SDBANKER

OFFICIAL PUBLICATION OF THE SOUTH DAKOTA BANKERS ASSOCIATION | **MAY 2020**

SDBANKERS ASSOCIATION
Educate. Advocate. Grow.

A Marketing Game Plan
for COVID-19

NDBA/SDBA

2020

VIRTUAL TOWNHALL

Tuesday, June 9

NORTH DAKOTA BANKERS ASSOCIATION

SDBANKERS ASSOCIATION

FDIC Chairman
Jelena McWilliams

All bankers invited to participate

Event information coming soon

SDBANKERS ASSOCIATION

Educate. Advocate. Grow.

PO Box 1081 | 109 West Missouri Avenue
Pierre, SD 57501
605.224.1653 | 800.726.7322
www.sdba.com

SDBA OFFICERS

CHAIR
Shawn Rost, First Interstate Bank, Rapid City

CHAIR-ELECT
Steve Bumann, BankWest, Inc., Pierre

VICE CHAIR
Kristina Schaefer, First Bank & Trust, Sioux Falls

IMMEDIATE PAST CHAIR
Karl Adam, First Dakota National Bank, Pierre

SDBA BOARD OF DIRECTORS

David Bangasser, Dacotah Bank, Sioux Falls
Dylan Clarkson, Pioneer Bank & Trust, Belle Fourche
Craig Davis, First National Bank, Pierre
Jeff Davis, Bryant State Bank, Bryant
Timothy Kintner, Great Western Bank, Sioux Falls
Pete Mehlhaff, Great Plains Bank, Aberdeen
David D. Nelson, First Fidelity Bank, Burke
Brad Seaman, BankNorth, Aberdeen

SDBA STAFF

Curt Everson, SDBA President
ceverson@sdba.com

Mike Feimer, President of Insurance and Services
mfeimer@sdba.com

Halley Lee, Administrative Vice President
hlee@sdba.com

Alisa Bousa, Communications Coordinator
abousa@sdba.com

Nadine Kepford, IS/Business Manager
nkepford@sdba.com

Jeanine Dyce, Administrative Assistant
jdyce@sdba.com

Dean Franzen, Commercial Lines Specialist
dfranzen@sdba.com

Michelle Guthmiller, Insurance Specialist
mguthmiller@sdba.com

Robin Feimer, Insurance Specialist
rfeimer@sdba.com

EDITORIAL: Published monthly by the South Dakota Bankers Association, SDBANKER Magazine is dedicated to enhancing the state's banking profession by providing useful and timely information on important events and trends in the banking industry. Statements of fact and opinion are made on the responsibility of the authors alone and do not represent the opinion or endorsement of the SDBA. The magazine welcomes news from SDBA members. Articles may be reprinted with permission. Email abousa@sdba.com.

ADVERTISING: Advertisements within this publication do not necessarily represent endorsement of those products and services by the SDBA. The editor reserves the right to refuse any advertisement or editorial copy deemed to be unsuitable. For advertising details, see SDBA media kit at www.sdba.com.

SUBSCRIPTIONS: Member banks, branches and associate members receive one complimentary subscription. Additional subscriptions are $45 per year for members or $90 for non-members. Call 605.224.1653 or email abousa@sdba.com.

SDBANKER

OFFICIAL PUBLICATION OF THE SOUTH DAKOTA BANKERS ASSOCIATION

MAY 2020 | sdba.com

features

in every issue

message from the chair.....

BY SHAWN ROST | South Dakota Market President | First Interstate Bank, Rapid City

Celebrate Our Accomplishments

Can you believe the month of April is over already? You know the old saying, "Time flies when you are...working 16-hour days, seven days a week, doing your best to take care of your co-workers, customers and communities!" Or something close to that.

Might I add being extremely frustrated at times? Dealing with everything from unclear PPP guidance, to non-existing guidance, to changes in the guidance 10 days into the program via Interim Final Rules Bulletins (the title of the bulletin alone is an oxymoron). I think this sums up part of what we have endured and discussed from the calls I have had with bankers all across South Dakota for the past month.

The second part of the story we tend to forget about because we are so focused on taking care of our customers that need working capital and need advice from their trusted bankers. The second part is an amazing story to me. We are so wrapped up in the hours, the process and the PPP volume knowing that the money supply is finite. We don't want to let a single customer down, so we don't take time to focus on the amazing second part of the story. I want to share my summary of what has transpired.

Our U.S. Senate and House mostly set aside partisan politics and worked out a funding plan to help America in record time.

Treasury and the SBA worked out a plan to work with banks to get this money out to those that need it, and they did it at warp speed.

South Dakota bankers educated themselves devouring all FAQs issued by the SBA and any other governmental agency.

South Dakota bankers listened to more conference calls and webinars put on by the SBA, Treasury, ABA, SDBA, OCC, FDIC, Sen. Rounds and Rep. Johnson in two weeks than they probably had in the past two years combined trying to understand the ins and outs of the PPP.

We then proceeded to throw out the old ways of doing business and started cranking out PPP loans by working seven days a week until the first round of money was gone.

At the end of the day, South Dakota banks had closed 11,324 loans amounting to $1.4 billion in disaster loans to our clients.

South Dakota bankers were tied for fourth in the nation for dollar amount of closed loans as a percentage of eligible total payroll by state at 77.7%. Number one was Nebraska at 80.7%, and the three lowest states were New York at 39.9%, California at 37.9% and the District of Columbia at 30.4%. (Data published by Bloomberg on April 20, 2020.)

We can all speculate as to why the data shows what it does. My take is that all bankers across America stepped up to the plate and started swinging, and they didn't stop swinging until the money was gone. Of course, South Dakota bankers have an amazing work ethic and simply out hustled bankers in almost every other state. They left this part out of the Bloomberg article (a mistake I assume that will soon be corrected by their editorial staff).

But seriously, our government and elected officials moved at the speed of light in terms of bureaucratic timelines. We owe them all a big thank you. The process had all the anticipated shortcomings and adjustments one could expect with how fast this all came together. The proverbial banker's hours were not observed by any banker.

WE can all be proud of how our industry came to the aid of our country and helped many businesses keep people on or put them back on their payrolls. This in turn allowed employers and employees to pay their bills and feed their families. I expect the Founding Fathers of this great country are proud of what has been accomplished in such a short time frame with such unprecedented conditions.

Make sure you celebrate what we have accomplished to date with your teams, take a breather and get ready as the first inning of this pandemic has just ended. We have many more innings ahead of us, and those innings will deal with more new programs, credit deterioration, shrinking margins and personal loss. Together, we will get everyone through this as that is who we are and what we do. Thank you to every banker in every bank. You are making a difference and should be proud of the role you are playing.

Shawn Rost is South Dakota market president at First Interstate Bank in Rapid City. Rost can be reached at 605.716.8928 or shawn.rost@fib.com.

from the executive office.....

BY CURT EVERSON | President | South Dakota Bankers Association

Paycheck Protection Program Roller Coaster

As I made the final edits to my April column, the President had just signed the CARES Act into law. Treasury Secretary Mnuchin boldly asserted that within a week "we want every bank to be able to originate a paycheck protection loan—same day." Messaging from elected and appointed officials in Washington, D.C., centered on two themes:

- **Small Business Owners:** PPP loans are first come, first served....hurry and apply before the money runs out.
- **Bankers:** Get the money out the door to your customers.

Nearly every hour of every day between passage of the CARES Act and when the $349 billion well went dry on April 16 has been a blur for all parties concerned. On PPP go day, thousands of banks discovered they had no access to the SBA's ETRAN loan processing portal, causing considerable angst for many bankers and their customers. SBA and Treasury scrambled to develop and issue program guidance on the fly for prospective borrowers and lenders. Some guidance came as formal Interim Final Rules. Some came in the form of an ever-growing list of answers to FAQs. Some sought-after guidance like a standard form PPP note or instructions for calculating maximum allowable loan amounts for farmers who file IRS Schedule F came just in time for PPP phase two.

