theBHCA.org — Summer 2024

Bank Owner

Bank Holding Company Association Magazine

Destination: Success

Spring Seminar Coverage









U.S. needs to reverse dwindling *de novo* pace

BHCA President sees problems as opportunities

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Bank Owner

Summer 2024

The Bank Holding Company Association exists to provide education and business connections critical to the vitality of bank holding companies.

Founded in 1981, the BHCA welcomes Members from around the country. Holding companies of all sizes from throughout the Midwest make up a majority of the current membership. Companies that serve bank owners, their holding companies and banks, are welcomed as Associate Members.

The *Bank Owner* magazine is the quarterly publication of the BHCA. The magazine is your best source for BHCA information, including upcoming events. Members receive the magazine in the mail and have access to an online version at theBHCA.org. Managing Director Tom Bengtson serves as editor. Contact him at (952) 835-2248 ext. 101 or email us at Tom@thebhca.org.

ON THE COVER:
Scenes from the
2024 Spring Seminar

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CONTENTS

Columns:

President's Observations:
Thanks for making it a great Spring Seminar 4
By John Healey

Down to Business:
What can be done to spur creation of new banks? 5
By Tom Bengtson

Profile:
BHCA President John Healey sees problems as opportunities 6
By Jackie Hilgert

Spring Seminar Coverage:

Banks urged to account for CRE downturn 8
How to manage the changing face of followership 9
Liquidity source at risk through FHFA tinkering, Williams says 10
Data is key to NIM growth in today's interest rate environment 11
Fintech partnerships still hold promise, despite regulatory scrutiny 12
Do ESOPs live up to the hype? It depends, say experts 13
Economic conditions mixed, weaker than portrayed 14
Open banking poses benefits, risks 15
Rate environment complicates loan pricing 15

Seminar Coverage by Mara Gawarecki, Jackie Hilgert and Sam Wilmes
Photos by Catherine Bengtson

Departments:

Associate Member News 16
Holding company transaction report 18

New to BHCA

The Bank Holding Company Association is pleased to welcome two new holding company members:

First State Associates, Inc.
- Don Nolan, President
- Cam Becker, Vice President
- Jodi Eich, Treasurer
- Tony Lauters, Secretary

Rivers Edge Bank
Marion, S.D.

Security Agency
- Ben Grimstad, President/CEO
- Dawn Muhlbauer, CFO

Decorah Bank & Trust
Decorah, Iowa

See page 17 for new Associate Members.

Thanks for making it a great Spring Seminar



By John Healey
Crown Bankshares
Edina, Minn.

I hope you enjoyed the BHCA Spring Seminar. I think it was one of the best BHCA seminars I have attended. Some of the highlights for me included the economic summary presented by Bell Bank's Greg Sweeney, the leadership presentation from Robb Rempel of Haberfeld, the candid hard-hitting comments from consultant Don Musso, and the two banker panels, one on potential changes coming to the Federal Home Loan Banks, and the other on innovation. There was a lot more, including three breakout sessions, excellent networking, and a presentation by Jack Stahlmann who closed our event with some important thoughts presented in an entertaining manner.

If you weren't at the seminar, I encourage you to read the coverage of many of the sessions in this magazine. And, I also invite you to mark the dates for next year's Spring Seminar, which will take place at the Westin Galleria Edina Hotel on May 5-6, 2025.

The 2024 seminar was a week earlier than it is typically scheduled, and that put us head-to-head with other industry events but we still had strong attendance – well over 200 participants. This includes some 25 people who joined our event to be part of our awards luncheon on Tuesday. I was honored to be a part of that event as one of the people who presented many of the awards. I always find it encouraging to meet so many of our industry leaders and some of our future leaders.

This was our third seminar conducted at the Westin Galleria Hotel in Edina, Minn. I think the facility and the BHCA make a perfect match. The venue is just the right size for our group, and it is located so well, near restaurants and stores. Plus the parking is easy with a free ramp right next door.

BHCA partners with SRM

The BHCA has recently formed a partnership with Strategic Resource Management, which helps banks negotiate market-rate contracts with key industry vendors. The Memphis, Tenn.-based firm specializes in payments, operations and technology. Using inside expertise and proprietary benchmarking data, the firm has assisted more than 1,000 financial institutions on more than 8,300 projects.

My organization, Crown Bankshares, has already met with them and we look forward to learning how we might be able to benefit from their expertise. We like their fee structure, which is based on the amount of savings they are able to generate for the client.

SRM could become a tremendous benefit for BHCA member organizations if they take advantage of it. For more information, I suggest contacting BHCA Managing Director Tom Bengtson at Tom@theBHCA.org and he can provide more details.

Community banking remains vitally important

I think every holding company member of the BHCA can safely be called a community bank. To paint the picture, about ten members have assets of $100 million or less, 65 have assets ranging from $100 million to $500 million; about 35 have assets ranging from $500 million to $1 billion, and about 25 members have asset of more than $1 billion.

We all know the advantages of doing business with a community bank. On our bank's website, we promote the things we do that separate us from the super-big impersonal banks, things like providing personal service, investing in the community, making decisions quickly,

President's Observations, *Continued on page 17*

2024 BHCA BOARD OF DIRECTORS

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What can be done to spur creation of new banks?



By Tom Bengtson
BHCA Managing Director

Over the years I have written many times about the importance of a robust credit allocation system to the success of this country. People thrive when they have options for approaching lenders with ideas for innovation and business expansion, or more personal investments such as home improvements and major purchases. A culture stagnates when it loses options for tapping credit. This is why the decline in the number of banks is worrisome.

We all know the number of banks in this country is declining; There were some 18,000 banks in the United States when I first started writing about the industry in the mid-1980s. As you know, today the number is just over 4,000. As recently as 2016, we had more than 5,000 banks in the country; and 1994 was the last year the number of charters topped 10,000.

The reason for the decline is the diminishing number of new banks that are being started. It is true that mergers and acquisitions contributed to the issue, but the number of deals, historically, is relatively constant; in recent years the number of deals has been lower than historical norms. And, sales are important since few people would buy a bank if they knew they couldn't ever sell one. So it isn't the deals that are causing the problem, it is the small number of new charters being formed.

Last year, there were nine new bank charters insured by the FDIC. There have been 65 new charters in the last 10 years. Keep in mind that prior to the financial crisis of 2008, we frequently saw more than 100 new banks formed per year – 176 in 2007, 190 in 2000, 232 in 1999 and 145 in 1996.

A lot has changed in the last 16 years that makes it much more challenging to start a bank today. The challenges all equate to more money. There are existing bank charters available today that can be purchased for less than the capital regulators require to start a new bank. I applaud the people behind today's *de novos*. They are taking on a herculean task.

Obviously, the large number of regulations imposed on all banks – including new ones – requires more money to address. My hunch is, newer banks might be able to operate soundly without tending to all the rules well-established banks need to honor. This might lower the cost of starting a bank, give it a chance to grow a little and get some traction. With five years or so of history, a new bank might be more prepared to take on additional rules and regs, and be more likely to have the earnings to staff up in the name of compliance.

This question of what can be done to lower the cost of new bank start-ups is very important. What can we, as industry advocates, do to rekindle an environment conducive to *de novos*? I have been thinking about this a lot and I invite you to join me.

