

SDBANKER



OFFICIAL PUBLICATION OF THE SOUTH DAKOTA BANKERS ASSOCIATION | **NOVEMBER 2021**

SDBA Holds NEXT STEP:
Emerging Leaders Summit



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message from the chair.....

BY KRISTINA SCHAEFER | General Counsel & Chief Risk Officer | First Bank & Trust, Sioux Falls

The Pace of Banking

While I normally spend the opening weekend of pheasant season at my parents' farm, this year I boarded a plane for the American Bankers Association (ABA) Annual Convention in Tampa, Fla. Admittedly, I was just as excited for the seminar's content as I was for the fact that my first meeting started at 1:30 p.m., leaving me several hours to work before the event started.

Jim Edwards, ABA's outgoing chair, summed it up best when he commented that the pace of banking has never been so fast, but it will also never be this slow again. Competition remains higher than ever. Earlier this month, American Banker reported that for the first time, the percentage of commercial and industrial loans held by nonbanks at the end of the year will be nearly equal to that held by banks. Given the excess cash that exists at most banks, competition for loan customers will remain high.

We are in the midst of advocating for our banks and customers in light of a proposal that would require financial institutions to report information on gross inflows and outflows to the Internal Revenue Service for all accounts above a certain de minimis threshold, and it seems likely that banks will need to continue to work hard to keep up with the changes coming out of Washington. In South Dakota, bankers will continue to monitor the developments relating to marijuana, as well as watch for possible issues in our upcoming legislative session.

Even with all of these external factors impacting how our time is spent, bankers are continuing to work tirelessly to serve our customers and communities—at a very rapid pace.

While bankers adapt to this new reality, we need human capital to continue to help our communities succeed. In one of my first columns, I mentioned human capital and the need to continue to explore ways to attract talent to our industry. While I plan to talk more about the results of the SDBA's strategic planning session in next month's column, it's safe to say that human capital continues to be a major topic in many news cycles, and likely at your bank.

Johnny Taylor, Jr., president and CEO of the Society for Human Resource Management (SHRM), spoke at the ABA Convention and noted that the war for talent

is real and worsening. In this post-pandemic reality, there are 10,000,000 open jobs. Survey data shows that 40% of existing employees are looking for a new opportunity. Taylor said the average turnover rate is currently around 25%, resulting in a turnover tsunami. Those statistics made me sit up a little bit straighter and think about the work banks have ahead of them to attract and retain talent.

Taylor went on to say that in 2021, employees are more likely to be focused on looking for employment opportunities that provide them with career development, flexibility and empathy. He also noted that there are two things that employers can do right and be 90% on the way to being an attractive employer. First, he indicated it's important that you get your culture right (i.e., your real culture, not your aspirational culture) and second, that you hire for skills plus fit/alignment.

While many of you have probably read something similar, and might be nodding along with these comments, it was a good reminder of what the SDBA will need to keep in the back of its mind as we look to partner with our member banks to help them attract and retain talent.

Speaking of human capital and talent, I want to thank everyone for their engagement and involvement over the last month. The SDBA hosted a banker panel with Federal Reserve Governor Michelle Bowman, where we had the opportunity to provide some real-life stories on the economic conditions in our communities. Many banks sent employees to SDBA training, whether it was the Annual Security Seminar or the NEXT STEP: Emerging Leaders Summit.

Bankers also reached out to members of Congress to advocate against the IRS tax reporting proposal. The ABA and SDBA continue to urge bankers and their customers to redouble their advocacy efforts to oppose this proposal.

We appreciate all of your engagement and involvement on several fronts and ask that you keep up the momentum. ■■■

Kristina Schaefer is general counsel and chief risk officer at First Bank & Trust in Sioux Falls. She can be reached at 605.782.8033 or kristina.schaefer@bankeasy.com.



from the executive office.....

BY KARLTON ADAM | President | SDBA

Our Work Is Not Done

Thank you SDBA member bank chief executive officers, shareholders, board of directors, bank employees, bank customers and concerned citizens for the quick action taken in response to my email on Sept. 7 to weigh in on the misguided Biden administration's IRS tax reporting proposal.

At the time of this writing, the coordinated effort and energy that banks and nearly 100 other affected state-wide and national groups is beginning to be heard and questioned by influential members of Congress. The proposal has been dropped from the U.S. House bill, but there is still a possibility that it could be added back in at a later point in the legislative process.

Our work is not done! The ABA is urging banks and their customers to keep the pressure on lawmakers to ensure the proposal remains off the table in the days ahead. Continue to express your collective concerns for customer privacy, data security and many additional unintended consequences that make this pay-for legislation bad policy for banks and the American public by emailing your senators and representatives at <https://secureamericanopportunity.com/take-action/oppose-new-irs-reporting-requirements-take-action>.

If you haven't read my op-ed on this subject, "How the IRS Tax Reporting Proposal Would Affect You," you can access it at <https://bit.ly/31aWnk9>.

SDBA State PAC

I am pleased to announce that the SDBA Board of Directors has approved the formation of a state bank political action committee (PAC). While the SDBA remains politically active through its federal PAC (SDBankPAC) at the federal level, we believe the SDBA needs to complement this at the state level.

By doing so, this will enable the banking industry to support state-wide legislative and constitutional office candidates who are common sense, pro-banking, pro-business candidates.

A state PAC can accept personal contributions, corporate contributions or contributions from other political action committees.

Be watching for more details to come.

2022 Legislative Session

Additionally, as we approach the busy holiday season, we will also begin to review bank-related topics that may be discussed during the 2022 South Dakota Legislature, which begins on Jan. 13, 2022.

Should you have bank-related matters of which you believe the SDBA needs to be aware, please do not hesitate to contact me to discuss. 📧

Karlton Adam is president of the South Dakota Bankers Association in Pierre. Adam can be reached at 605.224.1653 or kadam@sdba.com.



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D&O Liability Insurance 2022 Outlook

The past several years have seen an ever-changing insurance landscape. Economic shutdowns, trillions of dollars in stimulus, social issues, mergers and acquisitions activity, fluid regulatory environments and event-driven litigation have impacted the insurance marketplace. Therefore, I think it's important to look at a couple of the key items currently driving the changes in the directors and officers (D&O) liability insurance market.

Cyber

Challenges in this area are not going away any time soon and will continue into 2022 and most likely beyond. Attacks are on the rise and becoming more dangerous as these criminals are also now aggressively targeting backups to limit the victim's ability to recover without paying the ransom. Cyber criminals are searching for privileged users and services and then using them to access, remove and encrypt backups. For that reason, taking steps to protect your backups is necessary.

Adequate cyber coverage may become even more difficult to place due to price increases in the cyber insurance market combined with coverage reductions and modifications related to ransomware and cyber extortion in D&O contracts. Time and technology will tell.