But despite access problems, occasional performance glitches and a myriad of lender and borrower questions about key program parameters, the first phase of the PPP program has been a success. Bankers who worked days, nights and weekends April 3-16 originated $342 billion in PPP loans to nearly 1.7 million small business borrowers. South Dakota lenders accounted for more than 11,324 loans totaling nearly $1.4 billion. Through the first 13 days of PPP operation, according to an April 20 report by Bloomberg News, small business firms in South Dakota received PPP loans in an amount sufficient to cover about 78% of eligible payroll. That figure places South Dakota in the top five in the nation. I can't tell you how proud I am of South Dakota's bankers!

But more work lies ahead. I have tried to fully understand the detailed language of the CARES Act and supporting rules and guidance, especially the interplay between Section 1002—Paycheck Program Loans and Section 1006—Loan Forgiveness. "Covered period" is used in both sections but with very different meanings.

For PPP lending, the covered period begins on Feb. 15 (the date of the President's COVID-19 emergency declaration) and ends on June 30. For purposes of loan forgiveness, covered period means the eight-week period beginning on the date of the origination of a covered loan. Under the plain language of the CARES Act, those terms can work in harmony with one another.

However, combining those definitions with Treasury's mandate to disburse PPP loan proceeds within 10 days of SBA loan approval creates a conundrum for certain types of businesses forced to curtail operations or close due to social distancing or government-imposed, stay-at-home orders or other public health recommendations.

The PPP was designed to benefit two categories of business, each of which has been impacted differently by COVID-19: those able to maintain payroll throughout the pandemic and those hoping to re-hire staff laid off prior to enactment of the CARES Act. The Act requires the eight-week payroll calculation for loan forgiveness to start when the business first receives PPP loan proceeds. But Treasury's 10-day mandate on distribution of loan proceeds, which was first made known to bankers and borrowers late on April 8, meant subsequent borrowers could no longer choose when to first accept a distribution of loan proceeds, thereby starting that eight-week payroll clock.

That isn't a problem for businesses able to maintain payroll levels at pre-pandemic levels. That 10-day mandate does create a significant problem for businesses needing to rebuild staff to the level required to trigger loan forgiveness. For the first group, PPP loans will almost certainly become grants. PPP loans made to businesses in the second group, who arguably have been hurt the most by the pandemic, will largely be ineligible for forgiveness and will need to be repaid.

PPP loan volume in our state demonstrates the deep involvement and support for this program by South Dakota's banks and bankers. Bankers can well manage the program under the Treasury's 10-day loan disbursement rule. If that is true, should bankers and the SDBA care about this conundrum?

Continued on page 22

south dakota bankers insurance & services update.....

BY MIKE FEIMER | President | South Dakota Bankers Insurance & Services Inc.

Pandemic Accommodations for Group Dental Plans

By Delta Dental of South Dakota

We hope you and your family and friends are staying healthy and well during the COVID-19 pandemic. We understand that it impacts nearly every aspect of life for you and your clients, and many are faced with difficult decisions.

At Delta Dental of South Dakota (DDSD), we're working to be as flexible as possible to help plan holders maintain their benefits through the pandemic or resume them as easily as possible in the future. Those accommodations for group plans include:

1. No rate increases will be applied to any group plan renewing in the 12-month span of May 2020 through April 2021.

2. A group's dental plan will not be terminated for late payment for 90 days, and we'll work with the group on a plan to catch up on premium payments. This premium deferment program will be evaluated throughout the COVID-19 pandemic and is subject to change.

3. A group may continue to pay premiums for members covered by the plan to keep them active while the group adjusts its operations because of the pandemic (examples include temporary closure, reduced work hours for employees or employee furloughs). This maintains the member's coverage in case of emergency or urgent dental care treatments (still being performed by many dental practices) and will help the member get routine dental care as soon as possible when they return to work.

4. If a group terminates coverage for certain members because the employee has hours reduced or has been furloughed or laid off, the member may continue coverage through COBRA (which allows the person to pay for their coverage up to 18 months on the group plan). When the employee returns to work or is rehired, the member may be reinstated the first of the month following the restart/rehire without fulfilling any eligibility waiting period.

5. If a group terminates their entire dental plan, continuation of benefits through COBRA is not available. However, if the group purchases a dental plan again in the future, members who had 12 months of continuous coverage in a DDSD plan before the plan was terminated would not have to restart any waiting periods for certain coverages that may normally apply.

The pandemic is still rapidly evolving, and these accommodations are established with information known at the time. We'll evaluate these and other possible actions to adapt as the situation develops.

Based on guidance from the CDC and the ADA, most dental practices are not currently providing elective procedures, but many are still providing emergency and urgent care which may be covered in current benefit plans. Business support options in the recently-approved federal relief packages may help sustain employee benefits through the pandemic.

You're welcome to contact us at 877.841.1478 or sales@deltadentalsd.com if we can help you or your clients with their dental benefits plans. We're proud to be your partners in oral health.

Mike Feimer is president of the South Dakota Bankers Insurance & Services (SDBIS) in Yankton. Feimer can be reached at 605.660.2341 or mfeimer@sdba.com.

SDBA Events Affected by COVID-19

NDBA/SDBA 2020 Annual Convention

The NDBA/SDBA 2020 Annual Convention scheduled for June 8-9 in Bismarck, N.D., has been canceled. The SDBA will miss seeing its members and business partners and looks forward to the time when we can come together again.

FDIC Chair Jelena McWilliams, who was scheduled to speak during the Annual Convention on June 9, will hold a virtual town hall with South Dakota and North Dakota bankers on Tuesday, June 9. Be watching for more details at www.sdba.com.

Mark your calendars and plan to attend next year's Quad States Convention on June 14-15, 2021, at the Rushmore Plaza Civic Center in Rapid City, S.D. Next year's event will include bankers from South Dakota, North Dakota, Montana and Wyoming.

SDBA Annual Business Meeting

The SDBA's Annual Business Meeting, typically held during the Annual Convention, will take place as a virtual, online meeting on Tuesday, June 9. The agenda includes election of SDBA officers, comments from the outgoing and incoming SDBA chairs, an association update from SDBA President Curt Everson and a South Dakota Bankers Foundation update from Halley Lee. Be watching for more details at www.sdba.com.

National School for Experienced Ag Bankers

The SDBA has canceled the National School for Experienced Ag Bankers scheduled for June 22-25, 2020, at Black Hills State University (BHSU) in Spearfish, S.D. Because BHSU has closed campus through at least the end of June, and in light of South Dakota's COVID-19 projected peak, the safest choice was to postpone the school to next year.

The National School for Experienced Ag Bankers will now be held June 21-24, 2021, at BHSU in Spearfish. Current registrations will carry forward to next year's school. Those registered who wish to cancel will receive a full refund. To cancel your registration, email Halley Lee at hlee@sdba.com.

The National School for Beginning Ag Bankers, originally scheduled for 2021, will now be held in 2022.

SDBA Agricultural Credit Conference

Originally scheduled for April 15-17 in Pierre, the SDBA's Agricultural Credit Conference was postponed to July 8-10. The SDBA is in the process of transitioning this conference to a virtual, online format instead of a live event in Pierre. Be watching for more details as they become available at www.sdba.com.

GSBC Launches Virtual Learning & Networking Initiative for Community Banks Amid COVID-19

The Graduate School of Banking at Colorado (GSBC) has launched GSBC Cares: A Virtual Education Experience as a service to the nation's community banks amid the COVID-19 pandemic. The initiative comes at no cost to bankers and aims to support them by keeping them informed and connected, while giving them access to the industry's top experts.

GSBC Cares, hosted by GSBC faculty members and staff via Zoom Video Communications, encompasses three educational components:

- Virtual learning series, available to GSBC students (current and prospective), alumni, colleagues of alumni/students and all GSBC supporters.
- CEO roundtable discussions, available to past and present participants of GSBC's Executive Development Institute for Community Bankers.
- Virtual networking opportunities, available to GSBC students and alumni.

"GSBC Cares is a service to community bankers as they continue to figure out ways to effectively run their financial institutions like they've never had to before," said GSBC President Tim Koch. "GSBC is eager to launch this initiative and be there for our constituents to lean on. We will get through this together and come out stronger."

The first virtual learning series, Investing During a Pandemic: The "New Normal," will be held May 14, 21 and 28 at 2 p.m. CDT. As the year progresses, GSBC will design more programming to address the immediate challenges community banks face.

Get involved with GSBC Cares by visiting www.GSBColorado.org/GSBC-Cares.

