 1984, Janiece Rowland had been a music teacher for 12 years in Wichita, Sylvia, St. John and Lewis. Janiece Rowland has been a Vice President and Board Director for the Alden State Bank for 38 years and will continue in her role as Chairman of the Board at the Alden State Bank.

Nichols Retires from Denison State Bank in Topeka

Bill Nichols, General Counsel/Assistant Compliance Officer from Denison State Bank in Topeka, retired December 30 after working there for the past nine years and having a well-established legal and banking career before then. He was elected a member of the bank's Board of Directors in December.

Holt to Retire from Union State Bank

On Thursday, January 23, a celebration was held to honor and celebrate Randall C. Holt's 42 years of service and retirement from Union State Bank in Fort Scott, KS. He held the title of EVP and started his career at the bank in Uniontown in 1979. He managed the Fort Scott branch from its opening in 1991 until his retirement in late 2021. Holt has held the role of security officer through the years and will remain the chairman of the Board of Directors of Union State Bank. We wish Holt the best in his retirement!

IN MEMORY

William R. Boese, Jr.

January 1, 1949 – December 28, 2021

Rick was born Jan. 1, 1949, in Gary, IN, to William R. and Delores (Simons) Boese, Sr.

Rick moved to Sterling to attend college; he fell in love with the rural lifestyle and stayed in the Sterling area. He graduated from Sterling College and Boulder School of Banking. In 1974, he married Elaine Butts in Sterling.

He started his banking career at Sterling National Bank, then Admire Bank and Trust in Emporia before moving to Osborne, where he became president of Farmers National Bank. He finished his banking career as CFO of United Bank and Trust in Marysville. Rick loved working with people and, as he would put it, "counting beans."

Rick enjoyed the outdoors, fishing, hunting, camping and boating. He liked visiting with friends and laughing.

Susan Leigh Salyer

September 24, 1956 – January 20, 2022

Susan Salyer was born in Topeka to Dale and Norma (Jacobs) Johnston and she graduated from Topeka High School in 1974. She recently retired from the Kansas Bankers Association after 11 years, where she was the Vice President of Employee Benefits. Prior, she worked at the Potwin Presbyterian Church as the Office Administrator and later for the TDC Learning Center as an Administrative Assistant. Susan was married to Rick A. Salyer and they celebrated their 45th wedding anniversary in 2021. Together, they have three children Tracy, Thomas and Trisha whom she loved very dearly. Throughout the years, Susan was very involved in her children's activities including PTO meetings, Girl Scouts and sporting events. She loved to bake and was known for her delicious pies with the perfect flaky crust. She always enjoyed crafting and crocheting. More recently, she became an avid quilter and gifted many of the quilts to friends and family. Her life always revolved around her children and grandchildren.

KANSAS BANKERS ASSOCIATION

EDUCATION CALENDAR

Conferences | Schools | Seminars/Workshops | Sunflower Webinars

March

- **2-3 - Kansas Ag Bankers Conference** - Manhattan
- **9 - Advanced BSA**
- **15, 17 - Account Documentation** - Virtual
- **16 - Deposit Compliance** - Virtual
- **24-25 - Women in Banking Conference** - Overland Park
- **29-30 - Tri-State HR Conference** - Overland Park

April

- **4-8 - School of Banking Fundamentals** - Manhattan
- **6 - Key Ratio Analysis: Calculating and Interpreting the Numbers Correctly** - Salina
- **7 - Basic Personal & Tax Return Analysis** - Salina
- **12-13 - Cybersecurity Update** - Hays, Lawrence
- **14 - Problem Loan & Bankruptcy** -Wichita
- **20- CRE** - Topeka
- **21 - CRE** - Wichita

May

- **10-12 - Operations School** - Lincoln, NE
- **11-13 - MOKAN Trust Conference -** Overland Park
- **18 - Advanced Financial Statements**
- **19 - Advanced Tax Returns**

Overdraft Overhaul

By Katie Harrison, BKD

Overdraft services are a standard banking product. Life happens, and thankfully, most banks offer an overdraft product to come to the rescue when you are on vacation and forgot to do a savings transfer, or transpose numbers when balancing your checkbook. The end of 2021 came with a cautionary tale for financial institutions from regulators: Overhaul your overdraft services or potentially face enhanced scrutiny.