Please give this question some serious thought, especially if you have been through the bank start-up process. Think about what it was like and what could be done to make the process easier, less costly, without adding undue risk to the bank's operations. If you have thoughts on this topic, please contact me and let's have a conversation. This is a long term challenge that, I believe, is worth our energy. For the sake of our country's well being, we need to figure out a way to maintain a robust pipeline of new banks. ■



Bankers honored for board service

The BHCA is governed by a board of directors made up of 10 bankers. Every year, two or three bankers join the board as an equal number concludes their service. At the recent Spring Seminar, the BHCA honored Tim Siegle of Ameri Financial Group, Lino Lakes, Minn., and Rick Wall, Highland Bancshares, Minnetonka, Minn., who both concluded seven years of board service on Dec. 31, 2023. They are pictured here with BHCA President John Healey, Crown Bankshares, Edina, Minn., and BankBeat Editor-in-Chief Mara Gawarecki. ■

BHCA President John Healey sees problems as opportunities

By Jackie Hilgert

John Healey neither thinks, acts nor looks like a man at 60. He races cars. He does pilates. He skis; he runs; he follows the latest research on diet and nutrition. The former high school track star has also set his sights on winning the Master's triple jump in his age class. "My goal is to stay as mobile as I was when I was 21," said Healey, chair of Edina, Minn.-based Crown Bankshares, Inc., and 2024 president of the Bank Holding Company Association.

The vitality Healey embodies is evident too at the 24-year-old Crown Bank, which came off the blocks strong as a member of the *de novo* class of 2000, but stumbled through its "adolescence."

Healey, a math wunderkind who has been part of the bank's family ownership since its inception, has applied his energy and vision to the bank during some of its most challenging days. Since stepping in as chair in 2018, Healey has designed a transformation at Crown based on values, a vision for growth, and exceptional credit quality. The leadership challenge he embraced to accomplish this all, well Healey called that "fun."



John Healey was named Chairman of Crown Bankshares, Inc., in Edina, Minn., in 2018. Crown Bank was part of the *de novo* class of 2000.

The 'go-go' beginnings

Crown Bank was part of a wave of *de novos* formed in the decade leading up to the Great Recession. Some have called the era "the go-go" years of banking. "We were tied for the fastest-growing bank for the first seven years of our existence," Healey said. Then came 2008, and everything changed, for everybody.

Crown Bank was formed by Healey's father, Thomas Healey, and other members of the Healey family. Thomas Healey had been involved in banking in the 1970s, and had served as president of Bank Windsor in the 1990s. The elder Healey was also a partner in the Healey Ramme Company, a multi-family housing development and property management firm that developed notable Twin Cities properties such as the Promenade in Eagan, Southfork in Lakeville, Southwinds in Burnsville, and The Conservatory in Minnetonka.

John Healey's first job after earning an MBA in Finance from the University of Minnesota's Carlson School of Management was at Healey Ramme company. With a head for numbers and armed with a real estate broker license, which he retains to this day, the role proved to be the right fit. "Having a commercial real estate background like that, in large, multi-family, gave me a real understanding of how a developer thinks and how a borrower thinks," he reflected.

Healey spent a little more than a decade at Healey Ramme, managing a portfolio of more than 2,000 units, a staff of more than 130 people, as well as a $2 million public and private equity portfolio. He also maintained lender relationships.

The insights Healey gained on the developer's side of the table would prove invaluable to him later when he assumed a role in commercial banking. Construction lending and equity financing are featured prominently among the bank's range of commercial loan products. "Working in it, and being around and networking and knowing so many commercial real estate people over the years, it dovetails nicely with one of our largest loan concentrations," Healey said.

While today's CRE environment is rattling some regulators, Healey said he's "very comfortable with our loan portfolio because we believe we've carefully chosen our sponsors and sponsor borrowers that have the experienced track record, high integrity and financial wherewithal to weather and navigate an entire real estate cycle."

Success is in the choosing

When troubles have found Crown Bank, they were never of Healey's choosing. It took the bank roughly five years to recover from losses suffered as a result of the real estate market collapse that began in 2008. "We had really, really difficult times and losses," Healey said.

Once the bank had regained its health, it lost three of its top six executives simultaneously. In 2018, its CEO, a top producer, and two senior loan officers left for a competitor bank. Over the ensuing six months, "we lost about 15 to 20 percent of our business," Healey said. Losses aside, equally challenging was the void that opened at the top. "Employees were wondering 'who's running the bank?' And we had to assure our customers also."

The Healey family never wavered in their commitment to Crown Bank, however. John embraced the turnaround opportunity as a challenge, perhaps even a calling. "It was really enjoyable to create a new vision and agree upon some new values, such as integrity, character, expertise, customer service and nimbleness, among others," he said.



Healey works with Jeff Wessels, who was promoted to Crown Bank President and Chief Operating Officer in 2019. He joined the organization nearly 23 years ago.

Healey stepped into the chair's role and Jeff Wessels, who had been chief financial officer, was elevated to president and chief operating officer. "I'm grateful for Jeff Wessels' leadership, which has been a key ingredient in our success," Healey said.

Soon, the bank was headed in the right direction. When talking with potential customers, they didn't shy away from using the term "partner," understanding that the foundation of their success is built upon their customers' successes. They launched a public relations campaign to help tell their story and they focused on the fundamentals of relationship banking.

Crown also focused on hiring bankers who would embrace its values. "We set off to hire one-third new team members, and we were careful and diligent with who we hired," Healey said. "A business will attract the type of customers who are similar to the people who work in the business."

They chose carefully, and still do. In a tough hiring environment, the bank utilizes industry-specific recruiters and goes to lengths to articulate its new story. Top candidates are paired with current employees so people coming in can taste and feel the culture. Getting the right people took time. Years.

"I'm really proud of the team we've got, and their efforts," Healey said. "I wouldn't want anybody else working at Crown other than who we have on our team." And though Healey said he trusts his HR team and executives implicitly when it comes to adding staff, to this day he signs off on every single hire.

Always a numbers guy

When attending BHCA Spring or Fall Seminars, the numbers in the room add up to important connections. "I have just enjoyed meeting the wonderful top-notch people" through the BHCA, Healey said. "You can't put a price on networking and relationships. It's just so valuable."

The BHCA's regional membership, especially, provides Healey, a Twin Cities native, access to bank executives and owners/directors who are active in other markets, which also leads to new and valued connections.

The ability to cultivate new relationships, and gain wisdom from new connections, is a byproduct of leadership. "I love leadership. I love serving and I love creating."

With a skillset as diverse as his, math remains Healey's top ability, which means finance is a comfortable place to call home.

Complex concepts such as economics are fodder for Healey's mind, which is as active as his body. For fun, he likes to follow and predict the trajectory of the economy. "If one applies the correct lens to it, it's not very hard to understand," Healey said. "There are economic cycles that have their way and occur over time that cannot be influenced by government or geo-political action." That gives him optimism about 2024 not being bogged down by recession.

Healey was admitted into Mensa International in 2016, where admittance hinges on scoring in the top 2 percent of the generalized population after completing a standardized intelligence test. When Healey took the Mensa exam, he scored 100 percent on the math section. "It's a hard test," he said. "Nobody's supposed to even finish a section on that exam." Healey finished it early. ■

Banks urged to account for real estate downturn

By Sam Wilmes

Banks must account for the downturn in the commercial real estate market by eliminating loan policy exemptions and changing underwriting standards, FinPro President Don Musso said April 30 at the Bank Holding Company Association Spring Seminar in Edina, Minn.

