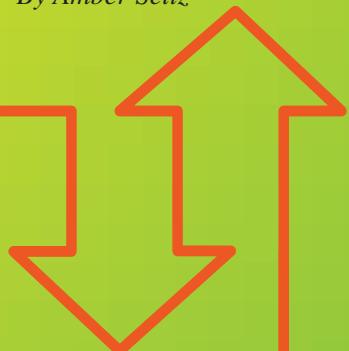


Feeling the SQUEEZE

By Amber Seitz



As St. Louis Fed President **James Bullard** said at the recent WBA Economic Forecast Luncheon, 2019 was a “tumultuous” year for rates. After raising the fed funds rate by 25 bps each quarter in 2018, the FOMC decreased rates by 25 bps on Aug. 1, Sept. 19, and Oct. 31 in 2019. While this dramatic fluctuation works to stave off or mitigate an economic recession, it has also wreaked havoc on bank margins by shrinking yields on the

short end of the yield curve. The infinitesimal spread between the short end of the curve and the five- to seven-year range is causing “margin havoc,” according to **Nate Zastrow**, executive vice president and CFO at First Bank Financial Centre, Oconomowoc. “The current shape of the yield curve is the primary challenge to NIM going into 2020,” explained **Christopher Del Moral-Niles**,

executive vice president and CFO at Associated Bank, N.A., Green Bay. “We would hope to see a more sloped yield curve emerge, ideally with a stable front end and a higher long end of the curve.” Until the shape of the curve changes, banks are under pressure on both sides of the books. “Banks are struggling to keep healthy margins because of the competitive nature on both sides of the balance sheet,”

said **Ami Myland**, CFO at Capitol Bank, Madison. To effectively push back against margin compression, bank leaders must deploy strategies that address issues on both sides of the balance sheet. “Margin comes down to small decisions,” said **Marc Gall**, vice president at BOK Financial Corporation. “It’s a combination of many small actions that result in performance.”

(continued on p. 22)

Strategies for pushing back against margin compression

Homeownership—the cornerstone of the proverbial American Dream—is coming back to life... slowly. According to **U.S. Census Bureau** data, homeownership in the U.S. dropped significantly between 2005 and 2016, where it bottomed out at just under 63%. Over the past three years, however, rates have begun a slow ascent, reaching 64.8% in Q3 2019 (the latest data

Build Wisconsin Up



Address challenges in workforce housing, spur economic growth

By Amber Seitz

available at the time of this writing). See the *Census Bureau's U.S. Homeownership Rates chart* on p. 21.

While Wisconsin's average homeownership rate (**67.9%**) is higher than the national average, the Badger State faces a unique challenge: our workforce is growing as our housing inventory

stagnates. While our state unemployment rate hovers around 3%—an historic low—those same workers are struggling to find homes they can afford, as the median sale price of a Wisconsin home **skyrocketed** from \$131,737 in 2011 to over \$200,000 in summer 2019.

(continued on p. 20)

Looking Ahead at 2020

By Mark Meloy

The start of a new year is always a good time to take a step back and look forward at what's coming. With the Wisconsin Economic Forecast Luncheon right around the corner at the time of writing, I offer you my predictions for the rest of 2020.

I expect bank consolidation will continue, but that fact doesn't keep me up at night. The community banking model—and the value we



Message from the Chair

Mark Meloy

bring to the people, businesses, and communities we serve—isn't going away. Even if the number of Wisconsin institutions shrinks to 100, I don't foresee us ever dropping

to the single-digit numbers common in other countries. The U.S. banking system is unique and delivers tremendous value, so community banks will always be around to serve our customers.

Advancements in technology will continue to present both challenges and opportunities for banks. While addressing cybersecurity risks will place stronger demands on both person-hours and IT budgets, local institutions will

gain more ability to compete with regional and national players in the market through applications such as mobile business banking.

The Wisconsin economy continues its slow and steady growth, despite headwinds from trade and demographics. The banking industry has been a key supporter of our state's ag sector as it faces challenges on several fronts. In addition, an aging population and strong employment have led to an unprecedented talent war, not just in banking but across industries. Culture, community support, and a focus on diversity and inclusion are all important elements of crafting an organization that will attract top talent.

First Business Bank has conducted an annual economic survey of businesses for 17 years. Again this year respondents show strong optimism for 2020, yet are still cautious when compared to optimism heading into 2019. Our survey administrator, **Dr. Moses Altsech** attributes that difference to entering a presidential election year which often causes businesses (and consumers for that matter) to take a "wait and see" stance, though election year caution historically is short-lived regardless of the outcome.

Another takeaway from the survey is the largest obstacle to even better performance in 2019 was a "skills shortage." Looking forward to 2020, businesses most commonly cite the following areas of focus: diversify client base; create or expand leadership training; create a process for generating innovative business ideas; and make efforts to further integrate millennials in the company culture.

Here's to 2020, may it be good for everyone!

Meloy is CEO of First Business Bank, Madison and the 2019-2020 WBA Chair.

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Your Spring Primary Election Ballot

By Jon Turke

This month, Wisconsinites will go to polls to select who will be on the final ballot in April. And by Wisconsinites, I mean the 15% (at best) who will turn out to vote in the primary. While everyone will vote for Justice of the Supreme Court, others may or may not vote for Court of Appeals Judge, Circuit Court Judge, and a variety of county, town, village, and city positions.

Since these are non-partisan races, a primary will only be held if more than two candidates file for the same position. If it looks like you don't have many races on your ballot, there may still be an election for other offices in your area in April!

★ State Supreme Court Wisconsin Supreme Court Justice Daniel Kelly

Justice Kelly was appointed by Wisconsin Governor **Scott Walker** to the Wisconsin Supreme Court to fill the unexpired term of Justice **David Prosser** upon his retirement. Kelly graduated from Carroll University and the Regent University School of Law. Before his appointment, he was the founding partner of Rogahn Kelly LLC and a shareholder at



Advocacy Update

Jon Turke

Be Prepared! See what's on your ballot. Check out MyVote.wi.gov.

Reinhart Boerner Van Deuren, s.c. in Milwaukee.

Dane County Circuit Court Judge Jill Karofsky

Karofsky earned her bachelor's degree from Duke University. She holds a master's degree and J.D. from the University of Wisconsin. Karofsky was the education director and general counsel for the National Conference of Bar Examiners from 2001 to 2010. She was the executive director for the Wisconsin Office of Crime Victim Services at the time of her election. She was elected to the Dane County Circuit Court in 2017 to a term ending in 2023.

Marquette Law Professor Ed Fallone

Fallone is a law professor at Marquette University and also practices with Gonzalez, Saggio & Harlan LLP. Fallone earned a B.A., summa cum laude, in Spanish language and literature and a J.D.,

magna cum laude, from Boston University. He was previously a candidate for Supreme Court in 2013 where he was defeated by incumbent Justice **Patience Roggensack** 57%-43%.

★ Special 7th Congressional District Primary

For those in the 26 counties comprising the 7th Congressional District, the normal Spring Primary Election date will also serve as the primary for the special election primary for both the Republicans and Democrats to select their candidates to replace Congressman **Sean Duffy** (R). Republicans will choose between State Senator **Tom Tiffany** and U.S. Army veteran **Jason Church**. Democrats will choose between salesman **Lawrence Dale** and Wausau School Board Member **Tricia Zunker**.

To see what is on your ballot, check out MyVote.wi.gov.

Turke is WBA director—government relations.

Stand Up. Step Up. Speak Up.

WBA/ABA Washington Summit
March 22-25 | Washington, DC

WBA/ICBA Capital Summit
April 28-May 1 | Washington, DC

Advocate for our industry on the federal level during the WBA Washington Summits. That's summits "plural" as WBA is working in conjunction with both the ABA and ICBA to coordinate our federal advocacy efforts. As a WBA member, you can choose one or both federal events to attend. Join WBA representatives and other Wisconsin bankers on March 22-25 for the ABA Washington Summit or April 28-May 1 for the ICBA Capital Summit. Visit www.wisbank.com/advocacy/washington-summits for more information.

Save the Date!

WBA is hosting **FIVE** regional Capitol Day events in different cities across Wisconsin in May:

May 12 | May 13 | May 14
May 19 | May 21 |

Details are still being finalized. Watch for more information about the meetings, the locations, and event schedule.

Got Something to Say? *Let us have it!*

We all have opinions... Now's the time to share them! WBA is *your* association, and we need your feedback. Have thoughts about the latest credit union article on our website? Want to let us know something we missed in that same-day ACH piece you saw in your inbox?

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Introducing WBA Letters to the Editor, the latest forum for you to share your thoughts with WBA and your peers. Submit your letters online at www.wisbank.com/opinion or send via email to opinion@wisbank.com. Letters must be 250 words or fewer and not printed previously in another publication (online or in print).

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For Mortgage Lenders: Homestead Rule Applies to Married Wisconsin Residents

Does the Homestead Rule Affect Mortgages for Married Wisconsin Residents?

