

THE BOTTOM LINE

Independent and Proud of It.

JOIN US FOR THE 2024
FALL DIRECTORS AND
MANAGEMENT CONFERENCE
PAGE 4

A SEASON OF GRATITUDE
AND RESILIENCE FOR
SOUTH DAKOTA'S
COMMUNITY BANKERS
PAGE 8

STANDING STRONG FOR
COMMUNITY BANKS - NOW
MORE THAN EVER
PAGE 8

TENACITY FOR THE
REGULATORY WIN
PAGE 12

TOO MUCH OF A GOOD THING?
BALANCE IS KEY WHEN IT
COMES TO CAPITAL
PAGE 21

THE 2024-2025 ICBSD BOARD
OF DIRECTORS
PAGE 28

ICBSD

INDEPENDENT COMMUNITY BANKERS
OF SOUTH DAKOTA



FEATURE STORY:
ROWING TOGETHER: HOW JODI EICH
AND RIVERS EDGE BANK'S MANTRA
SHAPE MENTORSHIP AND LEADERSHIP
PAGE 18

2024 WEBINAR SCHEDULE



- 10/1/2024** **Three Key Risk Assessments in Your ERM Program: ERM, IT & Internal Controls**
Marcia Malzahn, Malzahn Strategic
- 10/1/2024** **Empowering Financial Marketers: Harness the Power of AI in Your Marketing Strategy**
Eric C. Cook, WSI & The LinkedBanker
- 10/2/2024** **Five Steps to Annual MLO & SAFE Act Compliance**
Susan Costonis, Compliance Consulting & Training for Financial Institutions
- 10/3/2024** **Account & Loan Documentation Series: Loan Documentation for All Legal Entities**
Elizabeth Fast, Spencer Fane LLP
Series Title Amended 11/9/23
- 10/7/2024** **Deposit Operations Year-End Wrap-Up & Update**
Monday
Deborah L. Crawford, Gettechnical Inc. *Added Hot Topic 5/6/24*
- 10/8/2024** **Call Report Series: Auditing Call Reports: Compliance, Regulator Expectations & Best Practices**
Michael Gordon & Alison Wester, Mauldin & Jenkins, LLC
Speaker Change 8/1/24
- 10/9/2024** **When a Depositor Dies: Actions to Take, Mistakes to Avoid**
Deborah L. Crawford, Gettechnical Inc.
- 10/10/2024** **Executive Total Compensation: Strategies to Motivate & Incent the Right Behaviors**
60 Minutes
Jeff Fairchild, Blanchard Consulting Group
Added Speaker 7/30/24
- 10/15/2024** **IRA Series: Traditional & Roth IRAs Part B: Distributions, Taxation, Withholding & Penalties**
Frank J. LaLoggia, LaLoggia Consulting, Inc.
- 10/16/2024** **Auditing Consumer Real Estate Files**
Dawn Kincaid, Brode Consulting Services, Inc.
- 10/17/2024** **Chapter 7 & 13 Consumer Bankruptcies: Special Rules, Cramdowns & Risks**
Elizabeth Fast, Spencer Fane LLP
- 10/21/2024** **BSA Officer & Staff Year-End Wrap-Up**
Monday
Deborah L. Crawford, Gettechnical Inc. *Added Hot Topic 5/6/24*
- 10/22/2024** **Taking the Mystery Out of Loan Stress Testing**
Robert L. Viering, RiverPointUSA LLC
- 10/23/2024** **Harnessing ITMs & VTMs: Risks, Implementation Considerations & Compliance**
Dawn Kincaid, Brode Consulting Services, Inc.
Added Hot Topic 4/12/24
- 10/24/2024** **Robbery: Plan, Prevent, Prevail**
60 Minutes
Carol Dodgen, Dodgen Security Consulting
- 10/29/2024** **The Board Secretary's Role: Organizing, Planning, Tracking & Maintaining Accurate Minutes**
Dawn Kincaid, Brode Consulting Services, Inc.
- 10/30/2024** **ACH Specialist Series: Electronic Payment Fraud: When Is Your Institution Liable?**
Elizabeth Fast, Spencer Fane LLP
- 10/31/2024** **ACH Disputes Part 1: Reg E vs. ACH Rules Before 60 Days**
Emily Nelson, EPCOR *Added Hot Topic 5/6/24*
- 11/4/2024** **Managing Loan Concentrations: CRE & More**
Monday
Robert L. Viering, RiverPointUSA LLC *Added Hot Topic 5/6/24*
- 11/6/2024** **Lending Exam Targets Locked: Preparing Your TRID, Fair Lending & CRA Programs for Increased Scrutiny**
Dawn Kincaid, Brode Consulting Services, Inc.
- 11/7/2024** **Form 1099 Reporting: Third-Party Vendors, Foreclosures, Debt Forgiveness & More**
Elizabeth Fast, Spencer Fane LLP
- 11/12/2024** **IRA Series: Hottest IRA Issues: Reporting, Compliance & Required Minimum Distributions**
Frank J. LaLoggia, LaLoggia Consulting, Inc.
- 11/13/2024** **Legal Issues of Checks**
Deborah L. Crawford, Gettechnical Inc.
- 11/14/2024** **Consumer RE Appraisals: Ordering, Controls, Thresholds, USPAP Requirements & Compliance**
Dawn Kincaid, Brode Consulting Services, Inc.
- 11/18/2024** **10 Reg CC Myths**
Monday
Deborah L. Crawford, Gettechnical Inc. *Added Hot Topic 5/6/24*
- 11/19/2024** **Return to Sender: Selecting Relevant ACH Return Reason Codes**
Michele Barlow, Macha/PAR
- 11/20/2024** **When a Borrower Dies: Actions to Take, Mistakes to Avoid**
Elizabeth Fast, Spencer Fane LLP
- 11/21/2024** **Corporate Tax Returns: Analysis, Limitations & Red Flags**
Robert L. Viering, RiverPointUSA LLC *Added Hot Topic 5/6/24*
- 11/26/2024** **ACH Disputes Part 2: Reg E vs. ACH Rules After 60 Days**
Emily Nelson, EPCOR *Added Hot Topic 5/6/24*
- 12/3/2024** **Head Tellers & Branch Managers: Handling the Critical Aspects**
Molly Stull, Brode Consulting Services, Inc.
- 12/4/2024** **No-Nonsense Notary Legal Perspective**
Elizabeth Fast, Spencer Fane LLP
- 12/5/2024** **Internal Compliance Monitoring & Risk Assessment**
Emily Dent, Mauldin & Jenkins, LLC *Moved from 7/11 on 4/23*
- 12/10/2024** **Elder & Dependent Adult Financial Abuse**
60 Minutes
Mary-Lou Heighes, Compliance Plus, Inc.
- 12/11/2024** **Opening Nonresident Alien Accounts**
Deborah L. Crawford, Gettechnical Inc.
- 12/12/2024** **Compliance with E-Statements, E-Disclosures & E-SIGN**
Nancy Flynn, The ePolicy Institute
- 12/18/2024** **ECOA & Fair Lending: Examiner Hot Buttons**
David A. Reed, Reed & Jolly, PLLC
- 12/19/2024** **Overdraft Programs & Disclosures: 12 Ways to Avoid Exam Issues**
Dawn Kincaid, Brode Consulting Services, Inc.

All webinars will be held at 10:00 a.m. Central.

INSIDE THIS ISSUE

CONTENTS

FROM THE DESK OF

- 4** Join Us for the 2024 Fall Directors and Management Conference
by Megan Olson

- 6** Chairwoman's Message: A Season of Gratitude and Resilience for South Dakota's Community Bankers
by Jodi Eich

- 7** President's Message: Leveling the Playing Field
by Rebeca Romero Rainey

- 8** Chairman's Message: Standing Strong For Community Banks - Now More Than Ever, *by Josh Hogue*

- 10** Chairman's Message: Tenacity for the Regulatory Win
by Derek B. Williams

- 11** How Fintech Relationships Can Lessen Compliance Burdens
by Charles E. Potts

- 12** Too Much of a Good Thing? Balance is Key When it Comes to Capital, *by Michael Benedic*

FROM CAPITOL HILL

- 14** Protecting Kids Online, *by John Thune*

- 16** Rounds Introduces Artificial Intelligence Policy Package
by Mike Rounds

COMMUNITY

- 17** The 2024-2025 ICBSD Board of Directors

- 18** Feature Story: Rowing Together: How Jodi Eich and Rivers Edge Bank's Mantra Shape Mentorship and Leadership

- 20** Contract for Deed Sellers, Read Up on Regulation Z
by Charles Gullickson, Dixie Hieb, Keith Gauer of Davenport Evans

