

Where Have All the De Novos Gone?

Barriers to entry, reasons to overcome them, and why it's important for the industry

By Amber Seitz

In 2005, the FDIC reviewed 299 applications to start new banks (237 were approved). From 2009 to 2016, they approved just five. Meanwhile, the U.S. economy in general has recovered from the financial crisis of 2008 and subsequent recession, with employment levels back to their 2005 numbers and housing markets back to booming. So, where have all the de novos gone? "It's a combination of factors," said Attorney **James Sheriff**, partner at Reinhart Boerner Van Deuren, s.c.



"It's not a simple, easy answer." The credit crisis alone did not cause the current dearth in de novos, but its lingering effects have created several barriers to entry that discourage the formation of new banks. "This didn't go from a lot to a few; it went from a whole bunch to nearly none. That's very telling," said **Andy Guzikowski**, attorney and shareholder at von Briesen & Roper, s.c. "It's all related to barriers to entry, both real and perceived."

(continued on p. 24)

Protecting Your Branch Network

By Amber Seitz

Security considerations for modern branch technology

As branch networks evolve from brick-and-mortar transaction centers into technology-friendly customer interaction spaces, banks must also be diligent in their work to update their security strategy. A 20th-century security

plan won't protect a 21st-century branch network. Unfortunately, there's no universal approach that will work for every institution. "Any time you're adding new technology or moving to something new, there's no easy answer," said **Randy Phillips**, vice president of security management at Thompson Consulting Group, LLC. "It's really a case-by-case basis because it depends on how much technology you're adding." Instead, bank security officers should align their current strategy to their branch network with a close look at their

vulnerabilities from a holistic perspective.

Adopt a Holistic Perspective

Modern branch networks are less a collection of separate buildings and more a true network, a group of interconnected pieces working in tandem. Therefore, updating the security strategy to accommodate modern networks requires a perspective shift. "It doesn't require changes so much as it requires looking at security concerns from the past in a different way, as an ecosystem rather than as separate pieces," said **Jim Stanger**, FI solutions team leader at Edge One, Inc.

(continued on p. 23)

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Wisconsin Bankers Association
4721 South Biltmore Lane
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Building Up Tomorrow's Bankers

By Frederick J. Siemers

What can we do to prepare Wisconsin's banking industry for the future?

Bank and association leaders have been asking this question for years, and one answer that comes up consistently—no matter which decade the question was asked in—is to develop our emerging leaders. Fostering talent has always been an important component to maintaining a strong, adaptive industry, but it has never been more important than today.

A 2017 study by Korn Ferry, a Los Angeles-based executive search and recruiting firm, compiled the age and tenure of executives from the top 1,000 companies in the U.S. by revenue and found that the average CEO is 58 years old. In the financial services industry, that number rises to



Message from the Chair

Frederick J. Siemers

See pgs. 10-11 for a photo wrap-up of the WBA Chairman's Member Appreciation Golf Outing.

60. The average age across the c-suite in banking is 54. That means most of today's decision-makers and leaders did not grow up surrounded with the technology that will keep traditional banking relevant for future generations. It's also more difficult for many of today's leaders to

adapt quickly to emerging technologies, both personally and professionally, much less accurately forecast what the next "big thing" will be.

With the youngest Baby Boomers reaching retirement age in just over a decade, now is the time to recruit and develop the talent that will lead our banks into the future. Formal training is certainly a part of that; banking as an industry requires a high level of knowledge and skill for any leadership position. However, mentoring is also an important piece. Today's bank executives must take note of top-performers in our institutions and encourage their talent.

Another important element in developing future talent is to encourage networking among the industry's emerging leaders. The WBA BOLT Section is a perfect avenue for

building those connections. BOLT (Building Our Leaders of Tomorrow) provides a networking connection to others in the community banking industry with the same background and same work complexities, as well as opportunities for up-and-coming bankers to develop the skills needed to be a respected, contributing community banking officer able to handle increasing responsibility.

BOLT's goal is to provide an environment where energized and motivated WBA members have an opportunity for peer networking, educational growth, and leadership development. Please visit www.wisbank.com/BOLT for more information about how you can get involved.

Siemers is president of River Cities Bank, Wisconsin Rapids and the 2017-2018 WBA Chair.

Come see us! WBA Management Conference & Expo



Stop by our booth at the WBA Management Conference on September 13 at the Kalahari Convention Center in the Wisconsin Dells. We would love to connect with you!

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Foxconn's Potential Transformational Effect

By Jon Turke

\$10 billion investment. 13,000 jobs. \$800 million annual payroll.

These are just a few of the many huge numbers that Governor **Scott Walker** and state leaders have touted since Foxconn Chairman **Terry Gau**, along with President **Donald Trump**, Speaker **Paul Ryan** and Walker, announced at the White House in July that Wisconsin would be the site of the company's first major investment in the United States.

The investment does not come without cost to the state. The State of Wisconsin has agreed to \$3 billion in various state incentives over the course of 15 years. While this is tied to job creation and the amount of capital investment, at its peak, the company could receive over \$300 million annually in cash from state



Advocacy Update

Jon Turke

taxpayers. The Legislative Fiscal Bureau has calculated, with caveats that projecting this far into the future is not an exact science, that the state will recoup its investment in 2042 – over 20 years after the company is expected to start manufacturing here.

While some decry the use of taxpayer dollars to lure large multinational corporations, this is, frankly, the way the game is played in 2017. Boeing was offered an incentive package in 2013 worth \$8.7 billion just to retain the company's operations in Washington

State. The State of Michigan offered General Motors a \$2.3 billion package in 2009 to save 1,200 jobs. Also, Wisconsin was not the only state vying for Foxconn's investment. If not Wisconsin, another state would have given the same package.

Legislative and business leaders highlight the game-changing effect this can have on the state. In addition to the 13,000 direct Foxconn jobs, it is projected that 22,000 indirect jobs will be needed to support the iPhone manufacturer. The direct jobs at Foxconn will have an average annual salary of over \$53,000 plus benefits. The investment will not be limited to Kenosha, either. Already there are talks of Foxconn building a corporate office in downtown Milwaukee and a secondary facility in Dane County. A supplier of Foxconn

has already announced their intention to build a \$1 billion plant nearby.

While we, of course, hope for continued economic growth in the state to support lower taxes, education funding, and safe roads, the dollars invested in Foxconn will take away funding for new projects in the future. This will make it more difficult to pass items such as the tax exemption for revenue generated from commercial loans.

Yet, the greater economic impact is difficult to say "no" to. A projected \$7 billion annual economic impact throughout the state would be a benefit to all Wisconsinites, including our financial institutions. It will be the largest economic development project in state history and one of the largest in U.S. history.

Turke is WBA director – government relations.

Stepping Up for Our Industry

Wisconsin Bankers Engage in Grassroots Advocacy

When it comes to representing Wisconsin's banking industry in Madison and Washington, D.C., direct banker involvement is the key to success. No one can illustrate to lawmakers what a piece of legislation or proposed regulation will mean to your bank, your customers, and your community as effectively as *you*. Recently, several Wisconsin bankers have answered the call to speak up on behalf of our industry.

On July 25, **Brenda Kluesner**, a loan officer and crop insurance manager at Royal Bank in Cassville, testified in Washington before the Senate Agriculture Committee. The committee hearing, "Commodity Programs, Crop Insurance and Credit," focused on the 2018 Farm Bill, which will take effect upon the



Kluesner (above, far right) testified before the U.S. Senate Agriculture Committee's Commodities, Crop Insurance and Credit hearing July 25.

current bill's expiration on September 30, 2018; the current bill was passed in 2014. House Agriculture Committee Chairman **Mike Conaway** said on August 2 work on the 2018 Farm Bill would start within the next eight weeks, which means Kluesner's testimony helped lay the groundwork for the initial draft.

During her testimony, Kluesner urged Congress to adopt a "dynamic new multi-

year farm bill" and encouraged Congress to provide adequate funding, raise loan limits, minimize origination fees and paperwork requirements, and provide uniform financing requirements for USDA loans across state lines. A member of the WBA Agricultural Bankers Section, Kluesner stressed the importance of farm programs to the agricultural sector from a community bank perspective. Her testimony

presented five principles that should be incorporated into the next Farm Bill and briefly discussed the background of the current farm economic situation. You can read a full copy of Kluesner's written testimony here: www.wisbank.com/media/371201/sen-ag-cmte-hrng-july-25-2017.pdf.

You don't have to enter the spotlight by testifying in order to represent Wisconsin's banking industry, however.



Popp

Johnson Bank President **Jim Popp** was invited to the White House

for the July 26 announcement of the Foxconn deal to build a manufacturing plant in the southeastern corner of the state. The invitation demonstrates how important banks are to the economic vitality of their communities.



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Wisconsin DOJ's New Safe at Home Program

New confidentiality program provides protection for abuse victims

Can Customers Maintain a Confidential Address Through a New State Program?