Answer: Yes.

Wis. Stat. Section 706.02(1)(f) requires that each spouse with homestead rights must sign the mortgage for it to be valid, unless an exception applies. In this context, homestead means the dwelling, and so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home, but not less than one-



Compliance Q&A

Scott Birrenkott

fourth acre, if available, and not exceeding 40 acres. It is WBA's understanding that title companies are typically able to provide an indication of whether the property would be considered a homestead under this definition.

Visit www.wisbank.com to learn more about this topic and other compliance-related issues.

Once a bank has determined the pledged property is a homestead, it must consider Section 706.02(1)(f). If the mortgage alienates any interest of a married person in a homestead, then each married individual must sign the mortgage in order for it to be valid. The only exceptions to this rule

are for conveyances between spouses and for purchase money mortgages.

Find 706.02(1)(f) online at: <https://docs.legis.wisconsin.gov/statutes/statutes/706/02/1/f>

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

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

Update on Proposed CRA Regulations... On Jan. 9, 2020 the OCC, Treasury, and FDIC (agencies) issued joint notice of proposed rulemaking (rule) to modernize Community Reinvestment Act (CRA) regulations. The rule contains four main elements designed to encourage banks to serve their communities by making the regulatory framework more objective, transparent, consistent, and easy to understand. Specifically, the agencies have proposed to clarify which activities qualify for CRA credit, update where activities count for CRA credit, create a more transparent and objective method for measuring CRA performance, and provide for more transparent, consistent, and timely CRA-related data collection, recordkeeping, and reporting. Comments on the rule are due March 9, 2020.



Four awards of \$2,000 each
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Wisconsin Bankers
FOUNDATION



2020: Optimism, Opportunity Coming this Year for Wisconsin

MADISON

At the Madison event, held January 9 at the Alliant Energy Center, Federal Reserve Bank of St. Louis President **James Bullard** outlined what it will take for the central bank to guide the U.S. economy to a “soft landing” in 2020 and why he’s confident it will happen.

After an introduction from WBA President and CEO **Rose Oswald Poels**, host **Jeff Mayers** introduced the luncheon’s first speaker, WEDC Secretary **Missy Hughes**, who used her time at the mic to fill in all 350 attendees on what she’s been up to during the three months since she took the helm at the state’s economic development agency. Her presentation took the audience around the state with her as she recapped her road trip. She invited everyone to think about how banks and WEDC were each involved in the success stories at each “stop” along the way.

The first stop was Hixton, where environmentally conscious agriculture company Superior Fresh reuses 99.5% of its water, including by growing lettuce with the same water it uses to raise salmon. Another waypoint was the Phillips School District Fab Lab, where high school students get hands-on experience in manufacturing through use of 3D printers and other tools. A “fan favorite” WEDC



project is TitletownTech, a joint effort between the Green Bay Packers and Microsoft assists startups in the Green Bay area by providing accounting help, legal guidance, and coastal investors attracted by the Packers and Microsoft brand power.

Hughes concluded her presentation by revealing the question she’s thinking about most as she moves through

her first year as WEDC Secretary: how to take that creative power and harness it to benefit all of Wisconsin? Hughes recognizes the role banks can—and do—play in answering that question. “Banks can help make these victories bigger than they are,” she said.

After Hughes fielded a few questions from the audience, Mayers welcomed

Far left: Emcee **Jeff Mayers**, president of Wispolitics.com and Wisbusiness.com. Near left: Speaker **Missy Hughes**, secretary and CEO of the Wisconsin Development Corporation.

Below (left to right): WBA Board Member **Donna Hoppenjan**, president/CEO of Mound City Bank, Platteville; Speaker **James Bullard**, president and CEO of the Federal Reserve Bank of St. Louis; and WBA President/CEO **Rose Oswald Poels**.

Bullard (who was born in Columbus, Wis.) to the stage. His remarks focused on the powerful long-term impact the Federal Open Market Committee’s dramatic rate actions will have in 2020 and beyond. “It was a tumultuous year,” Bullard commented, speaking of the FOMC’s decision to raise and subsequently lower the federal funds rate throughout 2019. “That move was much bigger than commonly thought.” Bullard explained how the FOMC’s actions help ensure a “soft landing” in 2020, where the U.S. economy will slow, but not beyond its potential growth rate. He also discussed how businesses have created effective strategies for coping with trade uncertainty and how geopolitical risk in the Middle East may have less of an economic impact than some think, now that the U.S. is the world leader in oil production.

After his prepared remarks, Bullard candidly responded to several audience questions, including one about government deficits. “Borrow for a purpose,” he replied. “If you borrow to party, you’re going to have a hangover.”

SEE FORECASTS AND PRESENTATIONS AT WWW.WISBANK.COM.



Bankers, business leaders, media gather at two locations for annual forecast luncheon executive briefings

At the Eau Claire event, held January 10 at the Florian Gardens, **Dennis Winters**, chief economist of the Wisconsin Department of Workforce Development, took a look at where the economy is currently, and the key themes that the economy will be facing in the future.

According to Winters, the one greatest socioeconomic policy challenge of the next 20 years will be labor in relation to our rapidly aging population and the impact it will have on the workforce and other aspects of the economy. Wisconsin's civilian labor force has flattened out and is not projected to grow much in the coming years. Additional labor considerations include labor force preparedness and income.

Winters also discussed automation and artificial intelligence. "There are two classes of jobs in the new age," he said. "One: those that are augmented by automation, and two: those that are replaced by automation." Ultimately, automation also feeds into questions about labor, as it not only changes what jobs are available and done by actual humans,



2020 WISCONSIN ECONOMIC FORECAST LUNCHEON January 10 • The Florian Gardens Conference Center • Eau Claire

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Above, left: **Paul Kohler**, WBA Board chair-elect and president and CEO of Charter Bank, Eau Claire, emceed the Eau Claire event. Center: **Dennis Winters**, chief economist, Wisconsin Department of Workforce Development, mentioned the impact our aging population will have on Wisconsin's workforce and its economy. Right: **Dave Armstrong**, executive director, Barron County Economic Development Corporation, discussed how important affordable housing is to attracting and retaining a workforce.

but also the skills used by employees in roles that interact with automation and other new technology.

After Winters, **Dave Armstrong**, executive director of the Barron County Economic Development Corporation, spoke on housing in northwestern Wisconsin. The Barron County Economic Development Corporation recently conducted

a county-wide housing study to evaluate the current housing situation in the county, finding there is a need for housing development—specifically a variety of housing options to encourage a diverse community and accommodate a range of needs.

Armstrong discussed how housing is key to attracting and retaining a workforce. Barron County has a low

unemployment rate which is an overall good in the community, but poses a challenge to business looking to grow and hire workers. The prospects of growing businesses in the area can be improved by having housing options that can attract talent to the area.

Nearly 500 bankers, business leaders, and lawmakers gathered for the 15th annual Wisconsin Economic Forecast Luncheon on January 9 at the Alliant Energy Center in Madison (left, p. 8) and on January 10 at the Florian Gardens in Eau Claire (right).

SEE FORECASTS AND PRESENTATIONS AT WWW.WISBANK.COM.



EAU CLAIRE

Mortgage Bonds Keep Gaining Fans

Community banks add weighting to loan surrogates

By Jim Reber

If your community bank's bond portfolio looks like the rest of the industry's, you own more mortgage-backed securities (MBS) than ever. There are a bunch of reasons for this, most of which you're aware of, but some you may not be. The MBS that community banks tend to own are a small piece of the overall mortgage pie. Around 88% of all mortgage securities are backed by 30-year fixed rate loans, which have scant appeal to bank portfolio managers.

Thirty-year fixed rate pools long durations, back-loaded cash flows, and price volatility profiles are outside of policy limits for most community banks. Nevertheless, there are enough mortgage bonds that do fit these risk/reward profiles to go around. We will discuss some of the more popular items, and where the current opportunities reside. Perhaps it's time for a ride on the MBS Express.

Growing Trend

The average community bank has around 60% of its bonds in some type of amortizing securities. These include the garden variety straight pass-throughs, adjustable rate MBS, collateralized mortgage obligations (CMOs) and Small Business Administration (SBA) pools. They are almost all issued by the federal



government or its agencies, have good liquidity, and low risk weights.

And, since they act like loans, bankers can get their minds around the cash flows. That's not to say they can totally control them. One of the drawbacks of MBS is that the repayment of principal is almost entirely in the hands of the property owners. Nevertheless, it's easy to understand why a community bank would own a lot of pools.

Market Machinations

Over the past decade, there has been a supply shift in the mortgage bond market. The overall MBS market has barely grown since 2008, when total outstanding balances were about \$9.5 trillion. Today, they are right at \$10 trillion outstanding, which is only a 4% increase in more than 10 years.