HSA Webinars Offered in May

JM Consultants, the SDBA's endorsed IRA training and audit provider, will hold two HSA webinars in May. Both will be taught by Michael O'Brien.

An Introduction of Health Savings Accounts

Heath savings accounts (HSAs) are becoming the popular health care choice for employers offering coverage to employees and individuals/families not covered by employer-sponsored health care benefits. An Introduction to Health Savings Accounts Webinar will be held on May 14 at 9:30 a.m. CDT.

This 70-minute program will provide a solid foundation of operational and compliance issues associated with providing HSAs to customers, including opening, maintaining and distributing procedures. Attendees will learn eligibility requirements, documents to establish an HSA, contribution limits, portability rules, distribution provisions for qualified medical expenses, beneficiary options and compliance issues.

Health Savings Accounts—Beyond the Basics

As the nationwide growth of HSAs continues to rise, financial organizations are beginning to see more complex transactions due to increased customer activity. This requires more personnel to review their existing HSA procedures to ensure transactions are handled properly. Health Savings Accounts—Beyond the Basics Webinar will be held May 19, 9:30 a.m. CDT.

This 70-minute program will explore the areas of employee eligibility, handling excess and mistaken distributions, investment diversification and product expansion, including how HSAs are being touted as a retirement savings vehicle in addition to a health care coverage option. Attendees will learn partial eligibility rules and testing period, qualified HSA funding distributions, popular investment alternative selections, excess contribution correction methodology, how to process mistaken distributions, HSA beneficiary options, distribution options after age 65, IRS reporting requirements and current events—HSA proposals.

The cost for each webinar is $195, with additional branch connections only $50 per connection. Find the registration forms at www.sdba.com/events.

JM Consultants can also perform customized HSA webinars for a bank. For more details, contact Mike Nelson at 218.831.1858 or m88nelson@hotmail.com.

Emerging Leader of the Month: **Alex Gustafson**

As part of the SDBA's mission to grow South Dakota's future bank leaders, we are featuring a monthly emerging leader in SDBANKER Magazine. This month's feature is Alex Gustafson, who works for Pioneer Bank & Trust in Spearfish.

First-Ever Job

My first job was when I was around age 14 working for a company that produced folding, wooden step stools and did light concrete work on the side. The manufacturing process was predominantly manual and labor intensive. As with most concrete jobs, there was a lot of manual work as every load of concrete was mixed by hand in a wheelbarrow! I had a newly-found appreciation for hard work that summer building stools and mixing concrete by hand.

Emerging Leader Story

While attending Black Hills State University in Spearfish, I worked full time at Wal-Mart in several departments and learned a lot about retail business. I was fortunate to move into a management trainee position prior to my college graduation and after I graduated was promoted to an assistant manager.

I worked at Wal-Mart in Rapid City for about a year until I had an opportunity to get into banking as an internal auditor in 2005. In that position, I learned about the various bank departments ranging from tellers, operations, lending, new accounts, ALCO, trust and investment. Those first 10 years as an auditor were vital for me to gain a real understanding and appreciation for banking and its critical need in our communities.

In the last five years, I was fortunate to attend and graduate from the Graduate School of Banking at the University of Wisconsin-Madison. I highly recommend this program to young bankers wanting to further their knowledge in our industry. The last few years I have moved into retail banking and have worked towards projects that offer both customers and employees products/services that are more timely and relevant.

As Pioneer Bank & Trust's retail banking manager, I work closely with numerous departments at the bank. Some of my main duties are helping to oversee the tellers and personal bankers at all branches, product development and enhancement of electronic banking products all in an effort to meet customer expectations. My 15th year at the bank was last month, and I find myself very blessed to work in our industry and especially our bank.

What He Most Likes About His Job

I like that our bank is an anchor to the communities we serve. We are fortunate that our products and services are needed and supportive to the community we serve. We give back financially through donations and personally through volunteerism. I feel our bank gets behind many of the community needs and supports them like it has done for 107 years.

What Motivates Him

My motivation comes from my faith, belief in hard work, helping others and doing the right thing. In addition, I feel blessed to have many great mentors, past and present, throughout my career and life.

If He Could Have Any Job

I'd love to mow grass at a golf course. Get up early, mow and then hit the links!

In His Spare Time

I like to do a number of things, but spending time with my family, running, biking, golfing, softball and basketball all make the list. My wife, Candace, and I have been married for 15 years and have two kids, Audrina (11) and Ellis (5), and a black lab, Porter.

Alex and Candace Gustafson and their children, Audrina and Ellis.

Four Elected to SDBA Board of Directors

Timothy Kintner, Great Western Bank, Sioux Falls

Timothy Kintner is serving his first term on the SDBA Board of Directors, representing banks in Group I.

Banking Career

Timothy Kintner has served as regional president of Great Western Bank since 2018, and oversees all banking operations in South Dakota and retail banking throughout the company. Kintner has more than 30 years of banking experience and has expertise in all areas of bank management and strategic bank planning. Before joining Great Western Bank, he held the position of executive vice president – regional banking markets and community relations for Bankers Trust Company in Des Moines, Iowa, since 2013. Prior to that, he served as president and CEO of Bankers Trust in Cedar Rapids, Iowa, and also president of Marquette Bank in Cedar Rapids. Kintner also spent several years in senior management positions with Wells Fargo.

Community Involvement

Kintner is an active community member and currently serves on the board of the Sioux Empire United Way, the South Dakota Chamber of Commerce and Industry Economic Outlook Seminar Committee and Sioux Falls Downtown Rotary. He has also served on the SDBA Legislative Committee.

Family

Kintner and his wife, Nancy, have an adult daughter (Kari) and son (Nathan). They also have three grandchildren.

Goals as an SDBA Director

Banks play an important role in keeping our communities strong. I plan to work to support legislation that assists banks in this effort and also benefits our local economies. It is critical that regulation for banks and non-bank competitors makes sense in relation to each other. Advocacy for the banking industry will be a strong focus, with my goal being to educate both the public and legislators.

Dylan Clarkson, Pioneer Bank & Trust, Belle Fourche

Dylan Clarkson is serving his second term on the SDBA Board of Directors, representing banks in Group IV.

Banking Career

Dylan Clarkson is president and CEO of Pioneer Bank & Trust in Belle Fourche. Prior to joining the bank in 2016, he began serving on Pioneer Bank & Trust's Board of Directors in 2014. Clarkson previously worked for American Bank in Bozeman, Mont., from 2006 to 2016. At American Bank, he performed multiple duties including commercial lending, cash management specialist and Bozeman area market manager. Prior to his banking career, Clarkson managed new automobile dealerships in the Bozeman area. He has an economics degree from Montana State University in Bozeman.

Community Involvement

Since relocating from Montana to Spearfish in 2016, Clarkson has actively supported many nonprofits across Pioneer Bank & Trust's trade area—Black Hills Works, Belle Fourche Economic Development Corporation, American Heart Association and Special Olympics South Dakota. He previously served on a number of boards while in Montana.

Family

Clarkson and his wife, Nicki, have two children, Ben (age 5) and Elyse (age 1).

Goals as an SDBA Director

I look forward to proliferating the message that community banks play a vital role in South Dakota and the nation. I would like to bolster the current momentum that the industry is gaining for "right sized" legislation. Despite recent corporate tax reform and the boon that it created for many banks of all sizes, the legislation as we all know didn't level the playing field for equal taxation of non-bank competitors.

Craig Davis, First National Bank, Pierre

Craig Davis is serving his second term on the SDBA Board of Directors, representing banks in the Mid-Size Community Bank Category.

Banking Career

Craig Davis is the president/CEO of First National Bank in Pierre. After graduating from the University of Nebraska-Lincoln with a finance degree in 1991, he worked briefly for ITI (now known as FiServ) in Lincoln. He returned to Pierre in late 1991 and began his career with First National Bank as a loan review officer. Davis was later promoted to commercial lending and also served as the bank's senior credit officer. Davis was named president/CEO in 2010.

Community Involvement

Davis has been very involved in his community. He is a past president of the Pierre Chamber of Commerce and a past board member of the Pierre Economic Development Corporation, the Boys and Girls Club, Junior Achievement and the United Way. Davis has also served as a member of the Oahe Hockey Association and director of league play/scheduling.