History

This is not the first time the Consumer Financial Protection Bureau (CFPB) has conducted research related to overdraft programs. Shortly after its creation in 2011, the CFPB published a semiannual report in 2012 that highlighted the pitfalls and consumer woes related to account maintenance and overdraft programs. The report revealed general consumer challenges with financial services but specifically discussed consumer confusion concerning overdraft programs, alluding to complex parameters.

In recent years, there would be an enforcement action here or there related to overdraft fees. Many of these actions stemmed not from the products themselves but how consumers were sold or enrolled for participation in them. More recently, in 2020, TD Bank was found to be in violation of Regulation E as it related to overdraft fees for ATM and one-time debit card transactions and ordered to pay $112 million in fees.[i] In 2018, Minnesota-based TCF National Bank was in hot water for the same practices and was assessed $28 million in fees.[ii]

Regulator Research

The CFPB conducted research using call report data to determine overdraft and insufficient fees on bank revenue. It primarily looked at two data points:

1. Overdraft/NSF fee reliance since 2015
2. Checking account overdraft at financial institutions served by core processors

The first data point showed institutions with more than $1 billion in assets totaled $11.97 billion collectively in fees in 2019. Overall market revenue for these fees was $15.47 billion in 2019. The apparent problematic statistic for advocacy groups and regulators is that overdraft and nonsufficient funds fees account for about two-thirds of fee revenue for institutions, making banks heavily reliant on this revenue. The second data point looked at core processors and their data for smaller institutions, primarily data for 2014. This research found 92.9% of smaller banks and 60.9% of credit unions had an overdraft program with 13 to 19% lower fees than large banks.[iii]

Research Reactions

On Dec. 1, 2021, CFPB Director Rohit Chopra published prepared comments in conjunction with the published CFPB research. One comment emphasized that instead of being paid (in interest) for banks holding consumers' money, consumers now pay large banks for this privilege, primarily through account service charges like overdraft fees. Chopra went on to liken an overdraft fee to interest paid on a short-term loan, using the example of a consumer being charged a $34 daily fee for a day or two for the bank covering the small negative balance in their deposit account, and how that would equate to an annual percentage rate (APR) of more than 10,000% on a loan.

Chopra also said CFPB bank examiners will prioritize examinations of banks heavily reliant on overdraft fees, likely focusing again on call report data for this determination. "Financial institutions that have a higher share of frequent overdrafters or a higher average fee burden for overdrafting should expect us to be paying them close supervisory attention. Ultimately, we plan to inform institutions on where they stand relative to their peers with overdraft. We believe sharing that information will increase transparency and help against the race to the bottom we have seen in this market."[iv]

Industry Response

In response to the CFPB's claim to enhanced scrutiny into overdraft-related products, multiple large banks have begun slashing overdraft and insufficient fees or have drastically overhauled their overdraft products with more consumer-beneficial features. Here is a quick snapshot of some recent changes at large institutions:

Ally	No more overdraft fees
Bank of America	Overdraft fee reduced from $35 to $10 on debit card purchases with insufficient balances
Capital One	Complete elimination of all overdraft and NSF fees
JP Morgan Chase	No overdraft fee until account overdrawn at least $50; No fees assessed until after a full day to restore overdrawn balances
	Allow access to direct deposit up to two business days early
	No NSF Fees

Cutting fees in these programs may be more of a challenge for smaller institutions that do not have the diversified revenue streams that larger banks have. As your institution reviews its programs and procedures regarding overdraft protection and handling of insufficient funds, bear in mind the consumer protection regulations that may be applicable:

- Regulation B – Equal Credit Opportunity Act
- Regulation E – Electronic Fund Transfer Act
- Regulation V – Fair Credit Reporting Act
- Regulation Z – Truth in Lending Act
- Regulation DD – Truth in Savings Act
- Third-Party Oversight
- Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)

This article is for general information purposes only and is not to be considered as legal advice. This information was written by qualified, experienced BKD professionals, but applying this information to your particular situation requires careful consideration of your specific facts and circumstances. Consult your BKD advisor or legal counsel before acting on any matter covered in this update.