Underwriting

Underwriting has become markedly more complicated. Gone are the days when financial condition was one of the only considerations underwriters looked at when approving these policies. D&O insurers have been addressing deteriorating results through a variety of underwriting actions, such as more disciplined and targeted risk selection, adjustments in minimum client risk retention levels and increased premiums, along with modifications in policy language, exclusions and benefits.

Additionally, over the past several years many primary carriers and reinsurers have lowered their capacity in the D&O market as they manage their own risk exposures. According to a recent study, 85% of underwriters believe D&O risk is going up, and only 15% feel it is now stable. However, none of the

participants thought that D&O risk had decreased.

Also, 54% of underwriters expect D&O premiums to go up in 2022. Thirty-six percent state they will remain the same, and only 10% feel they will go down. It is a promising result considering that only 54% think premiums will increase since this number was 97% in 2019 and 100% in 2020. In addition to rate increases, 62% of underwriters think retentions will also go up.

Finally, only 46% of carriers are willing to quote as the primary provider. Even though this is slightly better than 2020, there have not been significant new entries into the primary marketplace during 2021. Therefore, it is reasonable to presume that most carriers will likely remain cautious through 2022.

Other Impacting Items

Below is a list of additional items impacting the D&O marketplace:

1. Increases in the number of claims and increased claim costs.
2. Social inflation, or the push to correct societal wrongs through high-dollar court verdicts and settlements.
3. Increasingly complex business ventures.
4. Historical declines in carrier profits.

All of these items have already or will affect the D&O markets in one way or another. There is also an element of the unknown in the marketplace currently, and we'll all need to be flexible in the short-term.

Banks with stable financials, no current losses/litigation and no increase in risk are still likely to encounter premium increases and possibly more restrictive terms at renewal. Those banks looking to increase policy limits are also likely to encounter increased underwriting requirements and additional questionnaires.

So, where is the market headed in 2022? While things may not get any worse in the D&O liability market, it could be another year before things start to turn around beginning in late-2022 based on current industry projections.

If you have a renewal coming up in 2022, I've prepared a short to-do list for your review:

Dusty Pinske Appointed to Serve on SDBA Board of Directors



SDBA Chair Kristina Schaefer has appointed Dusty Pinske, First Interstate Bank, Rapid City, to serve on the SDBA Board of Directors. Pinske is filling the Group III board seat which became vacant when David Nelson, First Fidelity Bank, Burke, was elected to the position of SDBA vice chair.

Pinske has been with First Interstate Bank for 24 years

(12 with First Western Bank and 12 with First Interstate Bank). She has worked at numerous First Interstate Bank locations in South Dakota and has held many positions including mortgage lending, small business lending and branch management. Pinske's current role is VP, Retail Manager III for the bank's Rapid City market. She enjoys building strong teams that work well together to achieve common goals.

Pinske currently serves on Monument Health's Board of Directors and its Audit, Compliance and Compensation Committee.

Pinske has two adult children. Her daughter, Natalie, is a junior at South Dakota School of Mines and Technology and works at Scheels in Rapid City. Her son, Carson, is a salesman at Liberty Jeep in Rapid City.

"Banking has given me wonderful career opportunities that have allowed me to be the leader I am," Pinske said. "I will use this opportunity to grow personally and professionally by collaborating with my peers on issues that impact our industry. I will embrace this experience to support the South Dakota financial services industry through education, training and advocacy."

"I believe it takes a diverse group of bankers with a wide range of experiences to come together to address issues that face the banking community. I look forward to supporting members by working to promote and engage on issues that impact us and move our interests forward."

SDBA's Group III includes banks in Aurora, Bennett, Brule, Buffalo, Charles Mix, Custer, Douglas, Fall River, Gregory, Haakon, Jackson, Jones, Lawrence, Lyman, Meade, Mellette, Oglala Lakota, Pennington, Stanley, Todd and Tripp counties. 🌈

D&O Liability Insurance 2022 Outlook...continued from previous page

1. Plan to start the renewal process about 60 days prior to the renewal date.
 2. Complete, sign, date and return the applications as soon as possible. This will allow sufficient time to respond to any additional underwriting questions that may arise. Also, if there is an adverse underwriting action taken by a carrier, this provides the SDBIS with time to obtain other coverage options for you. In this situation, time is critical.
 3. Have the bank's most current audited financials ready to submit to underwriting with the application.
 4. Please make sure that you disclose any new or potential ventures, services or major changes in operations to the SDBIS when the renewal process begins if you have not already done so. This is very important for us to know so we can then put adequate coverage in place.
 5. Be prepared to adjust the coverage limits and retentions if your bank has seen growth since the last renewal.
- Follow these few suggestions and your next renewal should be a smoother one.
- Working with the SDBIS also supports the SDBA, which continues to work with and for the banking industry of South Dakota. The SDBIS is a service available only to our member banks, so you can be confident you will be working directly with people you know and who are focused only on the needs of SDBA members.
- If you have any questions, contact Dean Franzen at 605.220.4219 or dfranzen@sdba.com or Robin Feimer at 800.221.7551 or rfeimer@sdba.com. 🌈
-
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Natalie Likness Joins SDBA as Member Services Coordinator

Natalie Likness is the newest face at the SDBA, having joined the Association on Oct. 12 as its member services coordinator. A Pierre native, Likness brings to the SDBA her previous experience as public relations coordinator for the South Dakota Governor's Office of Economic Development (GOED) and communications and community outreach coordinator for the Pierre Area Chamber of Commerce.

In her new position at the SDBA, Likness will provide executive-level customer service to current and potential association members, assist with event planning and management, and work with the SDBA's association management system/database. She will also help develop and implement social media campaigns and marketing efforts, direct association committees and work groups, help develop and implement South Dakota Bankers Foundation activities, and work on special projects as needed.

"I love researching, organizing, planning and storytelling, and I love being challenged, too. So, to join the SDBA and put to work my talents, passions and genuine vested interest in the future and next generation, let's just say I'm really excited," Likness said. "Working with a large network of banks and financial professionals, be their career be in its infancy or an experienced veteran and everyone in between, is exciting. The banking and finance industry is one we all depend on, so cultivating the next generation of financial leaders is a mission I can stand behind and promote. And finally, working with an experienced and dynamic team to move the needle forward to achieve that mission—well I couldn't ask for a better gig."

Likness has a bachelor's degree in consumer affairs with an emphasis in public relations and event planning and a double minor in business and nonprofit management from South Dakota State University in Brookings. A true crime connoisseur, she originally planned to study sociology and minor in criminal justice but switched her major her sophomore year of college.