Family

Davis and his wife, Beth, have two children, Caden (age 19) and Avery (age 17).

Goals as an SDBA Director

I want to work to find a way to ensure that community banks of all sizes in South Dakota are viable now and well into the future and also want to help invoke change in the regulatory arena. I also look forward to networking with fellow SDBA members.

Pete Mehlhaff, Great Plains Bank, Aberdeen

Pete Mehlhaff is serving his second term on the SDBA Board of Directors, representing banks in the Community Bank Category.

Banking Career

Pete Mehlhaff, a fourth-generation banker, started his banking career 41 years ago. Mehlhaff served as a lending officer with U.S. Bank and Wells Fargo in correspondent and business banking departments in Aberdeen and Minnesota communities of Redwood Falls, Bloomington, St. Paul and Minneapolis. Mehlhaff returned to South Dakota in 1990, when he became president and chairman of Great Plains Bank—a $120 million community bank with offices in Eureka, Aberdeen and Eden. Mehlhaff completed an undergraduate degree at Northern State University and holds graduate degrees from University of St. Thomas (MBA) and Mount Marty College (MA). In addition to many banking programs, he is also a graduate of the Colorado Graduate School of Banking.

Community Involvement

Mehlhaff, an ordained Catholic deacon, serves at St. Mary's Church in Aberdeen. He is active in community affairs including former chairman of Presentation College Board of Trustees where he continues to serve as adjunct faculty. He was a founding director of the Eureka Area Community Foundation, former president of Aberdeen Area Catholic Foundation and currently serves on the Northern State University School of Business Advisory Board.

Family

Mehlhaff and his wife, Paddy, have been married for 39 years and have five children.

Goals as an SDBA Director

The banking community has not been successful in its attempts to change the tax policies that give Farm Credit System and credit unions an unfair advantage over banks. I look forward to promoting reform that gives banks tax treatment similar to those competitors, thereby creating a more level playing field.

A Marketing Game Plan for COVID-19

© 2020 American Bankers Association. Originally published on March 20, 2020. Reprinted with Permission. All Rights Reserved.

By Josh Mabus and John Oxford

We are at the beginning of an unprecedented crisis. We've avoided writing and podcasting these words for days now—hoping the fear, anxiety and disease itself might lift their vile grip from our collective lives.

But, as we receive the notice that schools will continue suspensions for another week (at least), more mandatory business closures are imposed and social groups are recommended to shrink even more, we know that not only is COVID-19 here to stay—but its ramifications will be deep and far-reaching.

While the disease itself is quite frightening, the economic fallout it may cause gives great concern. As marketers, we will leave health and safety guidance to the experts at the World Health Organization, CDC and other experts. But many of you have questions about what you should be doing in the marketing and advertising arenas. What follows is certainly no how-to guide, but more a "maybe if" set of suggestions from your friends at the Marketing Money Podcast.

1. Take care of the home front.

During every preflight safety brief, you're given valuable instruction you should carry throughout your life: "When the oxygen mask descends, put on yours before helping others." The lesson is simple. You can't help others if you're incapacitated. We're all facing decisions in an unprecedented environment. The most important thing you and your bank can do for your community, your board of directors, your investors and your own family is simple: Stay in business. You can't help others if your bank is incapacitated.

Shore up your operations, determine your staffing protocol and solidify your schedule. We have no more important advice other than do these things first. Create the environment for safety and health for you, your coworkers and your clients—and also for your longevity. Do this first, but if at all possible, do not stop there.

You can find ABA resources on regulatory statements, bank practices, branch operations, coronavirus communications plans and other needs at aba.com/coronavirus. Look for more tips among your peers on the ABA Bank Marketing Network.

2. Take care of your community.

It would be easy for most community banks to skip step one and move to this step. Please don't. Remember the oxygen mask. But as you feel comfortable with how you'll operate over the next several weeks or longer, you might have the ability to do a bit more. If so, one area that needs many layers of help is connecting those in need with those wanting to help. Think with more of your PR brain and less with your marketing brain.

You likely have several at-risk groups in your community who need help. You also likely have groups and individuals who would like to help those in need. But these two sides often have difficulty connecting.

Serving as "cause curator" between these groups can be a great method of virtual volunteering. Use your social platforms and relationships that permeate the community to connect dots and help others fulfill needs that would otherwise be unmet.

3. Take care of your clients.

This is really an extension of your community. It's no secret that small businesses are scared—particularly restaurants and bars facing mandatory closures. While this might be a necessary measure to prevent the spread of disease, this will most certainly impact these proprietors.

You can share and focus the excellent message that's already floating around: Encourage your community to buy gift cards from local restaurants on your social platforms. Help spread the news of those that offer takeout and delivery. Many are offering the service for free! Concentrate on your clients first, of course. And remember, this may just be the start. We must keep up this energy when the tiredness of all this sets in at some point.

If appropriate for your situation, look to share resources as they become available. As the federal government prepares (and likely releases) financial support for business, most likely a portion of that support will be managed through our banks. Keep your eyes open for these opportunities, help your bank determine its role in the offerings and be ready to announce and execute.

4. Take care of your brand.

There seem to be two camps: those who are committed to advertising through the crisis and those who are storing "dry powder" for the other side. We have no argument for the logic of either. However, some thoughts that lean toward the committed-to-advertising philosophy—even though we do not have statistics yet: It stands to reason that this is the single largest weekday at-home population our country has ever seen (outside of holidays). You have an incredibly large captive audience on semi-voluntary house arrest. And they're bored. We imagine we will see an incredible spike in digital consumption and TV watching. It might be the TV running in the background while someone fills out reports, or just a break from their home-bound work drudgery to see if Tom Brady really did leave the Patriots to become a free agent. (He did!? A Buc?). And with no sports for the near future, there is also a huge content vacuum.

In short, you have a captive audience likely engaged in media. No, they're likely not going to be opening accounts, but you do have an opportunity to build name ID, awareness and brand presence. You can communicate your strength—that you will still be here. Or you can just encourage your audience. But maybe they will learn to use digital banking products they never had the time or urgency to learn how to use in the past. After all, they have a ton of time and opportunity now.

Regardless, you shouldn't ignore what arguably might be the single-largest opportunity to engage an audience. You just have to figure out how and what content to properly (and tactfully) deploy.

5. Take care of the future.

You could argue this should be first, but it's the most difficult and far-fetched idea. Not only are adults at home, but so are their kids. It's been a bit of an old joke (with all due respect to our teachers, who don't get to pick the curriculum): "Our schools teach our kids the Pythagorean theorem, but not how to balance a checkbook."

Well, now you have an opportunity. And you have help, too. Social media is flooded with parents saying, "I guess I'm a teacher now" with an overwhelming stack of books. It's an incredible opportunity to help kids with financial literacy. It's an incredible opportunity to help parents with this new role which they were thrust into with no choice.

And you can endear yourself to both audiences—building a legacy into the future. But it's also difficult and that's why it's far-fetched. You'll have to stand up these efforts very quickly to stand in the gap. Even if you own the curriculum and are trained to deploy it, it'll be difficult to enact.

However, simple steps might be best. Perhaps you use the live streaming services of Facebook, Instagram, or YouTube to conduct live financial literacy classes. No, it's not as interesting as zoos sharing live feeds of animals to give kids some edutainment, but many parents will appreciate your help. When you bring value and enrichment to folks who are struggling for answers, stability and help, don't be surprised when they show up to do business with you when the world begins to return to normalcy.

Also, let's face it: Kids aren't the only ones who need this education. There are plenty of folks whose lives will be economically impacted by COVID-19 closures. We might not have all the answers yet in how to aid that group, but we can help prepare future generations for what might come.

We have no solid predictions for what the future holds, but we're optimistic and are preparing for life and work on the other side of this crisis.

We are in the middle of an epidemic—not of a disease, but of fear. The way we behave now—as individuals and society—will have incredibly long-lasting economic impacts on our cities, regions and nation. We must make decisions that affect us immediately, but we cannot forget that we will most likely have a future for which we must prepare.

You can hear an in-depth dive on this discussion and more on our latest Marketing Money Podcast.