Answer: Yes. The Wisconsin Department of Justice recently implemented a confidentiality program known as Safe at Home, authorized under sec. 165.68, Wis. Stats. Safe at Home is a statewide address confidentiality program that provides victims of abuse with a legal substitute address to be used for both public and private purposes. Enrollment in Safe at Home allows participants to use and receive mail at an assigned address in lieu of their actual address. Safe at Home then forwards mail from the assigned address to participants' actual addresses free of charge.

To achieve confidentiality, participants use an assigned address in place of their actual address for all purposes, including banking.



Compliance Q&A

Scott Birrenkott

A Safe at Home Participant Authorization card is issued to each program participant. The card bears the participant's name and unique identification number, the assigned address, and expiration date. The assigned address, which is the same for all participants, is 3902 Milwaukee St., P.O. Box 7188, Madison, WI 53707-7188.

Upon presentation of the authorization card, financial institutions are required to use the assigned address for all purposes, save a single exception discussed below. Correspondence sent to the assigned address will be re-routed to the

Visit www.wisbank.com to learn more about the DOJ's Safe at Home Program and other compliance issues.

participant at the participant's actual address. In most cases, re-routing occurs the same day, but participants are made aware that the process can cause delays. To help avoid delay, it is critical that the participant's name and program identification number appear in conjunction with the assigned address to ensure mail is re-routed to the correct participant. The number should be listed above the street address, either next to or below the participant's name, and can be listed as an apartment number, if needed.

For purposes of compliance with the institution's Customer

Identification Program requirements under the USA PATRIOT Act, the DOJ's address must be used. The address is 17 W. Main St., Madison, WI 53703. Use of DOJ's address is permitted under FinCEN Ruling 2009-R003.

Currently, the program has approximately 100 participants.

If you have any questions about the program, please contact DOJ's **Erin B. Welsh** at 608/266-6613 or safeathome@doj.state.wi.us.

Birrenkott is WBA assistant director – legal. For legal questions, please email wbalegal@wisbank.com.

Note: The above information is not intended to provide legal advice; rather, it is intended to provide general information about banking issues. Consult your institution's attorney for specific legal advice or assistance.

WBA to CFPB: Increase Threshold of Open Lines of Credit to 1,000

Summary of recent comment letter below

On June 27, 2017, WBA submitted a comment letter regarding CFPB's proposed temporary increase in institutional and transactional coverage thresholds for open-end lines of credit. While WBA agrees with CFPB that the open-end lines of credit threshold must be increased to realize the goal of eliminating unnecessary burden on financial institutions, WBA informed CFPB that an increase to 500 was inadequate. Ultimately, WBA suggested the threshold be increased to 1,000.

The WBA Legal Department advocates for the industry by writing comment letters to federal and state regulators on proposals affecting the industry and by filing friend-of-the-court briefs at the request of WBA members and per approval by the WBA Board of Directors.

A copy of the text of WBA's comment letter is available on the WBA's website at www.wisbank.com/CommentLetters.

For copies of this or other WBA comment letters, please contact the WBA Legal Department at 608/441-1200 or visit www.wisbank.com/CommentLetters.

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A Trip Down Memory Lane: Banking in 2012: WBA's 10-Year Wisconsin Forecast

There will be more specialization in financial service fields, a greater emphasis on sales-oriented employees and more comprehensive financial services to customers. Those are just some of the changes that Wisconsin financial institutions will experience by 2012, according to a 10-year forecast prepared by WBA Executive Vice President/CEO **Harry Argue**.

125
YEARS

WBA staff dusted off our past publications and found this gem for your enjoyment. Also see p. 9 for a list of historical events from the 1981-1990.

» Future issues of Wisconsin Banker will feature historical events from the past 125 years.

This forecast is part of the Association's ongoing planning process designed to foresee and address the future needs of Wisconsin banks and WBA. The report was developed over

the last year at the request of the WBA Board of Directors. [...]

In addition, Argue forecasted that nearly all WBA member banks in 2012 will

use "very smart" ATMs. These machines will be activated by voice with a recognition system that determines, by visually scanning the customer, his or her true identity. "ATMs will have surpassed the branch system as the highest-volume domestic banking channel. Web-based ATMs will provide high-value transactions such as check cashing, wire transfers, event ticketing, and e-commerce shopping," Argue said.

Today, 25 million people bank online. But by 2012, Argue predicted that television will be a primary way that many people access their accounts and pay bills, often at night after a long day of work.

Bank customers will also take advantage of portable devices such as hand-held miniature personal computers that will provide instant access to their Wisconsin bank accounts and Wall Street, the report said.

But despite the proliferation in Internet banking, many customers will still do their banking in the traditional way: at a brick-and-mortar bank office.

[...]

Dealing with the many industry changes will continue to be a joint effort, the report emphasized.

"WBA elected and professional staff will need to continue to enhance the strong partnership that now exists to work our way through complex challenges and make sometimes tough choices in order to best position the industry and WBA for 2012," Argue said.

Originally published in the May 2002 edition of the Wisconsin Banking Digest.

Argue served as WBA's executive vice president/CEO for 14 years (June 1990 – March 2004).

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RECOGNIZING NOTABLE HISTORICAL EVENTS, 1981-1990

1981

Farm land values begin plummeting, but Wisconsin's rural banks persevere despite many failures in other states. Wisconsin's first bank-owned bank opens for business after WBA and individual bankers cooperate to draft legislation and issue stock.

1982

WBA Employee Benefits Corporation, Inc. (EBC) is formed. Major banks work to head off the Third World debt crisis.

1983

A flurry of acquisitions and other activity strikes banking; the state reports 11 consolidations, 20 name and location changes, 18 new branches and one new state bank.

1984

The changes from the previous year continue; the state reports nine branch openings, one new state charter, 21 name changes and nine consolidations. Another 32 banks increase their capital stock.

1985

Wisconsin's 173 farm banks escape the loan deterioration problems plaguing banks in the agricultural regions of other states. A surge in real estate sales and mortgage refinancing improves Wisconsin bank loan portfolios.

1986

Wisconsin Governor **Anthony Earl** signs a bill allowing reciprocal interstate banking with eight states; First Wisconsin buys an Illinois bank group under the new

regional banking compact.

The average Wisconsin state bank holds \$53 million in assets; the average Wisconsin national bank holds \$139 million. The first hints of the S&L debacle reach the federal government as U.S. senators begin debating a bailout.

1987

WBA subsidiary FIPCO™ is formed and established. Banc One of Ohio acquires Wisconsin's Marine Corporation in a major interstate merger. Despite the stock crash and plunge in nationwide profits, Wisconsin banks improve in condition; the number of problem banks actually declines by almost 30 percent.

1988

Total Wisconsin bank assets grow by 5 percent (to \$42.7

billion) despite the problems pervading financial institutions elsewhere. The Office of the Commissioner of Banking gets new powers, including cease and desist authority.

1989

The State Legislature allows statewide branch banking. The total number of banking offices continues to increase while the number of chartered banks decreases from 530 to 519.

1990

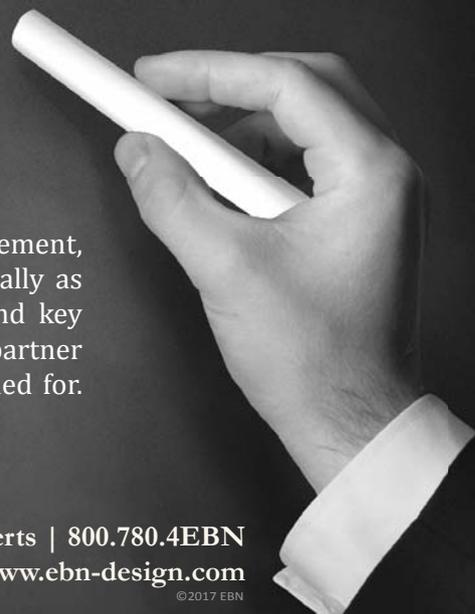
Harry J. Argue, North Dakota Bankers Association's executive vice president, is named WBA president/CEO.

Historical events compiled from "Good as Gold — A History of Banking in Wisconsin," Copyright © 1992 by Wisconsin Bankers Association.

WHAT IS LEFT ON YOUR Checklist?

- Succession Planning
- Cybersecurity
- Regulatory Compliance

As the Senior Leadership teams in the banking industry approach retirement, **creating** and **developing** the bank's succession plan is critical. Equally as important are the issues of retirement planning, estate planning and key employee retention. The experts of *Executive Benefits Network* partner with banks to ensure all possibilities have been discussed and planned for.



Twelfth Annual

WBA CHAIRMAN'S MEMBER APPRECIATION

Golf Outing

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On August 17, nearly 150 bankers from 75 banks joined WBA staff and event sponsors on the links at Trappers Turn Golf Club in Wisconsin Dells for the WBA Chairman's Member Appreciation Golf Outing. Thank you to all the bankers who participated!

A special thanks to the event speaker **Mark Hogan**, Secretary and CEO of WEDC, (circle below) for his insights on how Wisconsin won Foxconn's

business. According to Hogan, Governor **Scott Walker** deserved most of the credit. Hogan also spoke about WEDC's role in fueling the state's economy.

Thank you to the 32 event sponsors (listed below) who made this event possible. View event sponsors and an event video at www.wisbank.com/golf2017.