"When I graduated from SDSU in 2010, the economy was just starting to come out of the Great Recession, so I made a deal with myself: apply for anything and everything I was remotely qualified for and accept the first job offered to me," Likness said. "Luckily, I landed at home in Pierre with the Pierre Area Chamber of Commerce as the communications and community outreach coordinator."

Likness left the Pierre Chamber for a job in state government with GOED in 2013. In the spring of 2021, she felt a call to do something new and challenging and



took a job as assistant executive director at Edgewood Healthcare, an assisted living community in Pierre. Four months later, she stumbled on the SDBA's job opening.

"Ironically, I sent it to a few of my friends, encouraging them to check it out, as I wasn't really looking," Likness joked. "'This looks great, Nat, but... don't you think it sounds more like a fit for you?' they asked. I am glad I listened to them, because in the end I took a leap of faith, applied and was offered the job."

In her free time, Likness enjoys trying new recipes, reading through cookbooks and perusing Pinterest for fresh dinner ideas.

When she's not being a homebody, Likness loves to travel with family and friends. This year alone, she made it to Tampa, Fla., and Austin, Texas, with friends and recently took a long-overdue trip with her mom to the Northeast for a fall foliage tour. Likness and her mom hit Boston for a couple days, the coast of Maine and drove through New Hampshire and Vermont. The duo has narrowed down their next destination to Waco, Texas, to visit the Magnolia Silos.

Likness's family includes her parents, Steve and Vicki Likness, Pierre; brother and sister-in-law, Mitchell and Rachelle Likness, Fargo; and boyfriend, Josh Schwartzkopf, Pierre.

"My mom and dad live here and only a few blocks away from my boyfriend and me," Likness said about living in her hometown. "Pierre is an incredibly loyal and close-knit community—I love that in times of struggle and times of celebration, the Pierre/Fort Pierre communities come together to support and celebrate each other." 🌈

Abrigo, Eval.com Join SDBA as Associate Members

The SDBA Board of Directors has approved two companies as new associate members: Abrigo and eval.com. Associate members are organizations that provide significant and ongoing services to the South Dakota banking industry. The SDBA encourages member banks to utilize the products and services offered by associate members. To view the full list of SDBA associate members, visit www.sdba.com/associate-members.

Abrigo

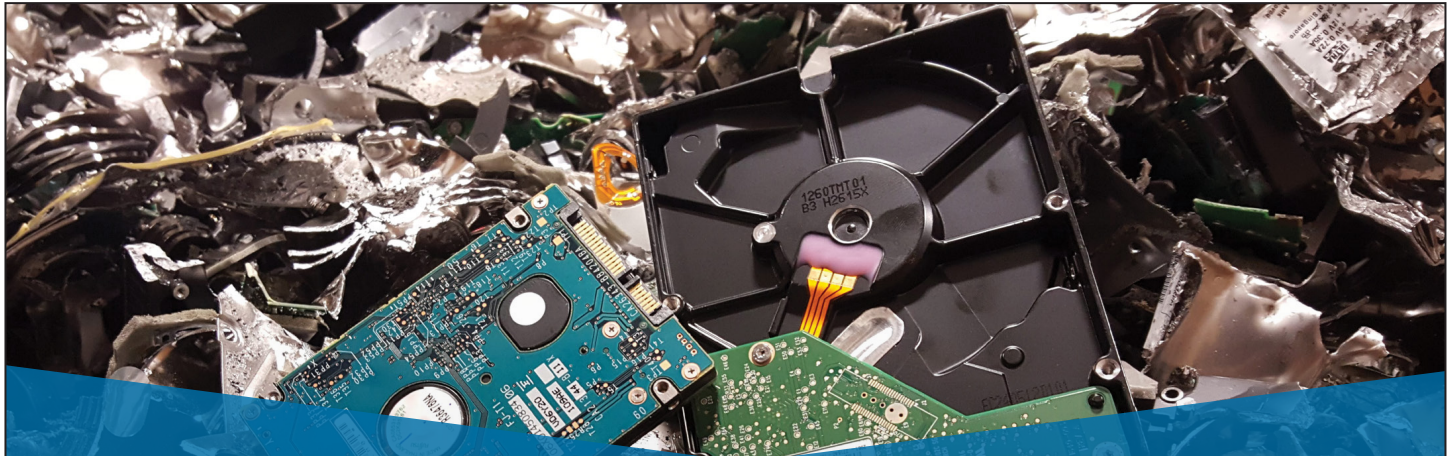
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Looking for ways to recruit new bankers to your organization? The South Dakota Bankers Foundation can help.

Don't miss out on the opportunity to apply for a \$2,000 scholarship to award to a potential future banker. Applications must be submitted through the parent bank, however, scholarships may be awarded through any of your organization's locations.

These scholarships must be awarded to South Dakota college juniors/seniors with an expressed interest in banking/financial services or second-year South Dakota technical school students with an expressed interest in banking/financial services. Other scholarship details include:

- There is no match required by member banks, however, banks may choose to supplement this \$2,000 award to increase the attractiveness of the scholarship.
- Recipient banks must award the \$2,000 as one scholarship.
- Recipient banks may add additional requirements to their application process.
- Follow up data will be collected on scholarship

recipients to allow the South Dakota Bankers Foundation Board to evaluate the impact of this programming.

- Scholarships funds must be awarded as "South Dakota Bankers Foundation Scholarship awarded on behalf of (your institution's name)."
- Scholarship funds must be dispersed to the chosen student by May 1, 2022.
- Scholarship recipients must agree to have their names released to the media.

The South Dakota Bankers Foundation is now accepting applications for scholarship funds. For more information and to access the application, visit www.sdba.com/member-bank-scholarships.

The SDBA is also creating internship development and career awareness resources that are available via the SDBA website at www.sdba.com/banking-career-awareness.

The SD Bankers Foundation thanks banks for their partnerships over the past years and looks forward to continued partnerships as we work to strengthen the banking industry in South Dakota. Questions, contact Halley Lee at hlee@sdba.com or 605.224.1653. 🌈

Emerging Leader of the Month: Julie Benedict

As part of the SDBA's mission to grow South Dakota's future bank leaders, we feature a monthly emerging leader. This month's feature is on Julie Benedict, Security First Bank, Rapid City.

First-Ever Job



My first paying job outside of growing up on a farm was working at the local school cleaning, painting and refinishing floors for the upcoming school year. I was 14 years old and caught a ride to work with my supervisor. The job was probably way harder than anything I had to do at home, but it paid actual money, and I got to be with my friends.