John Oxford, director of marketing at Renasant Bank, and Josh Mabus, president of the Mabus Agency, are co-hosts of the Marketing Money Podcast at marketingmoneypodcast.com.

Five Questions to Determine if it's Time to Outsource

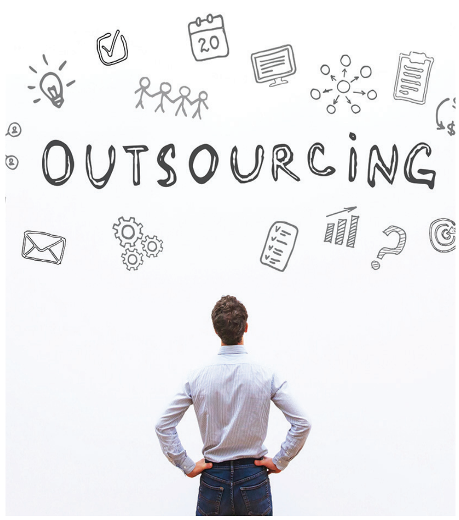
By Tiffany Caponigro, CRCM, Risk & Regulatory Compliance Manager, Vantage Point Solutions

As a financial institution, you play such an important role in your community. In good times, when mortgage rates are low and the housing market is booming, and in the not-so-good times where there's economic and personal uncertainty, people are turning to you for guidance. You're trying to take care of your customers and your employees while serving as a leader within your hometown. It's a lot of pressure. With all of the day-to-day activities that you are managing (making sure you're adequately staffed, meeting customer needs, keeping a watchful eye on your credit portfolio, etc.), adhering to regulatory compliance requirements and protecting your information systems from cybersecurity threats can feel overwhelming.

We've all outsourced in the past, whether for an independent Bank Secrecy Act audit or an internal vulnerability assessment. While it's a good feeling to delegate the work to someone else, it's not always that simple. Deciding whether it's better to outsource or perform work in-house can be a difficult decision, but it doesn't have to be when you take the following questions into consideration:

Do you have a plan?

A plan is your road map. Whether you are performing work in-house or delegating to an outside resource, you need an understanding of exactly what needs to be done and in what time



frame. Set your expectations and know the role projects play within your organization.

So, let's say you've assessed your risks across the board, you know what needs to be done and when it needs to be done. It's now a matter of determining who will do the work. The remaining questions in this article will help you make that determination.

What if you don't have a plan in place? If just thinking about a plan causes your blood pressure to increase, it might be a sign that you need to outsource. Having an objective party come in, evaluate your needs and help you develop a plan can be invaluable. This could include developing a risk-based audit program for both in-house and outsourced audits; it could be reviewing the results from your last regulatory exam and helping you develop an action plan.

If you don't know where to begin, calling in the experts might be your best option. Not ready to call for back-up? No problem! To start a plan on your own, simply begin by making a list of what needs to be done and then prioritize the list from highest priority to lowest priority.

Do you have the expertise in-house?

Once you have your plan and you know what needs to be done, it's time to assess whether you have the in-house expertise to perform the work. Depending on what type of work needs to be done, your in-house expert may not be an option. For example, receiving and originating financial institutions are required to have an ACH audit performed by Dec. 31 of each year. Your ACH personnel may have extensive knowledge in this area; however, they cannot perform an independent audit of their own work.

To avoid conflict of interest you could utilize your in-house auditor or someone else with significant knowledge of the ACH function, who is not involved in ACH operations to perform the audit. If you have an internal auditor, you're probably good to go. If not, outsourcing is probably your best option.

What is your timeline?

You can have a plan in place and a person or team in-house with the expertise and independence, as applicable, to complete the work, but if they don't have the time available to allocate to the project, performing the work in-house may not be feasible. It is important to keep in mind the risks associated with the work to be performed; while some projects may feel like chores, they may play an important role in protecting you, your institution, your employees and your customers. With that in mind, remember that the quality of the work performed is as important as having the work performed in the first place. Consider the "big picture" of each project, why it needs to be done and how the quality of the work will impact your organization. If you have a qualified resource in-house, but they don't have adequate time to allocate to the project, outsource.

What is your budget?

Budget often plays an important role in the decision to outsource or utilize in-house resources. Outsourcing is often seen as the more costly option, but in some cases is less expensive; it all depends on your needs. The cost of an out-sourced, one-time project will likely be less than a recurring salary expense; regular assistance throughout the year, depending on the time allocation, could go either way.

An important reminder when considering the cost of any project is that a lower price tag doesn't always mean better value. If you are considering outsourcing, it is important to review scopes carefully when comparing to ensure all pertinent aspects of the project are included to your satisfaction. In addition to comparing scopes, pay attention to the certifications and qualifications of personnel and contact references. The absolute best way for you to know what it's like working with a firm is to talk to someone who has been there, done that. Make sure you are getting the best bang for your buck without sacrificing quality of work.

What are your needs?

This is a challenging time for all financial institutions. As most are adjusting to closed lobbies and reduced hours, many financial institutions are also faced with reductions in staffing or the inability to fill a vacant position. Do you temporarily need an extra set of hands for a one-time project or occasional assistance? Or do you need a full-time person? The sky is the limit when it comes to your options. You might be able to reallocate current personnel or hire a new employee to meet your part-time or full-time needs. Outsourcing is a great way to gain a new perspective, but when it comes to in-house projects, nobody knows your organization's operations as well as someone who is a part of the organization.

Whether you choose to perform a project in-house or outsource, there are some common denominators you need to have in place. A healthy working relationship and confidence in your employee or vendor's work is imperative. Whether they are analyzing your credit portfolio, performing required audits or evaluating the security of your information systems, you should feel comfortable knowing that the project is more than a checklist item; it will bring value to your organization. In uncertain times, it is also important to know that your employee or vendor can be flexible and work with you throughout changing circumstances. In a time where change is constant, the decision of whether to outsource should be one that allows you to rest easier at night.

Tiffany Caponigro, CRCM, is risk and regulatory compliance manager for Vantage Point Solutions, an SDBA associate member. She has more than a decade of risk management experience in the financial services industry. Her expertise includes audit services, enterprise risk management, regulatory compliance and credit review. Five years of Caponigro's experience were served as the general auditor for a $250 million community bank in Tennessee, where she created an internal audit department, an area which had previously been fully-outsourced. For more information visit www.vantagepnt.com.

Why choose Bell as your bank's lending partner?

We're providing loans to banks across the country for capitalization, acquisitions, refinancing and restructuring. We'll tailor terms and conditions to your bank and its owners.

- Bank stock & ownership loans
- Bank building financing
- Business & personal loans for bankers
- Commercial & ag participation loans

We do not reparticipate any loans.

Bell Bank
bell.bank

Member FDIC EQUAL HOUSING LENDER 24874

south dakota bankers insurance & services update.....

BY DEAN FRANZEN | Commercial Lines Specialist | South Dakota Bankers Insurance & Services, Inc.

Disability—It won't happen to me, right?

We're all invincible, right? Well, we would like to think so. Unfortunately, that is simply not the case. Many average Americans do not truly know or don't understand the actual risk they really face in their daily lives and how important it is to have the proper insurance in place to protect them and their family if a disability does come their way.

Disability insurance is often believed to be unnecessary, too expensive or too hard to understand. However, I'm hoping that this article will shed some light on this important insurance protection. Here's a few items for all of us think about:

A 20-year old male has a 32% greater chance of being disabled at least 90 days than dying by age 65.

For a 20-year old female, her chances are 147% higher for a disability than death by age 65.

What are a person's chances of the following happening?

- One in 88 of using home owner's insurance.
- One in 47 of using auto insurance.
- Two in five of using long-term care insurance.
- One in four of using disability insurance by age 65.
- A 24% chance a disability will last for three months or longer.
- A 38% chance a disability will last five years or longer.
- The average disability lasts 82 months—or six years, eight months.

There are some very common beliefs about disability insurance and the risk people think they face. A 2012 study of 2,400 men and women between ages 24 and 65, completed by The State Farm Center for Women and Financial Services at The American College, found the following lack of concern and awareness:

- 51% of females and 57% of males believe their own chance of becoming disabled is less than five percent.
- Only 15% of all participants (male and female) expressed high levels of concern about the possibility of becoming disabled for a year.