[i] *Consumer Financial Protection Bureau Announces Settlements with TD Bank for Illegal Overdraft Practices, August 20, 2020, https://www.consumerfinance.gov/about-us/newsroom/cfpb-announces-settlement-td-bank-illegal-overdraft-practices/.*

[ii] *Bureau of Consumer Financial Protection Settles With TCF National Bank, July 20, 2018, https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-settles-tcf-national-bank/.*

[iii] *CFPB Research Shows Banks' Deep Dependence on Overdraft Fees, December 1, 2021, https://www.consumerfinance.gov/about-us/newsroom/cfpb-research-shows-banks-deep-dependence-on-overdraft-fees/.*

[iv] *Prepared Remarks of CFPB Director Rohit Chopra on the Overdraft Press Call, December 1, 2021, https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-cfpb-director-rohit-chopra-overdraft-press-call/*

Katie Harrison, J.D., CRCM, Director

The Fed's Balancing Act for 2022

By Jeffrey F. Caughronhe, Baker Group

On the first trading day of 2022, the U.S. 10yr Treasury Note yield jumped above 1.60%, then traded up another 10bps in the two subsequent sessions. That was a 35bps increase in two weeks and aligned with a similar move higher for market measures of inflation expectations. The bond market hadn't seen a worse start to a year since 2009. It seems the market is entering the new year with the same concerns and uncertainty that plagued it for most of 2021, but with greater urgency. We've seen this movie before, though, and it's clear that policymakers and investors alike need to carefully assess the strength and staying power of an inflation environment that's unusual but not so transitory.

Typically, an inflationary impulse arises late in an economic cycle and is driven by an overheating economy where everything is maxed out, hitting on all cylinders, and strong demand is pulling up the general price level. That is not really what's happening now. Instead, we're dealing with "supply shock" inflation, where COVID-induced shutdowns produce bottlenecks and sclerotic trade flows. Dockworkers, truck drivers, processing personnel and other critical points in the supply chain are working with reduced staffing and capacity, causing ripple effects throughout the system. So, are rate hikes and tighter monetary policy the correct medicine for "supply shock" inflation as is normally the case with "demand-pull" inflation? Or might a higher cost of borrowing just exacerbate the supply chain disruptions?

Former Treasury Secretary Lawrence Summers recently warned of a trying period for the US economy in coming years with a risk of recession followed by "stagnation." He fears that "we are already reaching a point where it will be challenging to reduce inflation without giving rise to recession." Fed decision-makers are all too aware that if they move too aggressively and inflation really is just a matter of temporary supply chain problems, they run the risk of creating recession to little purpose. The Fed needs to go slow if the inflation trend is truly benign. Still, if it has deeper, more fundamental roots, too gradual a policy would allow inflationary psychology to become embedded in the economy, risking a wage-price spiral, pushing households and firms to get ahead of assumed cost increases and resort to stockpiling. That's the Summers worst-case scenario: a return to 1979.

There can be no question that the Fed is right to accelerate the "tapering" and stop pumping liquidity into an over-liquified banking system. In their zest to prop up the economy way back when COVID was new, they characteristically overdid the job, creating way too much cheap money, distorting financial markets, and fueling asset price bubbles in speculative assets that pose serious risks going forward. The quantitative ease needs to stop. That's the easy part of the Fed's task. The hard part is subsequently determining when and how fast to raise rates.