Emerging Leader Story

As a former member of the 842 Engineering Company of the South Dakota National Guard, I graduated with my master's degree in human resources from the University of South Dakota and started a new career in human resources. I have discovered a lot of leadership opportunities come from being willing to volunteer to help make something better. In my local, state and national Society for Human Resource Management (SHRM), I traded my time and skills for the challenge of taking on additional responsibilities to grow and shape the profession, influence workplace legislation, and make human resources a recognized and sought after voice on workplace issues. I believe one of the best ways to keep the banking industry viable, competitive, and a career of choice by the best and brightest business people is by creating opportunities to be part of shaping the future of what we do. I recently joined the SDBA's Emerging Leaders Work Group and Legislative Committee.

What She Most Likes About Her Job

I am the chief human resources officer for Security First Bank in Rapid City. As the leader of the HR team in a growing community bank, I love the way I get to creatively solve for a variety of things that come up. I get the opportunity to help make a positive difference in people's lives on a range of things through career path coaching and leadership development, and I get to have input on the future of the organization through culture optimization and succession planning. As a member of the executive management team at Security

First Bank, I provide HR counsel to the rest of the team, and I have recently had the opportunity to expand into other areas of the business including participating in corporate governance matters. I have been fortunate to grow with a leadership team that has been generous in mentoring me about how HR and their areas of expertise work together to create a successful bank and a culture of which people want to be a part.

If She Could Have Any Job

It's a toss up between anything with horses and a flower farmer. The tangible satisfaction that comes from being with horses is amazing. When things aren't going the way I want with a horse, I have to check myself for what I'm bringing to the situation. Horses and children are the best mirrors for what kind of human I am being. And I like to imagine having a little roadside flower stand at the end of my lane where people can come buy the flowers I grow and use them to pass on joy!

Her Life's Passions

My life's passion is my family. I have two daughters and two grandchildren. I believe what I do matters because they are watching, and I want to be a positive influence on them and the future they create for themselves and in our communities. I am also passionate about suicide prevention and rural mental health initiatives. While I have had an interest in this area for several years, the past two years I have noticed a remarkable increase in mental and emotional stress in people. In South Dakota, 167 lives were lost to suicide and 27,000 adults documented thoughts of suicide in 2020. Inadequate mental health systems affect individuals, families and communities.

In Her Spare Time

I enjoy reading, hiking in the Black Hills, yoga and horses. 🌈



Julie Benedict's horses Kola and Kadoka.

SDBA Holds **NEXT STEP: Emerging Leaders Summit** in Sioux Falls

Eighty-five emerging bank leaders gathered in Sioux Falls for the SDBA's NEXT STEP: Emerging Leaders Summit on Oct. 26-27. The annual event is designed to help cultivate, connect, engage and empower South Dakota's future bank leaders.

Topics at this year's event included the challenge of leadership, having tough conversations in the workplace, what not to say to handle complex and diverse situations, lessons in leadership, banking in the time of COVID-19 and self management versus crisis

management. The event also included ignite sessions presented by five emerging bank leaders, speed networking and a reception with entertainment by Good Night Theatre Collective at Hotel on Phillips.

Thank you to this year's sponsors which helped make the Emerging Leaders Summit a success: IntraFi Network, First PREMIER Bank, BankWest, Bell Bank, Dakota Prairie Bank, First Bank & Trust, First Fidelity Bank, First Interstate Bank, Pioneer Bank & Trust and Richland State Bank. 🌈



Presenter Elizabeth Nead with Nead Inspiration spoke about the importance of language to create connection.



Presenter Dr. Sean Payant with Haberfeld kicked off the event with a session on the challenges of leadership.



First Fidelity Bank employees Tim Kinsley, Murdo; Ashtin Higgins, Gregory; Glenn Graesser, Platte; Katelyn Brady, Burke; Alec Brady, Burke; and Tim Glover, Platte.



Great Western Bank employees Tanner Dekam, Sarah Wilson and Greg Olson, all from Brookings.

IGNITE SESSIONS

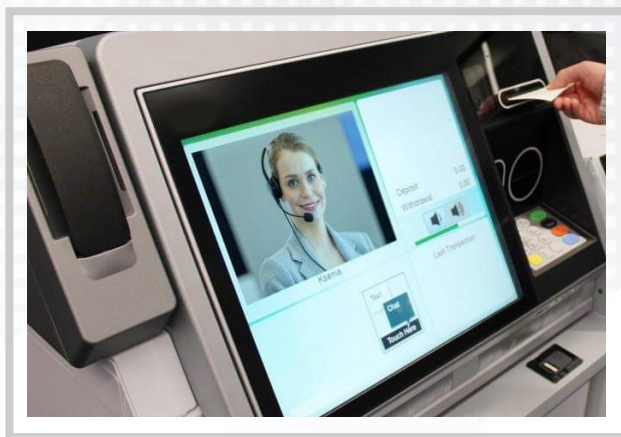


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emerging leaders.....



Members of the Good Night Theatre Collective from Sioux Falls set the tone at the Emerging Leaders Summit evening reception at Hotel on Phillips.



The First National Bank in Sioux Falls employees Briana Whitehurst, Stephen O'Neil and Jeff Weber, all from Sioux Falls.



Chris Bauer, CorTrust Bank, Sioux Falls; Heather Sieh, CorTrust Bank, Aberdeen; and Drew Haack, South Dakota Division of Banking, Pierre.



Dakota Prairie Bank employees Erica Sundall, Presho; Chelsee Rankin, Draper; and Jaime Moran, Presho, and Julie Gardner, First Interstate Bank, Deadwood.



Travis Lester, First Bank & Trust, Milbank; Shay Jolley, BankWest, Pierre; Brian Trapp, First Bank & Trust, Milbank; and SDBA Board of Director Mike Klumpp, Citibank, Sioux Falls.



Aubriana Diaz, Campbell County Insurance Agency, Herreid, and Dan Goehring and Kevin Wientjes, Campbell County Bank, Herreid.

U.S. House Financial Services Update

By Congressman Blaine Luetkemeyer (R-Missouri)



In the 1970s, the Farmers Home Administration, a former U.S. Department of Agriculture agency, made thousands of direct loans for the purchase of farmland. Farmers and non-farmers alike were taking on the government-issued debt to purchase more and more land they believed would only increase in value.

As is always the case with easy money and no due diligence, the value of farmland skyrocketed. Soon, many farmers could not grow enough crops and livestock to cover the cost of their debt and tax assessments based on the inflated land value. According to the U.S. Government Accountability Office, by the 1990s \$14 billion in direct loans went unpaid, and the agency was forced to seize more than 3,000 farms. Countless family farms were lost, and many of the would-be next generation of farmers chose a new, more stable future path.