Addressing community bankers, Musso cited loan policy exceptions as the No. 1 reason loans go bad and called on bankers to write such exceptions into their existing loan policies. Musso's comments came as $1.5 trillion of CRE debt is expected to come due in the next three years, according to Morgan Stanley. Much of that isn't expected to roll over and could cause prices to fall 40 percent, Musso noted. Two-thirds of those loans are held by regional banks.

Musso expects banks in urban markets will face closer scrutiny on their CRE holdings, requiring them to ensure those loans cash flow. If they do, Musso said they can be underwritten as a C&I loan and avoid being labeled a criticized or classified asset.

Mixing humor with his serious broader message during the hour-long address, Musso said banks are well-positioned for an economic downturn and will have a strong second half of the year. Banks have record levels of capital, with Tier 1 ratios averaging more than 10 percent and risk-based capital ratio more than 14 percent. "We can manage that," Musso said of the potential downturn. "We have more capital than God. Even if there is an economic disturbance, we can withstand that."

He said regulators must account for the need of banks to instantly access funding sources, more than a year after the spring 2023 failures of Silicon Valley Bank, Signature Bank and First Republic Bank were attributed to runs on deposits. Musso said on-balance sheet liquidity is no longer a significant consideration as banks instead prioritize borrowing through the Federal Home Loan Bank System or Federal Reserve.

Musso called on the Federal Home Loan Bank System to provide day one liquidity for troubled banks by instituting a late cutoff for term advances equal to the Federal Reserve Bank, or at least 5 p.m. local time. "What matters is, what you have in your Fed master account and whether you can get into that Fed master account quickly," he added.

Musso said regulators are prioritizing risks surrounding credit, liquidity, capital, cybersecurity and fair lending under the Community Reinvestment Act. He advised bankers to include pledged but unencumbered securities as a source of on-balance sheet liquidity and add term structured deposits at the discount window. Banks are also advised to make available contractual term deposits such as brokered deposits; improve and standardize liquidity ratios by measuring liquidity against non-contractual maturity deposits; and implement new stress tests and assign appropriate windfalls.

Musso also presented an overview of examiner expectations. They want the majority of a bank board to be independent with a diversity of opinions, experience and ownership. Examiners are seeking sufficient board training; succession and strategic planning; and self- and whole-board assessments. Examiners no longer want 'yes' boards, he noted. Corporate governance is now a top priority regulatory issue, he added. Musso advised banks to conduct a corporate governance review and tell examiners when they are fully informed.



Don Musso, president of FinPro, told bankers the industry is well capitalized and that banking can withstand nearly any economic disturbance.

"If you are doing good strategic planning, you are probably going to be OK," Musso added.

Dramatically, Musso predicted a half-dozen or so banks would fail in the coming weeks. Musso's presentation came only four days after Philadelphia-based Republic First Bank became the first bank to fail in 2024. The bank was shut down by Pennsylvania's bank regulator, with the FDIC seizing control of the institution.

Musso said there are 52 troubled banks in the United States and $66 billion in troubled bank assets. Musso said the troubled banks were identified by an internal FinPro platform relying on public data to run reports on any bank in the United States. He claimed the platform identifies problems faced by a bank along with how regulators will respond to the issue. Using artificial intelligence, FinPro then weighs each problem on a 0-100 scale, with 100 signifying a "death knell," Musso said.

Musso said he expects to introduce a community bank shared risk pool soon allowing banks to pool their money to buy the uninsured deposits of any failed bank. ■

How to manage the changing face of followership

By Mara Gawarecki

The changing nature of today's employees means that traditional models of leadership will need to be reworked, said Robb Rempel at the BHCA Spring Seminar on April 29.

Almost two-thirds of respondents to a 2022 Gartner survey said their attitude toward the value of aspects outside of work had shifted in the wake of the pandemic. About the same number of respondents said they had rethought the place of work in their lives. Just over half said it made them want to contribute more to society.

These shifting attitudes will require a new approach to workplace leadership, said Rempel, an executive vice president with community bank consulting firm Haberfeld of Lincoln, Neb.

While some bosses might produce desirable results, that doesn't make them the kind of managers employees want to work for. "What most people find is it wasn't some specific thing they did," Rempel said. "It's how it felt to work for them."

The ability to manage finances and logistics is increasingly seen as table stakes for the C-Suite, Rempel said. Instead, social skills and the ability to manage people are emphasized in executive job searches.

A 2023 McKinsey report found that employers were focused on the transactional aspects of the workplace experience — compensation or work-life balance, for example — while employees wanted a greater emphasis on relationship factors. Among the top reasons employees gave for quitting were not feeling valued by the organization or by their individual managers and not feeling a sense of belonging at work.

"An employee's motivation is a direct result of the sum of interactions with his or her direct manager," Rempel said. "There's no more important role in your organization than those who lead people, no matter the department or area."

Bankers should take a look at the leadership section of their bookshelves, Rempel urged. If it's dominated by tomes from the 1990s or earlier, they should update their libraries (see list of suggested reading). Rempel particularly recommended that bankers read "The Three Signs of a Miserable Job" by Patrick Lencioni and learn from it. Those signs are anonymity, immeasurement (a word Lencioni coined, meaning an inability for the worker to tell if they're growing or improving) and irrelevance.

Leaders should focus on three different ways to combat those things, Rempel said: A higher calling, a common cause and meaningful connections.

Most companies can describe what product or service they sell, but can't describe the reason behind it. "Does what I do every day make any difference at all to anyone in the world?" Rempel said employees now ask themselves.

Rempel contrasted the approaches of IBM and Apple: IBM focused on the product they were selling while Apple built an identity that informed everything they did. Apple provided a sense of purpose and a pitch to be part of something bigger than a physical product alone, Rempel said. "That's why you will still see Apple stickers on people's car windows," he said. "And you've never seen an IBM sticker in somebody's car window, have you?"

Bankers should ask themselves why their particular institution exists: "Is our focus on making money from customers or is our focus on serving customers well?" Make sure employees in the

Face of Followership, *Continued on page 14*



Robb Rempel of Haberfeld, Lincoln, Neb., offered insight into today's new hires. They are more interested in how the work makes them feel, he said, than they are in what they are doing.

Rob Rempel's workplace leadership reading list

- The Three Signs of a Miserable Job, *Patrick Lencioni*
- Start with Why: How Great Leaders Inspire Everyone to Take Action, *Simon Sinek*
- Good to Great: Why Some Companies Make the Leap... and Others Don't, *Jim Collins*
- Daring Greatly: How the Courage to Be Vulnerable Transforms the Way We Live, Love, Parent, and Lead, *Brené Brown*

Examples of outdated leadership thought:

- Iacocca: An Autobiography, *Lee Iacocca*
- It Doesn't Take a Hero, *Norman Schwarzkopf*
- Winning, *Jack Welch*

Liquidity source at risk through FHFA tinkering, Williams says

By Jackie Hilgert

With the future of the Home Loan Bank system under the microscope from the Federal Housing Finance Agency, FHLB-Des Moines President and CEO, Kristina Williams brought a message of measured alarm to bankers attending the BHCA Spring Seminar. Williams, supported on stage by three bankers who serve on the FHLB-Des Moines board, laid out a list of concerns as its regulator reviews and proposes tweaks to the System in advance of its centenary.