- 22** Data Analytics, *by BHG Financial Institution Network*

- 24** Save the Date: Fall Directors and Managers Conference + Speaker Bios

COMMUNITY BANKERS IN ACTION

- 32** Lewis Graduates From Banking School

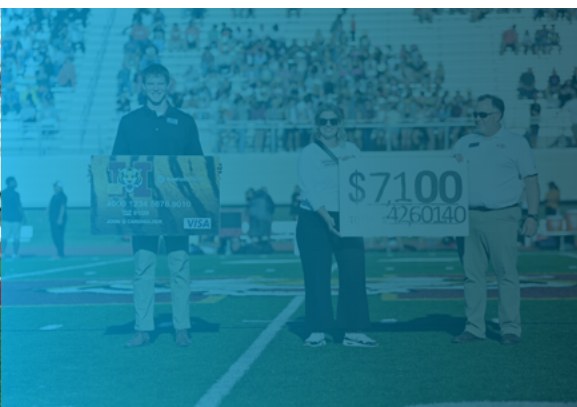
- 33** FNB Community Card Program

- 33** BankStar Financial Completes Two New Bank Buildings

- 33** Congrats, Reid Johnson

- 34** Give Where We Live

- 34** SDN Communications Team Volunteers with Adopt-A-Highway



JOIN US FOR THE 2024 FALL DIRECTORS AND MANAGEMENT CONFERENCE

— **Megan Olson**, President & CEO, ICBSD



As community bankers, we know that the success of our institutions depends on strong leadership and staying informed about the challenges and opportunities facing our industry. That's why I encourage you to send your bank directors and management team to the 2024 Fall Directors and Management Conference on October 17th at The District in Sioux Falls. This is a prime opportunity for leaders across South Dakota's community banks to connect, learn, and strategize.

We kick off on October 16th with a casual networking event, Bankers & Brew at Remedy Brewing in Sioux Falls, giving attendees the chance to build relationships over craft beer and appetizers. This fun, informal setting will provide an ideal lead-in to the main conference the next day.

The conference features a strong lineup of expert speakers covering crucial topics. From Doug Johnson's session on agricultural challenges to Joe Santos' insights on the economy, and Nick Podhradsky helping you develop fraud-savvy bank customers, the content is designed to address real-world issues our banks face daily. We're also excited to hear from Eric Henderson, head coach of men's basketball at SDSU, who will share his wisdom on building effective teams—an invaluable lesson for any leader.

This year's agenda also includes three rounds of breakout sessions. Attendees can choose from topics ranging from cybersecurity and key risks in banking to agricultural headwinds, tailoring the experience to their interests and expertise. These sessions are not only educational but also interactive, encouraging discussions that can lead to actionable strategies for your institution.

By attending, your directors and managers will gain valuable insights, foster stronger collaboration, and be better prepared to navigate the regulatory landscape and economic challenges ahead. The value this conference brings will directly benefit your bank's leadership and decision-making in the months and years to come.

Don't miss out—register today and invest in your team's growth. I look forward to seeing you in Sioux Falls!

For more details, visit icbsd.com/2024-fall-directors-and-management-conference/.

"This is a prime opportunity for leaders across South Dakota's community banks to connect, learn, and strategize."



2

0

2

4

SUPPORT THE ICBSD PAC

PAC 100 CLUB

THE PAC 100 CLUB RECOGNIZES THE INDIVIDUALS WHO HAVE CONTRIBUTED \$100 TO THE ICBSD PAC.

David Johnson, Reliabank Dakota
 Jan Johnson, Reliabank Dakota
 Hugh Bartels, Reliabank Dakota
 Josh Hogue, Reliabank Dakota
 Jane Swenson, Reliabank Dakota
 Reid Johnson, Reliabank Dakota
 David Ebbers, Reliabank Dakota
 Jermey Keizer, Reliabank Dakota
 Bob Smithback, Reliabank Dakota
 Mark Lee, Reliabank Dakota
 Pam Homan, Reliabank Dakota
 Bruce Anderson, Farmers State Bank, Canton
 John Ripley, Farmers State Bank, Canton
 Valerie Anderson- Boudaka, Farmers State Bank, Canton
 Bryan Launderville, Farmers State Bank, Canton
 Kirk Rikansrud, Farmers State Bank, Canton
 Robert Kaul, First State Bank of Roscoe
 Mary Jo Grismer, First State Bank of Roscoe
 Chad Lang, First State Bank of Roscoe
 Patty Beyers, First State Bank of Roscoe
 Kathleen Swenson, First State Bank of Roscoe
 Clay Spielman, First State Bank of Roscoe
 Sandra Kirchenmann, First State Bank of Roscoe
 Joell Bieber, First State Bank of Roscoe
 Kim Oster, First State Bank of Roscoe
 Kelly Eiseman, First State Bank of Roscoe
 Lori Faw, First State Bank of Roscoe
 Phillip Hetick, First State Bank of Roscoe
 Caitlyn Lehr, First State Bank of Roscoe
 Jessican Holscher, First State Bank of Roscoe
 Marlene Morlock, First State Bank of Roscoe
 Monte Troske, Farmers State Bank, Turton
 Aaron Olson, Farmers State Bank, Turton

Mark Troske, Farmers State Bank, Turton
 Rory Troske, Farmers State Bank, Turton
 Wayne Board, Farmers State Bank, Turton
 Kevin Teigen, Farmers State Bank, Turton
 Robert Hopkins, CorTrust Bank
 Jack Hopkins, CorTrust Bank
 Boyd Hopkins, CorTrust Bank
 Troy Olson, CorTrust Bank
 Nathan Smith, CorTrust Bank
 Roger Weber, CorTrust Bank
 James Grotenhuis, CorTrust Bank
 Jeff Smith, CorTrust Bank
 Mark Hahler, CorTrust Bank
 Dean Dressen, Merchants State Bank
 Emily Hofer, Merchants State Bank
 Steve Schmeichel, Merchants State Bank
 Robert Satter, Merchants State Bank
 Jill Aanenson, Merchants State Bank
 Jared Brockmueller, Merchants State Bank
 Anne Christiansen, Merchants State Bank
 Kelly Jorgensen, Merchants State Bank
 Jeff Rehder, Rivers Edge Bank
 Don Nolan, Rivers Edge Bank
 Jodi Eich, Rivers Edge Bank
 Cameron Becker, Rivers Edge Bank
 Jim Viet, Rivers Edge Bank
 Paul Richards, Rivers Edge Bank
 Pete Melhaff, Great Plains Bank
 Brian Gilbert, National Bank of Sioux Falls
 Dillon Kjerstad, First National Bank in Philip
 Robert Baker, First National Bank of Sioux Falls
 Chris Ekstrum, First National Bank of Sioux Falls
 Julie Puetz, BankStar Finacial

THANK YOU TO THE FOLLOWING INDIVIDUALS AND BANKS FOR YOUR SUPPORT!

ABOUT PAC

The ICBSD Political Action Committee helps provide South Dakota community banks with a strong, united voice in Pierre. Your participation in the PAC helps ensure we have a seat at the table when issues affecting community banking are being discussed in the state capitol.

GET INVOLVED

Thank you in advance for your support of the ICBSD PAC. To make a contribution or to learn more, email Megan at Megan@ICBSD.com. Checks can be mailed to:

ICBSD PAC
 PO Box 615
 Watertown, SD 57201

CENTURY CLUB

THE CENTURY CLUB RECOGNIZES COMMUNITY BANKS WHOSE ENTIRE BOARD OF DIRECTORS HAVE DONATED \$100 TO THE ICBSD PAC.

Reliabank Dakota
 Farmers State Bank, Canton
 First State Bank of Roscoe
 CortTrust Bank

Farmers State Bank, Turton
 Merchants State Bank, Freeman
 Rivers Edge Bank

GUARDIAN CLUB

THE GUARDIAN CLUB RECOGNIZES COMMUNITY BANKS WHOSE ENTIRE BANK STAFF HAS DONATED \$100 TO THE ICBSD PAC.

First State Bank of Roscoe
 Elkhorn Valley Bank- Yankton

A SEASON OF GRATITUDE AND RESILIENCE FOR SOUTH DAKOTA'S COMMUNITY BANKERS



— **Jodi Eich**, Chairwoman of ICBSD, Vice Chair and Chief Operating Officer, Rivers Edge Bank

As we enter the fall season, I find myself reflecting with immense gratitude. I am grateful for the opportunity to serve as the chairwoman of ICBSD, for the unwavering dedication of our board members—past and present—and for the incredible staff that supports us. I am also thankful for the mentors who have guided us along the way, and for the privilege of being part of the future of community banking.