Also different is the noticeable growth in the multifamily MBS sector. Fannie Mae and Freddie Mac have issued around \$140 billion in multifamily bonds annually in recent years, more than twice that of a decade ago. While they are still a minority of all outstanding MBS, they represent most of the overall mortgage market's growth. They also have different cash flow characteristics, as there are principal lockouts and prepayment penalties attached to many of these pools that can help stabilize the overall portfolio's duration swings.

Value Investing

Yet another reason to consider adding MBS is the Fed's still-active management of its still-large balance sheet. Since 2017, it has shed more than \$350 billion of MBS and will continue to do so, even as it attempts to get down to an equilibrium level. All its recent additions to its balance sheet for the purpose of stabilizing the overnight repo market were in Treasury securities and were expressly not quantitative easing (QE), according to Chairman Jay Powell. The Fed is not adding any MBS to its holdings and has no plans to do so.

In the second half of 2019, the combination of the Fed being a net seller of MBS and the cash flow volatility produced by three rate cuts caused yield spreads to widen, if not dramatically, then at least noticeably. Recently, 15-year fixed rate pools, which are the product of choice for many community banks, were available at spreads of around 60 basis points (.60%) over Treasuries. That may not sound like much, but that is around 15 basis points better than the beginning of the year; further, spreads on many of the other products that community banks own actually narrowed on the year.

The skeptics of this sector (you know who you are) would possibly assume that the spread widening has caused the market value of their currently held MBS to crater. They, on balance, would be wrong. The Fed's rate cuts produced enough of a tailwind to all investment sectors so that prices actually rose in 2019; it's just that mortgage bonds' prices didn't rise as much as others. That would seem to indicate relative value.

In sum, there are several backstories to the mortgage security market going on that have created "opportunities." One need not step out of his or her comfort zone within the MBS market to take advantage. Maybe 2020 will be a year of relative stability with interest rates, which could cause yield spreads to return to historical levels. All these are reasons for your community bank to be a fan of mortgage-backed securities.

Reber is president and CEO of ICBA Securities, ICBA's institutional, fixed-income broker-dealer for community banks. He can be reached at 800-422-6442 or jreber@icbasecurities.com. ICBA Services Network is a WBA Gold Associate Member.

Did You Know?

Wisconsin Banker occasionally prints informative articles submitted by Gold, Silver, and Bronze WBA Associate Members. Interested in sharing your expertise? Please contact WBA's **Nick Loppnow** at 608-441-1208 or nloppnow@wisbank.com or email sales@wisbank.com for more information about purchasing Sponsored Content space in WBA's electronic publications.

WBA COMMITTEES**Be the Change You Want to See**

WBA needs your expertise to help shape the industry's future

WBA's committees and advisory boards help shape the industry by supplying fresh ideas, expert insight and valuable networking connections

to key decisions the association is involved with.

If you have a desire to influence your industry's future, consider lending your

experience on one of the committees listed below, and find out for yourself how much *you* can impact Wisconsin's financial

services industry. To volunteer, please fill out the committee nomination form found at www.wisbank.com/community/get-involved.

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SECTION BOARDS**

Please visit www.wisbank.com/community/get-involved to download the nomination form.

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- > WBA BOLT Section Board
- > WBA Financial Crimes Committee
- > WBF (Wisconsin Bankers Foundation) Financial Literacy Advisory Board
- > FIPCO® Software Users' Committee
- > WBA Government Relations Committee

- > WBA Human Resources Committee
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1,825 Days Later

Five years after historic merger, combined association celebrates strong banking industry

By Amber Seitz

On Feb. 27, 2015, the Community Bankers of Wisconsin and the Wisconsin Bankers Association signed merger papers, finalizing the decision made in December with an overwhelming number of positive votes submitted by both association memberships. The goal in uniting Wisconsin's two banking trade associations was to enhance membership value, provide efficiencies, and allow for greater influence. Over the past 60 months, the new WBA has met and exceeded those goals.

"The goal of this merger was always to do what is in the best interest of Wisconsin banks. We can accomplish more for all of our members as a single, powerful organization than we ever could separately."

— Daryll J. Lund, WBA executive vice president and chief of staff

"Everyone at the combined association knows how vital it is that we help our member banks serve their customers and their communities," said WBA President and CEO **Rose Oswald Poels**. That motivation continues to drive the association's efforts to enhance membership value as we compose a new chapter in the history of Wisconsin's banking industry. "The goal of this merger was always to do what is in the best interest of Wisconsin banks," said **Daryll Lund**, WBA executive vice president and chief of staff. "We can accomplish more for all of our members as a single, powerful organization than we ever could separately."

» Unified Voice for Advocacy

One of the most important ways WBA serves—and has always served—the industry is through advocacy. "We are the voice of Wisconsin's banking industry at the Capitol, allowing our members to focus on serving their customers and their communities," said **Mike Semmann**, WBA executive vice president and chief operations officer. "As an association, we're proud to educate lawmakers about the significant positive impact banks have on our state." The increased influence that a united voice and message had in Madison led to several pro-banking pieces of legislation becoming law and even more pieces of legislation detrimental to the industry being defeated. Key examples include the prevention of the merger of the Wisconsin Department of Financial Institutions into the Wisconsin Department of Safety and Public Services, preventing significant credit union expansion of powers at the state level, changing Wisconsin Department of Revenue rules to allow taxpayers to choose how they source broker-dealer revenue, and the recent "omnibus bill" which makes several positive changes to current statutes regarding bank regulation. In addition, the combined association provided *amicus curiae* briefs in several significant court cases, protecting the industry's interests.

The united association also reflects the unified voice of the banking industry and individual bankers participating in grassroots efforts. In fact, nearly half of WBA member institutions have named an Advocacy Officer, an individual (not typically the CEO)

"Everyone at the combined association knows how vital it is that we help our member banks serve their customers and their communities. That motivation continues to drive the association's efforts to enhance membership value as we compose a new chapter in the history of Wisconsin's banking industry."

— Rose Oswald Poels
WBA president and CEO

who volunteers to coordinate the advocacy efforts of their institution. That commitment perfectly illustrates the power of a unified voice and message to lawmakers, opinion leaders, and the community. Post-merger, WBA is also affiliated with both ICBA and ABA, including both groups trips to Washington, D.C. Member banks can – of course – still join the national associations as they see fit.

» Innovative Services

The combined association also supported Department of Labor rule changes to allow the creation of association health plans (AHPs) to provide health insurance to its members. Shortly after DOL published its final rule allowing AHPs in June 2018, WBA announced the availability of one of Wisconsin's first AHPs, offered through WBA Employee Benefits Corporation (EBC), its wholly-owned insurance subsidiary. "WBA's member banks were quick to see the advantages of our AHP," said Lund, who also serves as president of EBC. "Not only do they have access to increased buying power through their membership with WBA, but they also

receive top-notch coverage and service from our partner UnitedHealthCare." At press time, 25 member banks have signed on to the WBA AHP and experienced significant cost savings, both to the institution and its employees.

Another new initiative is the Wisconsin Bankers Foundation, a 501(c)3 supporting consumer empowerment through financial education. The Foundation has grown from supporting WBA's financial education efforts (such as the Reading Raises Interest Kits and Financial Literacy Awards) to building a web-based product that will allow consumers to research their financial education options: MyMazuma.com. "With the combined support of members from both associations, the Foundation has been able to make great strides in advancing our financial literacy and consumer research efforts," said Semmann, who also serves as the Foundation's executive director. "Since the merger, Wisconsin bankers have reported reaching over 57,500 consumers with financial education outreach supported by the Foundation."

» Developing Future Leaders

During a period of historically low unemployment and fierce competition for talent, the WBA also has retained its commitment to the development of the next generation of bankers through its leadership development offerings. Such programs are vital to the industry's future success. "It was very important that we continue offering programs like BOLT," said Lund. "They encourage growth

(continued on p. 13)

CBW/WBA Merger

(continued from p. 12)

and engagement for the future leaders of our industry." In addition, WBA has focused on outreach to college students at the critical juncture where they are deciding on their future career paths. WBA visits campuses around the state encouraging students to consider internships and careers in the Wisconsin banking industry. See [www.wisbank.com/Campus Visits](http://www.wisbank.com/CampusVisits) for more information.

» Remodel and New Engagement Center

After 20 years with no change, WBA is transforming our building from rafters to basement, and it's all with *you*, our members, in mind! Membership engagement is the key to everything we are doing so we can better serve and support Wisconsin's banking industry. With this

"One of the most important ways WBA serves—and has always served—the industry is through advocacy. We are the voice of Wisconsin's banking industry at the Capitol, allowing our members to focus on serving their customers and their communities."

— Mike Semmann, WBA executive vice president and chief operations officer

remodel, WBA is responding to both the changing needs of our members and a changing marketplace. The centerpiece of the new and improved building is our Engagement Center, where the association will host a variety of events. Comprised of training and meeting rooms,

the Engagement Center will not only hold WBA, EBC, and FIPCO events, but also be available for use by members for everything from off-site strategic planning retreats to remote staff training. In the central hub of the Engagement Center, visitors will be able to view the Wall of Excellence recognizing those who have been inducted into the WBA Leaders in Banking Excellence (visit www.wisbank.com/excellence for more details).