The proposed changes stem from an initiative begun in 2022 as the System marked its 90th year. What has resulted is a 142-page report titled, "FHLBank System at 100: Focusing on the Future."

Williams summarized five aspects of the report's numerous recommendations: 1) A proposed requirement for members to devote at least 10 percent of their assets to housing, rather than simply meeting that threshold upon membership application; 2) A measure to limit large debt issuances; 3) a desire to strengthen risk management and credit worthiness evaluations; 4) revising the definition of long-term advances to anything more than one year as opposed to the current five years; and 5) increasing the minimum Affordable Housing Program contribution, currently set at 10 percent.

At a time when banks have become increasingly reliant on wholesale funding, the proposed changes threaten industry liquidity, a core benefit that banks derive from FHLBank membership, Williams said.

"Does anybody remember a liquidity crisis in March of 2023 where a few banks got shut down?" Williams asked. "I do too. These were some busy days."

With depositors chasing high returns and the resultant loss of core deposits, the timing couldn't be worse for the banking industry to have the FHFA tinkering with a major source of wholesale funding.

Calling the FHLBank system a stabilizing force in the financial system, Williams recounted recent events where the rubber hit the road in meeting the industry's liquidity needs: "We were the first ones in the global financial crisis or when Covid hit or last March, that pumped money into our member institutions when it was needed. Other sources came later, but we were there and were the first responders."

Williams said the FHLBank system has provided for the industry's liquidity needs since its inception, and "never had a loss on a loan to any one of our member institutions.

"And by the way, our advance volume, our loans to our members, was up 350 percent last year," Williams added. "We expand and contract as our members need us to."

In the March/April 2023 timeframe as the trio of banks failed, others experienced "a liquidity crunch and deposits went running as it started on the West coast," Williams recounted. "But the Home Loan Bank System actually funded $675 billion in advances in that first week. That's a lot of loans to our members across the United States. We raised $90 billion on the Monday following SVB's failure and $300 billion of new money, which was not expected, in the two weeks immediately following."





Top: Kristina Williams, President of the Federal Home Loan Bank of Des Moines, urged bankers to watch for potential changes coming to the FHLB system.

Bottom: Joining Williams, starting second from left, are: Teri Keegan, Scale Bank, Minneapolis; Steve Bumann, BankWest, Pierre, S.D., and Jeff Plagge, Northwest Bank, Spencer, Iowa.

In addition to the FHFA's tinkering with the system as a whole, its focus on shoring up risk management is raising eyebrows. Panelist Jeff Plagge of Spencer, Iowa, who has spent his 40-year career in Iowa community banking, and recently concluded a stint as Superintendent of Banking for the State of Iowa, expressed concern: "I'm used to regulators and I was one for four years," said Plagge, a director at Northwest Bank of Spencer. "This is a different type of regulation. My biggest concern is to make

sure they don't start duplicating what all of us already have through our bank regulators ... in areas that just don't need to be duplicated."

"As bankers we're familiar with regulation," said panelist Steve Bumann, chief investment officer at BankWest in Pierre, S.D. "I would say that our examiners are pussycats compared to the FHFA. They are very aggressive and intrusive."

Without stating it implicitly, the FHFA's recommendation that the System ought to double, or more, its investment in affordable housing comes on the same political winds as other recently proposed reforms. Because the head of the FHFA is part of President Biden's Cabinet, the entire proposal could be shelved with a new administration. That's the theory, at least.

The FHLBank commitment to affordable housing is Congressionally mandated at 10 percent, Williams said, and manifests in one of two ways: Down payment assistance and affordable housing grants. With the latter, "there's a lot of paperwork and maintenance to maintain as those projects go forward," Williams said. "Instead of having more required regulation and paperwork, we'd prefer to do voluntary programs. Last year we did 5 percent of our net income in voluntary programs."

The two programs combined were "very impactful for families trying to get their first home," Williams said.

The System's affordable housing grant program is working very well as is, said Teri Keegan, EVP/CFO of Edina, Minn.-based Scale Bank. "I think [the System] has issued $7.6 billion in affordable housing grants since 1990." Keegan's concern is rooted in the FHFA's shift in focus. "Liquidity has always been at the forefront," she said, "and I'm worried a little bit that if we blur too much between more than one priority, we're going lose something along the way."

"Liquidity serves a different purpose for all of us," Plagge added. "We're funding small business loans, ag loans, everything else ... but if you don't have jobs in your community, you don't need a lot of housing in your community."

Clearly, the FHFA wants to provide clarity for the FHLBank system, Williams stated. "We think they'll do that through a rule making process, but we don't know what it's going to say. They didn't talk to the home loan banks at all. They went around and talked to everybody else. So exactly what it's going to say, we're not sure."

That leaves the System, and the industry that relies on its resources as an important source of liquidity, in an uncomfortable place.

Williams relied on panelists' board experience with the Des Moines bank and their own industry cred, to deliver a call to action: "If they're doing things that are going to disrupt the business of community banking, and it's very possible that they could, we may need you to contact them, and your legislators in D.C., because they can maybe circumnavigate some of this," Bumann said. "We may need your help." ■

Data is key to NIM growth in today's rate environment

The data-driven discipline of growth provides the path to efficient net interest margin growth, Dan Marks told attendees at the BHCA Spring Seminar. Understanding customer needs and wants through data allows bankers to identify opportunities and act on them.

The trade-offs between volume and margin are real, and bankers must find the right balance between volume and cost of funds, said Marks, a strategist with SRM Account Boost. Bankers should be wary of over-paying for new money, focusing instead on cross-selling opportunities.

Data-driven strategies will be key to a winning plan. "If we understand individual customers or individual segments, [understand] customers' differences in their likelihood to buy," Marks said, "we can actually craft a winning portfolio strategy that doesn't overpay for any particular segments."

Marks urged his listeners to focus their efforts on large depositors, meeting their needs to cement the relationship: "Every bank that we've analyzed has somewhere between 90 and 96 percent of their deposit balances funded by high depositors."

Based on analysis, bankers can build data-driven, financially accountable marketing that should be a key growth driver. That will lead to messaging tailored to customers' needs, yielding better results. "Usually there's hundreds of millions of dollars available to community banks to generate attractive net interest margin by just being more targeted and more thoughtful using data," Marks said.

Community bankers should consider whether they want to compete with the largest banks on rate — vying for those people most likely to move their money at the slightest hint of a better yield — to chase volume or prioritize a smaller number of customers who are more likely to be swayed by other elements.