In the late 1990s, the Small Business Administration (SBA) also learned a hard lesson about government's inability to responsibly lend money. Up until then, the SBA had operated various direct lending programs along with its loan guarantee programs, guaranteeing loans issued by private lenders such as banks and credit unions. Unlike the government, financial institutions have established due diligence processes and must follow know-your-customer standards. The 7(a) Loan Program is the most notable loan guarantee program. In 1998, the agency stopped issuing direct business loans because the subsidy rate—essentially, the failure rate—was 10 to 15 times higher than the subsidy rate for its loan guarantee programs.

Not to be deterred by a history of failure or a complete lack of expertise, the SBA is back in the business of direct lending with the Economic Injury Disaster Loan (EIDL) program. And to the shock of absolutely no one, the program has been fraught with fraud. As the top Republican on the Small Business Committee, I have kept a close eye on EIDL and have continuously called for investigations into this flawed program.

Recently, the SBA Inspector General found that there had been \$78.1 billion in potentially fraudulent EIDL activity. As of Aug. 19, 2021, the SBA had disbursed approximately \$280 billion in COVID EIDL loans and grants. This equates to a fraud rate of nearly 30%. Thirty percent of taxpayers dollars are being misused and mishandled by the SBA. It is absolutely unacceptable and further proves the point that the federal government is incapable of running a direct

lending program with any level of competency.

The \$4.3 trillion reconciliation bill moving through the House calls for \$4.5 billion for direct loans through the 7a Loan Program. Using EIDL's fraud numbers, we can expect \$1.35 billion of that to be handed over to bad actors. On top of that, Democrats are now putting the government in direct competition with the smallest financial institutions in South Dakota and nationwide.

When COVID shut down the country, Congress created the Paycheck Protection Program and turned to financial institutions and bankers like you to help save the economy in South Dakota and across the country. As you well know, banks, community development financial institutions, minority deposit institutions and credit unions worked day and night to assist millions of small business owners who were fighting with every ounce of their energy to survive and keep their workers employed. Now, these very institutions have a new, very powerful competitor: the federal government.

To be clear, we're not talking about multinational banks with unlimited resources and teams of lawyers and lobbyists. We're talking about the community banks serving small towns in rural America and minority depository institutions who disproportionately serve minorities and customers in underserved areas. They are the cornerstones of their local economies, but they could soon be in the crosshairs of a government that doesn't have to follow its own regulations and has no problem with throwing taxpayer dollars away for the appearance of "public service."

As the ranking member of the Small Business Committee, I am doing everything in my power to put an end to government direct lending. My Republican colleagues on the committee and I are drafting legislation to reform the SBA, a key aspect of which is stripping their direct lending authority. Many loan guarantee programs have been successful, particularly for small and disadvantage businesses. That is where the government's authorities should end. I feel confident that private sector and industry experts like you are more than equipped to handle the rest. History has shown too many times that the government's shortcomings end with American citizens paying the price. It needs to stop. 📊

Republican Blaine Luetkemeyer represents Missouri's Third District in the U.S. House of Representatives. He serves on the House Financial Services Committee as ranking member of the Subcommittee on Consumer Protection and Financial Institutions as well as the ranking member of the House Small Business Committee.

OCC Releases Proposal to Rescind CRA Final Rule After a False Start

By Chris Bell, Senior Hotline Advisor and Associate General Counsel, Compliance Alliance



New leadership usually takes us into the future. The Office of the Comptroller of the Currency (OCC) is reversing this trend by first taking

us into the past for a bit. Seeing the June 5, 2020, final rule to modernize its Community Reinvestment Act (CRA) framework (June 2020 Rule) as a false start, the OCC has issued a proposed rule to rescind it in favor of working with the other agencies to develop a new rule.

The proposed rule would replace the existing 12 CFR part 25 with a revised 12 CFR part 25 based on the 1995 Rules and reinstate 12 CFR part 195 (for savings associations). The proposed 12 CFR part 25 would be substantively identical to the 1995 rule. All definitions, performance tests and standards and related data collection, recordkeeping and reporting requirements would revert to those in place before the OCC issued the June 2020 Rule. Also, the rules surrounding the public file and public notice requirements would revert to those in the 1995 rule.

The proposed rule applies to all national banks and all federal and state savings associations. If you would like to comment on any aspect of the proposal, you must submit those before Oct. 29, 2021. The June 2020 Rule would remain in effect until replaced by final rules based on this proposal.

The OCC recognizes that banks have relied on the June 2020 Rule to plan for their ongoing compliance with the CRA. Given the partial implementation of the June 2020 Rule, its replacement would change the regulatory framework that impacts, among other things, how examiners evaluate banks and what qualifying activities they would consider in CRA examinations. The OCC proposes a transition to replace certain aspects of the June 2020 Rule, which it summarizes in a chart on page 38 of the proposed rule, <https://www.occ.gov/news-issuances/federal-register/2021/nr-occ-2021-94a.pdf>.



Subsequently, as part of the ongoing interagency CRA rulemaking, the OCC would propose a joint revised CRA rule to replace the rules in this proposal. Following publication of any final rules regarding this proposal, banks would have a minimum of 30 days before they would be required to comply with most of the provisions described in the proposed rule. Therefore, the OCC is considering an effective date of Jan. 1, 2022, for any final rules, provided they are published by Dec. 1, 2021.

Banks that changed type based on the asset threshold adjustments in the June 2020 Rule are subject to different performance standards for activities conducted on or after Oct. 1, 2020. Also, former "large banks" that became "intermediate banks" under the June 2020 Rule were no longer required to collect data for calendar years 2021 onward and report data for calendar years 2022 onward. Many of these banks will transition back to their prior bank type based on the proposed asset-size thresholds. Consistent with its historical practices, if the proposed rules take effect on Jan. 1, 2022, the OCC would require newly-classified large banks to begin collecting data on Jan. 1, 2023, and reporting required and optional data the following year. The OCC will not provide banks transitioning from small banks to intermediate small banks (ISB) to transition

to the ISB performance standards. However, the OCC would consider the change in bank type as part of the bank's performance context when evaluating the bank's CRA performance.

The OCC proposes that OCC-regulated banks would receive consideration in their CRA examinations for activities that met the qualifying activities criteria or definitions that were in effect when the bank conducted those activities. The OCC will maintain the illustrative list of qualifying activities on its website to help banks determine whether the activities they performed while the June 2020 Rule was in effect are eligible for CRA consideration. However, activities included on the illustrative list may not receive consideration if conducted after the effective date of the final rules.

The June 2020 Rule changed the public file requirements by reducing the information required in the public file and changing the requirements for how an OCC-regulated bank makes the public file available to the public, including permitting these banks to make the public file available solely on their websites. Under the proposed rules, banks would need to include additional information in their public file and make the file available at their main office. Interstate banks must make their public file available at one branch in each state and more limited information at each branch. Since the proposed rules would impose additional public file content and availability requirements, the

OCC expects to provide in the final rule that banks would comply with these requirements no later than three months after the final rule's effective date.