The remodel is also updating the way WBA staff work to serve the banking industry. New workstations, a new layout, and more collaborative spaces are all features of this refreshing update designed to allow us to continue to serve you and be even more responsive to the ever-changing banking landscape.

Change is the new normal, and the industry's future will look very different from the environment we see today. Wisconsin's banking industry will continue to transform to meet the challenges and opportunities presented by technological advances, escalating regulatory burden, higher consumer expectations, and inventive criminals.

Oswald Poels is confident that WBA, *your* association, is prepared to guide the industry through whatever lies ahead.

"I have no doubt that more change will occur in the future," she said, "but as a united, strong association, we are well-poised to tackle it head on."

Seitz is WBA operations manager and senior writer.



**Over the first two years of the AHP, WBA member banks collectively
SAVED OVER \$1 MILLION!!**

If you have questions or would like more information about WBA's Association Health Plan (AHP), please visit www.wisbank.com/AHP or contact:

Daryll Lund

dlund@wisbank.com | 608-441-1203

Brian Siegenthaler

bsiegenthaler@wisbank.com | 608-441-1211



Wisconsin Bankers Association
EMPLOYEE BENEFITS CORPORATION, INC

Bulletin Board

News about people working in Wisconsin's financial institutions

Promotions and New Hires

Denmark

Denmark State Bank is pleased to announce the appointment of **Jeff Greeneway** (*pictured*) to the board of directors.



Fond du Lac

Fox Valley Savings Bank is pleased to welcome **Kelly Collien** (*pictured*) as retail banking manager and **Jason Mayer** (*pictured*) as controller. Additionally, **Ellen Mielke** (*pictured*) has been promoted to chief financial officer, and **Jessica Pickett** (*pictured*) has transitioned to treasury management/BSA officer.

Madison

First Business Financial Services, Inc., is pleased to announce the promotion of **Brian Spielmann** (*pictured*) from the position of director of financial planning and analysis to director of finance.



State Bank of Cross Plains (SBCP) has named **Sue Loken** (*pictured*) as its next senior vice president – chief financial officer.

Oakes, N.D.

Starion Bank has named **Don Morgan** (*pictured*) president.

Superior

National Bank of Commerce (NBC) is pleased to announce the hiring of **Eric Anderson** (*pictured*), **Brian Bosley** (*pictured*), and **Elise Popelka** (*pictured*) as commercial bankers.

Wisconsin Dells

Bank of Wisconsin Dells is pleased to announce the promotions of **Scott Rockwell** (*pictured*) as president and **Rodnie Miller** (*pictured*) as deposit operations supervisor.

(continued on p. 15)

Time Federal Savings Bank Donates to Clark County Fairgrounds Project



Time Federal Savings Bank contributed \$10,000 to the Clark County Community Foundation Inc. and their Clark County Fairground Improvement Project. The project will include the construction of a new multi-purpose Livestock Building and multi-purpose Event Center and be available year-round for a variety of purposes. Pictured: (from left to right) **Ben Hertel**, Time Federal Savings Bank commercial lending officer; **Rick Dailey**, Clark County Forestry & Parks Department Administrator; **Natalie Erpenbach**, Clark County Community Foundation treasurer; **Lana Peterson**, Time Federal Savings Bank mortgage loan originator; and **Linda Susa**, Time Federal Savings Bank vice president retail coordinator.

Waukesha South High School Gets Gift From Waukesha State Bank



Waukesha South High School received a \$15,420 gift from Waukesha State Bank to be used for their two new field house main court scoreboards. The scoreboards feature upgraded technology and design and are able to facilitate all of the indoor competitions held in the field house. These scoreboards were selected for their durable construction, functional features and aesthetic appeal. Pictured: (from left to right) **Stephanie Ohlfs**, Waukesha State Bank vice president – marketing manager; **Ty Taylor**, Waukesha State Bank president and CEO; **Kevin Kitslaar**, Waukesha South High School principal; and **Ann Pascavis**, Waukesha State Bank vice president – chief financial officer.



BS Recruiters is an executive search firm providing placement services to banks in the Wisconsin market that seek top-caliber talent.

The keys to our long success are our industry experience, personal commitment, and professionalism of our recruiters. We enjoy long-term relationships with the great majority of our clients because of our commitment to provide them with the highest level of service.

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

Bulletin Board

News about people working in Wisconsin's financial institutions

Promotions and New Hires

(continued from p. 14)

Wisconsin Rapids

Time Federal Savings Bank has announced the promotions of **Renée Leinfelder** (*pictured*) to vice president and retail manager and **Brent Arndt** (*pictured*) to senior vice president of retail mortgage.



Retirements

Fond du Lac

Cathi McGowan (*pictured*) is retiring after almost 30 years with Fox Valley Savings Bank. Most recently she has served as executive vice president and chief financial officer. She will stay on as a member of the bank's board of directors.

Union Grove

Four long-time Community State Bank (CSB) employees, **Dianne Funk** (*pictured*), vice president, cashier; **Sue Young**,

(*pictured*), assistant vice president, security officer; **Deb Lois** (*pictured*), document imaging specialist; and **Kathy Grant** (*pictured*), universal banker, have announced their retirement. "Each of these women have been an instrumental part in making Community State Bank the wonderful organization that it is today," said CSB President and CEO **Scott Huedepohl**. "Dianne, Sue,

Deb and Kathy, I am honored to have worked with you. You will be greatly missed by our staff and by those



In Memoriam Kenosha

Ralph J. Tenuta (*pictured*), age 87, passed away peacefully on Jan. 15, 2020. Among many other accomplishments, he was a founder and director of American State Bank, Kenosha, and served as chairman of the Wisconsin Banking Review Board for 20 years. Our sincere condolences to his family and friends.

Bank of Wisconsin Dells Donates \$100,000 to Dells School District



Bank of Wisconsin Dells presented the School District of Wisconsin Dells with a \$100,000 donation. This donation kicks off a recent fundraising campaign to further enhance the high school project, scheduled to open its doors on Sept. 1, 2020. In return, the bank will be given naming rights of the school library.

"Our bank and staff remain committed to the communities we serve, not only through monetary support, but also volunteer and leadership participation," says bank president **Jon Bernander**. "We're excited for the benefits this new school will bring to future generations."



SNBT Funds Scholarship at Michigan Tech University

Dr. **Dean Johnson**, Dean of the College of Business at Michigan Tech shakes hands with **Michael Kolasa**, vice president and trust officer at The Stephenson National Bank & Trust (SNBT). SNBT continues to fund a previously established \$2,000 annual scholarship to provide financial support for incoming first-year students. For over 145 years, SNBT has been committed to continually enhancing the economic vitality and social welfare of our communities. The scholarship program is just one way SNBT supports youth education.



Your EDUCATION Calendar

Conferences | Summits

Schools | Boot Camps

Seminars | Workshops

WBA Webinars

Other Events

FEBRUARY 2020

- **Residential Mortgage Lending School**
17-20 Madison; \$1,045/attendee
- **Enterprise Risk Management Peer Group**
18 Fond du Lac; \$39/attendee
- **Compliance Forum: Session 3**
18 Stevens Point (*pricing options vary*)
19 Wisconsin Dells (*pricing options vary*)
20 Pewaukee (*pricing options vary*)
- **Commercial Lending School**
24-28 Madison; \$1,395/attendee

MARCH 2020

- **Credit Analysis Boot Camp**
5-6 Madison; \$495/attendee
- 19-20 Green Bay; \$495/attendee
- **Loan Compliance School**
9-13 Madison; \$1,295/attendee
- **Ag Problem Loans Workshops**
10 Madison; \$225/attendee
- **Real Estate Compliance School**
11-13 Madison; \$795/attendee
- **Advanced IRA Workshops**
17 Wausau; \$245/attendee
- 18 Madison; \$245/attendee
- **WBA/ABA Washington Summit**
22-25 Washington, D.C. (*complimentary*)
- **Call Report Workshop**
24 Madison; \$245/attendee
- **Security Officer Workshops**
24 Neenah; \$175/attendee
- 25 Eau Claire; \$175/attendee
- 26 Wisconsin Dells; \$175/attendee

APRIL 2020

- **Human Resources Conference**
7 Wisconsin Dells; \$225/attendee
- **Health Savings Account (HSA) Workshop**
8 Madison; \$245/attendee
- **Branch Manager Boot Camp, Sessions 1 & 2**
14-15 Madison (*pricing options vary*)
- **Agricultural Bankers Conference**; Wisconsin Dells
15-16 \$300/Ag Section member; \$350/attendee

APRIL 2020 (continued)