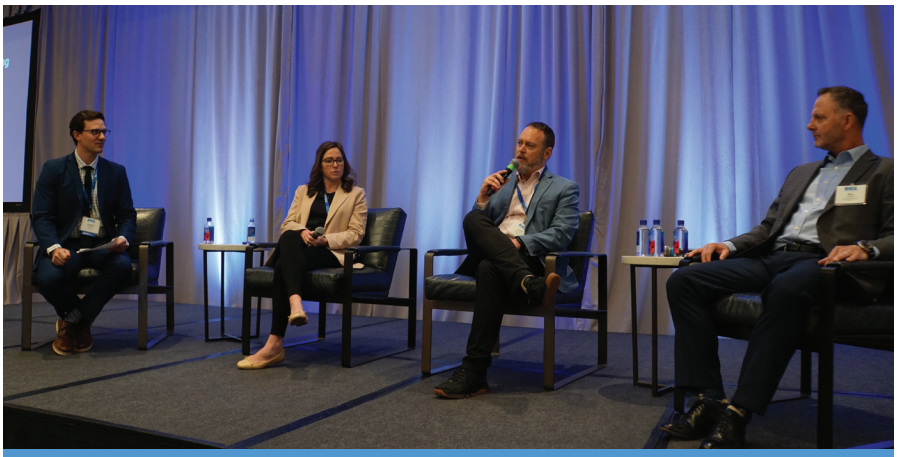
"The best retention tool is proactively building relationships," he said. Repricing risk is real but "hoping that customers don't react or don't wake up or don't shop is not a terribly effective long-term strategy for growth," he said. Rather, bankers must find positive ways to use data to motivate buyers and create loyalty in current customers. ■

— Mara Gawarecki

Fintech partnerships still hold promise, despite regulatory scrutiny

By Mara Gawarecki

Despite a recent crackdown by regulators, fintech partnerships and other digital innovation efforts can still be worth the heightened scrutiny and higher compliance and risk-management burden. That was the message delivered by a trio of bankers — two from Missouri, one from Iowa — on a panel at the Bank Holding Company Association Spring Seminar. Michael Flaxbeard, a partner at FORVIS, served as panel moderator.



Melissa Eggleston, nbkc bank Kansas City, Mo., and Chris Bornheimer, Bank of Orrick, Mo., share insights into banking as a service, while Ben Grimstad (far right), Decorah Bank & Trust, Decorah, Iowa, describes his bank's virtual branch. Micheal Flaxbeard (far left), FORVIS, moderated the discussion on innovation in community banks.

The group spoke of their institutions' experiences in the banking-as-a-service space and other digital initiatives. Their take was generally positive about the current state of innovation and bank-fintech partnerships. Chris Bornheimer, president and CEO of Bank of Orrick, Mo., described his institution's partnerships, which include BaaS and lending-as-a-service. The $100 million Bank of Orrick has benefited from increased regulatory clarity and consistency, he said.

Bornheimer contrasted the current outlook with a "wild west" situation when the bank started exploring the space in 2018: "There wasn't any guidance from regulators. They all treated it differently."

Melissa Eggleston, chief deposit and operations officer at nbkc bank in Kansas City, Mo., was similarly unfazed. She stressed the importance of third-party risk management along all risk vectors, but emphasized the connection with the fintech partner which underlies those things. "With some of the enforcement actions or public consent orders, you'll see it's all about the bank not having proper oversight and not having a connection with their partner," she said.

Eggleston's $1.1 billion institution got its start in nationwide account opening (for both consumers and small businesses) as a way to fund its mortgage department. The bank also has about a dozen BaaS partnerships, which also started as a way to gather deposits. Early going could be a slog as they learned the ropes and scaled up in 2016 and 2017, she said. "I took some licks at the board meetings talking about why we should continue to do it," she said. "That's been a great win. It's surpassed any of our local branch assets."

The third panelist, Ben Grimstad, president and CEO at Decorah Bank & Trust in Iowa, added a cautionary note about matching the bank's risk appetite to the activities undertaken. Grimstad's bank hasn't engaged in BaaS activities, but it did launch a digital-only branch focused on lending and deposit gathering around solar energy. Greenpenny Bank, which is a virtual branch of the $709 million Decorah Bank & Trust, lends to various solar projects in five states (Iowa, Illinois, Minnesota, Missouri and Wisconsin). When describing downsides, Grimstad highlighted the confusion different names on advertising compared to official paperwork can provoke in consumers. "We maybe should have thought about spinning this off into its own entity, but we didn't do that," he said.

After launching its digital account-opening feature to a nationwide audience to help gather deposits to fund the loans, Grimstad and his team realized they had underestimated the work needed to comply with 50 different sets of state laws. "In 10 years, all of a sudden we've got all these legal nightmares," he said. "That was a big eye-opener for us."

None of those on the panel were dismissive of the care needed when approaching fintech partnerships. Bankers need to think of their fintech partners as an extension of the bank, Eggleston advised, and staff up accordingly. "We have to make sure that they're doing all the things that we hold ourselves to, the standards we hold ourselves to, which requires people at the bank," she said.

All three bankers emphasized the need to assemble the right team with the right skills, including adding directors with the relevant expertise to their boards. Bankers will probably need to look outside the traditional candidate pools to find the right people, they said. "This is our busiest branch now," Grimstad said, holding up his cell phone, adding that Decorah Bank & Trust hired a Verizon store manager in the early days of Greenpenny to add necessary tech expertise.

Ultimately, communication is a lynchpin, whether it's to employees, customers, fintech partners or regulators. "We've been in constant contact with our regulatory partners, and that's been really important to us as we've continued to innovate," Bornheimer said. ■

Do ESOPs live up to the hype? It depends, say experts

By Jackie Hilgert

Employee Stock Ownership Plans offer community banks a host of benefits, yet they are complex and costly, and their potential implementation should be explored carefully. That was the message delivered by Paul Sirek and Rhea Hemish of Eide Bailly at an April 30 breakout session, part of the BHCA 2024 Spring Seminar. Sirek and Hemish touched on some ESOP complexities and reasons a bank might eschew an ESOP.

A summary of ESOP benefits, include:

Access to liquidity; aid to succession. A good candidate for an ESOP, Sirek said, is a non-publicly traded, widely-held bank holding company that has a lot of minority shareholders with a segment of them nearing retirement. "An ESOP could potentially create a liquid market for those shareholders," Sirek said. It can be difficult for people who hold 1 to 2 percent of a bank's shares to cash out. An ESOP can accommodate these situations.

As far as a succession strategy, an ESOP can allow for a degree of continuity. Shareholders can sell in increments for one thing, instead of exiting completely, Sirek said. "It can allow the culture to live on."

Unique tax advantages. For a leveraged ESOP, where a bank has borrowed money to acquire shares, whether from existing shareholders or to acquire newly issued shares from the holding company, a C corp provision applicable to shareholder dividends paid out of the holding company (since the ESOP is one of the shareholders) provides the ability to use such dividends to make payments on the debt. "There's a potential for that to qualify as a tax deduction on the return," Sirek explained. "In essence, the government is kind of subsidizing the repurchase or purchase of those shares."

For S corps, when a holding company pays dividends to its shareholders to pay the tax, their shareholder tax is applied to their individual returns. When the ESOP also gets its share of that dividend, it's tax free and can be used again for whatever purpose, Sirek said.

Support for company culture and employees. ESOPs can be seen as a way to reward employees, and maintain or build an ownership culture. ESOPs allow employees to see their actions as contributing to the value of the company. They can also be used as incentive plans for top executives. "But you really need to ingrain that into employees," Sirek said, "so that it is a living, breathing part of culture on a day-to-day basis."

Sirek cited a client bank that decided to wind up its ESOP because ownership didn't feel employees saw any value in it, especially younger employees who couldn't see all the way to their own retirements. If a bank decides to launch an ESOP, ownership needs also to invest in an effort to ensure employees understand the value. "ESOPs are complex," he said. "They have to know all the intricacies and understand the value to them, how it works, and what they do drives the value. That communication has to be constant throughout the year."