- Nearly six out of 10 respondents stated they were simply not concerned about being unable to work due to a disability.
- 86% of survey respondents failed a basic six-question quiz on disability risks.

With these results in mind, let's look at some actual statistics about disability from the Council for Disability Awareness.

- Just more than one in four of today's 20-year-olds will become disabled before they retire.
- However, 64% of wage earners believe they have a 2% or less chance of being disabled for three months or more during their working career.
- The average group long-term disability claim lasts 34.6 months.
- One-in-eight workers will be disabled for five years or more during their working careers

A typical female, age 35, non-smoker, who works mostly an office job with some outdoor physical responsibilities and who leads a healthy lifestyle has the following risks:

- A 24% chance of becoming disabled for three months or longer during her working career.
- She has a 38% chance that the disability would last five years or longer.

- The average disability for someone like her will last 82 months.

A typical male, age 35, non-smoker who works an office job with some outdoor physical responsibilities and who leads a healthy lifestyle has the following risks:

- A 21% chance of becoming disabled for three months or longer during his working career.
- He has a 38% chance that the disability would last five years or longer.
- The average disability for someone like him will last 82 months.

Those are some eye-opening figures, but there's more. Many people initially respond to questions about what causes a person to become disabled with accidents as the cause of most disabilities. Actually, accidents produce only 10% of disabilities that keep people from work. The other 90% are a result of illness, according to The Life and Health Insurance Foundation for Education. Furthermore, only 10% of long-term disabilities are covered by workers' compensation. The reason for this low figure is because 90% of disability events occur outside of work.

Let's look at the most common causes of existing disability claims. According to the Council of Disability Awareness's 2013 Long Term Disability Claims Review, the following were the leading causes of new disability claims in 2012:

- Musculoskeletal/connective tissue disorders (28.5%)
- Cancer (14.6%)
- Injuries and poisoning (10.6%)
- Mental disorders (8.9%)
- Cardiovascular/circulatory disorders (8.2%)

Medical problems contributed to 62% of all personal bankruptcies filed in the U.S. in 2007—an estimate of more than 500,000. This is a 50% increase over results from a similar 2001 study. Academic researchers found that 66.5% of all bankruptcies were tied to medical issues—either because of high costs for care or time out of work.

Now that we have a basic understanding of the causes and risks that we face every day, let's examine the primary reason for having disability insurance. The primary reason is the financial impact that a disability can cause and how insurance plays a critical part of any individual's risk-planning process.

Here are some statistics surrounding the average American's financial situation:

- Retirement savings? One-third of us have none.
- 68% of Americans would find it very difficult or somewhat difficult to meet their current financial obligations if their next paycheck were delayed for one week.
- 65% of working Americans say they could not cover normal living expenses even for a year if their employment income was lost; 38% could not pay their bills for more than three months.

However, many individuals will think to themselves, isn't this what Social Security disability insurance (SSDI) is for? Well, they should rethink that assumption before they rely on SSDI. Here are some quick statistics about SSDI:

- $1,130 a month is the average monthly benefit paid by SSDI at the end of 2012.
- 93% received less than $2,000 per month.

Disabled workers are eligible for SSDI benefits only if a disability is expected to last for at least 12 months or result in death. Additionally, the time it takes the Social Security Administration to approve an SSDI claim often delays benefits for months—or years in some cases. For example, 65% of initial SSDI claim applications were denied in 2012.

Fortunately, not everything is doom and gloom. Disability insurance is designed to protect the most valuable asset each of us has—our ability to earn an income. Disability insurance replaces a portion of your income when you become disabled. Why is this important? Because a disability can and, in most cases will, cause a severe financial hardship. When a person's income stops how will they pay their mortgage, car payment, health insurance (which will certainly be needed if you are disabled), life insurance or retirement savings? Most of these, or potentially all of these, payments will no longer be made. Then what will you do?

Thankfully, through South Dakota Bankers Insurance & Services (SDBIS), you have access to both short-term and long-term disability insurance replacing of up to 66% of your pre-disability income, which can relieve a significant financial burden from a family.

In addition to one of the best health care plans in the state of South Dakota, member banks can also offer disability coverage through either EMC National Life or Reliance Standard insurance company.

As you begin to think about the valuable benefits offered through the South Dakota Bankers Association, please do not overlook the disability insurance options. Protecting your income is a fundamental building block of a sound financial plan. Without your income, achieving your financial goals and dreams will not be possible.

Dean Franzen RHU, HIA, MHP, DIA, DHP, LTCP, EBHA, HCSA is commercial lines specialist with the South Dakota Bankers Insurance & Services, Inc. Franzen can be reached at 605.220.4219 or dfranzen@sdba.com.

ask the appraiser.....

BY SHERRY BREN | Executive Director | South Dakota Appraiser Certification Program

Ethics Rule—Management, Record Keeping Rule

Payment of a Portal Fee

Question: Does the Management section of the ETHICS RULE in USPAP require the disclosure of a portal fee?

Response: No. The payment of a fee to use a portal is not connected to the procurement of an assignment. Payment of a portal fee is not an inducement. The client who uses the portal typically indicates that they require delivery of the assignment via a portal when offering the assignment to the appraiser in the engagement process. This agreed-upon delivery method is similar to other conditions such as fee, due date and appraisal form type.

The obligation to use a portal is similar to requiring the appraiser to deliver the report via overnight delivery with a specified number of hard copies, or requiring that the appraiser deliver the file electronically in XML format via email. In both examples, the cost of overnight shipping, printing, paper, etc. or the cost of buying a software solution that can produce a file in XML format would not require disclosure.

There are many examples of obligations or contractual terms that are part of an assignment but do not require disclosure, such as:

- Electronic delivery in a specified method or format (computer, Internet, software).
- Fees associated with receiving electronic payment.
- Number of hard copies of color printed photographs of the subject property (requires a camera, film, photo-processing/printing costs).
- Report delivery via an overnight courier.

Work File Requirements When Communicating Assignment Results

Question: I was engaged to perform an appraisal of a single-unit residential property for a mortgage lending transaction. After inspecting the property and collecting the necessary data, I concluded that the highest and best use was as a two-unit dwelling. I informed the client of this conclusion prior to completing the appraisal, and the client then canceled the assignment. Since there was no appraisal performed and no appraisal report transmitted, must a work file be kept for the prescribed time frames?

Response: Yes. The RECORD KEEPING RULE states, "An appraiser must prepare a work file for each appraisal or appraisal review assignment." The Rule is not limited to completed assignments or to assignments in which a report was transmitted. In fact, it specifies that the work file "must be in existence prior to the issuance of any report or other communication of assignment results."

Retention Requirements for Preliminary Communications After Completion of the Assignment

Question: During the course of the assignment, my client has asked me to provide the sale comparables I plan to use, as well as information on my rent and expense conclusions, prior to the completion of my appraisal report. If I subsequently provide an appraisal report, does my work file need to contain a written copy or summary of the communication previously transmitted to the client?

Response: No. Upon completion of the assignment, the assignment results are communicated to the client within the appraisal report. The RECORD KEEPING RULE requires the work file to contain a true copy of the report as well as all data, other information and documentation necessary to support the appraiser's opinions and conclusions. State requirements may add to USPAP obligations therefore appraisers should check with their state to see if additional requirements apply.

If you have an appraisal related question that you would like to have answered in the "Ask the Appraiser" column, submit it to Sherry Bren, executive director of the Appraiser Certification Program, 308 S. Pierre St., Pierre, SD 57501, fax 605.773.5405 or by email to Sherry.Bren@state.sd.us.

South Dakota Bankers Association

2021 Scenes of South Dakota Calendar

The South Dakota Bankers Association is pleased to offer you the Scenes of South Dakota Calendar. This calendar will feature photos of South Dakota submitted by South Dakota bankers, their family members and customers. Your bank logo and name can be printed on each calendar to display in homes and businesses all year long. **Calendar orders are due by September 1, 2020, to get the low price of $1.35* per calendar. Each order will have an additional $25.00 production charge.**

The Scenes of South Dakota calendars are exclusive to SDBA member banks. These calendars are a great opportunity to thank your customers for their business and promote your bank. The SDBA logo is also included to emphasize the strength and security of South Dakota's banking industry. Please see the information below and order today! All orders will be shipped November 1, 2020.