- **Power of Community Week**
20-24 www.wisbank.com/BanksPowerWI
- **Women in Banking Conference**; Wisconsin Dells
21 \$245/each first two bank attendees;
\$195/each additional attendee
- **Trust Conference**; Madison
23 \$220/Trust Section member; \$245/attendee
- **National Teach Children to Save Day**
24
- **Community Bankers for Compliance (CBC) – Session II**
28 Stevens Point (*pricing options vary*)
29 Madison (*pricing options vary*)
- 4/28- • **WBA/ICBA Capital Summit**
5/1 Washington, D.C. (*complimentary*)
- **Cash Management Workshop**
29 Madison; \$245/attendee
- **Principles of Banking Course**
TBD Locations TBD; \$550/attendee

MAY 2020

- **American Mortgage Conference**
4-6 Charleston, S.C.
- **Consumer Lending Boot Camp**
4-5 Madison; \$495/attendee
- **Compliance Management School**
5-7 Madison; \$795/attendee
- **FIPCO Software & Compliance Forum: Deposit**
7 Madison
- **School of Bank Management**
11-15 Madison; \$1,395/attendee
- **Enterprise Risk Management Peer Group**
19 Marshfield; \$39/attendee
- **Branch Manager Boot Camp, Sessions 3 & 4**
19-20 Madison (*pricing options vary*)
- **BSA/AML Compliance Conference**
20-21 Wisconsin Dells; \$449/attendee

» Visit www.wisbank.com/education
for more information and online registration.
» Or email WBA Education at [wbaeducation@
wisbank.com](mailto:wbaeducation@wisbank.com) or call 608-441-1252.

We'd Love for You to Order by Feb. 14!

Reading Raises Interest Kit orders due on Valentine's Day

One easy way to promote financial literacy to young children is by participating in the annual National Teach Children to Save Day event. This year's Teach Children to Save Day is on April 24. To help you and your staff conduct successful classroom presentations, the Wisconsin Bankers Foundation is offering a *free* WBF Reading Raises Interest Kit to each and every member bank branch.

This year's kit features the book *It's a Habit, Sammy*

Rabbit! by Sam Renick.

In the story, Sammy Rabbit learns a huge secret from his Auntie Squirly that can help him rescue his family, but he will have to practice a new habit of saving for the future. Will Sammy learn this great habit quickly enough to rescue his family?

This year's kit includes a lesson plan appropriate for students in Grades K-2 (ages 5+) and focuses on the concepts of saving money and



habits. The kit also features a separate activity and coloring book to leave behind in

the classroom. Students can share, each coloring different pages, or your bank can sponsor the purchase of additional copies for the classroom.

This year's kit also includes:

- » Tips on how to read the chosen book to a group

- » Discussion questions to send home
- » A sample letter to the school
- » A sample news release
- » Other recommended books
- » And more!

Kits must be ordered by **Feb. 14, 2020** and will be mailed to branches on March 20.

Visit www.wisbank.com/ReadingRaisesInterestKits today to order your free kit!

Get Ready: Power of Community Week is April 20-24!

Remember April 22-26, 2019, when an estimated 2,194 bankers invested over 2,714 volunteer hours in a unified industry campaign to demonstrate their commitment to the people and communities they serve?

We do, and it's happening again!

During the week of **April 20-24, 2020**, the Wisconsin Bankers Association Power

of Community campaign will bring together our member banks and associate member companies to celebrate your commitment to the communities you serve. We know your organization is involved in community service projects year-round; this week-long campaign will bring together the efforts of the Wisconsin banking industry to show our collective

impact and involvement in the state to *everyone*.

We invite all members to participate in this effort to highlight how much Wisconsin's banking industry supports the communities in our state.

Create team spirit by ordering Power of Community t-shirts for your company! The shirts feature the campaign logo and hashtag

(#BanksPowerWI). You also have the option of adding your organization's logo to the back for additional branding.

Hurry! T-shirt orders are due by **March 1**. Visit www.wisbank.com/BanksPowerWI to order your team's t-shirts, learn more about Power of Community week, and sign up as your organization's contact point!

Wisconsin Bankers Association

— Power of —
COMMUNITY

#BanksPowerWI

GET INVOLVED.

DATES:

APRIL 20-24, 2020

What is the WBA
Power of Community Week?

The WBA Power of Community campaign brings our member bankers together to celebrate your commitment to the communities you serve. During the week, we encourage all bankers to engage in one or more community service activities.

Commit to participating online at
www.wisbank.com/BanksPowerWI

Questions: Contact WBA's Lori Kalscheuer at
lkalscheuer@wisbank.com or at 608-441-1250.

Wisconsin's Ag Bankers Predict 2020 Ag Lending Trends

Wisconsin agricultural bankers provide support, industry insight

Wisconsin agricultural bankers gave a glimpse of what 2020 holds for ag lending and highlighted the current challenges facing their customers in the latest WBA survey.

Agricultural lending increased in 2019 and is expected to continue to increase in the upcoming year. According to responding agricultural bankers, the volume/portfolio of ag loans grew in the past year for 44% of respondents while another 34% indicated the volume had stayed the same. Additionally, 53% anticipate there will be an increase in ag loans in 2020 with 31% indicating the current levels will continue for the near future.

Loan restructures increased according to 46% of respondents in 2019 compared to 2018. A similar margin, 48%, indicated restructure levels stayed the same during the same timeframe.

Liquidity topped the list of concerns ag bankers had for conditions facing their borrowers. Ranking as an extremely close second and third, farm-level incomes and uncertainty around tariffs and trade were top of mind as well. Weather, farm labor (cost or availability), total

leverage, third-party financing, land rents, and interest rate volatility all ranked much lower in the poll.

When asked about specific agricultural segments, dairy was the highest-ranked area of concern for ag bankers by a wide margin. Grains, beef cattle, swine, vegetables, fruits

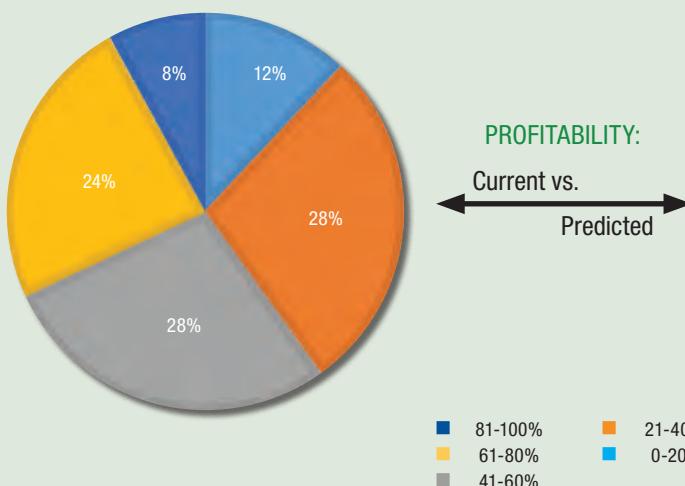
and nuts, and poultry all ranked much lower.

As for land prices, 78% of respondents expect them to stay the same in 2020 while only 4% predict an increase. However, dairy building site values are expected to decrease in the same timeframe as predicted

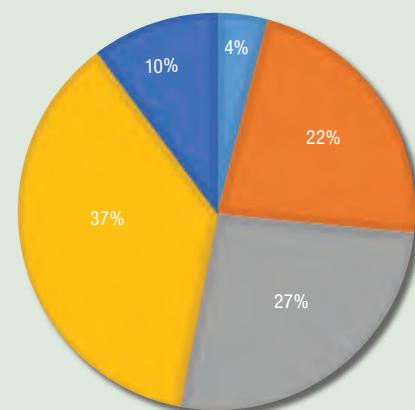
by 82% of respondents. No ag banker believed these prices would increase in the new year.

Note: The Ag Lending Trends Survey was conducted in Dec. 2019 with the participation of current WBA Agricultural Bankers Section member bankers.