With benefits laid out, Hemish touched on some ESOP drawbacks: primarily cost and ongoing administration. The initial outlay for an ESOP can range between $100,000 for smaller ESOPs to more than $250,000 for larger ones, Hemish said. Beyond startup, ongoing administration will cost a bank or its holding company more than $10,000 and likely $20,000 per year. These costs are eaten up by legal and tax consultants, valuation firms and a third-party administrator. There are also Department of Labor requirements and ERISA duties. "You really have to have the experts in there to help work you through on an annual basis," Hemish said.



Paul Sirek, pictured, was joined by Rhea Hemish during a Spring Seminar breakout session to discuss the pros and cons of setting up an ESOP at your bank.

"If the ESOP ends up owning 25 percent or more of the holding company stock, that becomes a tiered holding company structure," Sirek added. "So that ESOP is then subject to the same constraints as a holding company."

A reason some banks opt to not adopt an ESOP is to avoid the pressure of putting the viability of its employees' retirement on the line with the fortunes of the bank. When all the eggs are in one basket, Sirek said, "some bankers are not comfortable with that."

There is also S corp anti-abuse testing, which was Congress's way of laying hoops for banks that take advantage of the tax benefits of their ESOPs. The testing involves an allocation of employer securities held within an ESOP during a non-allocation year to a disqualified person, which could result in a significant excise tax. The complexities endemic to such a circumstance requires costly expertise in order to avoid significant penalties. When considering an ESOP, some bankers, Sirek and Hemish said, decide the plans are not in line with their strategic plans. ■

Economic conditions mixed, weaker than portrayed

By Sam Wilmes

The U.S. economy is weaker than portrayed through unemployment numbers and by public officials, said Bell Bank Chief Investment Officer Greg Sweeney on April 29 at the Westin Galleria Hotel in Edina, Minn.

Sweeney's early afternoon presentation during the Bank Holding Company Association's Spring Seminar came as unemployment remained historically low at under 4 percent. However, Sweeney doesn't view the unemployment rate as the best indicator of economic conditions. He instead sees the total number of employed Americans as a better reading. That number increased by 2 million to 161 million from 2022-23. The labor force participation rate was at 62.5 percent as of early May, and is down 1 percent over the past five years.

Consumer earnings have been below inflation for three of the last four years as consumer debt has grown to more than $5 trillion. The personal savings rate is down as consumers tap their savings to keep up with rising costs. Credit card and auto loan delinquencies both have increased.

Sweeney doubts inflation will fall to 2 percent anytime soon. Federal Reserve officials have said they need to have more confidence that inflation is falling closer to their long-term 2 percent target before they start cutting interest rates. Economists have recently lowered their estimates on the number of cuts the Federal Open Market Committee will make this year, with some predicting the first cut won't occur until early 2025.

Sweeney said S&P 500 year-to-date returns are deceptively high and have been sparked by the "magnificent seven stocks" — Microsoft, Apple, Nvidia, Alphabet, Amazon, Meta and Tesla. Excluding those seven firms, S&P 500 year-to-date returns had only increased 3.93 percent as of late April. Sweeney recommended investors make decisions based on the best current information rather than predicting the best allocation or asset class in six months.



Greg Sweeney, Chief Investment Officer at Bell Bank, described mixed economic conditions in the U.S. economy.

Discussing the current state of commercial real estate, Sweeney said the industry is struggling following the pandemic due to the onset of work-from-home policies and as corporations have a hard time attracting workers back to the office five days a week. He attributed the loss in CRE demand to people feeling unsafe in major cities due to authorities not enforcing laws and in reductions in the number of police officers. ■

Face of Followership, *Continued from page 9*

organization can articulate the "why", both for the company and themselves, Rempel said.

The second thing bankers should do is find something to unite the organization around. "Every single person in the organization, whether they empty the trash cans at night or they run the entire bank, knows they have a sphere of influence," Rempel said. "What common cause can you find to unite everybody in the organization to pull in the same direction, to feel like they're part of something bigger than themselves?"

The third tactic Rempel offered to combat workplace misery is building connections. Only half of employees feel like anyone at work cares for them, according to a Gallup poll. But in order to be truly effective, leaders need to practice empathy as well as job skills.

"I'm from a generation that said, 'Just suck it up. Do your job. Be glad you have a paycheck.' I'm telling you that isn't going to cut it going forward," Rempel said. "People aren't going to put up with some of the stuff that we put up with in our careers."

The skills and knowledge necessary to make a good banker can be taught; what bankers should look for in potential employees is the personality to build good relationships internally and externally. "Most people don't leave jobs, they leave managers and you know that because they go take the same exact job somewhere else," Rempel said. Bankers should hire "leaders whose job it is to elevate the performance of those around them" and teach the management specifics as needed.

Most employees want to be coached in a positive way, and will respond to feedback on how to improve when it comes in the context of a partnership with their manager built on trust.

While focusing on their own improvement, bankers should also start identifying the next generation of leadership and have them hone their skills now. "You don't go to a weekend seminar and become a leader every day," Rempel said. "You get up and do the things leaders do." ■

Open banking trend poses benefits, security risks

By Sam Wilmes

Open banking poses both benefits and security risks to community banks, said BakerTilly Partner Kevin Schalk on April 30 during the Bank Holding Company Association Spring Seminar in Edina, Minn.

Addressing bankers in a breakout session, Schalk said open banking allows banks to offer a wider variety of products. Banks can either partner or acquire fintechs to drive the open banking process rather than being reactive to outside events, he added. Schalk sees open banking as enabling bankers to access potential customers who could value their service over their current provider.

Open banking will also provide banks a more accurate assessment of their risk level as they can't protect customer data from going somewhere else, Schalk noted. Banks can make more informed loan decisions through open banking by having access to customer information coming in through an application programming interface.

Describing the risks of open banking, Schalk said it will raise the ante for banks with poor customer service, increasing their risk of losing customers to banks with more advanced technology and products. He predicted banks only doing the bare minimum in open banking will lose customers.

Other open banking risks include security concerns on data sharing and third-party relationships along with a lack of clear regulatory guidance for bank-fintech relationships. In 2023, the Federal Reserve, Office of the Comptroller of the Currency and the FDIC found banks are liable for ensuring third parties operate safely and soundly, while complying with fair lending laws and bans against unfair, deceptive or abusive acts or practices.

Change management and ensuring cultural alignment require board involvement along with technology and security expertise, Schalk added. Banks at higher risk of deposits rapidly moving in and out must manage their deposits more effectively, he noted.

"Banks may be able to do it on their own, but the monetary system is not set up for this level of risk, this level of data sharing," Schalk added.



Kevin Schalk, Baker Tilly, described the benefits and security risks associated with open banking, a growing trend among community banks.

Schalk's 40-minute presentation came as the CFPB finalizes a rule this year to hasten the shift toward open banking. The rule would require large institutions — banks, credit unions and other companies that hold consumer accounts — to allow customers to request their financial data that is being held with fintechs, other banks and online lenders.

The proposal would ban financial institutions from misusing or wrongfully using consumer financial data and require them to share such data with third parties by consumer request. Companies would be banned from monetizing the data by selling the information to data brokers following the customer-permissioned service. The rule would also bar firms from holding onto personal financial data indefinitely or using the data to train AI "that manipulates consumer behavior."