The flattening yield curve reflects the dangerous waters the Fed must navigate. Short-term yields have risen commensurate with the expectation of multiple rate hikes. All members of the FOMC now see at least one, and some see as many as four hikes in 2022. Longer-term yields, though, have behaved differently. Despite the new year's jump, the 10yr yield remains below its March 2021 high of 1.75%. That may change, of course, but the fact that yields in the long end have moved so slowly up to this point has allowed the yield curve to flatten and belies genuine concern about growth going forward. The Fed is indeed walking a tightrope. Let's hope they're able to keep their balance.

Jeffrey F. Caughron is Chairman of the Board with The Baker Group. Caughron has worked in financial markets and the securities industry since 1985, always with an emphasis on banking, investments, and interest rate risk management. Contact Jeff at 800-937-2257 or jcaughron@GoBaker.com.

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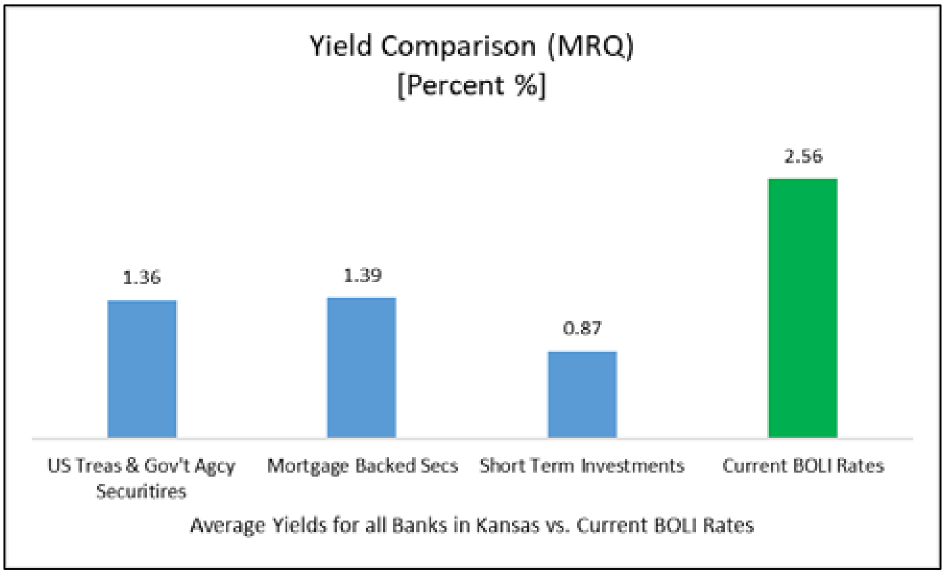

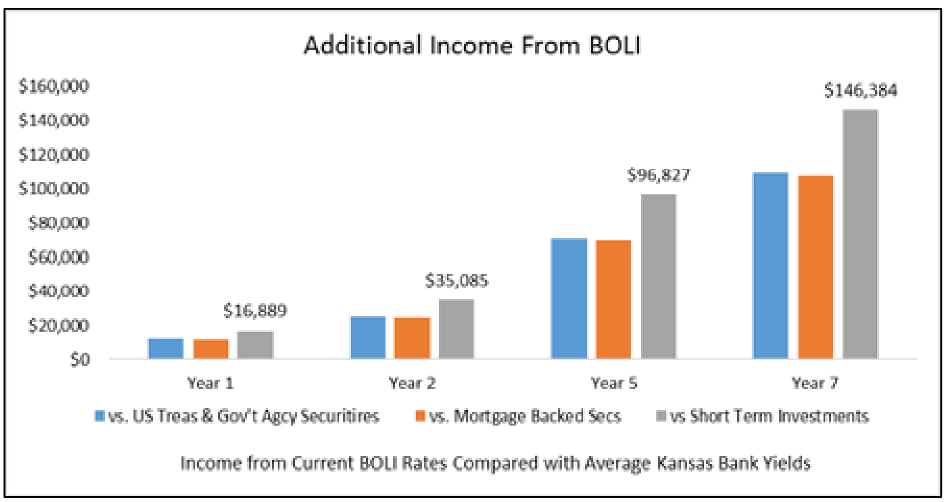

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