Percentage of ag borrowers that are currently profitable:



Predicted percentage of ag borrowers that will remain profitable through 2020:

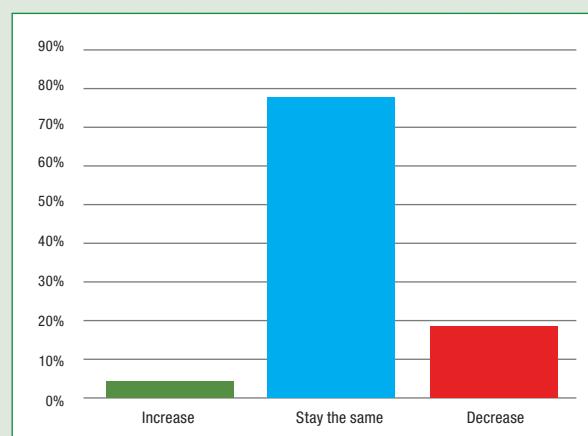


Top Concerns on Conditions Facing Customers

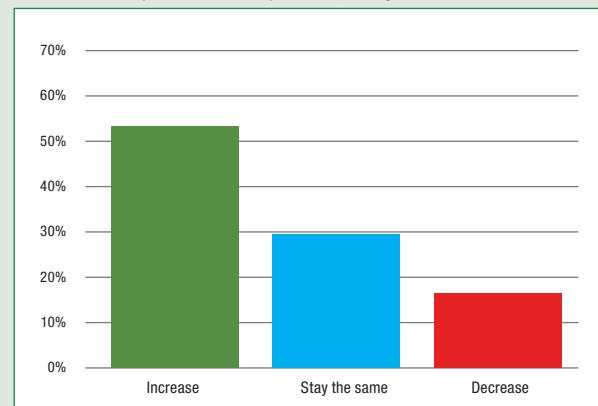
- > Liquidity
- > Farm-level incomes
- > Uncertainty around tariffs and trade
- > Weather
- > Farm labor (cost or availability)

- > Total leverage
- > Third-party financing
- > Land rents
- > Interest rate volatility

Land Price Expectation for 2020:



Anticipated volume/portfolio of ag loans in 2020:





CHIPPEWA VALLEY BANK

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3.

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documents generally
within 5 to 10 days.

5.

CVB wires
the funds.



2.

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appropriate doc-
ments of information.

4.

Meeting the customer.
We will come to you to
sign loan documents.

6.

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easy.



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rickg@chippewavalleybank.com



Build Wisconsin Up

(continued from p. 1)

Despite the challenges in Wisconsin's workforce housing market, there is reason for optimism. Stakeholders in all areas of the housing market (including bankers, builders, and lawmakers) are working together to find and implement solutions.

» The Prevailing Challenge: Inventory

The primary cause of the housing market's current challenges is a lack of inventory. So, why aren't there enough affordable homes for Wisconsin workers? The basic economics of supply and demand is one reason. "Because of the large demand and lack of supply, the price of housing is rising faster than wages," explained **Doug Gordon**, CEO of WaterStone Bank, Wauwatosa. "More houses are moving out of the 'affordable' category because of the demand." In addition to a growing workforce, demand is also rising because Wisconsinites are living longer, healthier lives, and as those older-yet-healthy citizens see their kids off to college and downsize, they are competing for the same inventory as first-time homebuyers.

Despite the challenges in Wisconsin's workforce housing market, there is reason for optimism.

Stakeholders in all areas of the housing market (including bankers, builders, and lawmakers) are working together to find and implement solutions.

It has also become more expensive to build a new home, which contributes to the current shortage of workforce housing. Regulatory expenses (such as permits, fees, and code requirements) and an uptick in lumber prices both make the final sticker price of a new home higher. Another factor is rising labor costs due to a shortage of workers in the skilled trades post-recession. During the housing crisis, many builders closed up shop and apprenticeship programs are rare today.

It also takes much longer to create more inventory of houses than, say... cell phones or coffee mugs. "The big issue in some markets is the fact that we had a number of years where it took a long time to move some lots that had stagnated during the housing crisis," said **Brad Boycks**, executive director

at the Wisconsin Builders Association. "With housing, it takes time to create new inventory, especially on the land development side."

Finally, many Wisconsin workers struggle to purchase a home because they don't have enough bandwidth in their finances to make a significant down payment due to the rising cost of non-house expenses such as healthcare and childcare. "When those expenses continue to rise, it makes it difficult to find housing that's affordable," explained **Paul Kohler**, president and CEO of Charter Bank, Eau Claire. A contributing factor is many potential homebuyers are millennials, who tend to be more debt-averse. "Millennials are much more conservative, with average debt-to-income ratios in the mid-30s," explained

Gordon. "Rents have gone up so much it's hard for them to save enough for a downpayment."

» Coalition of Stakeholders Seek Solutions

Bankers, builders, and lawmakers must work together to guide Wisconsin's economy past its workforce housing challenges. For bankers, that means serving as expert advisers, both to homebuyers and developers. Mortgage lenders should encourage borrowers to work with government housing authorities if they qualify for those programs, and commercial real estate lenders should know all the ins-and-outs of their local market so they can guide their developer clients through the process in the most efficient way possible. In addition, innovative loan products could help first-time borrowers enter the market. "Banks try to do everything we can to help," Gordon explained. "We're in the business of providing financing for homes. The state housing authorities are great avenues for first-time homeowners. We continually work with mortgage insurers to come up with products that are insurable at a higher loan-to-value ratio, too."

(continued on p. 21)

Address challenges in workforce housing, spur economic growth



"Because of the large demand and lack of supply, the price of housing is rising faster than wages. More houses are moving out of the 'affordable' category because of the demand."

—**Doug Gordon, CEO
Waterstone Bank
Wauwatosa**

Build Wisconsin Up

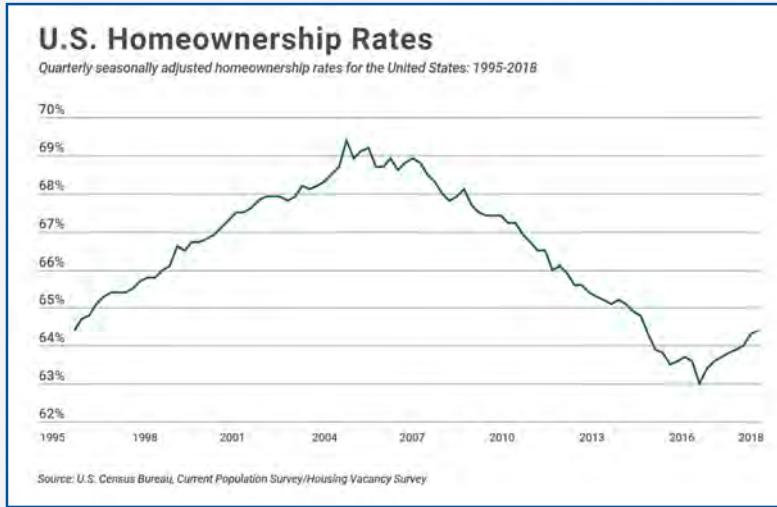
(continued from p. 20)

"In the Chippewa Valley, bankers joined forces with developers, city council members, and other stakeholders to form a housing task force in 2018 to brainstorm solutions. In addition to potentially creating and expanding revolving loan programs, it's also important to encourage renovation of existing properties."

—Paul Kohler
President and CEO
Charter Bank, Eau Claire

In the Chippewa Valley, Kohler says bankers joined forces with developers, city council members, and other stakeholders to form a housing task force in 2018 to brainstorm solutions. In addition to potentially creating and expanding revolving loan programs, Kohler says it's also important to encourage renovation of existing properties. "Building new homes is only part of the solution," he explained. "It's cheaper to improve and remodel an existing structure. If we can come up with programs to incentivize individuals to do that, that will help." In another area of the state, local lenders work with community advocates, educators, and businesses to fund and operate the **La Crosse Promise program**, which offers scholarships to homeowners who buy, build, or renovate in select La Crosse neighborhoods.

On the other side of the equation, builders have worked with lawmakers at the state and local level to find ways to reduce expenses, including



code updates and legislation to improve the building permit process. "Over the last eight years there has been a lot done at the state level to bring down the final cost of the home and for local units of government to be more transparent in what fees they are charging to construct a new

positive impact is in the hands of local governments. "Local government has the greatest ability to speed things up and reduce cost and encourage new residential housing," Boycks explained. Even relatively small price reductions have a tremendous impact on workers' ability to purchase a home. The

Local government has the greatest ability to speed things up and reduce cost and encourage new residential housing. Even relatively small price reductions have a tremendous impact on workers' ability to purchase a home. The National Association of Home Builders estimates a \$1,000 increase "prices out" 4,081 families from the market in Wisconsin."

—Brad Boycks, Executive Director
Wisconsin Builders Association

home, like impact fees," said Boycks. Additionally, builders are working to recruit more workers into the skilled trades. There are dozens of programs (both state and local) designed to encourage students to enter the trades and then train them once they're there. For example, Associated Builders and Contractors of Wisconsin (ABC Wisconsin) has apprenticeship programs for 12 trades and 1,500 apprentices in over 880 Wisconsin companies.

While builders and bankers have important roles to play, the greatest potential for

National Association of Home Builders (NAHB) estimates a \$1,000 increase "prices out" 4,081 families from the market in Wisconsin.*

Reducing regulatory burden could have a massive impact on those prices, considering regulatory expenses account for over 24% of the cost of building a new home, according to a report from the **Wisconsin REALTORS® Association**. Kohler says local governments should adopt more flexible zoning, and Boycks recommends adjusting lot size requirements. "If you want more

workforce housing but have a minimum lot size of 2-3 acres, that math is never going to work," he said.

Tax reform is another potential tool to reduce costs. Kohler says lawmakers should consider developer tax credits for low-income housing, and Gordon suggests making interest deductions more widely available. "With the most recent tax laws it's difficult to have interest deductibility," he said. "That hurts affordability."