The proposal comes as the value of open banking transactions continues to grow. According to Statista, a website which tracks market data, the value of open banking transactions reached $57 billion worldwide in 2023, and is projected to increase rapidly in the coming years. ■



Rate environment complicates loan pricing

Andy Morgan of FORVIS walks attendees through the current rate environment and its impact on commercial loan pricing. "The last three quarters or so, we've seen a decline in that loan yield and your cost of funds spread," he said. "Your deposit cost increase is now outpacing what we're seeing in terms of increase in loan yields.

"Given everything that we've seen historically, what's going on now, how can you respond? It really depends," Morgan continued. "It depends what accounts they have, what you have to pay people for deposit balances — it gets very complex."

Morgan encouraged bankers to be aware of their breakeven numbers as well as the benchmarks they need to hit earnings targets. ■

The Baker Group announced key hires

The Baker Group announced it hired two new employees recently. On April 1, the Oklahoma City-based company hired Randy Nelson to lead its Public Finance team.

"We are thrilled to add a talented veteran banker who brings a unique skillset ranging from standard municipal advisory services to developing innovative debt structurings. Randy's wealth of knowledge and experience will benefit our firm and clients immediately and will be instrumental as we build our Public Finance team," said Phil Stenseth, CFA and Chairman of the Board of The Baker Group.

Nelson previously was with a regional firm from 2019 to 2024 as a managing director in charge of the Texas and Tulsa, Okla., public finance offices within the firm's fixed income group. He has more than 30 years of experience in banking and investments. Nelson is a licensed Certified Public Accountant and a graduate of Wichita State University with a bachelor's degree in business administration. He is a Series 7, 24, 27, 50, 52, 53, 63, 65, 79, and 99 licensed securities professional.

On March 6, The Baker Group announced the hiring of Jeff Varner to lead its loan trading team and bolster Baker Loan Solutions. Varner's extensive knowledge and expertise will immediately increase the capabilities and reach of the loan group. In addition to whole loan trading and loan participations, Varner specializes in partnering strategically with the growing FinTech sector, adding even more value to client services.

"We are excited about the additional experience and tools that Jeff brings to our existing full balance sheet platform. It's no secret that profitability and interest rate risk management are only getting more difficult and complicated. Bringing new solutions to our clients in these areas is an absolute priority for our firm and Jeff helps us take a large step in that direction," said Andrew Okolski, Director of Credit Union Strategies for The Baker Group.

Prior to joining The Baker Group, Varner held the position of managing director for a full-service brokerage and investment banking firm. A whole loan trader for more than 13 years, Varner has worked with credit unions and banks, transacting deals in all asset classes. He has specialized in assisting clients through liquidity creation, profitability improvement, and loan growth. Additionally, Varner has expert knowledge working with fintech loan platforms, helping generate loan originations for credit unions and banks

Varner is a graduate of New England College with a bachelor's degree in business management and a minor in economics. He is a Series 7 and 63 licensed securities professional. ■

Fiserv unveils new downtown Milwaukee headquarters

Fiserv has moved to a new global headquarters in downtown Milwaukee. The new location, at 600 Vel R. Phillips Ave., is designed to bring together Fiserv associates, clients and prospects in a modern digital-first workplace that embodies the company's innovative solutions and expertise with uniquely local trademark features.

The world-class campus reflects the re-imagining of a historic place that was once a storage and shipping hub, then a beloved local retailer, now home to one of the World's Most Admired Companies. Celebrating four decades of leadership in fintech, the new Fiserv global headquarters is a symbol of the company's enduring entrepreneurial spirit and exemplifies its commitment to excellence and partnership with its clients and the communities it serves.

"Fiserv has called Wisconsin home since we put down roots 40 years ago, planting the seeds of what today is a global technology leader enabling money movement for financial institutions, businesses and consumers," said Frank Bisignano, Fiserv Chairman, President and CEO. "A dynamic destination for talent and clients, our new headquarters reflects our focus on creating value and enabling best-in-class results for our clients."

Spanning nearly 170,000 square feet, the new purpose-built Fiserv global headquarters features state-of-the-art technology, meeting, dining, social and collaboration experiences along with Milwaukee's trademark Cream City brick in the interior. Designed with countless 'wow factors' throughout the multi-story structure, there are many intentional design touches to be discovered by those who visit. Among the many notable features:

- Client Experience Center – A dedicated high-tech experience center, designed for hosting meetings with clients, prospective clients and partners, and training sessions.
- Clover Café – Proudly brewing local fan favorite, Colectivo Coffee, Clover Café is an intentional symbol and celebration of how Fiserv is powering small businesses through its Clover® point-of-sale payments and business management platform.
- The Point Downtown – Featuring Clover kiosks and mobile ordering capabilities, The Point Downtown serves as a gathering point for colleagues to come together and refuel in a world-class dining experience for breakfast and lunch, and also offers 24/7 grab-and-go options.

Fiserv will also pursue Leadership in Energy and Environmental Design (LEED) certification for the building. ■

FORVIS enters global partnership with Mazars

FORVIS, the eighth largest public accounting firm in the United States, and Mazars, a leading international audit, tax, and advisory firm, jointly announced they will create a new, top 10 global network, effective June 1. The new network positions both firms for continued global growth by expanding their capabilities to serve clients, especially those with international needs.

The network will operate under a single brand worldwide, FORVIS Mazars. With approximately $5 billion in revenue, FORVIS Mazars will be uniquely formed of just two members. The network is designed to be agile, deliver consistency and have the global scale to meet clients' needs. Both network members will remain owned by their current respective partnerships. Effective June 1, Mazars USA joins FORVIS Mazars in the United States.

"A two-firm network, operating under a single global brand, quickly advances our firms' shared strategies. Our organizations know each other well, with a strong history of collaboration and very similar cultures of putting our people and clients first," says Tom Watson, CEO of FORVIS.

FORVIS, with a 100-year legacy, serves clients in all 50 states with some 6,000 employees. Mazars, with offices in more than 100 countries and territories, has realized much success, working with some of the most recognizable brands in the world. ■

President's Observations, *Continued from page 4*

and meeting with our customers for face-to-face interactions. Decades ago, I am not sure these kinds of features were special but they are today. In a society that is growing more dependent upon technology, the personal service that a community bank can offer really stands out as special.

I think it is very important for small and medium size business owners — whether that be a retail store, a Main Street business, a professional service, a boutique product, a factory or a farm — to have multiple options for obtaining credit, participating in the payments system and having a secure place for their savings. A vibrant, decentralized credit allocation system is essential for the health of our economy, and more broadly, our society. There is no question that community banks play an extremely important role in the well-being of our region and country.

Every now and then I turn on the news and some know-it-all says we have too many banks in this country. I couldn't disagree more. Every bank is important and every one is needed by its customers and those looking for other options. It seems the regulatory environment is growing tougher every day; certainly the competition is growing, and the challenge of keeping up with technology is formidable. But the rewards are great, especially when we see a business grow, we see jobs being created, or we see key services being provided through our customers.