However, alongside this gratitude, I recognize that our industry faces unprecedented challenges. Today's landscape for community banks in complex to say the least. Cybersecurity threats, heightened regulatory demands, political shifts, economic uncertainty, increased competition, and compressed net interest margins are all issues that will be top of mind for many of us in the coming year.

Despite these challenges, ICBSD offers valuable resources that help us navigate these obstacles together. Our association creates a community of support that we can all leverage, especially during times of uncertainty.

One such resource is our annual educational events, such as the Fall Directors and Management Conference and the Black Hills Retreat in July. These events feature expert speakers addressing the very issues we face daily, while also providing time to connect, share insights, and support one another. If you haven't attended before, I encourage you to join us at these events! For those looking to strengthen their teams from the comfort of their own bank, we also offer a series of online courses and webinars that cover regulatory updates and staff training. You can explore these options at ICBSD.com under the "Events and Education" tab.

"Advocacy remains a key priority for ICBSD, as we continue to champion the interests of community banking at the state level."

Additionally, we're excited to continue fostering leadership within our industry. This year, we'll be hosting the second session of our professional leadership development program, Level-Up. This initiative connects emerging leaders and equips them with the skills necessary to navigate the evolving demands of our industry. Keep an eye out for registration details coming soon!

Advocacy remains a key priority for ICBSD, as we continue to champion the interests of community banking at the state level. Our Political Action Committee (PAC) plays a critical role in amplifying our voice in Pierre. The PAC is funded by members of the PAC 100 Club and proceeds from the silent auction held annually at the Black Hills Retreat. I encourage you to consider joining the PAC 100 Club if you aren't already a member—your participation strengthens our collective voice and helps ensure the future of community banking. Simply mail your contribution to ICBSD PAC, P.O. Box 615, Watertown, SD 57001.

I am honored to serve this community, and I look forward to the year ahead with optimism and determination. Together, we will continue to build on the strong foundation of community banking in South Dakota.

Thank you for this opportunity.



Flourish

LEVELING THE PLAYING FIELD

— Rebeca Romero Rainey, President & CEO, ICBA

They say imitation is the greatest form of flattery, but when it comes to financial services, it doesn't make for a fair banking environment. Just look at credit unions, trying to position themselves as "community" organizations without having to demonstrate they meet Community Reinvestment Act requirements. Or Industrial Loan Companies, with holding companies not subject to bank compliance reviews. Or the Farm Credit System, which wants to compete with community banks but doesn't want to be regulated like them. Or mega banks who are too big to fail, ensuring we pay the price with outsized regulation. The list goes on.

We need a level playing field. As outlined in our recent report, *Finding Balance: How Well-Intended Policies Hamper Small Business Lending and Undermine Relationship Banking*, the disproportionate regulatory burden created for individual community banks makes it nearly impossible to compete with those who can position their products and services free of regulatory constraints. They can avoid the heavy cost of compliance while ignoring the impact these imbalances have on our industry.

At the end of the day, it's the customer who will pay the ultimate price if unbalanced regulations are allowed to continue. They will face challenges when they can't get an emergency loan during a pandemic, like we saw with the Paycheck Protection Program. They will struggle when their small business loan needs don't meet standardized checkbox requirements. They will lose out when they don't qualify for a mortgage because those same checkbox requirements apply in consumer environments. Right now,

community banks step up in those situations, providing support based on the deep relationships they have in their communities. But as more and more regulations come down on us, this ability to respond may be hindered, leaving our customers and communities without fair options.

That's why community banker engagement and grassroots actions are so incredibly important. We have to speak up and demonstrate how the lack of consistent regulation creates issues. We have to deliver stories that demonstrate the egregious acts committed by non-banks acting like banks. Congress needs to hear not just that community banks think it's an unfair playing field, but to understand the harm this imbalance places on our communities. We encourage you to raise your voice and visit ICBA's Action Center icba.quorum.us for resources to help.

In the meantime, we have a message for our imitators: If you want to be like us, you need to up your game to play by the same rules.

WHERE I'LL BE THIS MONTH

I'll be attending the Maine Bankers Convention and revving up to continue advocating for community banks this fall.



CONNECT WITH REBECA @ROMERORAINNEY

STANDING STRONG FOR COMMUNITY BANKS - NOW MORE THAN EVER



— **Josh Hogue**, ICBSD Immediate Past Chairman, President of Reliabank,
ICBA Federal Delegate

As we look ahead to the upcoming election season, I want to remind everyone how critical it is that we elect candidates who understand and support community banking.

Community banks have long been the bedrock of local economies, offering personalized service, providing small business loans, and fostering economic development. We operate with a deep understanding of our customers' needs because, like them, we live and work in the communities we serve.

Today, our industry is navigating increasing challenges. Federal legislation and regulatory shifts are having a direct impact on how we operate, making it crucial for all of us to stay up to date. The ICBA is actively tracking several key federal bills that have the potential to shape the future of community banking. While these issues may already be familiar, here's a quick rundown of what's currently being monitored.

SAFE BANKING ACT

One bill that's currently on ICBA's radar is the SAFE Banking Act, which is vital for providing legal protection and greater clarity for banks dealing with state-legal cannabis businesses. While this may not affect all community banks today, the regulatory clarity this bill offers is important for the industry as a whole.

ENHANCING CREDIT OPPORTUNITIES IN RURAL AMERICA ACT

Additionally, the ECORA Act continues to be a priority for community bankers. This legislation would exempt interest earned on loans secured by agricultural real estate and homes in rural communities from taxation, which would encourage lending in these areas and drive rural economic growth.

CAPITAL STANDARDS

Lastly, we're keeping a close eye on potential changes to capital standards that could place additional burdens on community banks. It's vital that we advocate for proportional regulations—rules that recognize the unique role community banks play versus large, too-big-to-fail institutions.

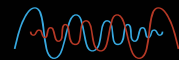
This election season, I encourage you to get out and vote for candidates who will work to protect and preserve the important role we play in the financial ecosystem. We need leaders who understand that when community banks succeed, communities succeed. These legislators will be pivotal in shaping policies that strengthen our ability to serve our customers effectively.

Let's continue to stand strong and make sure our voice is heard—not just in Pierre, but in Washington, D.C. as well.

Where there's potential,

there's UPTIME.

At SDN, UPTIME is ready and waiting for your best ideas. Ideas like turning big dreams into bigger business to expand opportunities in our growing cities.



SDN COMMUNICATIONS®

Enjoy the UPTIME.

sdncommunications.com

From the Top

TENACITY FOR THE REGULATORY WIN

— **Derek B. Williams**, Immediate Past Chairman, ICBA, President & CEO, Century Bank & Trust, Milledgeville, GA



When I'm asked about necessary skill sets for community banking, I talk about problem-solving and a passion for helping people. But when people question what it takes to be a community bank leader, a single word comes to mind: tenacity—which is just a nice way of saying stubborn.

Because we have to be stubborn to stick to our values in today's environment. We have to be too stubborn to quit, even when credit unions or Farm Credit use their tax advantages to undercut us on deals, or when unregulated institutions are allowed to offer the exact same services we provide.

But just imagine for one minute what it would be like to function in a fairer environment, one with tiered regulation that better supported us as individual banks serving individual communities. It would allow us to be more creative to help our customers. We wouldn't have to check the proverbial regulatory box on every loan or business relationship. We would have flexibility to be nimbler in the products and services we provide—and we'd thrive.

Because regulation has unintended consequences. For example, at my bank, the Qualified Mortgage Rule drastically affected our business. If you look back on our loans historically, you'd see we used to have about 30% of our portfolio as consumer in-house mortgage loans. Now, that's at 11%. Why? We used to be more apt to take a co-signer or require more collateral to make the loan work, but now, if we can't get a loan to fit according to the standardized matrix, we won't do it. We won't make a loan that doesn't count as a qualified mortgage, so we're limited in our options.

Ultimately, that only hurts the customer. They are looking for their bank to be a partner in their dreams,

“Going to Washington, writing letters and sharing our stories are our only opportunities to affect the rules we operate under. If we don't tell our story, no one else will.”

and we can't always deliver on that vision. That just means they may be forced to seek riskier loans elsewhere, which benefits no one.

That's why fighting for a fair playing field is every community banker's responsibility. Going to Washington, writing letters and sharing our stories are our only opportunities to affect the rules we operate under. If we don't tell our story, no one else will.

So, this fall, I encourage you to put your tenacity in motion. Let your legislators know exactly how regulation needs to change and what the unintended consequences of more regulation will be. Don't take no for an answer. Fortunately, that shouldn't be a problem, because you wouldn't be a community bank leader if you weren't already stubborn.