The June 2020 Rule permitted banks to include target market assessment areas when requesting approval for a strategic plan. The OCC proposes maintaining any strategic plans approved by the OCC under the June 2020 Rule and would not require these banks to amend their strategic plans. ■■■

Chris W. Bell serves as associate general counsel for Compliance Alliance. He holds a bachelor's degree in political science from University of Memphis, a master's degree in political management from George Washington University and a law degree from St. Mary's University School of Law. Bell began his career working for a regional bank in Tennessee, where he developed a passion for serving customers through the banking system. In law school, he focused his studies on the different financial aspects of the law, including the Internal Revenue Code and Uniform Commercial Code. Bell has worked in the legal department of a federal savings bank and for the Texas Department of Banking. As one of Compliance Alliance's hotline advisors, Bell helps C/A members with a wide range of regulatory and compliance questions. For more information on C/A, an SDBA endorsed vendor and associate member, visit www.compliancealliance.com.

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The Loyalty Factor: Translating Relationships into Non-Interest Income

By Achim Griesel, President, and Dr. Sean Payant, Chief Strategy Officer, Haberfeld



Achim Griesel



Dr. Sean Payant

The events of the pandemic have challenged our institutions in ways previously unknown and in some cases unimagined. Today, we are faced with three challenges: a prolonged low-rate environment with continued margin compression, waning loan demand in many institutions, and an increasing number of customer transactions moving to the digital arena.

Much has been written lately regarding the validity of the branch in the current environment. Has community banking been changed forever based on consumers' digital behaviors? Possibly. Is some of this for the best? Definitely. Does the branch still have value? Absolutely!

Community banking is about community support. It's about being present and accessible. Unless your strategic plan is to shutter your branches and vacate your communities, we encourage you to keep reading.

Margin compression is real. So, what can you do? You can offset a portion of it by shifting your deposit mix toward low- or non-interest-bearing deposits. Adding long-term, low-rate deposit relationships should always be the foundation of any strategy, and community bank data shows your branches are the key to shifting your deposit mix.

While new core relationships are strategic in managing and maintaining your margins, they are also a key driver of additional non-interest-income (NII); this is a critical component in the shorter term. Financial institutions must increase their NII to offset some of the challenges on the interest income/margin side. To accomplish growing those new relationship you must do three things.

1. Bring more new customer relationships into your organization.
2. Serve all of your customers better than any other financial institution has previously.
3. Make them loyal customers by increasing relational intensity over time.

The Loyalty Factor

Bringing in more relationships should be data driven, and the data shows the checking account and the branches are key. Looking at data from more than 100 community-based financial institution and

2.5 million households/businesses illustrate this point.

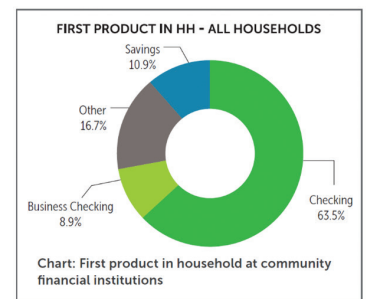
The vast majority, or 72%, of consumer and business relationships at community financial institutions begin with a checking account. In other words, the checking account provides the best opportunity to **create customer loyalty**; it is the gateway to primary financial institution status (PFI), allowing your bank first right of refusal on other products and services 68% of the time. In addition, customers who have their checking account with your bank outpace other customers when it comes to products and services, generating additional NII.

Even during the pandemic, and with limited access to community-based financial institutions branch networks, client data shows more than 90% of new PFI relationships have come through branch channels (in-person, appointments, drive-thru, telephone). The value of your branches cannot be ignored.

The more customer loyalty you build, the more interest income and NII they generate. With consumer and business customers having almost six products and services with their primary financial institution—the math works. Most importantly, the more loyal customers you have, the better your bank will perform now and in the future.

Segmenting data from several million customers based on their tenure with the community financial institution shows that loyal customers, over their lifetime, generate dramatically more NII.

In addition, annual NII contribution peaks once customers have been with their PFI for a few years. Further analysis of the data explains why the checking account revenue stream does not continue to grow. It is driven by customer age demographics. In general, more mature customers tend to drive more checking deposits than checking NII.



Creating Loyalty

In order to create loyalty, it is imperative your organization be positioned to capture new customers when they are ready to switch. The data shows that up to 12% of current retail and business customers are consistently switching financial institutions. A recent study published by The Financial Brand indicated this number could be as high as 22% post-COVID, driven primarily by the failures of the big banks to adequately serve customers during the pandemic.

How do you position your organization for growth?

1. **Checking Product:** You need to get your checking product right. Confusing product does not create value, and in turn, develop customer loyalty.
2. **Processes:** It is imperative you remove barriers. Your account opening policies and customer identification program (CIP) practices often inhibit growth rather than encouraging it. Read them for yourself.
3. **Promotion:** Community financial institutions have an audience that needs to be maximized and then optimized within a defined footprint. If your bank isn't using targeted, data-driven print and digital marketing to grow PFI customers, you are missing too many growth opportunities.
4. **People:** Your team members must be equipped with the skills and the product knowledge to develop true relationships with customers—

customer loyalty is created through customer connections.

The Bottom Line

1. To create loyalty, you have to get the new customer first.
2. The checking account is the key to the PFI relationship.
3. Once you have them, products, processes, promotion and people move them up the loyalty ladder.
4. The longer customers stay the more they will contribute.
5. You can do things to accelerate that growth.
6. Customers are not all the same. You must understand their lifecycle journey with your bank.

As with any strategy, there is no silver bullet, but rather, your bank should be looking for a long-term, loyalty payoff. ■■■

Achim Griesel is president and Dr. Sean Payant serves as the chief strategy officer at Haberfeld, a data-driven consulting firm specializing in core relationships and profitability growth for community-based financial institutions. Griesel can be reached at 402.323.3793 or achim@haberfeld.com. Payant can be reached at 402.323.3614 or sean@haberfeld.com. For more information on Haberfeld, an SDBA associate member, visit www.haberfeld.com.



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Federal Reserve Governor Michelle Bowman Visits South Dakota, Meets with Bankers



SDBA President Karl Adam, Senior Economist Cortney Cowley with the Federal Reserve Bank of Kansas City, Federal Reserve Board Governor Michelle Bowman and South Dakota Division of Banking Director Bret Afdahl.

Federal Reserve Governor Michelle Bowman, a onetime Midwest community banker, spoke about her outlook for the U.S. economy and what the Federal Reserve has been doing to support economic activity during the COVID-19 pandemic recovery during a presentation at South Dakota State University in Brookings on Oct. 13. She also touched on what she has learned of the economic conditions in South Dakota from meeting with business and community leaders.