WBA 2017-2018 Chair **Fred Siemers** (circle top, left) and WBA President/CEO **Rose Oswald Poels** (top rectangle at left) thank all event attendees and sponsors!



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Market Insights

Calling All Ag Bankers!

WBA Agricultural Luncheon scheduled for October 6

Connecting with your ag clients is not only an important element of customer service, in the ag industry it can also help your customers' businesses stay viable. The annual WBA Agricultural Luncheon is a perfect opportunity to bring together your agri-business clients for the networking and education they need in order to see continued success.

Scheduled for October 6 in Madison (during the famous World Dairy Expo), the luncheon is designed for ag bankers and their ag customers – longtime customers, new customers, next generation leaders, bank staff interested in ag banking, ag student interns, or even high school students with an interest in ag banking. Use this luncheon as a way to show your appreciation to your customers by investing in their education. Luncheon attendees will hear from two expert speakers:

The University of Illinois at Urbana-Champaign's **Eric Snodgrass** will discuss weather risk, examining how weather in the U.S. has impacted the 2017 growing season. He will also look at the forecast for the remainder of harvest and the long-range forecast for winter's impact on cattle and dairy. He will also discuss the upcoming growing season in South America, including early yield estimates for soybeans in Brazil and Argentina. Finally, Snodgrass will look at how hedging weather risk in agriculture is changing with new weather analysis and forecasting technologies, especially for severe weather events. Come prepared to learn how to consume weather information in order to make the best decisions possible regarding its impact on global agriculture.

Farmer Mac economist **Jackson Takach** will present his views on the health of the U.S. agricultural economy



» Learn more or register at www.wisbank.com/events/agricultural-luncheon.

and the global agricultural economic landscape, as well as explain how the vitality of each component will impact farmers across the country. Curious

about the strength of grain and dairy markets heading into 2018? Wondering how the recent increase in interest rates may impact agricultural

producers this winter? Thinking through the changes in trade policy and what they mean for the ag economy? Takach's session will conclude with a Q&A to allow participants to get answers to those questions, and more!

Visit www.wisbank.com/events/agricultural-luncheon to learn more and register for the event. Reserve a full table (eight attendees) to receive a discounted price!



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Bulletin Board

News about people working in Wisconsin's financial institutions

Promotions and New Hires

Eagle River

mBank has hired **Jed Lechleitner** (pictured) as assistant vice president commercial banking officer.



Lechleitner



Jones



Ortyn



Sampson



Witt

Ixonia

Ixonia Bank has expanded its commercial lending team by adding three new senior vice presidents:

John "Mike" Jones (pictured); **Douglas A. Ortyn** (pictured); and **Dennis J. Sampson** (pictured).



Mack



Bush



Kohler



Anderson



Kerr

Madison

Jeff Mack (pictured) has joined Park Bank as a new first vice president – private banking.

Milwaukee

Associated Bank has hired **Timothy Bush** (pictured) as senior vice president, associate counsel – commercial, legal.

Debra Kohler (pictured) has joined the bank as senior consultant, consumer directed HSA programs, consumer and business banking. The bank has also promoted **Justin Anderson** (pictured) to assistant vice president, commercial relationship manager at the Stevens Point location.

Platteville

Mound City Bank recently hired **Kate Barth** as loan operations supervisor.

Superior

National Bank of Commerce has hired two new personal bankers: **Samantha Kerr** (pictured) and **Brandon McCabe** (pictured).

Waukesha

Waukesha State Bank has hired **Heather Pfiaz** (pictured) as vice president – bank manager. In addition, Payroll Complete, a division of Waukesha State Bank, is proud to announce the addition of **Dean Lampe** (pictured) as business development associate.

(continued on p. 15)

Local Banks Complete Merger



Heritage Bank, with locations in Marshfield and Spencer, and Stratford State Bank, Stratford, have announced the completion of their merger and name change to Partners Bank. This merger of equals within the same market area increases their assets to \$215 million and provides the

two organizations an opportunity to strengthen their position as a leading community bank in the Central Wisconsin area. Partners Bank has **Marty Reinhart** serving as the bank's CEO, while **Jeff Lappe** will serve as president.

American National Bank Promotions



The American National Bank's Board of Directors announced the promotions of employees to the bank's executive staff: (pictured left to right) **John R. Oathout** to president and chief executive officer, **Mark Holsapple** to executive vice president and chief credit officer, **Jamie Henning** to senior vice president and retail banking officer and **Patricia Frankenstein** to executive vice president and chief operations officer. In addition, **Martin Sell** was recently appointed as Chairman of the Board of Directors.

Have good news? To submit a notice, please email bulletinboard@wisbank.com. Or mail entries to *WBA Bulletin Board*, 4721 South Biltmore Lane, Madison, WI 53718. Send photos as JPEG files. Questions? Contact WBA's **Amber Seitz** at 608/441-1237 or aseitz@wisbank.com.



Erick Gorecki
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Bulletin Board

News about people working in Wisconsin's financial institutions

Retirement

(continued from p. 14)

Beaver Dam

After 30 years of service to The American National Bank, President and Chief Executive Officer **Ed Jacobs** recently announced his retirement.

Announcements

Cazenovia

Royal Bank recently announced it has completed the acquisition of State Bank of Cazenovia, welcoming two new locations in La Valle and Cazenovia. The completion of this transaction marks 19 locations in the Royal Bank network spanning central and southwest Wisconsin.

Oconomowoc

First Bank Financial Centre (FBFC) recently reached 2,000 likes on Facebook.



McCabe



Pfiaz



Lampe

To celebrate, the bank created a contest to give away \$2,000 to a charity of their followers' choice! The charity with the most votes will receive the donation. In addition, for each

vote, the individual will be entered into a raffle for a chance to win an Amazon Echo. The five organizations chosen to participate are: Camp Hometown Heroes, Humane Animal

Welfare Society of Waukesha (HAWS), Mel's Charities, Sharon Lynne Wilson Center, and Gold in September. The winner will be chosen on September 15.

Waupun

The National Bank of Waupun has announced that, as of August 1, it has converted from a national bank charter to a state bank charter. With this change, the bank has updated its name to NBW Bank.



Thank You for Celebrating with Us!

In June and July, WBA hosted five baseball tailgates across the state to celebrate the association's 125th Anniversary. Nearly 400 bank staff and their families attended the minor league match-ups and enjoyed food, beverages, and fun at their local stadium. Thank you to all the bankers who came out to celebrate this milestone with us!

Wisconsin Bank & Trust Donates Funds from Charitable Debit Card Program



Wisconsin Bank & Trust has presented a donation of \$25,388.05 to Breast Cancer Recovery Foundation, Inc. as a result of the bank's Pink Ribbon Debit Card Program. The donation is the bank's fifth annual donation to Breast Cancer Recovery Foundation, a Wisconsin-based non-profit that supports women at all stages of breast cancer through retreat programs and education held throughout the state. Since the Pink Ribbon Debit Card program launched in 2012, Wisconsin Bank & Trust's customers have made millions of "swipes" of their debit cards, each time generating a donation. This year's donation is the largest yet, as a result of more customers selecting and using Pink Ribbon Debit cards. There is no cost to customers. Pictured (left to right): **Kevin Tenpas**, CEO and President of Wisconsin Bank & Trust; **Erin Jacobson**, Madison Banking Center Manager; **Jill Mack**, Private Client Services and Chairman of the Board of Breast Cancer Recovery Foundation; and **Megan Purtell**, Breast Cancer Recovery Foundation Executive Director.

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Insurance Benefits for Bank Employees:

Short-Term Disability Coverage for Peace of Mind

WBA EBC's primary focus is helping banks protect their greatest assets: their people. The many insurance products offered through the WBA Insurance Trust are an effective means of demonstrating a bank's commitment to its employees. EBC now works with many different carriers to provide a wide array of options to meet the varied insurance needs of Wisconsin's banks and their employees.

EBC's carrier for life and disability products is Lincoln Financial Group, a part of Lincoln National Corporation. According to *Fortune 500*, Lincoln is the 24th largest U.S. company based on assets with operating revenues of nearly \$14 billion and a net income of \$1.2 billion.* Their size and stability make Lincoln a strong company and ideal partner for

the banking industry. During their relationship with EBC, Lincoln has continued to offer strong products with competitive pricing. One such product is their short-term disability coverage.

Short-term disability insurance is designed to replace a portion of your employees' regular income while they aren't working due to childbirth, illness or injury. This product can be a valuable addition to your compensation and benefits package, offering your employees flexibility and comprehensive coverage. Some of the benefits included in Lincoln's short-term disability plan are:

» **Personalized Assistance:** Lincoln will help get your employees back to work with a vocational rehabilitation program that includes personalized plans to speed recovery.

» **Flexibility:** With Lincoln's plan, if a covered employee is able to work part-time during their disability, they can receive partial benefits. By combining partial benefits and part-time earnings, covered employees could receive up to 100 percent of their pre-disability earnings.

» **Speed:** Claims for many common diagnoses, including delivery, can be processed within 24 hours.