BEST EXPERIENCES THIS FALL

1. Drinking apple cider
2. Breathing in crisp morning air
3. Seeing harvest all around me (and cutting wood without the threat of poison oak and ivy)

Innovation Station

HOW FINTECH RELATIONSHIPS CAN LESSEN COMPLIANCE BURDENS

— **Charles E. Potts**, ICBA Executive Vice President & Chief Innovation Officer



Compliance consistently ranks as one of the highest business expenses for community banks, and that burden is expected to climb: A Thomson Reuters survey found that 57% of U.S.-based financial services firms anticipate their total compliance team budget will rise this year.

THE EVOLVING ROLE OF FINTECH IN COMPLIANCE

With shrinking margins, external interest rate pressures, increased risk and fraud mitigation investments and more, maintaining strong compliance with mounting regulations is no easy task. It's even trickier when juggling budgets and limited resources. But fortunately, fintech providers can lend support.

In fact, fintechs can introduce operational efficiencies. Take Finosec, an ICBA ThinkTECH alum, who offers a simple and automated governance platform for information security and cybersecurity to save banks time and enhance exam preparedness. Or consider RiskScout, a provider from our most recent cohort, whose solutions are designed to increase revenue and decrease compliance costs by unlocking new deposit streams and automating BSA workflows.

SPECIALIZED SOLUTIONS

These fintechs speak to specific solutions for a defined problem. Because each is laser focused, they are able to tackle complicated issues with technological solutions, transforming repetitive, labor-intensive practices into automated processes that increase efficiencies and reduce costs in back-office functions. Systematizing compliance monitoring and reporting, for instance, helps free up staff to focus on the high-value exceptions, which results in improved efficiency ratios and overall performance.

As a first step in selecting a compliance-centric fintech partner, speak with your team about repetitive

or frustrating tasks and where pain points exist to help identify your problem areas. From there, seek out fintech specialists to address these particular compliance challenges—you want their expertise as well as their tools. Specialized fintechs not only deliver a solution, but they also help you identify where there are potential gaps or holes and where automating routine tasks can translate into reduced operational costs. The regulatory landscape is only getting more complex and having that sort of dedicated expertise will help prepare you for what's to come.

STRATEGIC PARTNERSHIPS

At ICBA Innovation, we have a continuing commitment to seeking out providers who can help you. Our solution forums, like our Faster Payments Forum [icba.org/all-products/product-details/solutions-forum-faster-payments](https://www.icba.org/all-products/product-details/solutions-forum-faster-payments) last year, are designed to take current trends and address the issues that are important to our bankers. The featured providers help solve specific problems, which may make all the difference. Because as regulatory pressures mount, having fintech partners to support you will free you to direct resources to what matters most: providing services that support your customers and communities.

ICBA SOLUTION DIRECTORY DELIVERS VETTED PROVIDERS

Sometimes the hardest step in introducing a new compliance product is identifying the right partner. The ICBA Solution Directory simplifies that process for you, providing vetted community bank solutions at your fingertips. Visit solutions.icba.org for more.

TOO MUCH OF A GOOD THING?

Balance is key when it comes to capital

— **Michael Benedic**, Managing Director, Fixed Income Strategies, Stifel Financial, ICBA Securities' exclusively endorsed broker

As the days grow shorter and the transition to fall approaches, management focus often begins to shift from the current calendar year to the year ahead. As part of that process, it is often helpful to explore the challenges and opportunities each presents.

Though much could change over the remaining months of 2024, the year to date can easily be characterized as one of relative stability when compared with the dramatic shifts we've experienced over the past several years. Balance sheet composition has largely normalized, funding costs have slowed their ascent, liquidity and credit metrics largely remain on solid footing, and the industry continues to build capital at a healthy clip.

But as other challenges have receded, profitability has stepped to the forefront. Community bank net interest margin (NIM) fell 12 basis points in the first quarter of 2024, while annualized return on assets (ROA) and return on equity (ROE) were below 1% and 10%, respectively, and the proportion of banks that were unprofitable was the highest of at least the past five years.

HERE'S THE RUB

Strong capital levels are essential for maintaining a resilient banking system, but carrying excess capital makes it challenging to generate sufficient returns on that capital. Growth strategies may help improve ROE, but an inverted yield curve makes it difficult to generate enough spread to improve NIM or ROA. As such, strategies that both improve profitability and utilize excess capital may provide a dual benefit at a time when help is hard to come by.

Though portfolio yields have steadily moved higher over the past two years, industry averages are still well below current market rates. And so, portfolio

repositioning strategies are one path available to virtually everyone that can provide the dual benefit referenced above. Though many banks have historically been reluctant to realize losses on security sales, the strategic rationale for doing so has rarely been stronger:

- While rate cuts are not a done deal, the Federal Reserve has held its policy rate steady for more than a year, which is typically an indication that the next move will be towards lower rates.
- Regulators have expressed support for strategies realizing losses to improve profitability.
- With benchmark Treasury rates already well below their highest level from the past 12 months, the opportunity to take advantage of 5% to 6% purchase yields could soon be a distant memory.
- Funding costs rising more rapidly than anticipated may call into question the ability to quickly lower deposit pricing if short-term rates decline in the future.
- Repositioning a portion of your portfolio today creates potential for harvesting gains if rates decline in the future (as opposed to seeing lower losses on existing positions).

TAKING A HARD LOOK

Two key considerations come into play when evaluating portfolio repositioning strategies that take an up-front loss.

First is the question of economic benefit: Does the strategy create more income than it consumes, and over what time frame does it do so?

This can be evaluated in myriad ways, but the strength of bids in tax-exempt municipal bonds almost universally creates value-enhancing

opportunities, because bid prices are driven by individual investors with a higher marginal tax rate than C-corp banks (though this is less the case for institutions organized under subchapter S).

Discussions become more nuanced with other asset classes, but many institutions have gotten comfortable with strategies that earn back the loss in relatively short time frames. While the definition of “relatively short” varies, we often find that management teams are comfortable with strategies featuring earnbacks of three years or less.

NAVIGATE THE NUANCES

The second consideration is the question of whether end-of-year incentive compensation is tied to reaching specific profitability targets and, if so, how recognizing losses on security sales affects your bank’s ability to achieve those targets. This is often a delicate conversation, though we would generally advocate for open dialogue in pursuit of the best outcome for the bank. If such an arrangement exists, conversations generally fall into one of three categories:

- 1 Spending the excess.** If profitability is tracking ahead of budget, strategies can be structured to move a portion of the current surplus into future periods. (This is ideal.)
- 2 The big miss.** Whether due to subdued loan growth, elevated noninterest expense or other factors, many institutions seem poised to miss budget for 2024. If you’re already going to miss, a reasonable case can be made for missing big in pursuit of more favorable outcomes over the coming years.
- 3 Looking ahead.** Potentially the most challenging of the three, this refers to situations where the institution is otherwise on track to hit targets, but the portfolio repositioning in question would cause profitability to drop below budgeted amounts.

The third category likely requires discussing whether realized losses may be excluded from the bank’s income for incentive compensation purposes. An exception may be granted due to both the unprecedented nature of the extraordinarily

low interest-rate environment in 2020–2021 and the historically rapid increase the following year.

However, granting an exception for losses today invites further conversation about the handling of similar situations in future periods, as well as treatment of recognized gains in a different yield curve environment.

While there is no single “right” answer to these questions, simply having the discussion can provide useful information regarding the best path forward for your institution. And from there, it’s a matter of which challenges lie ahead.

“Strong capital levels are essential for maintaining a resilient banking system, but carrying excess capital makes it challenging to generate sufficient returns on that capital.”

A LOOK AT THE FIRST QUARTER OF 2024

12

The number of basis points NIM fell

<1%

The annualized ROA rate

<10%

The ROE rate

PROTECTING KIDS ONLINE

— Senator John Thune (R-S.D.)



Social media has become a big part of Americans' lives. It's a source of entertainment and information, a way to connect with friends and family, and a place to shop, do business, and advocate for causes that are important to us. But I don't need to tell anyone that social media has a dark side as well. Social media can have negative effects on mental health. It can foster negative and divisive engagement and serve as an outlet for illegal activity. And it can be especially detrimental to teenagers' still-developing psyches.

In the last few years, reports and whistleblowers have sounded the alarm on social media's impact on young people. In 2021, the Wall Street Journal released a series of reports highlighting, among other things, Facebook's knowledge of the harm its products can cause, including its own research into Instagram's impact on teenage girls. Another report revealed how easy it is for teens to be bombarded with inappropriate content on TikTok, a risk-plagued platform with flaws far beyond this one. And many of us have also read tragic stories of eating disorders and suicide linked to social media. The status quo is unacceptable.