Bowman made a pre-dawn visit to Mount Rushmore while en route to the Pine Ridge Indian Reservation on Oct. 12. Later that day, she met with state, business and tribal leaders in Pierre, including a visit with SDBA President Karl Adam and area agribusiness leaders at the SDBA's office. On Oct. 13, she met with a group of SDBA bankers in Brookings prior to speaking to the public that evening as part of the Dykhouse Scholar Program in Money, Banking and Regulation in the Ness School of Management and Economics at SDSU.

"Hearing directly about the successes and challenges from their perspective provides important context for understanding economic conditions that cannot be obtained from economic data," Bowman said. "These conversations help us see through the data from the eyes of the people, businesses and communities that make up the American economy. That information is very helpful to me and to us at the Federal Reserve as we make our policy decisions.

"As the member of the Board of Governors with experience in community banking, I often speak to local bankers, who are excellent sources to understand the important effects of monetary policy decisions on Main Street. With this perspective, and relying on my rural Kansas background, I also pay special attention to developments in rural communities and in the agriculture sector, monitoring the effect of Fed policy in those areas."

UBB Announces Partnership Solution to Safely and Effectively Enter New Growth Markets

United Bankers' Bank (UBB), an SDBA associate member, and RiskScout, an onboarding and due diligence fintech platform, announced their unique partnership to provide streamlined compliance solutions surrounding hemp and other emerging markets existing in communities.

Through this collaboration, UBB's community banks will have the ability to offer financial services to underserved businesses, such as private ATMs, cash intermediaries, money services businesses, hemp, cannabis, cryptocurrency and others, to which often pose a challenge to roll out this sort of business line due to the sheer magnitude of enhanced regulatory obligations that come with banking them.

"We are beyond thrilled to partner with UBB to help community bankers bank more community businesses," said Justin Fischer, CEO and co-founder of RiskScout. "There's a massive underserved market of commercial businesses in emerging spaces right in a bank's backyard. Our technology, developed by a deep bench of former technologists, BSA officers and bank examiners, is an equal parts growth and compliance play. It's all about opening larger deposits, fees and loan opportunities—leveraging the resources banks already have."

"We are so happy to have the ability to deliver a new product line to our community banks up and down America's main streets," said John Peterson, UBB's executive vice president and chief marketing officer. "This growth product will empower our community banks to remain viable and competitive by generating additional fee revenue, deposits, lending and merchant opportunities; it allows them to continue to thrive and serve the communities to which they have built trusting and lasting relationships over many years."

The partnership with RiskScout will involve direct collaboration between UBB and the high-risk banking solution firm to align the needs of UBB's community bank customers with the services provided by RiskScout. Detailed information about this exciting, new, cost-saving service can be found at <https://ubb.formstack.com/forms/riskscout>.

SDBA MEMBERS

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

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

First Bank & Trust is looking for an individual to fill a cash management services administrator position. This person should have a bachelor's degree in a business-related field and three years of bank-related experience or the equivalent is required. Knowledge of bank operations and/or business banking and transaction flows is required. This person must be a self-starter, possess good analytical, organizational and decision-making skills, and must be able to multi-task and work independently. Effective communication using strong oral and written language skills is required. For more information about this position and to apply online, please visit our website at www.bankeasy.com. ■

Credit Officer, BankWest, Pierre, S.D.

BankWest, a family-owned business with a more than 130-year history, is seeking an experienced, self-motivated individual with lending experience and full knowledge of underwriting skills to join our team in Pierre, S.D. This position is primarily responsible for evaluating credit worthiness of current or potential customers as well as working with lenders and credit analysts. The position will also be responsible for meetings that include ongoing monitoring and working through procedures to assist the credit area. A bachelor's degree in a related field and experience in ag/commercial lending is required. Applicants are invited to review the full job description and complete an online application at: www.bankwest-sd.bank/about/careers/. Please contact BankWest Human Resources at 800.253.0362 with questions. EO/AA. ■

Director of Insurance, Security First Bank, Rapid City, S.D.

Security First Bank has an exciting leadership opportunity for a director of insurance. This is a corporate position located in Rapid City, S.D. The director of insurance is a senior position that directs the development and optimization of the Security First Insurance department by defining strategic objectives and ensuring the division works in alignment with the overall business plan of Security First Bank. The successful incumbent will promote and represent Security First Insurance agencies and make referrals to commercial and retail departments, as well as our trust and wealth management partners. The director of insurance will pursue growth opportunities, including acquisitions and new offices. This position is responsible for creating and maintaining a balanced portfolio in terms of product mix and companies to maximize performance and customer service. The position is responsible for recruiting, onboarding and managing our team of agents. The director of insurance will assist agents in developing and implementing marketing programs in consultation with the Security First Bank marketing department. Prepare budgets and reports and serve as liaison between agencies, Stockmen's Financial Corporation and Security First Bank branch leadership. Apply online at <https://security1stbank.com/sfb-careers>. ■

Market President, BankStar Financial, Brookings, S.D.

BankStar Financial is seeking a market president in Brookings, S.D. The market president provides strategic and business

development leadership by demonstrating BankStar's core values of accountability, flexibility, integrity, positivity and teamwork. This position is accountable to the bank's president/CEO. The position's primary duties include: business development, leadership and asset quality. A post-secondary degree in accounting, finance, economics or business administration is required, and a four-year college degree in these business disciplines is preferred. A minimum of 10 years of commercial lending or bank management experience with demonstrated business development skills is required. BankStar is an equal opportunity employer. All qualified applicants will receive consideration for employment without regard to race, color, religion, gender, national origin, disability status, protected veteran status or any other characteristic protected by law. Must pass pre-employment screening. For more information contact: BankStar Financial, Attn: Amanda Lauer, PO Box 146, Brookings, SD 57006, Amanda.Lauer@ebankstar.bank or 605.692.3636. Read the full job description at www.ebankstar.bank/careers. ■

Mortgage Underwriter II, First Bank & Trust, Brookings or Sioux Falls, S.D.