» **Continuity of Coverage:** If a covered employee's illness or injury lasts longer than the short-term disability plan covers, and becomes a long-term disability, Lincoln will take care of the transition. You won't have to deal with additional paperwork (if your short-term and long-term disability plans are both from Lincoln).

As an employer, you can be confident in your decision to offer your employees short-term disability coverage from Lincoln Financial Group and WBA EBC. Exclusive benefits include pooled ratings, rate stability, extended own occupation definition of disability, and other value-adds. These WBA-specific benefits and pricing ensure that you have access to the best options at the best prices. For example, the rating impact of pooling typically equals 10-20 percent off of standard pricing. That's real savings for your institution!

To learn more about what EBC has to offer, please contact **Brian Siegenthaler** at bsiegenthaler@wisbank.com or 608/441-1211.

**Publicly available data from FY 2015, available at www.LincolnFinancial.com.*



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Improve Compliance: Expand Your Software Skillset

FIPCO Compliance & Software Forum, November 14-15

Your bank has a robust compliance system that has passed regulatory scrutiny and keeps the institution on track, but is it efficient? If your employees don't have a thorough understanding of the best ways to use your compliance software, then the answer is probably "no." For FIPCO's *Compliance Concierge* users, the solution is attending the upcoming **FIPCO Compliance & Software Forum: Loan + Mortgage**. Sign up your loan processors, compliance officers, supervisors, IT staff and loan officers today!

Scheduled for November 14-15 in Stevens Point, the forum is geared toward increasing your productivity, profitability, and compliance proficiency. The event is perfectly suited for FIPCO loan and mortgage software users of all levels.

Led by the FIPCO Professional Staff and related industry experts, forum workshops will be packed with tips, tricks, and helpful information that you can take back to your institution and use right away. "With complex compliance demands continuing to challenge the financial industry, along with increasing changes in legislation – like the new HMDA and TRID terms – we know how important



Nov. 14-15 • Holiday Inn Hotel and Convention Center • Stevens Point

For more information, visit www.fipco.com, call 800.722.3498 or email fipcotraining@fipco.com.

it is to stay ahead of the compliance curve," said FIPCO Director – Software Training and Support Services **Annette Witkowski**. "The knowledge and insight that our featured speakers and session facilitators share year after year truly help to make this event an incredibly valuable and worthwhile experience."

Compliance updates are just one facet of the conference, however. Attendees will also gain important information from sessions which focus on consumer, commercial and agricultural loans (from beginner to advanced), FAQs about *Compliance Concierge*™, and software tips and shortcuts to increase efficiency. Topics covered during the conference are always based on feedback and requests received by FIPCO's customers. "We evaluate all of the feedback from previous events each year and strive to feature sessions that offer the greatest value to our attendees," said Witkowski.

This engaging event is packed with valuable information and takeaways.

You'll be amazed at just how much actionable information this educational event packs into just two days!

Complete session details and registration information will be available soon on the FIPCO website at www.fipco.com. For more information about the Forum, *Compliance Concierge* or other FIPCO products, call 800/722-3498 or email fipcotraining@fipco.com.

Here's what a few of our forum participants had to say about last year's event:

» "It was great meeting people from other financial institutions and learning about their processes. The sessions were informational and I enjoyed the *Compliance Concierge*™ breakouts as a review and to learn about recent updates."

» "The Legal Compliance Q&A session was extremely informative and interactive... a great way to tie any loose ends and answer questions."

» "Thank you for another great forum. Your staff is always very friendly and helpful."

» "It was a great conference and we brought back valuable information for our coworkers!"

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Staff Change? Address Change? Let WBA Know

Getting information to the right person quickly is critical in these challenging times. Has there been a personnel change at your bank, or are WBA's mailings targeted to the wrong staff?

Send your address corrections and/or additions to our database administrator, WBA's Assistant Director – IT **Randy Molepske**, at 608/441-1212 or requests@wisbank.com.

Wisconsin Bankers Association

Calendar of Events

September – December 2017

Visit www.wisbank.com/education to find out more about these programs, register or browse a full list of WBA Education events.

Please direct questions to the WBA Education Department at 608/441-1252 or wbaeducation@wisbank.com.

Conferences

Management Conf. & Expo
Sept. 12-13 | Wisconsin Dells

Secur-I.T. Conference:
*Exploring Bank Operations,
Technology and Security*
Sept. 26-27 | Wisconsin Dells
(See WBA Featured Events.)

Agricultural Luncheon
Oct. 6 | Madison
(See article on p. 13.)

LEAD360 Conference
Oct. 24-25 | Wisconsin Dells
(See p. 12 and WBA Featured
Events for more details.)

FIPCO Events

FIPCO Compliance & Software
Forum (Loan + Mortgage)
Nov. 14-15 | Stevens Point
(See article on p. 17.)
(Visit www.fipco.com/events.)

Peer Group Meetings

BOLT Peer Group Meetings
Sept. 21 | Schofield
Sept. 26 | Madison

Summits

Bank Directors Summit
Oct. 24 | Madison
BOLT Winter Leadership Summit
Nov. 9 | Stevens Point

Webinars (online training)

(Register online for webinars at
www.wisbank.com/education.)

> Register online for WBA events at www.wisbank.com/education.

> Register online for FIPCO events at www.fipco.com/events.

Schools

Introduction to Commercial
Lending School
Sept. 6-8 | De Pere

Supervisor Boot Camp
Sept. 19-20 | Wisconsin Dells

Loan Compliance School
Sept. 25-29 | Wisconsin Dells

Real Estate Compliance School
Sept. 27-29 | Wisconsin Dells

Personal Banker School
Oct. 17-18 | Wisconsin Dells

Deposit Compliance School
and Alumni Update Seminar
Nov. 6-8 | Wisconsin Dells

Seminars/Workshops

Branch Manager Series:
Session One – The Evolving
Role of the Branch Manager
Four Sessions | Madison
Sept. 12 (#1) | Oct. 17 (#2)
Nov. 7 (#3) | Dec. 5 (#4)

Principles of Banking Course
Oct. 3-4 | Marinette

BSA/AML Workshops
Oct. 3 | Neenah
Oct. 4 | Eau Claire
Oct. 5 | Madison

IRA Essentials Workshops
Oct. 10 | Madison
Oct. 12 | Neenah
Oct. 18 | Eau Claire

IRA Advanced Workshops
Oct. 11 | Madison
Oct. 13 | Neenah
Oct. 19 | Eau Claire

Introduction to Call Report
Preparation Seminar
Nov. 7-8 | Wisconsin Dells

WBA Featured Events

Secur-I.T. and LEAD360 Conferences

Secur-I.T. Conference

Sept. 26-27 | Wisconsin Dells



If your goal is to keep your bank at the forefront of technology while also streamlining operations and protecting your bank and your customers from cybersecurity threats, you know how important it is to keep your skills and knowledge sharp. The conference will

bring together banking professionals charged with defending their institutions from both physical and technological threats. Organized into breakout sessions in three separate tracks – operations, technology and security – the conference is ideal for bankers who want to customize their own professional development. All attendees have the freedom to choose the sessions that are the best fit for their individual education goals. The conference also features a peer group discussion session where attendees can choose which group to join based on the topic to be discussed, offering yet another option for attendees to customize their conference experience.

Visit www.wisbank.com/Secur-IT to learn more and register today!

LEAD360 Conference

Oct. 24-25 | Wisconsin Dells



The WBA LEAD360 Conference is your one-stop-shop for marketing, retail banking, sales and financial literacy development! This conference offers keynote sessions that will address topics and issues of interest to all attendees.

There will also be several breakout sessions in each track, so attendees can pick and choose what sessions best fit their needs and interests. Attendees will have access to all conference materials, including the breakout sessions they do not attend. Whether you'll benefit most from **Joe Sullivan's** presentation on guerrilla marketing or **Jenna Atkinson's** advice on how to build a strong LinkedIn profile, the choice is up to you! Other session topics include: how to identify your bank's competitive advantage, checking strategy for growth and profitability, market insights, and a cause marketing panel led by your banking peers.

See p. 12 for additional program details or visit www.wisbank.com/LEAD360 to learn more and register today!

Please direct any questions about upcoming WBA education programs to WBA's **Miranda Helt** at 608/441-1270 or mhelt@wisbank.com.

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2017 | WISCONSIN BANKERS ASSOCIATION RETAIL BANKING SECTION SCHOLARSHIPS

Five high school students receive funding for higher education

Each year the WBA Retail Section awards five \$1,000 scholarships to Wisconsin high school seniors who will be furthering their education at a Wisconsin state accredited college, university or state operated technical school. Five awards of \$1,000 each were given to qualified applicants in the following categories: academic achievement; financial need; a student who has a career goal in the financial services industry; a student who will attend a technical college to obtain an associate degree; and the Retail Section Committee Award.

The scholarships are only awarded to an employee, or the child of an employee, at an in-state location of a WBA Retail Banking Section member institution.



Congratulations scholarship recipients! | Good luck in your future endeavors!