For several years now, including my time as chairman, I've worked with a number of my colleagues on the Senate Committee on Commerce, Science, and Transportation to address some of these issues. After years of hard work, the Senate recently passed the Kids Online Safety and Privacy Act, which takes important steps to protect young Americans online.

Championed by Sen. Marsha Blackburn, my colleague from Tennessee, this bill provides

"After years of hard work, the Senate recently passed the Kids Online Safety and Privacy Act, which takes important steps to protect young Americans online."

safeguards for teens by requiring that Big Tech platforms default to the strongest privacy settings for minors. It puts the responsibility on these platforms to prevent and mitigate harm to young people, and it prohibits internet companies from collecting personal information from minors without their consent. These and other measures in the bill are critical steps to protect children online and hopefully begin to reverse social media's ill effects, of which we've seen too much in recent years.

In addition to these provisions, I'm proud that this bill includes my Filter Bubble Transparency Act. One big problem with social media platforms stems from platforms' ability to decide what information to show you based on a secret algorithm that you can't inspect or change. Not all algorithms are bad – some can even be helpful, like YouTube queuing up another song from your favorite band instead of something totally unrelated. But algorithms that expose a 15-year-old to inappropriate videos, that's problematic, to say the least. And unfortunately, consumers are not always aware of just how much of their experience is being shaped by opaque algorithms.

The Filter Bubble Transparency Act puts consumers and parents back in charge by requiring Big Tech platforms to disclose when they are using an opaque algorithm, and it requires platforms to give consumers the option to view content that has not been curated by the secret algorithm. It provides more transparency for consumers and gives them more control over the content with which they interact online. I'm glad to see this bill advance alongside other important measures in this bill.

As always, there's additional work to be done to update our laws for the social media age. But the Kids Online Safety and Privacy Act is an important step forward in protecting young Americans from harm on the internet. I hope the House of Representatives will soon take up this bill, and I will continue working with my colleagues on this important issue.



HIGH-TOUCH CUSTOMER SERVICE

Click to learn more about the innovative technology and local, high-touch customer service we're known for.

The
advantage
Network

ROUNDS INTRODUCES ARTIFICIAL INTELLIGENCE POLICY PACKAGE

— **Senator Mike Rounds** (R-S.D.)



U.S. Senator Mike Rounds (R-S.D.), co-chair of the Senate AI Caucus, has introduced a package of bipartisan artificial intelligence (AI) legislation that will increase AI literacy, enable the use of AI to enhance the efficiency of US Shipyards, spur innovation in financial services and improve healthcare outcomes. The package consists of five bills:

- 1 The GUIDE AI Act: Establishes a centralized data exchange center for biomedical data through the National Institutes of Health (NIH), the National Library of Medicine (NLM) and the National Artificial Intelligence Research Resource (NAIRR).
- 2 The Unleashing AI Innovation in Financial Services Act: Establishes regulatory sandboxes at financial regulatory agencies for regulated entities to test AI projects, allowing them to responsibly experiment with cutting-edge technologies in the financial services space.
- 3 The Consumers LEARN AI Act: Develops a national literacy strategy, providing specific AI use case guidance and conducting a national media campaign to help consumers make informed decisions about how they use and interact with AI.
- 4 The Increasing AI Transparency in Financial Services Act: Requires reports on AI regulation in the financial services industry.
- 5 Legislation to require the Secretary of Defense to carry out a pilot program on using AI-enabled software to optimize operations of depots, shipyards and other manufacturing facilities run by the Department of Defense. This bill has been included in the base text of the Senate FY25 National Defense Authorization Act.

“Following the AI Insight Forums held in late 2023, we have been looking at ways to promote the safe,

responsible use of artificial intelligence in the lives of the American people,” said Rounds. “I fully believe each of these bills helps the United States make strides toward unleashing AI innovation and resulting opportunities, from national defense to health care research to financial services. I look forward to continuing to work with my colleagues to study AI and implement meaningful, common-sense policies to support its growth and mitigate its risks.”

Rounds serves as one of four members of the Senate’s bipartisan AI working group, along with Majority Leader Chuck Schumer (D-N.Y.) and Senators Todd Young (R-Ind.) and Martin Heinrich (D-N.M.). In late 2023, the group held nine insight forums that brought their Senate colleagues together with leaders from multiple industries impacted by AI to discuss policy and regulation. In May 2024, the group unveiled their bipartisan roadmap for AI policy in the United States.

“Following the AI Insight Forums held in late 2023, we have been looking at ways to promote the safe, responsible use of artificial intelligence in the lives of the American people.”

— *Senator Mike Rounds*

2024-2025

ICBSD BOARD OF DIRECTORS



JODI EICH

Chairman

Vice Chair & Chief Operating Officer, Rivers Edge Bank, Howard



DILLON KJERSTAD

Honorary Past Chairman

Vice President, First National Bank in Phillip



JOSH HOGUE

Immediate Past Chairman & ICBA Federal Delegate

President, Reliabank Dakota, Watertown



MICHAEL BEHL

Chairman Elect

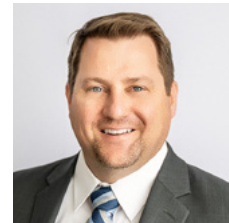
Compliance Officer/IT, The Farmers and Merchants State Bank, Scotland



NICK CONWAY

Treasurer

President, First Western Federal Savings Bank, Rapid City



KEVIN TEIGEN

Director

Vice President, Farmers State Bank of Turton



CLAY SPIELMANN

Director

Branch Manager, First State Bank of Roscoe, Eureka



JULIE PUETZ

Director

President, Chief Credit Officer, BankStar Financial, Brookings



TIFFANY LEWIS

Director

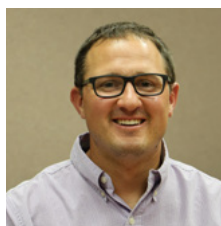
Vice President/Compliance Officer, Richland State Bank, Bruce



MARK HAhLER

Director

Market President, CoTrust Bank, Aberdeen



BRIT MILLER

Director

Vice President, First National Bank in Philip



DAN GOEHRING

Director

President & CEO, Campbell County Bank

ROWING TOGETHER:

How Jodi Eich and Rivers Edge Bank's Mantra Shape Mentorship and Leadership

"If you row someone across the river, you will get there yourself." This phrase is more than just words—it's visible throughout the bank, from the boardroom to workstations, serving as a constant reminder of the bank's core values. This simple yet profound statement forms the very foundation of Rivers Edge's culture, embodying the essence of collaboration, mentorship, and shared success.

This philosophy of mutual support is especially evident in how the bank nurtures its talent. At Rivers Edge, mentorship is not just encouraged; it's ingrained in the culture. The community bank understands that by investing in the growth and development of its employees, they are not only securing the future of their organization but also strengthening the community banking model that is so vital to South Dakota's rural economies.





JODI EICH



DON NOLAN



CAM BECKER

At the heart of this mentorship culture is Jodi Eich, Vice Chair and Chief Operating Officer, who embodies the spirit of Rivers Edge’s mantra. Jodi’s journey in the banking industry began modestly— as a college intern eager to learn the ropes. What started as a temporary position grew into a lifelong passion that has seen her rise through the ranks to become one of the most respected leaders with Rivers Edge Bank. Today, as the newly appointed Chairwoman of the Independent Community Bankers of South Dakota (ICBSD), Jodi’s leadership extends far beyond the walls of Rivers Edge.

“If you row someone across the river, you will get there yourself. This is the mantra behind our name, Rivers Edge Bank. Our focus is to help our customers and communities succeed. We believe when we do that, our own success will naturally follow.”

— Derek Nolan, Marketing Director & Compliance Officer

COMPETE WITH THE BIG DOGS

SHAZAM believes smaller financial institutions like yours shouldn’t lose out just because you don’t have the resources of a national megabank. That’s why we deliver flexible, cost-effective network and processing technology that helps you compete against the biggest dogs on the block. All fully backed by the kind of unmatched technical expertise and personal support that unleashes your power to make a big impact in your community.