First Bank and Trust is looking for an individual to fill a mortgage underwriter II position. This person should have a bachelor's degree plus five years of experience in all mortgage loan types or the equivalent. This person must have the ability to exercise independent and sound underwriting judgment and effectively apply knowledge of regulatory and industry guidelines to loan decisions. Good communication skills plus the willingness to work with others is required. For more information about this position and to apply online, please visit our website at www.bankeasy.com. ■

Trust and Wealth Advisor, Dacotah Bank

Dacotah Bank is seeking an experienced, self-motivated individual to join our team as a trust and wealth advisor, open to be in any Dacotah Bank location. The successful candidate should have experience with trust and wealth management, agriculture, investments and financial services. Candidates must enjoy meeting new people and have an upbeat, positive outlook. Seeking individuals with backgrounds in banking, insurance, financial services or agriculture. Responsibilities of this position include: administer new and existing account relationships [statements, investments, tax summaries, client communications] including trust accounts, investment management accounts and related client services; market our services by frequently traveling to our various Dacotah Bank locations to network with lenders and to meet with referrals and prospects; and develop expertise in managing and reviewing investment portfolios with existing clients. We offer an excellent benefits package, a competitive salary and an enjoyable work environment. Apply online at: dacotahbank.com/careers. Dacotah Bank is an Equal Opportunity Employer of women, minorities, protected veterans and individuals with disabilities. ■

CLASSIFIED LISTINGS

Post your classified ad in SDBANKER Magazine and at www.sdba.com. The fee is \$50 per ad (200 word limit) for SDBA members or \$100 per ad (200 word limit) for non-members. Email Alisa at abousa@sdba.com.

Seminars/Conferences/Webinars/Schools

SDBA EVENTS

Breaking Into Banking 201: Analyzing Repayment Sources

Nov. 2, 2021 | Virtual

IRA Update Seminar

Nov. 4, 2021 | Sioux Falls

ABA Agricultural Bankers Conference

Nov. 14-17, 2021 | Cincinnati, Ohio

IRA Basics Seminar

Dec. 7 and 9, 2021 | Virtual

SDBA State Legislative Day

Feb. 9, 2022 | Pierre

NDBA/SDBA Bank Management Conference

Feb. 18-19, 2022 | Scottsdale, Ariz.

ABA Washington Summit

March 7-9, 2022 | Washington, D.C.

WEBINARS

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

Lending 101

Nov. 15, 2021

A Banker's Guide to Powers of Attorney

Nov. 16, 2021

BSA: Is Your Customer Hiding Money

Nov. 16, 2021

Customer Service vs. Customer Experience

Nov. 17, 2021

Regulation O—Lending to Insiders

Nov. 17, 2021

Every Manager Builds a Brand, What's Yours?

Nov. 18, 2021

Most Common TRID Issues

Nov. 18, 2021

Compliance Responsibilities in Foreclosures—What are the Expectations Now?

Nov. 19, 2021

Employment Records and How to Keep Them

Nov. 19, 2021

Commercial and Industrial (C&I) Lending in Today's Competitive Market

Nov. 22, 2021

Understanding the Basics of Cryptocurrency Including Red Flags

Nov. 23, 2021

Robbery: Basics and Beyond

Nov. 29, 2021

E-Sign for Lending—Challenges and Solutions

Nov. 30, 2021

Section 1071: Dodd-Frank Act Proposal

Dec. 1, 2021

FCRA Compliance: E-Oscar and Metro2

Dec. 1, 2021

Managing a Successful Call Center

Dec. 1, 2021

Ability to Repay, Qualified Mortgage, High Cost & Higher-Priced Mortgage Loans

Dec. 2, 2021

Dealing with Appraisals: Regulations and Requirements

Dec. 2, 2021

How to Hire Bankers Who Will Sell More

Dec. 3, 2021

Commercial & Business Lending Basics for Support Personnel

Dec. 6, 2021

Understanding Revocable and Irrevocable Trust Documents

Dec. 7, 2021

Overdraft Programs—The Danger Zones

Dec. 7, 2021

Handling Legal Documents—POAs, Trusts, Estates and Guardianships

Dec. 8, 2021

IRS Information Reporting: Rules and Forms

Dec. 8, 2021

Regulation E: Errors & Disputes

Dec. 9, 2021

Residential Construction Lending

Dec. 10, 2021

SCHOOLS

GSB Bank Technology Management School

March 28-April 1, 2022 | Madison, Wis.

Dakota School of Lending Principles

March 29-April 1, 2022 | Aberdeen

GSB HR Management School

April 4-8, 2022 | Madison, Wis.

GSB Digital Banking School

April 11-May 5, 2022 | Virtual

GSBC Executive Development Institute for Community Bankers

April 24-27, 2022 | Broomfield, Colo.

GSBC Community Bank Investments School

May 15-18, 2022 | Denver, Colo.

GSBC Community Bankers Summit

July 2022 | Boulder, Colo.

Graduate School of Banking Colorado

July 17-29, 2022 | Boulder, Colo.

Graduate School of Banking Wisconsin

July 31-Aug. 12, 2022 | Madison, Wis.

GSBC Workshop on Community Bank Investments

September 2022 | Las Vegas

GSB Financial Managers School

Sept. 19-23, 2022 | Madison, Wis.

GSB Sales and Marketing School

Sept. 26-30, 2022 | Madison, Wis.

GSB Bank Technology Security School

Oct. 3-7, 2022 | Madison, Wis.

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.

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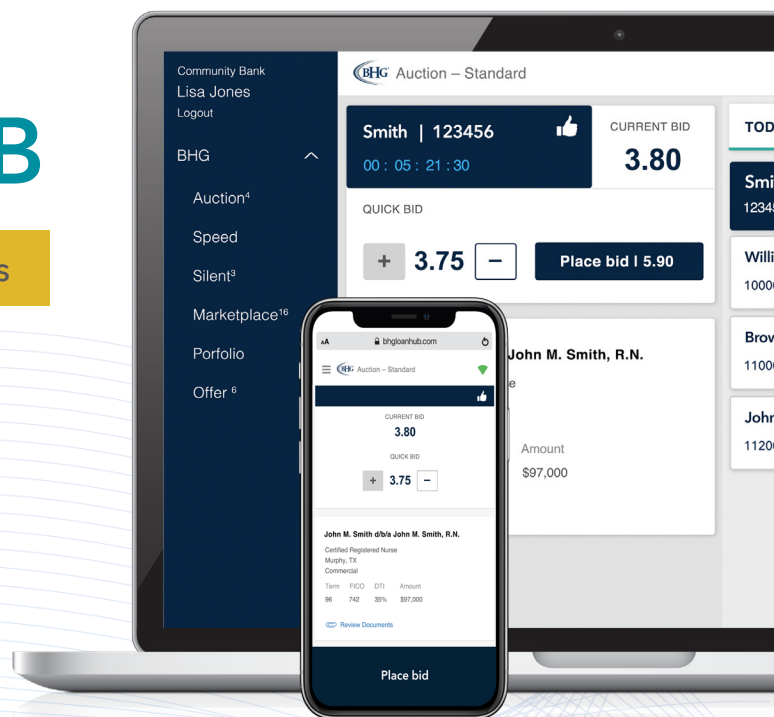
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