- » **Johnathan Bovee's** mother is an employee of National Exchange Bank & Trust, Fond du Lac. He will attend UW-Oshkosh.
- » **Lindsey Buddle** is an employee of Horicon Bank and will attend UW-Madison.
- » **Liz Hinojosa** is an employee of Denmark State Bank and will attend Fox Valley Technical College.
- » **Trevor Tilot's** mother is an employee of Denmark State Bank. He will attend Fox Valley Technical College.
- » **Amber Tucker** is an employee of westbury bank, West Bend and will attend UW-La Crosse.



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- ✓ Deposit Compliance School
Nov. 6-7, 2017 – Wisconsin Dells
- ✓ Real Estate Compliance School
Sept. 27-29, 2017 – Wisconsin Dells
- ✓ Compliance Officer School
April 4-6, 2018 – Madison

LEADERSHIP DEVELOPMENT EDUCATION

- ✓ Supervisor Boot Camp
Sept. 19-20, 2017 – Wisconsin Dells
- ✓ School of Bank Management
May 2018 – Madison*

LENDING & CREDIT ANALYSIS EDUCATION

- ✓ Intro. to Commercial Lending School
Sept. 6-8, 2017 – De Pere
March 20-22, 2018 – Wisconsin Dells
- ✓ Financial Statement Analysis School
April 2018*
- ✓ Commercial Lending School
Feb. 19-23, 2018 – Wisconsin Dells
- ✓ Lending Boot Camp
May 2018 – Madison*
- ✓ Residential Mortgage Lending School
Feb. 19-23, 2018*
- ✓ Agricultural Lending School
Summer 2018*

RETAIL BANKING EDUCATION

- ✓ Personal Banker School
Oct. 17-18, 2017 – Wisconsin Dells

Questions?
608-441-1250
WBAEducation@wisbank.com
* Watch for more information coming soon!

Vulnerability Management Programs Offer Banks Cybercrime Relief

By Shannon Mayberry

Like a dog with a favorite bone, cybercriminals remain focused on financial institutions. Among the most critical threats is ransomware. In 2015, the FBI warned of a potential rise in [ransomware attacks](#) by cybercriminals. That year, businesses paid out \$325 million to ransomware attackers and the volume increased exponentially in 2016. It has proven to be one of the biggest money-makers in the history of cybercrime for these bad actors and is showing no signs of slowing down.

» **Cybercrime is positioned to be an even bigger money-maker in 2017.**

Studies show cybercriminals focus on community



Shannon Mayberry

» **Fifty percent of small- and medium-sized companies surveyed experienced a data breach in the previous 12 months.**

– *Ponemon Institute (2016 report)*

financial institutions and other smaller businesses because they are most vulnerable to attacks—mostly because cybercriminals find it easier to break into their systems compared to larger enterprises.

According to a 2016 report from the independent research organization *Ponemon Institute*, 50 percent of

small- and medium-sized companies surveyed experienced a data breach in the previous 12 months.

Another [2016 report by Beazley](#), a large provider of cyber breach insurance, showed a big jump in hacking and malware-related data breaches in financial institutions.

Closing the door on these vulnerabilities has not been

easy despite running multiple complex security systems. In fact, it is often these complex systems contributing to the problem. Attackers are routinely bypassing antivirus, firewall, and IPS to search out and take advantage of vulnerabilities on secondary systems or those considered low-risk and left unrepaired. Once inside, they can expand their control of the network and steal valuable data without being discovered.

» **Vulnerability management helps find hidden criminals.**

As Ponemon, Beasley and many other studies show, personnel, budgets, and technologies are insufficient for most smaller organizations to build the muscle required

(continued on p. 21)





Adam Brubaker
COO
Partners Bank



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— **Adam Brubaker COO - Partners Bank** Partners Bank of Wisconsin formed as a merger of Heritage Bank and Stratford State Bank in 2017. Partners has three locations (Spencer, Marshfield, and Stratford, WI), \$215 M in assets, and 38 employees.

Cybercrime Relief

(continued from p. 20)

to fend off today’s cyber attackers. So, many of these organizations are turning to the expertise of managed security providers to support their current IT operations.

» Vulnerability management programs are not equal.

What is vulnerability management and what does quality vulnerability management look like? In short, vulnerability management is a continuous information security risk process that requires management oversight and involvement.

Vulnerability Management includes four high-level processes:

✓ **Discovery:** Voluminous and repetitive process of gathering data through vulnerability assessments.

✓ **Reporting:** Converting the raw data to usable reports on every vulnerability found.

✓ **Prioritization:** A management process that ranks the huge amount of vulnerabilities and pulls together a priority list of actions that help determine how to spend resources to fix the problems.

✓ **Response:** Determines what action to take with the prioritized vulnerabilities. Those actions fall into three basic categories.

» **Remediation:** Corrects the discovered flaw such as one caused by a missing

patch, and ‘remediating’ by installing the patch.

» **Mitigation:** Reducing the risk by taking action, usually outside the affected system. For example, rather than mend a system flaw a web application firewall is installed.

» **Risk Acceptance:** Meaning no action is taken to remediate or mitigate. This is often due to the business impact of remediating or mitigating a known vulnerability.

» Effective vulnerability management requires security expertise.

Repetitive vulnerability assessments, done by a team with the capability to track remediation and provide regular hands-on resources to their customers, is a growing option for smaller financial institutions.

Mayberry is IT security manager – Locknet® Managed IT Services at EO Johnson, a WBA Associate Member. He can be reached at smayberry@eojohnson.com.

Not Getting WBA’s Emails? Send This to Your IT Staff...

WBA has switched to a new email service. To ensure you continue to receive WBA emails, please send the following information to your IT staff. They will need to “whitelist” WBA and our new provider, MailChimp. The IP addresses to use are: **205.201.128.0/20** and **198.2.128.0/18**

Visit <http://mailchimp.com/about/ips> for more information. Please contact WBA’s **Randy Molepske** at rmolepske@wisbank.com, 608/441-1212 with additional questions.



G S B 2017-18

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April 8 - 13, 2018

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April 15 - 20, 2018

Economic Development

Understanding Franchises and the SBA

By *Becky Schneider*

The more experienced (translate “older”) lenders reading this column may recall a time during which 7(a) loans to franchise operations had few, if any, additional requirements from SBA.

During the last 20 years, that of course has gradually evolved as the Agency placed greater scrutiny on franchise loans.

What policy considerations led the Agency to view a franchise operation any differently than a Mom-and-Pop operation? Stripped down, the basic SBA concern is one of affiliation, or size. It will surprise no one that the Small Business Administration is not in the business of lending to franchisors. Rather, SBA is in the business of lending to individual franchisees.



Economic Development

Becky Schneider

That sounds simple enough. However, the water gradually becomes muddy when introducing the concept of affiliation. For size purposes, SBA looks at the size of the small business applicant and any affiliates of that applicant. While affiliation is most commonly determined by looking at ownership (e.g., if the owner of the applicant owns an unrelated business, the latter is deemed an affiliate) affiliation has historically also stemmed from franchise and

license agreements in certain situations. Again simplifying, in the eyes of SBA, if the terms of a Franchise Agreement indicated such franchisor control over the operations of the small business applicant, the Agency would find that franchisee and franchisor were affiliated – and thus not eligible for SBA financing due to size.

The SBA role in the franchise affiliation determination gradually grew over the past two decades. Despite the creation of a centralized registry which allowed franchise systems the opportunity of obtaining SBA legal review and approval of the Franchise Agreement, a combination of factors—the increase in the number and type of agreements reviewed by SBA, the increase in 7(a) and 504 loan volume, and shrinking staffing numbers within SBA Legal—led inevitably to frustration and delay for lenders and loan applicants.

In recognition of these difficulties, effective Jan. 1, 2017, SBA made certain adjustments, the stated purpose of which were to “streamline the procedures for determining size eligibility based on affiliation for franchised businesses.” To the extent that these changes have increased efficiencies in the 7(a) loan application process, lenders should recognize that this is partly due to some shifting of responsibility from SBA to lender.

A summary of changes or clarifications in the area of franchise lending follows:

» **Franchise and similar Agreements are no longer reviewed for eligibility by SBA.** Instead, this responsibility shifts to the participating lender. The nature of the review itself has also changed. SBA has now

adopted the FTC definition of “franchise,” meaning that an Agreement can meet the definition of franchise even if called something else (such as License Agreement, Membership Agreement, Dealership Agreement, Supply Agreement, etc.) It is the responsibility of the lender to review agreements to determine whether the commercial relationship in question is in fact a “franchise.” SBA will continue to conduct a brief review of agreements deemed (by lender) to fall within the definition of franchise for data collection purposes.

Very briefly, under FTC guidelines, an agreement must meet three elements to be deemed a franchise: (a) Franchisee will obtain the right to operate a business that is identified with the franchisor’s trademark, or offer goods/services associated with that trademark, (b) Franchisor will have the authority to exert control over the methods of franchisee operation or provide significant assistance, and (c) as a condition of obtaining the franchise, the franchisee makes or commits to a required payment to the franchisor.

» **SBA will no longer maintain or support centralized Franchise listings** such as the Franchise Registry. The practical impact is that agreements must be reviewed on a case-by-case basis to conclude whether the agreement falls within FTC guidelines for franchise.