Name ____________________

Bank ____________________

Email ____________________

Phone ____________________ Fax ____________________

Address ____________________

City ____________________ State __________ Zip __________

Quantity *(minimum order 100)* __________

CUSTOM IMPRINT

Please note: Imprint Area for bank logo and/or name is 10.375" wide x 1.25" tall.

Bank logo and/or name to imprint needs to be provided in an Illustrator EPS or high resolution TIF file (300 dpi) and emailed to abousa@sdba.com. Please supply all linked art and fonts required to print your file.**

☐ Use same imprint from the 2020 Scenes of South Dakota Calendar.

☐ Black bank logo *(FREE)* OR ☐ Color logo *(add $100 to order)*

☐ New calendar order *(Please provide bank logo/name according to file requirements above.)*

☐ We've ordered before, but have changes to our imprint area.

(Please note changes in the Special Requests area.)

Would you like a proof emailed to you? ☐ Yes ☐ No, I do not need to see a proof.

Special Requests: ____________________

**$65.00/hour (prorated) charge may apply if logo or imprint design changes need to be made to artwork supplied.

HOW TO SUBMIT YOUR ORDER

MAIL TO:
South Dakota
Bankers Association
ATTN: Alisa Bousa
PO Box 1081
Pierre, SD 57501

FAX TO:
605.224.7835

EMAIL TO:
abousa@sdba.com

PHONE:
800.726.7322

WEBSITE:
sdba.com/calendar

***Pricing Information:** Orders placed by September 1, 2020 receive the low price of $1.35 per calendar. After September 1, price is $1.61. Each order will have an additional $25.00 production charge (layout for press run, in-house press proof, boxing, labeling), plus shipping. Logo will be black unless color is requested. Send no money now. Orders will be billed when shipped. Orders cannot be accepted after September 15, 2020.

SDBANKERS ASSOCIATION
Educate. Advocate. Grow.

E-SIGN Considerations in Mortgage Lending:
From Application to Consummation

By Cindy Prince, CRCM, Compliance Specialist, Compliance Alliance

In the fast-paced world we live in today, everybody wants things done as quickly and conveniently as possible. People are so busy that having to take time to actually come in to the bank to conduct their business seems like an imposition. We have made it so easy for our customers that, in many cases, they never have to step foot into the bank.

Online account opening, particularly for mortgage loans, is one area that continues to grow. At first, banks were just using electronic banking as a way to deliver disclosures faster, but these days, more and more banks are taking applications, delivering disclosures, and closing loans all online and without ever seeing the borrowers. This being the case, let's take a look at each step of the process and what the bank must do to stay compliant, from application to consummation.

We'll start with providing mortgage applicants with the application form. There are a few regulations that come into play here. Regulation B allows you to provide an online application without first obtaining consent to receive documents electronically. Keep in mind that if you are providing an online application for a home-equity line of credit (HELOC), you must also provide the initial HELOC disclosure and HELOC brochure (When Your Home is on the Line) at application, as required by Regulation Z 1026.40(d) and (e).

What about E-SIGN consent though? E-SIGN requires that the consumer applicant must first consent to receive documents electronically. This consent must contain the listing of documents that will be sent electronically, the hardware and software requirements, how to receive paper copies, how to revoke consent, and an agreement to maintain email address information. Then, the creditor must "reasonably demonstrate" that the consumer can access the documents electronically. This is typically achieved by emailing a document formatted the same as those that will be sent electronically. Within the document, there could be a code or a signature line for acknowledgment. The consumer would then email back the code or the signed acknowledgment and this would "reasonably demonstrate" the ability to access the documents electronically.

Another disclosure required for an applicant of a first-lien mortgage loan is the Notice of Right to Receive Appraisal disclosure required by Regulation B 1002.14(a)(2). This notice states that the creditor may order an appraisal or other written valuation to determine the value of the property securing the loan and will promptly provide the applicant with a copy, even if the loan is not consummated. Under Regulation B, the notice may be provided without regard to the consent requirements as long as it accompanies an electronic application; however, if the appraisal itself is provided electronically, it must be done in compliance with E-SIGN.

If the consumer submits a completed, closed-end residential mortgage application electronically, the loan estimate and the written service provider listing, if applicable, must be provided within three business days. These are both subject to E-Sign so the creditor must have documented consent and demonstrated access before they can be emailed to the consumer. In addition, for certain closed-end loans with adjustable rates (ARMs), the initial ARM disclosure and the Consumer Handbook on Adjustable Rate Mortgages (aka the CHARM Booklet) must be provided at application or before the consumer pays a non-refundable fee.

Another concern with electronic mortgage originations is the requirement in Regulation Z 1026.19(e)(2)(i)(A) that fees other than a credit report fee cannot be imposed until a consumer receives the loan estimate and indicates an intent to proceed with the transaction:

"If a consumer submits an application online, the loan originator should have a procedure to verify and capture the applicant's intent to proceed after the required disclosures have been provided. For example, after providing the disclosures, the creditor could call the borrower or send a follow-up email to determine if the borrower wants to proceed with the loan. If the creditor does this by phone, the call should be documented in the creditor's systems." (https://consumercomplianceoutlook.org/2013/fourth-quarter/overview-of-e-banking-compliance-considerations/)

Now let's focus on preparing to close the loan. Under the TILA-RESPA Integrated Disclosure (TRID) rules, a consumer must receive the closing disclosure (CD) at least three business days prior to the consummation date. The CD is also considered the "material disclosures" for rescission purposes under Regulation Z, which is even more reason for it to be delivered timely and accurately in order to close the rescission window on time. Like the other disclosures we've discussed, the CD is also covered by E-SIGN, Note that "receipt" of the CD does not include an automatic delivery receipt; however, subject to policy, it can be a "read receipt" from the consumer or an email response from the consumer acknowledging receipt.

Flood notices, initial escrow statements, risk-based pricing notices and any other applicable closing documents can also be delivered electronically, subject to E-SIGN compliance. If rescission applies, the creditor shall deliver one copy of the rescission notice electronically to each consumer entitled to rescind in compliance with E-SIGN (note that the rule requires two copies if provided in paper form).

Electronic delivery of time-sensitive disclosures is one of the main mortgage processes increasingly being used today. While there are still banks who use paper disclosures, the most practical way to shorten the process from application to consummation is through the use of electronic banking.

Cindy Prince, CRCM, brings more than 30 years of experience in the financial industry, including 17 years as a compliance officer and advisor. Previously, she has served as a conduit for those individuals involved in compliance at financial institutions who were seeking training, resources and answers to their compliance questions. In her role as compliance specialist at Compliance Alliance, an SDBA endorsed vendor and associate member, Prince works in the education department and as a presenter nationwide. For more information on Compliance Alliance, visit compliancealliance.com or call 888.353.3933.

CFPB Announces Relief from TRID, Reg Z Waiting Periods

The CFPB issued an interpretive rule on April 29 clarifying that, due to the COVID-19 emergency, consumers have a greater ability to exercise their rights to modify or waive certain required waiting periods under the TILA-RESPA integrated disclosures and Regulation Z rescission rules. This action is intended to help consumers obtain access to mortgages quickly during the coronavirus pandemic. The interpretive rule takes effect upon publication in the Federal Register.

Borrowers who affirm, via a brief signed statement, that their financial situation due to the coronavirus pandemic necessitates a faster closing before the end of the TRID or Reg Z rescission waiting periods would be permitted to waive those waiting periods, the CFPB said. The rule also states that the pandemic is a "changed circumstance" for purposes of TRID's fee disclosure tolerance provisions, which allows creditors to use revised estimates reflecting changes in settlement charges when determining good faith compliance.

The CFPB also issued FAQs addressing when creditors must provide appraisals or other written valuations to mortgage applicants to expedite access to credit if affected by the pandemic.

Our team of valuation professionals provide reports in Uniform Standards of Professional Appraisal Practice (USPAP), Yellow Book (USFLA) and IRS appraisal standards. Having grown up in rural communities and family farms in the Dakotas, we know the value of professionalism and integrity. We specialize in:

- Agricultural Properties
- Dairies, Farms & C.A.F.O.s
- Conservation Easements
- Wildlife Habitat
- Rural Residential
- Commercial Properties
- Single and Multi Family
- IRS
- Yellow Book (USFLA)
- Mini-Storage Warehouses
- Lake Properties
- Estates, Donations, & Trusts

Our team also offers: consulting services, MLS research, agricultural land advising and real property valuation.