Rowing Together Continued

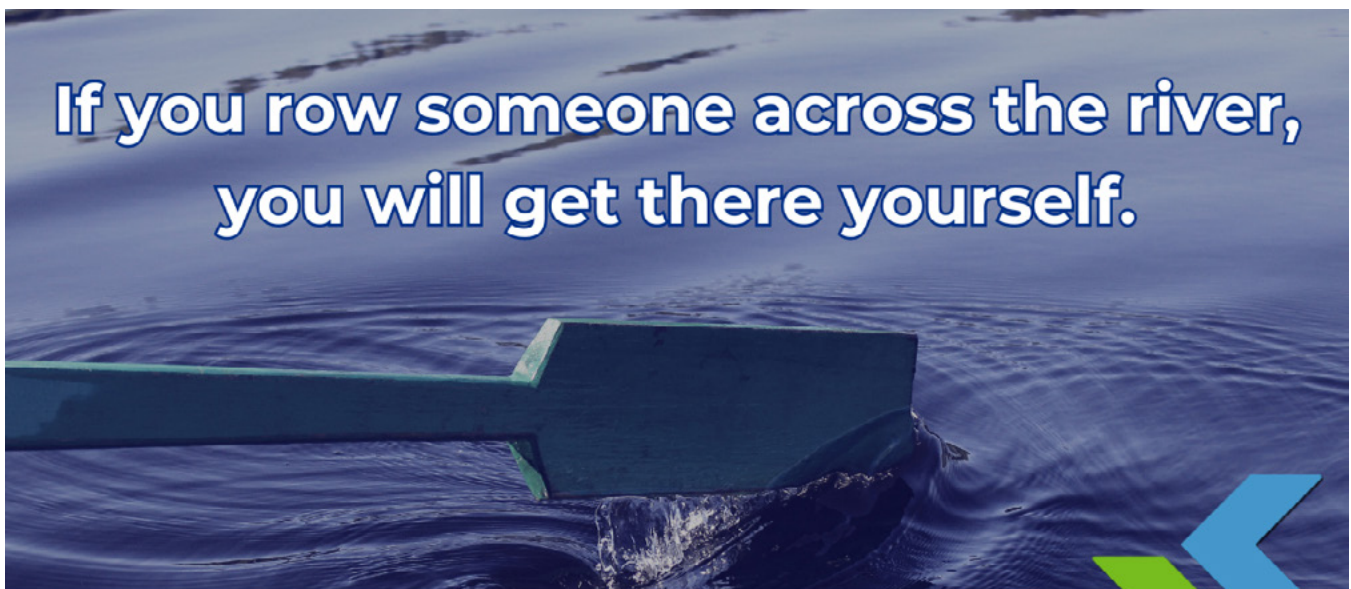
Known for her quiet and nurturing personality, Jodi's leadership style is a testament to the bank's values. "Within the organization, Jodi is the most admired person because of her ability to lead through her actions, not her words," explains Don Nolan, President & CEO of Rivers Edge. This approach to leadership aligns perfectly with the bank's commitment to mentorship—Jodi doesn't tell her team what to do; she shows them, guiding them with a steady hand as they learn and navigate the complexities of the banking industry.

Rivers Edge has developed a team structure that emphasizes collaboration over individualism. The bank's management strategy ensures that expertise is spread throughout all locations and positions, providing up-and-coming leaders with the opportunity to be part of key conversations and gain valuable experience. "We have a lot of young professionals within our locations who have potential, they just need time," said Jodi. "I was given opportunities to learn and grow along the way, and I love being able to support the next generation."

"It's our job to give them the opportunity to advance. Not supporting the next generation of community bankers is a threat to community banking," explained Cam Becker, President/Chief Credit Officer. This inclusive approach not only creates a strong sense of teamwork but also guarantees that the bank is well-prepared for the future, with a new generation of leaders ready to step up when the time comes.

Rivers Edge's unique ownership model further reinforces this culture of shared success. Close to a dozen employees are also owners of the bank, a structure that Don believes fundamentally changes the way decisions are made. "There's a difference between an employee who has a job and one who has a vested interest in the success of the community and the company," Don explains. This sense of ownership fosters a deeper connection to the bank's mission and a stronger commitment to its customers.

As Jodi steps into her new role as Chairwoman of ICBSD, she brings with her a vision that is



deeply rooted in the values of community and teamwork. She recognizes that one of the biggest challenges for community banks is sustaining the community banking model in an increasingly competitive environment. Her solution? Investing in people—mentoring young professionals, providing them with the tools and opportunities they need to succeed, and fostering a culture of continuous learning and development.

Jodi's commitment to mentorship and her belief in the power of teamwork reflect the essence of Rivers Edge's mantra. By rowing together, Rivers Edge Bank is not only helping its employees and customers reach their goals but also ensuring that the community banking model remains strong and vibrant in South Dakota. As Jodi leads both Rivers Edge and ICBSD into the future, it's clear that this philosophy will continue to guide her efforts, helping the spirit of community banking to thrive for years to come.



CONTRACT FOR DEED SELLERS, READ UP ON REGULATION Z

— Charles Gullickson, Dixie Hieb, and Keith Gauer, Davenport, Evans, Hurwitz & Smith, LLP

Contracts for deed are a mechanism by which the owner of real property may provide seller financing to a buyer to facilitate the sale of real property. On August 13, 2024, the Consumer Financial Protection Bureau (CFPB) issued an “Advisory Opinion” in which the CFPB stated that it “affirms” that contracts for deed are extensions of credit that may be subject to the Truth in Lending Act (TILA) and Regulation Z, the Act’s implementing regulation. Thus, if the seller under the contract for deed satisfies the TILA/Regulation Z definition of “creditor”, the documentation for a contract for deed transaction must include all of the disclosures that are required under TILA and Regulation Z if the buyer is a consumer. Even if a bank itself never sells real property under a contract for deed, bankers may want to be aware of this development. For example, a bank may take an assignment of a seller’s contract for deed and rely on cashflow from a contract for deed to service debt extended to the seller. That cashflow could be in jeopardy if the seller were required to provide the TILA/Regulation Z disclosures and failed to do so.

In a contract for deed, the seller retains legal title to the property, the buyer obtains the right to take possession of the property, and the buyer agrees to make regular installment payments to the seller. If the payments are made as agreed, the seller conveys the property to the buyer. Contracts for deed are commonly used by sellers when buyers have been unable to obtain traditional mortgage financing and are generally available for sales transactions involving all types of property, including commercial, agricultural, or residential.

“In a contract for deed, the seller retains legal title to the property, the buyer obtains the right to take possession of the property, and the buyer agrees to make regular installment payments to the seller.”

In the case of a buyer’s default, South Dakota law provides an expedited foreclosure process for contracts for deed. After complying with any advance notice requirements in the contract, the seller can accelerate the indebtedness and commence an action in state Circuit Court seeking foreclosure of the contract for deed. Upon entry of the judgment, the court sets a certain period of time, not less than ten (10) days from the date of the judgment, for the buyer to comply with the contract terms and pay the accelerated indebtedness due. In the event the buyer fails to comply with the terms of the judgment (and pay off the accelerated indebtedness), title is revested solely in the seller’s name, the contract for deed is foreclosed, and all rights thereunder eliminated. There is no redemption period for the buyer beyond the time set by the court for compliance. Further, a foreclosed buyer has no right to request the return of any sums paid on the contract for deed prior to the default.

Sellers under contracts for deed may not necessarily think of themselves as being in the business of providing credit. For example, assume that a handyman-type fellow has a side line of buying one



CHARLES GULLICKSON



DIXIE HIEB



KEITH GAUER

or two rundown homes during the year, renovating them, and then selling them on a contract for deed. Our handyman may view this as a sideline source of income and a way to generate revenue from his skills. Let's assume too that our handyman fellow contemplates regularly engaging in this activity over the foreseeable future and might enter into multiple contracts for deed in the same year, at any point in time having several contracts for deed outstanding. The CFPB under its Advisory Opinion could view the handyman as being in the business of extending credit. That is not the end of the analysis, however, in determining whether the handyman's contracts for deed are subject to TILA and Regulation Z consumer disclosure requirements.

Crucial to the analysis of whether TILA and Regulation Z apply to a contract for deed is whether the seller under the contract is a "creditor." Regulation Z defines "creditor" to include a person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments, and to whom the obligation is initially payable. The definition further states that a person regularly extends credit only if they extended credit more than twenty-five times in the preceding year, or five times in the preceding year if the transactions were secured by a dwelling. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards are applied to the current calendar year.

In addition, a person regularly extends consumer credit if the person originates more than one high-cost mortgage in any 12-month period. A "high-cost

mortgage" is defined under Regulation Z as any consumer credit transaction that is secured by the consumer's principal dwelling, and in which the annual percentage rate applicable to the transaction exceeds the average prime offer rate by some defined amount, or the transaction's total points and fees exceed some defined amount, both as set forth in Regulation Z.

Further, Regulation Z defines a residential mortgage transaction to include a transaction in which a mortgage, purchase money security interest arising under an installment sales contract, or equivalent consensual security interest is created or retained in a consumer's principal dwelling to finance the acquisition of that dwelling. Regulation Z defines dwelling to mean a residential structure that contains one to four units, whether or not that structure is attached to real property.

Based upon the foregoing, our handyman would need to assess both the volume of contracts for deed that he has extended and the terms of the contracts themselves in order to determine whether or not Regulation Z applies. If it does, the handyman would need to provide the required Regulation Z disclosures in connection with the transactions.