» **SBA Regulations now state a presumption that the restraints imposed on a franchisee by its franchise or other Agreement will not result in a finding of affiliation** (“...provided the applicant franchisee or licensee has the

(continued on p. 23)



Northwest WI

April Nelson

Mike Dieckman



Southeast WI

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Get to know our Loan Officers at WBD.org



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20 year fixed-rate 504 loans for 4.668% (May 2017 effective rate)!

Branch Security

(continued from p. 1)

“You need to look at your security more holistically.” Protecting innovative branch networks that rely on more automation than past models requires reviewing security in a new way, according to **Barry Thompson**, managing partner at Thompson Consulting Group, LLC.

That holistic view necessitates an understanding of how each piece of the network interacts with the others, whether it’s an ATM at a remote location, a complimentary Wi-Fi connection, or a new mobile app. “Any time you’re looking at new technology, you need to look at the interoperability, how all the parts will work together,” said Phillips. “Research it and spend the time to choose wisely, because the last thing you want is to make a purchase and then discover that it’s not as efficient as you’d anticipated or it opens you up to new vulnerabilities you hadn’t expected.” Bank security officers must identify and defend against new and transforming vulnerabilities related to both physical security and information

security, and the best way to do so is to evaluate current security from the perspective of a criminal. “Everybody’s probably heard it before, but any situation where you’re the security officer you *have* to think like the bad guy,” Phillips said. “What are they doing and how are they trying to do it?”



Information Security

With today’s rapidly evolving technology landscape, keeping up with the industry is vital for information security, which is one of the most common security concerns today, according to **Dawn Staples**, president/CEO of Superior Savings Bank. “These concerns evolve as quickly as the previous vulnerability has been addressed. Maintaining an effective information security policy that is frequently updated and followed, along with a vigilant eye on emerging trends, is essential.” An ongoing system for monitoring and improving security is especially critical as the machines banks use to deliver services to their customers become more complex, such as video ATMs and interactive teller machines. “Protect the terminals today but also have a system for

protecting them on an ongoing basis,” Stanger advised. Having a system in place to regularly install security updates is vital, as modern machines are far more complex than their past counterparts. “These solutions are just as much software as they are hardware, today,” said Stanger, referring to ATMs.

Even entirely digital system components such as Wi-Fi and electronic banking products should be reviewed and monitored as part of the overall branch network, since they can become gateways for criminals to access other areas of the network. “Layered security is a primary focus with all of our electronic banking products,” said Staples. “Multifactor authentication, firewalls, and VPNs are just a few of the strategies that are commonly used.” When it comes to offering internet access to customers, the best protection is to separate it from the connection used by branch network components and internal processes. “If you’re providing free Wi-Fi for visitors and customers, you *must* ensure that the connection is completely separate from the connection used by the bank’s internal computers and systems,” Thompson stressed. “Otherwise someone in the parking lot can start using your internet.” The good news is, safer and more secure technology is developed as rapidly as criminals find ways to exploit current technology. “As technology advances, additional protections are available for personal transactions, whether it’s banking or any other cloud-based activity,” said Staples.



Physical Security

When it comes to physical security, a holistic perspective requires banks to consider how the new devices impact customer safety, even as they provide additional convenience.

“The biggest change is to give more consideration to the fact that we’re moving some of our security exposure to the customer,” Phillips said. He explained that self-service machines such as interactive ATMs place the responsibility for cash handling on the customer, and many people still don’t trust machines to dispense the correct amount. “They’re still going to stand there and count the money,” he said. “So, look at the surroundings.”

This customer-centric view also applies when considering the physical layout of the branch, including the placement of teller pods (if they are being installed). “The size of the teller pod and how you position it within the branch creates issues for physical security,” said Thompson. For example, he cautioned banks against positioning pods in such a way that would allow customers to view the computer screens on nearby pods, potentially revealing other customers’ account information. “It’s crime prevention through environmental design,” he explained. Fortunately, as with many information security components, improvements are constantly being made to the physical elements of branch networks. “Many of these new technologies have self-monitoring capabilities, detecting skimming devices on ATMs, for example,” Phillips said.

One thing that hasn’t changed, and isn’t likely to: prevention and preparation are critical elements in an effective bank security strategy. “Vigilance for what’s happening today, with an eye for what’s happening tomorrow,” said Stanger. “It’s best to buy umbrellas before it starts raining.”

Edge One, Inc. is a WBA Associate Member.

Seitz is WBA operations manager – senior writer.

WBD: Franchises, SBA

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right to profit from its efforts and bears the risk of loss commensurate with ownership.”) However, for *each* agreement deemed to meet the definition of franchise SBA now requires that a standardized addendum be signed by the Franchisor/Licenser/etc. That addendum addresses areas previously deemed to indicate excessive franchisor control. The loan may not fund without such addendum.

As more of the responsibility for the determination of franchise shifts from SBA to lender, it is critical that lenders develop processes to capture and document the decision process. Of course WBD is prepared to tackle these issues on your behalf if you are utilizing the 504 program or taking advantage of our 7(a) loan packaging services.

Schneider is lender services manager at WBD, Inc. – Your Business Finance Resource, and a WBA Associate Member.

De Novos

(continued from p. 1)

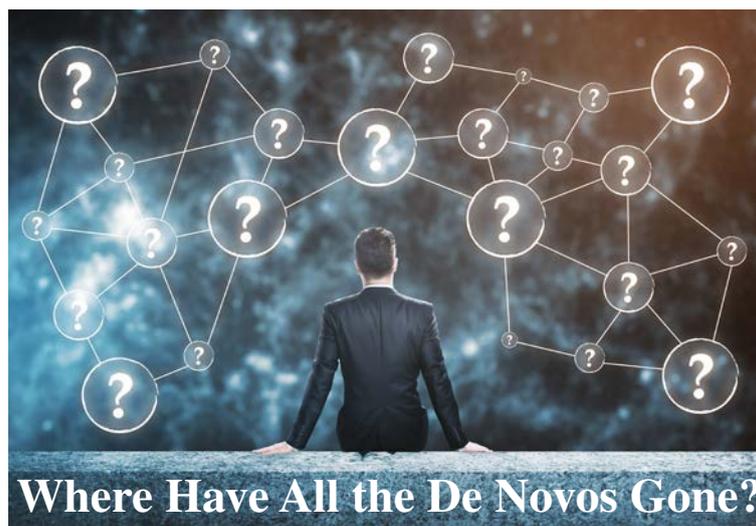
Barriers to Entry

Compliance | One obvious headwind to starting up a bank is the current regulatory environment, which is far more onerous than it was a decade ago. “Practically speaking, the regulatory environment is much more complex with regard to de novo banks,” said **Tim Kosiek**, CPA, partner at Baker Tilly Virchow Krause, LLP. “There’s still overlay from the credit crisis and recession.” Unfortunately for de novos – which are almost always small community banks, at least at first – community banks shoulder a disproportionate regulatory load in today’s industry, and the costs of that add up quickly.

“There is a lot of misinformation out there related to capital. The regulators don’t take a one-size-fits-all approach.”

“Community banks in particular need to spend more time and money on compliance than they ever have before,” Sheriff explained. There have been recent indications, however, that the federal regulatory agencies are willing to compromise in order to foster new banks. “The regulators are always collaborative, very willing to meet and spend time and provide resources to answer questions,” said **Pete Wilder**, attorney and shareholder at Godfrey & Kahn, s.c. He pointed out that the FDIC has been holding meetings on how to encourage de novo activity and has updated its manuals for applications.

Capital | Another commonly cited barrier to entry is today’s higher capital requirements. “The capital requirements today are significantly greater than they were 20 years ago,”



Where Have All the De Novos Gone?

said **Mark Koehl**, partner at Wipfli LLP. “That’s certainly a big hurdle.” In the de novo heydays of the late 1980s and early 1990s, a group of investors could start a bank for \$6M. Today, most estimates hover around \$15-\$20M. However, that number can vary depending on the new bank’s specific circumstances. “There is a lot of misinformation out there related to capital,” Wilder explained. “The regulators don’t take a one-size-fits-all approach.” He says DFI and FDIC both determine capital requirements based on the new bank’s intended market, products and services, and growth strategy.

ROI | The general decline in bank profitability since the crisis is another barrier to entry for potential new banks; it means lower returns for investors. “The returns available in the banking business are measurably reduced compared to what they were prior to the credit crisis,” said Kosiek. “We’re in a measurably different landscape when it comes to economic reward for entering the industry.” He also pointed out that the amount of time it takes for a de novo to reach “critical mass” and begin generating returns for its investors is much longer today than it used to be—7-10 years instead of 5-7. The current prolonged low interest rate environment

compounds this problem, lengthening the time it takes for a nascent bank to become profitable. “Investors hope a bank will become profitable within two years, and with the interest rate environment we’re in it’s difficult for investors to see banks making money,” Sheriff explained. This less-than-appealing timeline plus the current regulatory environment makes purchasing a bank much more attractive to investors than starting one from scratch.

“It’s much easier for a group of people who want to start a bank to buy a bank than to form a new one.”