» Victory: Housing's Economic Impact

Addressing and overcoming Wisconsin's current challenges in workforce housing will benefit the entire state. Residential construction generates substantial economic activity, including income and jobs for residents and state and local tax revenue. In 2018, NAHB estimated the one-year economic impact of building 1,000 homes in Wisconsin to be 4,451 jobs, \$56.3 million in tax revenue, and \$298.8 million in income for residents.

With those numbers as motivation for the public and private sector alike, consumers should be optimistic about the housing market. Boycks says there's been more conversation about the need for workforce housing in 2019. "It's out there and being talked about," he said. "The key for 2020 is to look for ways to act on that and try to improve the circumstances."

Seitz is WBA operations manager and senior writer.

*Similar data, including median new home price, income needed to qualify, and households "priced-out" is available for all 50 states and over 300 metro areas on NAHB's website here: www.nahb.org/News-and-Economics/Housing-Economics/Housings-Economic-Impact/Households-Priced-Out-by-Higher-House-Prices-and-Interest-Rates

Feeling the Squeeze

(continued from p. 1)

Deposits

On the liabilities side, banks are playing a giant game of chicken with all depository financial institutions; no one wants to be the first to lower rates and potentially lose deposits as a result. Fortunately, rates have started to fall—albeit slowly—and should continue to do so, according to Niles. “From a NIM strategy perspective, we are also carefully monitoring deposit pricing trends, which we believe should continue to trend lower into 2020,” he said.

» Potential Strategies:

Maximize Value from Current Customers — If your bank originates mortgages, Gall suggests using the deposit statements collected as part of asset verification to determine if those customers keep deposits elsewhere. If so, bring in those outside balances; encourage customers to consolidate their funds with you. Also, identify which deposit accounts are rate-sensitive (ask how was the account sold? What is it used for? What is the average balance? etc.) and determine whether the bank can lower rates a few basis points without losing a significant number of deposits.

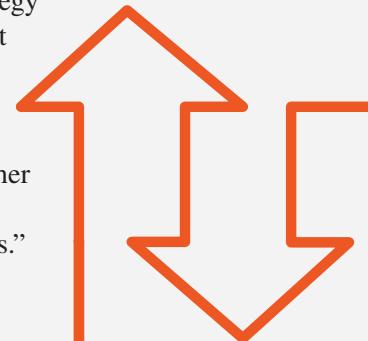
Consider Brokered Deposits — Still shaking off a bad reputation from the S&L crisis in the 1980s, brokered

deposits could become a useful tool for banks to get some breathing room. The FDIC released a [proposed rule*](#) modernizing the regulatory treatment of brokered deposits; the previous rule was enacted in 1989. For example, banks might now seek a partnership with a fintech company where the fintech provides deposit or payment services and then deposits consumer funds into an account at a bank.

Focus on Sales — Gall recommends training front-line staff, anyone who has contact with current or potential customers, to bring balances into the bank by discovering how to better serve customers (finding the right type of account, etc.). “The banks I’ve seen have success use more of a sales process where they really engage with their customers on a one-to-one basis,” he said.”

Make Alternative Adjustments — Myrland says their current NIM management strategy is to continue doing what’s best for their customers in an effort to retain them. “Ultimately, we may make less margin, but we can try to combat that in other ways like driving non-interest income and managing expenses.”

*www.fdic.gov/news/board/2018/2018-12-18-notice-sum-i-fr.pdf



Strategies for pushing back against margin compression

Assets

On the asset side of the balance sheet, intense competition has forced rates even lower than the yield curve pushed them down. “To make up for the tightening margin, banks need volume,” Zastrow explained. “In a low-growth market, volume comes from refinancing credits from other institutions, pushing prices further down.” The silver lining is community banks don’t typically cater to price shoppers, so they maintain some control over pricing in those relationships.

» Potential Strategies:

Add Value — “Banks that have better margins have found a way to add value for their customers beyond just price,” said Gall. “For commercial lenders, that means understanding your customers’ business.” Providing a better customer experience than the competition allows the bank to extract a few more basis points on the transaction.

Price to Risk, Not Rates — Price to your risk appetite and credit risk instead of the market rate. “Pricing and credit decisions are becoming eerily similar to the ones made before the last downturn,” said Zastrow, who also noted that each bank’s balance sheet should be structured to fit their philosophy and niche.

Be Odd — Don’t default to round numbers when pricing loans. Gall advises 25 bps increments. “There may be a negotiating point where you can get a slightly more advantageous rate by not always landing on nice round numbers,” he said.

Leverage Your Investment Portfolio — Since the investment portfolio is a large piece of the margin puzzle and banks control it directly, leverage it to offset risk in other areas. “Don’t set and forget your investment portfolio,” said Gall. “Reviewing it more so you can get more yield and protect against risk is an easy way to help your margin.”

Seitz is WBA operations manager and senior writer.

*BOK Financial Institutional Advisors is a
WBA Gold Associate Member.*

What Happens if Your Website is Spoofed?

Steps to quickly address the reputational risks of this internet hoax

It has happened close to home; Wisconsin banks have experienced the event known as website spoofing that resulted in customers receiving emails that appeared to come from the bank, but were part of apparent malicious activity related to the copy of the institution's website.

Website spoofing is the act of creating a copy of a website as a hoax or potentially using theft of the images from the real site, or this may simply be mimicking your website to appear real and send out malicious (phishing) emails in an attempt to gather information. In either case the spoofing website potentially could contain copyrighted material. The intent could be of simply misleading readers attempting to perform malicious activity such as theft of customer credentials, or simply an abuse to the reputation of the impacted institution with unflattering comments or pictures. Normally, the spoofed website will adopt a very close design from the target website and may have a very similar URL, often using a spoofed website URL that has only a letter or two changed.

A more sophisticated attack results in the attacker creating a "shadow copy" of the "www" by having the victim's traffic go through the attacker's machine, causing the attacker to be able to obtain the victim's sensitive information.

Spam, Copyright®, Trademark™, Morally Objectionable Content, Political Bias and Defamation Complaints can all be part of what you are experiencing. If you believe the domain using your services is engaged in spam, abuse, or any illegal or unlawful activity you will want to take action quickly.



Visit www.fipco.com/itresources, call 800-722-3498, ext 251, or email itservices@fipco.com for more information.

The Digital Millennium Copyright Act (DMCA) (www.copyright.gov/legislation/dmca.pdf) criminalizes the act of circumventing an access control, whether there is actual infringement of copyright itself or not. A DMCA takedown notice is sent by a copyright holder to a web host or hosting registrar, requesting removal of infringing content or take down/blocking of the offending URL. DMCA identifies that a hosting company must remove content from a user's website that may appear to constitute copyright infringement after the host receives proper notice or the host loses safe harbor and can be sued. Material does not need to be registered with the U.S. Copyright Office in order for you to request a takedown. It is possible to take action on what the law already supports. Consider involving legal counsel when taking these types of actions. When the incident involves other countries; legal action may be very difficult to enforce.

There are really quite simple steps required to request a takedown and stop the offending actions.

1. Take screenshots of the infringing site, and document the URL.
2. Locate the website's host.
3. Determine the Copyright Agent.
4. Draft the takedown notice.
5. Reach out to the registrar and/or to the hosting company, inform them of your copyrighted material on

the spoofed site, any other malicious activity (phishing) or problems (reputation issues), and the site will hopefully be taken down promptly.

WhoisProtectService.net is an example of a service that can assist with the takedown process. They are a provider of domain names, registration privacy, and proxy services. The company has been involved in the domain name registration business for many years. *WhoisProtectService.net* registration privacy service conceals your domain's public WHOIS record, containing your actual contact and personal information, from common harassments such as spammers, scammers, stalkers, telemarketers, identity thieves, and any other third parties

who might be using your personal and contact information without your consent.

Another source to consider for assistance and place that the issue should be reported to is the Wisconsin Statewide Intelligence Center (WSIC) at www.wifusion.org, cybercrimes@doj.state.wi.us or call them at 888-DCI-WSIC (888-324-9742).

There are also very good resources available from the Anti-Phishing Working Group's sponsoring members that can be found at <https://apwg.org/sponsor-solutions>. And of course you can always reach out for assistance from FIPCO using the email address itservices@fipco.com or visit the resources web page at www.fipco.com/itresources.



IT AUDIT & SECURITY SERVICES

- IT Auditing
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Contact FIPCO's Ken Shaurette to get started.

kshaurette@fipco.com
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Strategic Connections

Reduce Friction for a Better Customer Experience

By Stefanie K. Bonesteel

Think for a moment about how much effort your team puts in to getting people to walk through the doors of your bank—or more likely in this day and age, to visit your website or download your mobile app. Consider the dollars spent on marketing campaigns, the hours spent at networking events, the manpower to staff community events. You're constantly working multiple angles to get your people and your brand ahead of the competition. Following all this effort, the last thing you want to see is an opportunity to forge a new relationship derailed by a poor customer experience.