Contracts for deed can be a relatively straightforward method for selling real estate with seller financing. When it comes to selling residential real estate to consumers, though, the recent CFPB Advisory Opinion highlights that the complexities of Regulation Z may intersect with the simplicity of a contract for deed.

DATA ANALYTICS

– BHG Financial Institution Network



Embracing data analytics offers community banks a strategic opportunity to increase revenues and further support their communities. By thoroughly reviewing internal customer data, a bank may enhance customer engagement, improve underwriting, boost marketing results, and more.

However, smaller banks may not have the resources to audit and interpret customer data as thoroughly as large banks. So, this article explores how local banks can still harness internal information without overtaxing their budgets and staff.

DATA ANALYSIS COMPLEMENTS PERSONAL RELATIONSHIPS

There's no substitute for the personal connections local banks have with their customers. Local roots, homegrown insights, and first-name familiarity are tremendous assets. Still, some level of customer data analysis is advisable for small banks to thrive in the modern financial ecosystem. Banks whose boards and CEOs devote the necessary resources can be better positioned for success.

PRACTICAL APPLICATIONS OF DATA ANALYTICS

Data analytics can inform decision-making, drive product development, deliver a more personalized customer experience, and more. Below is an overview of several practical applications.

Lending

Incorporating data analysis into loan underwriting can supplement or reveal more than FICO and credit scores. Analyzing behaviors that traditional metrics don't (e.g., bank deposit history, property ownership, rent, and utility payments) may provide clues about an applicant's ability to manage debt.

Data analysis can also supplement or replace traditional measures of credit risk. For example, individuals with short credit histories or recent

immigrants often have weak credit scores or none at all. According to the CFPB, roughly one in 10 U.S. adults have no credit record at nationwide credit bureaus¹ In these cases, data analysis is essential to evaluate creditworthiness.

Fraud and cybersecurity

Data analytics can help mitigate fraud and cyber intrusions. According to IBM, the average cost of a data breach in 2023 was \$4.45 million² Today's advanced analytics, such as machine learning and artificial intelligence (AI), can scrutinize real-time data and flag irregularities. Banks using these insights can identify questionable transactions and unauthorized system access.

Risk management

Integrating market, economic, and internal customer data helps detect changes to underlying conditions and develop timely, efficient response strategies. These insights identify risk factors that may adversely affect information security, operations, compliance, and other functions.

Target marketing and customer segmentation

Data analytics offer a holistic view of customers. This offers the potential for more relevant marketing messages, enhanced acquisition strategies and improved engagement, with personalized offers that align with customers' specific needs.

Operational efficiency

Data analysis can lead to faster, more confident loan decisions, automated internal reporting, lower costs, and streamlined processes, letting employees provide more personal attention to customers.

TECHNOLOGIES AND TECHNIQUES

Tools for data analysis come in many forms. They vary in cost and sophistication and can be conducted internally or by an external third party.

Here are several examples:

Surveys

Simple customer surveys provide immediate feedback about how to better serve customers. “Surveys are an efficient and cost-effective way for banks to identify policies and practices that may need adjustment,” says Meghan Crawford-Hamlin, Institutional Division President for BHG Financial.

Open source software

Open source analytics provide universal and often free access to a product’s design, and can be a cost-effective way for smaller banks to launch new products and services quickly. Several popular open source software tools offer data analysis applications for banks.

AI

AI can synthesize large volumes of data faster than most tools. It identifies non-obvious patterns and inconsistencies, making it ideal for loan underwriting and fraud mitigation. A growing number of open source AI platforms are available for smaller banks.

Third-party specialists

Partnering with a specialized third-party provider

can be a cost-effective strategy for banks limited by technology and employee capacity constraints.

Starting small and other considerations

Experts advise smaller banks to begin data analysis slowly. Take small steps and learn from them. Let one success lead to another and use those victories to fund future efforts.

Along the way, weigh these considerations:

- Consider hiring a data analyst or data scientist to start analyzing data
- Decide whether to keep data analytics in-house or outsource it
- Consider aggregation tools that combine data from different systems for better insights
- Map out current data sources and systems to understand gaps and opportunities
- Consider roles like Chief Data Officer to oversee data strategy and execution.

Community banks have a unique opportunity to thrive by combining local expertise and personalized service with data-driven insights and automation. This combination can help level the playing field against larger competitors.



REGISTER NOW!

2024 FALL DIRECTORS & MANAGEMENT CONFERENCE

OCTOBER 16-17, 2024
AT THE DISTRICT
SIOUX FALLS, SD

We're excited to invite you to the 2024 Fall Directors & Management Conference in Sioux Falls on October 16th and 17th. This two-day event is designed to provide community bankers with valuable insights, networking opportunities, and practical strategies to navigate the evolving banking landscape. Whether you're a seasoned director or part of the management team, this conference offers something for everyone.

REGISTER TODAY: [ICBSD.COM/2024-FALL-DIRECTORS-AND-MANAGEMENT-CONFERENCE](https://icbsd.com/2024-fall-directors-and-management-conference)



KICKOFF EVENT: BANKERS & BREW AT REMEDY BREWING

Our gathering kicks off with Bankers & Brew, a social event, on Wednesday, October 16th. From 6:00-9:00 PM, join us at Remedy Brewing in Sioux Falls for an evening of craft beer, heavy appetizers, and the opportunity to catch up with fellow community bankers in a relaxed, informal setting. Whether you're catching up with old friends or making new connections, Bankers & Brew is the perfect way to start the conference on a high note. Your entry to this event is included with your conference registration.

THE MAIN EVENT: FALL DIRECTORS & MANAGEMENT CONFERENCE

The excitement continues on Thursday, October 17th, as we delve into a day of presentations and discussions at The District in Sioux Falls. The conference will be packed with expert speakers who will cover a range of topics essential for today's community bankers.

WHAT YOU CAN EXPECT:

9:30 AM - 10:00 AM

Welcome & Pitch Perfect

10:00 AM - 11:00 AM

Ag Disruptors Beware of Complacency with Doug Johnson, Ag Advisor & Strategist,
Presented by ProAg Bankware Technologies

11:00 AM - 11:45 AM

Price Stability, Full Employment and the Supply of Credit with Joe Santos, Director and
Professor of Economics, Ness School of Management and Economics, SDSU

11:45 AM - 12:30 PM

Building a Fraud Savvy Bank Customer with Nick Podhradsky, SBS Cybersecurity

12:30 PM - 1:00 PM

Lunch is Served

1:00 PM - 1:45 PM

Building a TEAM with Eric Henderson, Featured Speaker, Head Coach, SDSU Men's Basketball

2:00 PM - 2:40 PM

1st breakout

Choose one of the four topics to attend:

- Key Risks in Banking with Michael Dummer, South Dakota Division of Banking
- Decoding Cyber Coverage: Navigating Claims, Policy Options, and Their Impact on FI Bond and D&O Decisions with Curt Smallbrock, Community Bankers Financial Services
- Continuation of Ag Headwinds with Doug Johnson, Ag Adviser & Strategist
- Continuation of Cybersecurity with Nick Podhradsky, SBS Cybersecurity

2:45 PM - 3:30 PM

2nd breakout

3:35 PM - 4:15 PM

3rd breakout

SPOTLIGHT ON THE PRESENTERS



DOUG JOHNSON
Ag Advisor & Strategist

Doug Johnson, Ag Strategist, has dedicated over 31 years to serving the agricultural industry. His passion lies in assisting **Ag Lenders and Producers** by identifying potential disruptors and uncovering opportunities to ensure the sustainability and viability of agriculture for future generations. Doug's unique perspective, shaped by his upbringing on a fourth-generation family farm and his teaching background, allows him to navigate the cyclical and volatile nature of agricultural markets. His ultimate aim is to support both Farmers, Ranchers and Ag Lenders in their crucial role.



JOSEPH M. SANTOS
NESS School of Management and Economics, SDSU

Joseph M. Santos directs the Ness School of Management and Economics at South Dakota State University, where he is a professor of economics and leads the Dykhouse program in Money, Banking and Regulation. Joe's research includes measuring the burdens of financial regulation and the credibility of monetary policy. Joe earned his Ph.D. in economics from Rutgers University.



NICK PODHRADSKY
SBS CYBERSECURITY

Nick Podhradsky is an accomplished cybersecurity professional, serving as the EVP of Business Development at SBS Cybersecurity. He is also well-known for hosting the popular monthly webinar series called "Hacker Hour," which focuses on educating and empowering community bank leaders to make informed cybersecurity decisions. Nick has over 15 years of extensive experience in partnering with community bankers to create efficiencies and visibility into the art of managing cyber risk. He holds a master's degree in educational technology from Dakota State University and is a Certified Banking Security Manager. Through his leadership, many organizations have been able to better protect their business and minimize the risk of cyber attacks.