“It’s much easier for a group of people who want to start a bank to buy a bank than to form a new one,” said Sheriff. “It’s faster, and the process of getting approval is far less complicated. You also don’t have to go find talent, in many cases.”

Talent | The cost of talent is another factor that gives potential de novos pause. “There’s still a bit of malaise from the crisis, where the entrepreneurial spirit has been dampened,” said Wilder. That lack of leadership combined with the higher

“If the current trend continues without the ability to encourage de novos in the future, we’re at risk of having a good chunk of our state where the local economy suffers because of a lack of community bank presence.”

prices commanded by experienced compliance and lending professionals makes building a staff difficult.

“There’s a notably lower supply of high-quality bank talent on the marketplace in comparison to what you had 10-20 years ago,” said Kosiek. “There are just fewer people out there who think banking is the right place for their career.”

Competition | Finally, the competitive environment in the financial services industry is wider and more complex than it used to be, for a variety of factors. First, small businesses no longer feel underserved when local banks merge with larger institutions, according to Koehl. “Many larger institutions have done a good job serving communities, and fintech companies are also helping to fill in the gaps,” he explained. “In addition, millennial business owners don’t necessarily want the same level of relationship development.” The more relaxed regulatory environment and exciting startup culture makes investing in fintech companies more attractive to most investors than a de novo community bank. “There are other options within the banking industry and within the financial services industry that are more appealing to the investor and a better answer for customers and business owners,” said Kosiek.

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WBA: A New Home for CEOnly and CFOnly Networks

By Daryll J. Lund

WBA is excited to announce that the CEOnly and CFOnly Networks have found their new home with the association as of July 28, 2017. These informal networks are exclusively for Wisconsin bank CEOs and CFOs, respectively, and offer a space for unparalleled peer-to-peer networking and idea-sharing. WBA looks forward to building upon the solid foundation established by **Terry Burrington** over these past 13 years, and I would like to thank Terry for his dedicated service to the CEOnly and CFOnly Networks and the Wisconsin banking industry.

WBA is continuing the network services members have come to expect, including question-and-answer emails and



Association Update

Daryll J. Lund



» CEOnly | CFOnly Networks · Oct 12-13 · Crowne Plaza Hotel, Madison
 » Join on a complimentary trial basis by emailing dlund@wisbank.com.

networking events. With the Q&A emails, members are able to submit question for their peers to WBA staff, who then distribute the question anonymously to the rest of the network. After all answers have been compiled and any identifying information removed,

staff distributes a follow-up email to the entire network.

The next networking event is scheduled for Friday, October 13 at the Crowne Plaza Hotel in Madison. We will follow the traditional

format with a Welcome Reception from 5-7 p.m. on October 12, followed by networking sessions for CEOs and CFOs beginning after a continental breakfast at 8:30 a.m. on October 13. The event will adjourn after a lunch speaker presentation.

Interested in joining one of the networks? Membership in the CEOnly and CFOnly Networks is separate from your WBA membership, but WBA member bank CEOs and CFOs may join on a complimentary trial basis by emailing me at dlund@wisbank.com. Membership invoices for 2018 will be sent out by December 1, 2017, at which point the complimentary membership period will end.

Still have questions about the CEOnly and CFOnly Networks? You are welcome to contact me at 608/441-1203 or dlund@wisbank.com.

Lund is WBA executive vice president – chief of staff.

De Novos

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Impact on the Industry

Wisconsin is fortunate to have a diverse, thriving financial services industry, so the Badger State hasn't been as heavily affected by the national lack of de novo activity as states with fewer banks. However, underserved markets are typically where de novo activity happens, so they are the first to feel the impact when it doesn't. "Most important is the availability of credit to rural areas," Guzikowski explained. "Larger banks can achieve that true community contact, character-based lending if they have the right people, but that's specifically what de novos and community banks are designed to do." In rural states like Wisconsin, merger activity without de novo activity often results in fewer financing options for businesses and consumers

"We're in a measurably different landscape when it comes to economic reward for entering the industry."

outside of metropolitan areas. "If the current trend continues without the ability to encourage de novos in the future, we're at risk of having a good chunk of our state where the local economy suffers because of a lack of community bank presence," said Koehl.

The lack of new banks also impacts M&A activity. "It deprives the industry of new opportunities for growth," Guzikowski said, explaining that many investors consider growing through acquisition and then selling a bank to be a good exit strategy. The lack of de novos means there are fewer acquisitions to be made, making that strategy more difficult. Instead, many

investors see purchasing an existing bank as a better opportunity. "If you're interested in the banking industry from the investor standpoint, dropping your money into a de novo is not as appealing as investing in an existing franchise, enhancing it and getting ready for acquisition by a larger enterprise," said Kosiek. According to Koehl, another major factor is that acquired banks used to have younger management teams who wanted to stay in the industry and did so by starting their own bank. "Today, there's still a lot of M&A, but it's often with banks with older management teams who are looking for an exit strategy," he explained.

Finally, startups—in any industry—are the most likely source of excitement and innovation. "Traditionally new banks have more innovative ideas," said Sheriff. "They're

looking to make a statement." New entrants to the market can prevent other banks from stagnating. "For the industry overall, having a few new banks pop up here and there means there's more room for new ideas, new products, and more creativity and excitement in the industry," said Wilder.

Looking Forward

While de novos have been rare over the past decade, there are signs the tide is turning. In the final quarter of 2016, the FDIC approved two new bank charters. In April 2016, FDIC Chairman **Martin Gruenberg** announced the reduction of the period of heightened scrutiny for newly chartered institutions from seven years to three, the same level it was before the financial crisis. Since then, FDIC has published a handbook for prospective de novo applicants and held outreach meetings

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WBA Perspective *Industry briefings for Wisconsin bankers*



Rose Oswald Poels is WBA president and CEO
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There's certainly no shortage of information channels in this day and age. You can find out news from around the globe in newspapers, online and even on your smartphone. If you don't have time to sift through hundreds of articles and news bytes, here's what you need to know about what's going on in the banking industry this month:

Regulatory Advocacy

DFI Abruptly Removes Banking Letter 50; WBA Asks Why



Why was Banking Letter 50 removed from online publication by DFI? WBA posted that question after we learned DFI removed the letter from their website without any notice. As members may recall, DFI issued Banking Letter 50 on June 9, 2017. The letter makes clear that the use of "bank" and "banking" by Wisconsin credit unions as a verb is and remains prohibited. WBA will share DFI's reasoning behind the abrupt removal with the membership after we receive a response.

Legislative Advocacy

WBA, State Associations Urge Overturn of Arbitration Rule; House Votes to Overturn the Rule



WBA, in conjunction with ABA and other state bankers associations, wrote to House Speaker **Paul Ryan** and Minority Leader **Nancy Pelosi** in early August, urging them to support a resolution that would overturn the Consumer Financial Protection Bureau's controversial final arbitration rule. The resolution—which was introduced by House Financial Services Committee Chairman **Jeb Hensarling** (R-Texas), Rep. **Keith Rothfus** (R-Pa.) and other members of the committee—would exercise Congress' authority under the Congressional Review Act to overturn new federal regulations within 60 days of publication in the Federal Register. One day later, House lawmakers passed the resolution by a vote of 231 to 190. Read a copy of the letter here: www.wisbank.com/articles/2017/07/wba-state-associations-urge-overturn-of-arbitration-rule-house-votes-to-overturn-the-rule.

Compliance

DOJ Announces Safe at Home Program; Addresses Confidentiality for Abuse Victims



The Wisconsin Department of Justice recently contacted WBA to announce the implementation of the Safe at Home program, Wisconsin's address confidentiality program for victims of abuse and individuals who fear for their physical safety. Participants in the program have extremely high security needs which require their actual residential address to be kept confidential. To achieve confidentiality, participants use an assigned address in place of their actual address for all purposes, including banking. Learn more about the program from the DOJ here: www.doj.state.wi.us/ocvs/safe-home.

Regulatory News

OCC Names Rowe Chief Risk Officer



The OCC has named **William A. Rowe** as its Chief Risk Officer, effective July 24. Rowe fills the position which opened when **Linda Cunningham** retired in April 2017. Rowe has served as Deputy to the Chief of Staff and Liaison to the FDIC since 2006. In his new role, he will lead the agency's Office of Enterprise Risk Management and the agency's Enterprise Risk Committee. Under his direction, the Office of Enterprise Risk Management supports an agency-wide view of risks and evaluates adherence to the agency's risk appetite statement.

De Novos

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on the topic. Other federal regulators are taking steps to reduce some of the friction in the de novo process, as well. "The OCC in particular has recognized that new banks are the lifeblood of a robust banking industry," said Guzikowski. Acting Comptroller of the Currency **Keith Noreika** has gone so far as to suggest the OCC be granted authority to approve de novo applications. Considering these ongoing

"The OCC in particular has recognized that new banks are the lifeblood of a robust banking industry."

efforts, Guzikowski suggests the next step is test cases. "With the easing of the interest rate environment, what the regulators need now are more applications so they can start putting some of their initiatives into practice," he explained.