Contact us today for a personalized quote!

BankWest Awards $27,000 in Scholarships

BankWest Chairman, President and CEO Charles H. Burke III announced the awarding of 18 BankWest scholarships to students from across South Dakota for the 2020-2021 school year. Each student will receive a $1,500 scholarship to pursue post-secondary education at a school of their choice.

"Awarding scholarships to these bright, young students is a sincere pleasure and honor," Burke said. "These young people exhibit strong leadership skills, academic excellence and a passion for their communities. In times like these, it's reassuring to know they are pursuing their dreams and will be there to lead us into the future."

BankWest has awarded $453,000 in academic scholarships during the past 27 years. Burke said 75 students applied for this year's scholarships. The bank's scholarship program recognizes outstanding achievement by student account holders at the bank.

Reliabank Receives Governor's Award for History

Reliabank, which is celebrating 100 years of doing business in 2020, was recognized by the South Dakota State Historical Society for its efforts in preserving state history. The bank was one of two organizations and four individuals to receive a 2020 Governor's Award for History.

Reliabank, under the direction of David and Jan Johnson, has been involved in several historic preservation projects in the Watertown area, including the First State Bank of Hazel, now known as Reliabank of Hazel, which was placed on the National Register of Historic Places in 1997. The bank pledged $250,000 to Friends of Goss Opera House Main Hall, to be renamed Reliabank Hall, and the bank has facilitated loans for a revolving loan program for Historic South Dakota.

"We are pleased to give out these awards," said Jay D. Vogt, director of the State Historical Society at the Cultural Heritage Center in Pierre. "These are just a few of the shining examples of how people across the state are helping us in our efforts to promote, nurture and sustain South Dakota history."

SDBA MEMBERS

Have information from your bank about promotions, accomplishments or branch news? Submit your Bank Notes stories and photos to Alisa Bousa at abousa@sdba.com.

classifieds.....

Cash Management Services Manager, First Bank & Trust, Brookings or Sioux Falls, S.D.

First Bank and Trust is looking for an individual to fill a cash management services manager position. A bachelor's degree in a business-related field and seven years of bank-related experience or the equivalent is required. This person should have leadership experience, excellent problem-solving, interpersonal, verbal and written communication skills along with the ability to prioritize multiple tasks and meet deadlines. This person will work independently and should display good judgment and analytical skills and have a healthy desire to lead change. ACH accreditation is required or must be completed within two years of starting position. For more information about this position and to apply online, please visit our website at www.bankeasy.com. ■

Special Assets & Loss Mitigation Manager, First Bank & Trust, Brookings or Sioux Falls, S.D.

First Bank & Trust is looking for an individual to fill a special assets and loss mitigation manager position. This person should have a bachelor's degree and a minimum of 10 years of lending and/or workout experience. Must interact well with executive management, peers, subordinates, and those within and outside of the organization to accomplish high-level results. This person must have good communication skills. Must have commercial and agricultural lending backgrounds. For more information about this position and to apply online, visit our website at www.bankeasy.com. ■

CLASSIFIED LISTINGS

If you have a job opening at your bank, send your classified listing to Alisa Bousa at abousa@sdba.com or www.sdba.com and we will post it on the SDBA website and print it in SDBanker Magazine. The fee is $50 per ad (200 word limit) for SDBA members or $100 per ad (200 word limit) for non-members.

PPP Roller Coaster...

continued from page 5

Bankers take great pride in offering financial solutions that work to the benefit of each individual customer. If someone's one-size-fits-all approach doesn't work as well as one might hope, a good banker tries to find a better approach. We can hope that the U.S. Treasury Department might try to find that better approach to PPP lending. Failing that, perhaps Congress and Treasury should consider the unmet needs of certain classes of small business when they design any phase four package of COVID-19 economic stimulus.

Curt Everson is president of the South Dakota Bankers Association in Pierre. Everson can be reached at 605.224.1653 or ceverson@sdba.com.

Seminars/Conferences/Webinars/Schools

SDBA EVENTS

SDBA Agricultural Credit Conference
Summer 2020

SDBA Bank Technology Conference
Sept. 9-10, 2020 | Sioux Falls

LEAD STRONG: Women in Banking Conference
Sept. 23-24, 2020 | Sioux Falls

New Accounts Seminar
Oct. 14, 2020 | Sioux Falls

NEXT STEP: Emerging Leaders Summit
Oct. 27-28, 2020 | Sioux Falls

Annual Security Seminar
Oct. 28, 2020 | Sioux Falls

ABA National Ag Bankers Conference
Nov. 8-11, 2020 | Cincinnati, Ohio

WEBINARS

For a complete list of webinars, visit www.sdba.com/webinars.

May 11, 2020
Basic Personal and Business Tax Return Analysis

May 11, 2020
Implementing the 2020 Uniform Residential Loan Application

May 12, 2020
FCRA Compliance: E-Oscar and Metro2

May 12, 2020
Understanding Commercial Real Estate Loan Documents

May 13, 2020
Basic Bankruptcy for Bankers

May 13, 2020
Spotting Opportunities and Making Referrals

May 14, 2020
Deposit Regulation Update and Review

May 15, 2020
Call Reports: RC-C Loan Coding and Related RC-R Reporting

May 15, 2020
Weekly Compliance Updates for Uncertain Times

May 18, 2020
Loan Modifications—What Are the Compliance Issues?

May 19, 2020
The Growth Challenge: Strategies to Drive Results

May 19, 2020
Opening Fiduciary Accounts

May 20, 2020
How to Hire Your Next Sales Superstar

May 20, 2020
Staff Training: Human Smuggling, Human Trafficking, Elder Fraud and Identity Theft

May 21, 2020
BSA: MSBs, MRBs, TPPPs, NGOs and All the High Risk Customers

May 22, 2020
Weekly Compliance Updates for Uncertain Times

May 26, 2020
Managing a Remote Work Staff

May 26, 2020
Safely Implementing Cash Recyclers

May 27, 2020
Acing Your Job as a Customer Service Expert

May 27, 2020
Mortgage Origination Compliance: Part 1

May 28, 2020
Do You Have an Effective Remote Deposit Capture Program and Does It Meet Regulatory Guidelines?

May 29, 2020
Troubled Debt Restructuring

May 29, 2020
Weekly Compliance Updates for Uncertain Times

June 2, 2020
Mortgage Origination Compliance: Part 2

June 3, 2020
Controlling the Risks of Power of Attorney Documents

June 4, 2020
Quarterly Compliance Briefing: Summer 2020

June 5, 2020
Vendor Management 2020

June 8, 2020
How to Craft an Effective Commercial Loan Write-Up

June 9, 2020
Understanding Revocable and Irrevocable Trust Documents

June 9, 2020
Onboarding Your New Hire

June 10, 2020
What Does the FDIC and CSBS INTREx Entail?

June 10, 2020
Masterful Time Management

June 11, 2020
Notary Public

SCHOOLS

MBA 2020 Bank Compliance School
July 20-23, 2020 | Bloomington, Minn.

GSBC Workshop on Community Bank Investments
Sept. 16-18, 2020 | Las Vegas

GSB Financial Managers School
Sept. 20-25, 2020 | Madison, Wis.

GSB Strategic HR Forum
Sept. 24-25, 2020 | Minneapolis

GSB Sales and Marketing School
Sept. 27-Oct. 2, 2020 | Madison, Wis.

SDBA IRA School
Sept. 29-Oct. 2, 2020 | Sioux Falls

GSB Bank Technology Security School
October 11-16, 2020 | Dallas, Texas

GSBC Executive Development Institute for Community Bankers
Oct. 18-21, 2020 | Broomfield, Colo.

For more details and to register for a training, visit the SDBA's online event calendar at www.sdba.com/events.
Questions, contact the SDBA's Halley Lee at hlee@sdba.com or 605.224.1653.

SDBA 2020 AGRICULTURAL CREDIT CONFERENCE

Be watching www.sdba.com for details on a virtual agenda for summer 2020.