Despite challenges, I draw encouragement from all of you, my colleagues in the community banking industry. That is part of the reason I enjoy serving as the BHCA president and I, as you, highly value the opportunity to visit at the BHCA seminars. Every year, we host Spring and Fall seminars. You will hear more about the magnificent Fall Seminar we have planned for Oct. 7-8, 2024. Like the Spring Seminar, it will be held at the Westin Galleria Hotel in Edina. Until then, keep up the important work, best wishes, and I look forward to seeing you there. ■

New to BHCA

The Bank Holding Company Association is pleased to welcome the following new Associate Members:

Strategic Resource Management (SRM)
Scott Eaton, Vice President, Business Development
Memphis, Tenn

SRM has helped 1,000-plus financial institutions add more than $5 billion of value to their bottom line in areas such as payments, digital transformation, core processing, digital assets, and overall operating efficiency. SRM has lowered costs, created revenue opportunities, increased productivity, and provided a competitive edge for clients in an environment of constant and accelerating change. See srmcorp.com for more information.

TS Partners, Inc.
Jon Ichter, Chief Operating Officer
King of Prussia, Pa.

Founded in1985 by financial industry veterans, TS Partners continues its mission to provide financial institutions and corporations a better way to manage their corporate trust and stock transfer business. TS Partners has been an innovator in the industry, introducing a Windows-based platform for corporate trust and stock transfers in 1996 up to today's platforms where operating systems and applications have evolved or been totally re-engineered to support Java/Oracle, Microsoft SQL Server, and much more.

Principals at TS Partners, Inc., draw on their extensive trust management and software development backgrounds to design and develop computer software systems specifically for this market. The combination of superior functionality, a preferred technology platform, competitive pricing and unparalleled customer service has given TS Partners a blue chip client list with some of the most prestigious names in the corporate trust and stock transfer industry.

Holding Company Transaction Report

Here are selected recent bank holding company filings with the Federal Reserve Banks of Chicago, Minneapolis, Kansas City and St. Louis:

▷ Four States Bancshares, Inc., Carthage, Mo., filed to become a bank holding company through the acquisition of Four States Bank, Carthage, a bank in formation.

▷ Stockton Bancshares, Inc., Stockton, Kan., filed to merge with Coffeyville Bancorp, Inc., Coffeyville, Kan., and thereby acquire Community State Bank, Coffeyville.

▷ Ashlie D. Hadden, Kearney, Neb., authorized to join the Stull Family Control Group, to acquire shares of Farmers State Bancshares, Inc., and thereby acquire shares of Nebraska Bank, Dodge.

▷ Wintrust Financial Corporation, Rosemont, Ill., through it's merger subsidiary, Leo Subsidiary LLC, a Michigan LLC, filed to merge with Macatawa Bank Corp., Holland, Mich., and thereby acquire Macatawa Bank, Holland. Following the merger, Leo Subsidiary LLC will merge with and into Wintrust Financial Corporation.

▷ Wisconsin Mutual Bancorp, MHC, Kaukauna, Wis., is seeking to convert from a mutual holding company to stock form. In addition, EWSB Bancorp, Inc., Kaukauna, a newly formed Maryland corporation, filed to become a BHC through the acquisition of East Wisconsin Savings Bank, Kaukauna.

▷ Equity Bank, Andover, Kan., filed to merge with Kansasland Bank, Quinter, Kan., and incident thereto, establish branches in Quinter and Americus, Kan.

▷ Stearns Financial Services, Inc., Employee Stock Purchase Plan, Saint Cloud, Minn., authorized to increase its shares of Stearns Financial Services, Inc., Saint Cloud, and thereby increase its shares of Stearns Bank NA, Saint Cloud; Stearns Bank of Upsala, Minn.; and Stearns Bank of Holdingford, Minn.

▷ Bancorp of New Glarus, Inc., New Glarus, Wis., authorized to acquire First National Bank at Darlington, Wis., through the merger of Bancorp of New Glarus, Inc., Darlington Interim Bank, New Glarus, with and into First National Bank at Darlington.

▷ The BG 2024 Trust, Milwaukee, and others filed to join the Grimstad Family Control Group to acquire shares of Security Agency, Inc., and thereby acquire shares of Decorah Bank and Trust Company, both of Decorah.

▷ Castle Creek Capital Partners VI, LP; and others filed to acquire shares of Tri-County Financial Group, Inc., and thereby acquire shares of First State Bank, both of Mendota, Ill.

▷ The William H. Bosshard Family GST Trust dated December 12, 2023, La Crosse, Wis., and others filed to acquire voting shares of Clayton Bankshares, Inc., La Crosse, and thereby acquire shares of Citizens State Bank, La Crosse.

▷ Robert Brandt, Unadilla, Neb., filed to acquire shares of UB, Inc., and thereby acquire shares of Countryside Bank, both of Unadilla.

▷ Vista Holding Company, St. Louis, authorized to become a bank holding company by acquiring Mohler Bancshares, Inc., and thereby acquiring First National Bank of Harveyville, both of Harveyville, Kan.

▷ Luke Reiter, Cold Spring, Minn.; John Reiter, Belgrade, Minn., and Nicholas Reiter, Otsego, Minn., filed to join the Reiter Family Control Group, a group acting in concert, to acquire shares of First Bancshares, Inc., of Cold Spring and thereby acquire shares of Granite Bank, both of Cold Spring.

▷ Minnesota Community Bancshares, Inc., Albert Lea, Minn., Mark J. Heinemann Trust Agreement dated January 23, 2024, Mark Heinemann and Allison Berg Heinemann, as co-trustees, all of Albert Lea, and others authorized to acquire shares of Minnesota Community Bancshares, Inc., and thereby acquire shares of Arcadian Bank, Albert Lea.

▷ The William H. Bosshard Family GST Trust, LaCrosse, Wis., Andrew R. Bosshard, of La Crosse, and Joseph W. Bosshard, of Boulder, Colo, as co-trustees, to join the Bosshard Family Group, to acquire shares of Mauston Bancorp, Inc., La Crosse, Wis., and thereby acquire shares of Bank of Mauston, Wis.

▷ OakStar Bank, Springfield, Mo., authorized to merge with Community First Bank, Kansas City, Kan., and First Colorado National Bank, Paonia, Colo., and to retain the acquired facilities as branches.

▷ Daniel J. Murphy, Elkhorn, Neb., authorized to join the Murphy Family Control Group, to acquire shares of Ameriwest Corporation and thereby acquire shares of First Westroads Bank, Inc., Omaha, Neb.

▷ Notice by Mamie M. Foote Trust No. 1, with Mamie M. Foote as Trustee, of Golden Oak, Florida, and others filed to join the Foote Family Control Group to acquire shares of First National Bancshares, Inc., and thereby control First National Bank of America, both of East Lansing, Mich.

▷ Billfloat, Inc., dba SmartBiz Loans, San Francisco, filed to become a bank holding company by acquiring United Community Bancshares, Inc., and thereby acquiring Centrust Bank, N.A., both of Northbrook, Ill. Billfloat, Inc., also filed to merge its wholly-owned subsidiary, Caletta Merger Sub, Inc., Wilmington, Del., with United Community Bancshares, Inc. Following that merger, United Community Bancshares would merge with SmartBiz, with United Community Bancshares surviving. United Community Bancshares would then be renamed SmartBiz Bancshares, Inc., and Centrust Bank, N.A. would be renamed SmartBiz Bank, N.A. ■

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