In combination with this (slightly) softening regulatory environment, Wisconsin's

robust, steady economy could be fertile ground for new banks. "Our economy tends to be pretty stable compared to the big swings you see on the coasts, so it's a good environment for banking," said Wilder. Since 1990, Wisconsin has had 33 de novos and only three of them failed, while on average the new banks turned a profit within six quarters. The recently announced Foxconn development planned for the southeastern corner of the state also brightens prospects for potential new banks. "If all that comes to fruition, it could be an opportunity," said Koehl.

"Community banks, whether they're in existence today or a de novo, they're always driven by how their local economy is doing. So, if you have a vibrant economy in a local market that doesn't have a community bank, that's an opportunity for a de novo."

Baker Tilly Virchow Krause, LLP and Wipfli LLP are WBA Silver Associate Members.

Godfrey & Kahn, s.c. and von Briesen & Roper, s.c. are WBA Bronze Associate Members.

Seitz is WBA operations manager – senior writer.

Bankers Marketplace

HELP WANTED

Residential Mortgage Loan Originator
Unity Bank is seeking to add a Residential Mortgage Originator to our team in Augusta, Wis. This person will be responsible for the origination of both in-house and secondary market residential mortgage loans at the levels required by bank goals. This individual will be responsible for calling efforts to current/prospective customers as well as referral sources such as local realtors and builders. Requirements: The candidate should possess excellent customer service and sales skills with the ability to work independently. Prior experience is necessary. Send resume to ckindrick@unitybanking.com.

Commercial Relationship Manager
 Is something missing in your current employment relationship? Have recent or potential changes created stress or uncertainty? If so, why not consider one of the most ethical banks in the world and the #2 "Best Bank to Work For" as rated by the American Bankers Association? **Old National Bank** is committed to Wisconsin. And as we grow, we're looking to add a few select senior lenders with 5+ years of successful experience in C&I or Commercial Real Estate lending and a demonstrated track record of excellent portfolio growth. To arrange for a "highly confidential" discussion, please send your resume to **Ron Hagy**, SVP Talent Acquisition at ron.hagy@oldnational.com or give Ron a call at 812/464-1574.

Mortgage Loan Officer
Ixon Bank, a \$300M Southeast Wisconsin Community bank, is seeking an experienced Mortgage Lender. This position is responsible for proactively developing, maintaining, and enhancing an existing loan portfolio for our Watertown market area. Our programs include new construction, purchases, refinancing and permanent mortgage financing requests, including secondary market loan requests, as well as underwriting and approving consumer portfolio loans. The successful candidate must demonstrate strong interpersonal skills and be able to identify customer needs while promoting other bank products. Preferred qualifications include: Bachelor's degree in a business related field; 3+ years of consumer/real estate loan and credit underwriting experience; excellent written and oral communication and analytical skills; a strong understanding of the real estate and consumer lending compliance regulations; demonstrated success in developing and maintaining new business through community involvement and relationships with area realtors, builders and other center of influence. Ixon Bank offers a competitive salary and benefits package. If you believe you are qualified and are interested in joining our team, please forward your resume to Ixon Bank Attn: Human Resources, P.O. Box 110 Ixonia, WI 53036 or to our email address: hr@ixoniabank.com. You may also apply via our website at www.ixoniabank.com. Equal Opportunity Employer.

Mortgage Loan Originator
 Is something missing in your current employment relationship? Have recent or potential changes created stress or uncertainty? If so, why not consider one of the most ethical banks in the world and the #2 "Best Bank to Work For" as rated by the American Bankers Association? **Old National Bank** is committed to Wisconsin and as we grow, we're looking to add a few seasoned mortgage loan originators with 5+ years of successful experience in developing new loans. Our primary target areas are the Fox Valley, Greater Milwaukee, Dane County and Janesville markets. A wide variety of portfolio and secondary market products, competitive

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rates, a local Wisconsin operations team, efficient processing and a strong compensation package allow you to successfully grow your customer base and develop/maintain referral partners. To arrange for a "highly confidential" discussion, please send your resume to **Susan McMaster**, Executive Recruiter at susan.mcmaster@oldnational.com or give Susan a call at 317/848-2415.

Chief Financial Officer
Wisconsin River Bank is seeking a CFO to direct all financial/accounting activities of the bank. Key Responsibilities include: Supervision of Retail Banking area and cash management program. Oversight of financial accounting systems including general ledger, accounts payable, accounts receivable. Timely preparation and analysis of financial statements and reports. Recommendations related to budget preparation, profit forecasts, and operational changes as needed. Tax reporting and annual financial audit. Oversight of BSA, Information Technology, and Deposit Compliance. Model and report on a broad range of interest rate risk/asset liability management measures, and oversee Asset/Liability Management Committee. Identify opportunities for corporate growth and develop strategic plans to reach these goals. Direct, develop and implement policies, processes, procedures and internal controls. Relevant Bachelor's Degree and 7-10 years of related experience, or equivalent combination of education and experience is required. Interested candidates may forward a resume to: Wisconsin River Bank, Attn. HR Coordinator, P.O. Box 636, Sauk City, WI 53583. Equal Opportunity Employer

Agricultural/Commercial Lender
Markesan State Bank, a locally owned bank who has proudly served our community for 126+ years, is seeking a relationship focused Lender to serve our members. While this position will be located in our Markesan location, we also have branches in Randolph and Waupun and our services are used throughout the surrounding areas. Your contributions will include: Meeting with loan applicants, conducting site visits, and reviewing financials for underwriting loan requests; Analyzing and preparing cash flows; Insuring proper loan structuring and documentation to ensure a strong loan portfolio; Managing the established loan portfolio; Developing new relationships and business; and Contributing to the diversity of the Bank's loan portfolio. To be successful in this role, you will need: Bachelor's Degree in Accounting, Finance, Agri-Business, or related field; 5+ year of lending experience (commercial or agricultural lending is preferred); Solid knowledge of Agricultural production and business banking practices; Working knowledge of Word, Excel and Outlook; Interest and ability to be an active member of the community; and Ability to build relationships with all audiences. In exchange for your talents, we offer a competitive compensation package and career growth. Our team is friendly and collaborative. We are a great place to work as evidenced by a combination of new and tenured employees. If you are interested in joining us, please send a cover letter including salary requirements and resume to **Lisa Broder**, lbroder@markesanstatebank.com. We look forward to hearing from you!

HR Associate
 Reports to: Senior Vice President. The Human Resource Associate can have a flexible schedule from 30 to 40 hours per week. The HR Associate will be responsible for performing HR-related duties on a professional level and work closely with Senior Management. This position is responsible for benefits administration, employee relations, training, performance management, onboarding, policy implementation, recruitment/employment, affirmative action and employment law compliance. Essential Functions: Administers various human resource plans and procedures for all organization personnel; assists in the development and implementation of personnel policies and procedures; prepares and maintains the employee handbook / manual. Administers the compensation program; monitors the performance evaluation program and revises as necessary. Required Skills: Proficient in Microsoft Office Suite and other applicable software. Required Education and Experience: A high school diploma and three to five years of relevant administrative assistant experience. Preferred Education and Experience: HR experience or a degree in HR management and/or three to five years of experience in the HR field, or any similar combination of education and experience. SHRM-CP or SHRM-SCP certification or ability to obtain an HR certification within 12 months of hire. Send application materials to **Pam Fisher** at Pam.Fisher@capitolbank.com.

Credit Analyst II
 Reports to: Credit Manager. FLSA Status: Exempt. Responsibilities: Assist in the underwriting process for complex business loans and complex relationships by evaluating, identifying, and defining key credit risks. Analyze financial statements and prepare credit presentations to ensure transparency in the underwriting process. Work with Lenders to provide loan operations with the necessary

information to prepare loan documents. Primary Duties: Review and evaluate business loan requests by: Analyzing complex business and personal financial statements and tax returns; spreading financial statements and evaluating an entity's historical performance; analyzing industry trends / economic factors affecting the business. Perform cash flow and trend analysis on borrower and/or guarantors. Analyze the components of collateral appraisals and evaluations, and summarize valuation methodology for presentation. Minimum Education and Experience: Bachelor's degree in finance, business, accounting or economics preferred; 2-3 years' relevant experience desired. Banking experience would be helpful. Knowledge, Skills, and Abilities Required: Must have solid analytical skills, and a working knowledge of Microsoft Office Suite; Must be familiar with accounting principles. Candidate must have strong interpersonal skills and the ability to articulate in front of others; Familiarity with banking laws, regulations, policies, and practices is a plus. Please send resumes and inquiries to **Pam Fisher** at pam.fisher@capitolbank.com.

Commercial Lending Opportunities Due to continued strong loan and overall growth **Bank of Luxemburg** is adding two new Commercial Loan positions at our Luxemburg office, VP of Commercial Lending and Commercial Loan Sales Officer. These positions will develop and maintain business relationships with new and existing commercial borrowers and deposit customers. They will also service a wide variety of business and individual loans, both secured and unsecured. Both positions require a Bachelor's degree and previous experience (3+ years for the Commercial Loan Sales Officer and 6-7 years for the VP of Commercial Lending). To apply or learn more about these positions, please visit our website and join our Talent Network at www.bankofluxemburg.com/about/careers.

WISCONSIN BANKER

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