MIKE DUMMER
South Dakota Division of Banking

Mike Dummer was raised on a farm near Lesterville, SD and graduated from Scotland (SD) high school. He attended college at South Dakota State University, graduating in 2003 with a BS in Mass Communications. After working for a large national bank, he started as an Examiner with the Division of Banking in 2006. He served as Training Director from 2010 until September 2018 when he was named Deputy Director – Banking. He is a 2015 graduate from the Graduate School of Banking at Colorado and completed the Governor's Leadership Development Program in 2019. Mike resides in Lennox, SD with his wife Lindsay and three children.



FEATURE SPEAKER

ERIC HENDERSON Head Coach of Men's Basketball, SDSU

Eric Henderson was promoted to head coach of Jackrabbit men's basketball on March 27, 2019, and enters his sixth season at the helm of the program in 2024-25. He previously spent three years as an assistant at South Dakota State, rising to associate head coach for the 2018-19 campaign.

Henderson has posted a 109-48 overall record and a 65-15 mark in the Summit League in his previous five years as head coach. Henderson's squads have never finished worse than second in The Summit League standings, while they have won at least a share of the Summit League regular season title in four seasons and won two conference tournament titles en route to a pair of NCAA Tournament appearances. Henderson's winning percentage at SDSU (.694) is the highest among all-time Jackrabbit coaches with at least 20 victories.

A Jackrabbit has earned All-League honors 12 times in five seasons under Henderson. He's coached three Summit League Players of the Year, one of which in Baylor Scheierman, who was a first-round pick in the 2024 NBA Draft by the Boston Celtics.

The 22nd head coach in Jackrabbit basketball history, Henderson began his coaching career as an assistant at Wayne State (Neb.) from 2001-03 and returned to the collegiate ranks as an assistant at North Dakota State from 2014-16 after coaching in the prep ranks in Wisconsin.

A 2000 graduate of Wayne State (Neb.), Henderson began his collegiate coaching career at his alma mater from 2001-03 as an assistant coach. After coaching girls' basketball at Wayne Community School for two seasons, he moved on to Iowa State, where he was the graduate manager for the Cyclones' men's basketball team from 2006-08 and a learning specialist for the 2008-09 season. He returned to coaching in the prep ranks at Burlington Catholic Central High School in Burlington, Wisconsin, from 2009-14, while also serving stints as principal and athletic director.

He and his wife, Alicia, live in Brookings, South Dakota with their four children, sons Kooper, Kort and Kyler, and daughter McKinley.



CURT SMALLBROCK Community Bankers Financial Services

With 26 years of experience in the banking industry, **Curt Smallbrock** has built a career dedicated to helping customers finance both their personal and business needs. Nearly three years ago, he transitioned into the insurance sector, focusing exclusively on serving community banks. In this role, Curt ensures community banks are well-protected against worst-case scenarios. Partnering with multiple carriers, he provides tailored solutions to address the complex challenges faced by community banks today. Curt and the Community Bankers Financial Services team are committed to finding the right coverage and educating clients, empowering them to make informed decisions about their insurance needs.



ICBA
Education

EDUCATION THAT SUPPORTS YOU AND THE ICBSD

ENTER THE CODE: **SD-ICBSD** DURING CHECKOUT.

When you participate in ongoing education through ICBA Education, you are also supporting the ICBSD. For every ICBA training course, seminar and resource purchased, ICBA will donate 10% of eligible purchases to ICBSD.

Learn More: icbsd.com/community-banker-university

2024 Schedule | Seminars, Institutes, Forums & Conferences

OCTOBER

1-2: Auditing IT General Controls Seminar (Livestream)

6-11: Compliance Institute (In-person, Bloomington, MN)

21-24: Annual Current Issues Certification Conference (Livestream)

NOVEMBER

5-7: BSA/AML Institute (In-person, Dallas, TX)

14: Bank Director Forum 4 (Livestream)

**Dates and locations are subject to change.
Registration for the 2024 events is open!
Watch the icba.org website for more!**

For more detailed information call ICBA Education at 800-422-7285



ICBA
Education

Is your community bank skilled up?

Meet Cindy.

Cindy is the voice on the other end of the phone when bankers call about ICBA Education's bank director program, webinars, and other educational offerings. She takes the time to talk through bankers' professional goals, next steps, and ICBA's available options (all at a discount to members).

In the evenings and on the weekends, she can be found on her 150-acre farm in Central Minnesota or spending time with family and friends visiting and supporting our community.

Are your bankers educated because they have Cindy as a resource?

Learn more at
icba.org/education



ICBA
Education



COMMUNITY BANKERS

In Action

We applaud these community bankers in action for your efforts volunteering within your communities. You go above and beyond, investing your time and resources to make a tangible difference in your neighborhoods. From organizing local events to supporting charitable causes, your commitment to fostering growth and well-being is constant. The impact of your dedication is evident in the vibrant, thriving communities you help nurture!

Lewis Graduates From Banking School

Tiffany Lewis with Richland State Bank recently graduated from the Dakota School of Banking (DSB) sponsored by the North Dakota Bankers Association (NDBA). In its 50th year, the school trained 72 bank personnel. The school was held on the campus of University of Jamestown in Jamestown, North Dakota.

“The Dakota School of Banking provides focus education for bankers looking to enhance their skill set and advance their careers,” said Dorothy Lick, NDBA senior vice president of education. “Each banker receives a well-rounded educational experience, develops banking skills, and creates a valuable network of peers.”

Bankers are enrolled in the school for two years, attending one week each summer. The first-year session provides an overview of the banking industry and the departments that make up a bank. The second-year session builds on the banking knowledge gained in the first year and adds a computerized bank management simulation to reinforce technical and functional management skills.

“The Dakota School of Banking was a great experience, from the learning opportunities to building relationships with banking colleagues,” said Lewis. “I look forward to putting the knowledge I’ve gained to work.”

Teachers at the school include bankers, attorneys, accountants and financial industry consultants. Sessions combined lecture, hands-on activities, a computerized banking simulation and testing.



FNB Community Card Program

Harrisburg High School capped off a Tiger Bowl win with a Community Card presentation, bringing their total earned to \$42,601.40. Since 2012, The First National Bank in Sioux Falls has given more than \$350,000 to area schools through their Community Card program. It's a great way for students, parents, teachers, and community members to earn money for their school of choice through everyday purchases.



BankStar Financial Completes Two New Bank Buildings

Charles Hegerfeld, CEO of BankStar Financial, recently announced the completion of two new bank buildings in Volga and Elkton. The Volga branch, now located at 424 E. Highway 14, opened on June 3, while the Elkton branch at 124 Elk St. opened on June 17.



Congrats, Reid Johnson

Congrats to Reliabank's Chief Culture Officer, Reid Johnson, on his cover with Empire Lifestyle Magazine!



Give Where We Live

Give Where We Live is an employee-directed giving program where Dacotah Bank contributes up to \$200 towards a recipient or organization in need of the employee's choice. An additional \$300 can be donated by the Company to the organization in which the employee is an active board member.

Deanna Klein, Northern Region Retail Manager at Dacotah Bank, recently presented a donation to ShareHouse, Inc., one of the longest-running treatment centers in the region and one of the most respected and trusted dual diagnosis treatment programs in the upper Midwest. Jeremy Traen, CEO of Sharehouse, is pictured (left) accepting the donation from Deanna (right) who is also the Assistant Secretary on their Board of Directors.

To continue providing the most comprehensive individualized care possible, ShareHouse has expanded its recovery services to now offer a walk-in assessment clinic, individualized outpatient care, mental health services, supportive housing, public housing, and more. In choosing to direct her GWWL funds for 2024, Deanna recognizes this as a 'full circle' moment from a valuable partnership that has left a lasting impact on her life, both personally and now also professionally, spanning the past 21 years with Sharehouse, where recovery is possible.



SDN Communications Team Volunteers with Adopt-A-Highway

Volunteers from SDN Communications team picked up trash last week on La Mesa Drive outside of their data center as part of the Adopt-A-Highway program. From left: Tanner Carolan, Orrin Steck, Dave Halter, Bruce Duncan, Ryan Jackovich, and Brady Andersen. Not pictured but also helping were, Nick Hertel and David Willison.



THANK YOU

to our 2024 Preferred Partners for your endless support of community banking in South Dakota.





INDEPENDENT COMMUNITY BANKERS
OF SOUTH DAKOTA

P.O. BOX 615
WATERTOWN, SD 57201
605.878.3040



ICBSD.COM