As a society, we are stretched pretty thin. The demands of our families, homes, careers, and volunteer



Strategic Connections

Stefanie K. Bonesteel

commitments have most of us running ragged. Can anyone blame us for seeking out the least painful way to get anything done? As companies like Amazon are showing us just how simple it can be to get what we want, our definition of a "good customer experience" is evolving. Thanks in large part to technology, we're now expecting to get things done swiftly in all areas of our life, including our finances.

The bottom line: It must be easy to do business with your bank. Points of friction

will drive potential and existing customers away. Following are a few ways you can reduce friction:

1. Get a CRM, Use Your CRM, Love Your CRM.

Using a Customer Relationship Management system to log details of customer interactions saves customers from having to repeat their stories over and over, each time they call or come into your bank. Everyone at your institution can see who has been involved with a customer, what has been promised or delivered, and what needs to happen next. Plus, by building in tasks or workflows, it could help resolve customer issues in less time.

2. Improve Your Digital Experience.

Is it easy for your customers to enroll for online or mobile banking? Is your mobile app intuitive? How quickly does it load? Does your website have relevant, useful information that is updated and easy to find? Are you offering all of the online or mobile functionality that your customers want? Assess your digital experience as it stands now, compare it against your competitors, and gauge customer expectations in your particular market area.

3. Scrutinize Your Policies and Procedures.

From what I have seen, many community banks are operationally focused and risk-averse... and have the policies and procedures to prove it. By no means am I suggesting a revolt against best practices or compliance measures—we all know there's no getting around regulations—but consider revisiting your practices with a critical eye to see if you've been overdoing it. You may find areas where you can lessen the burden on a customer without assuming additional risk.

4. Empower Your Employees.

As central as technology has become to banking, there is still no replacement for good people. Giving your employees the tools they need to deliver the best experience is as important today as it has ever been. Those tools can include streamlined procedures, easy access to information, and the ability to make decisions. What would help your employees feel more empowered? Just ask them—they'll tell you.

Bonesteel is vice president – marketing at *Citizens Bank, Mukwonago* and a member of the 2019-2020 WBA Marketing Committee.



Digital Marketing is:

- A. the most powerful form of marketing
- B. the most cost-effective way to market your business
- C. the most measurable form of marketing
- D. all of the above**



Contact Jen to get started today.
608-441-1249 | jharder@wisbank.com

Wisconsin Bankers
ASSOCIATION

Staff Change? Address Change? Let WBA Know

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

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

Be a Leader in Banking; Make a Difference

Show Them You're a Leader—Become an Advocacy Officer

You love banking. You want to make a difference at your bank, in your industry, and in your community. You want to be seen as a leader by your peers and influence the future of Wisconsin banking.

You're the perfect candidate to become a WBA Advocacy Officer.

An Advocacy Officer is seen by their co-workers and peers as a leader in the industry. These are the people who contribute in a very meaningful way to their bank and the banking industry.

So, what does an Advocacy Officer do? As the volunteer Advocacy Officer at your bank, you will coordinate regulatory, legislative, and

community advocacy efforts at your bank. You will work with Wisconsin Bankers Association (WBA) staff, other bankers, state, local, and federal levels lawmakers and staff, state and federal regulators, and other state or national trade groups.

As an Advocacy Officer, you will provide input and take action on legislative and regulatory policy items as well as give strategic direction and assistance to the WBA Government Relations Committee. This is where the rubber hits the road in terms of how policy is set and how it affects banking in the Badger State.

The best part is that Advocacy Officers don't do all of this on their own. As part of this specialized group, you will network with other Advocacy Officers and those who are helping set the rules for bankers to gain support for changes that will benefit the entire industry. The best part is the WBA will work with you every step of the way with a variety of resources dedicated to help you be as successful as you can be.

Want to know more about the Advocacy Officer role? Or better yet, how to become an Advocacy Officer? Please contact WBA's **Mike Semmann** at 608-441-1206 or msemmann@wisbank.com.

Why Become an Advocacy Officer?

- » **Development.** You will grow your ability to innovate and make a positive impact on the direction of the banking industry.
- » **Opportunity.** You'll be given the chance to facilitate statutory or regulatory changes that will benefit your bank and the banking industry.
- » **Leadership.** Others in your bank will see you as a leader because of your increasing awareness regarding banking-related issues.
- » **Visibility.** Policymakers at every level of government will hear your voice and your opinions.
- » **Impact.** You will make a real difference in the lives of Wisconsin bankers and the communities you serve.

What are the Main Expectations of an Advocacy Officer?

- » **Keep informed** of legislative and governmental issues that impact both the bank and the banking industry.
- » **Communicate quarterly (optimally)** with the bank's board of directors and officers on state, local, and national issues impacting the industry.
- » **Coordinate** at least one "Take Your Legislator to Work" event annually.
- » **Participate** in the annual WBA Capitol Day hosted by the Wisconsin Bankers Association.
- » **Coordinate** annual fundraising activities for the WBA's ABW and Wisbank PAC for the bank's board of directors, officers, and employees.
- » **Contact** both state and federal legislators on emerging issues and encourage other bank personnel to do the same.
- » **Be the liaison** within the bank for communication of WBA advocacy actions and initiatives to bank officers and board. Any other duties as assigned by the bank president/CEO.

» Advocacy Officers receive an **Advocacy Report** in their inbox every Friday. It's a quick briefing on the highlights of current advocacy news. It also links you to the latest Advocacy Worksheet (*example below*) providing a deeper dive into any of the advocacy issues that are critical to Wisconsin's banking industry.

Issue Tracking			
	Level	Issue Status	WBA Action
High Alert	Electronic Notary	– Assembly passed AB 293 legalizing e-notary and remote notary.	– Hearing held this week on WB 317 before the Senate AG & Banking Committee.
	Elder Financial	– Bill would create protections for financial institutions restricting transactions due to potential elder abuse. – Heard in the Assembly. – No Senate action yet.	– Awaiting further action by legislature.
	Community Reinvestment	– Agencies issued proposed rulemaking to modernize CRA regulations. – Rule would (among other things) clarify which activities qualify for CRA credit and update where activities count for CRA credit.	– WBA reviewing rule for comment.
	Real Time Payments	– Fed plan to create FedNow, a real-time payments settlement service. Not operational until 2023 or 2024.	– Concern over need for interoperability. – Comment period has closed – Tracking and awaiting Fed rulemaking.
Watchlist	GSE Reform	– FHFA has indicated intent to write rules ensuring GSEs operate in a safe and sound manner, preparing the GSEs to exit conservatorship and foster competitive, liquid, efficient, and resilient national housing finance markets.	– Tracking upcoming action.
	CAMELS Rating System	– Fed and FDIC request comment on the CAMELS rating system. – Comments due 2/28/20.	– WBA considering comments but seeking member feedback.
Holding Pattern	Farm Field Siting/Runoff Limits	– Rule will not be brought to a final vote in 2019.	– Will be proposed again. – WBA tracking issue.
	Consumer Due Diligence Rule	– FinCEN FAQ and Guidance issued.	– Member FAQs submitted to FinCEN.
At Rest	DFI UCC Search	– New website for UCC search/filing. – DFI has corrected functionality issues. – Expanded quick search.	– WBA continuing to monitor to ensure functionality.
	Cryptocurrency — Facebook	– No recent developments. – See: Real Time Payments above.	– Gathering member input and monitoring in media. WBA wrote an article for membership to share with media.

Spotlight on Community Advocates

Wisconsin's bankers are the definition of "community advocates" in all that you do every day to improve your local economy through your bank's products and services, as well as through your generous philanthropy of time and money. This column shares and celebrates the diverse backgrounds, experiences, perspectives, and innovation of some of the extraordinary bankers in this state.



Rose Oswald Poels

Q&A

The following is an edited interview between WBA President and CEO **Rose Oswald Poels** and Farmers & Merchants Union Bank President and CEO **Randy Bobholz**. Visit www.wisbank.com to read the full interview.



Randy Bobholz

Rose: How did you first get into the banking industry?

Randy: I entered the banking industry a little by accident! When I was younger and trying to figure out what I wanted to do in life, I worked for my fiancé's father's plumbing business. The idea was to help him get caught up and for me to learn a trade. This is where I first learned that "you-know-what" only runs downhill – I have never forgotten this!

While working for him, I helped him get caught up in a shorter-than-anticipated time so there wasn't a lot for me to do. (Well, I can believe him getting caught up was due to me!)

One day, my mother was talking to the local Friesland branch manager about my situation. He recommended that I apply for a banking job at the main office in Columbus, and I did. I interviewed for a bookkeeping job. I was hired and started on Jan. 7, 1980. After spending one day in the bookkeeping area, hand-filing checks (yes, by hand), the bank president asked if I would be willing to learn the teller position. I said "yes" and the next day I was on the teller line. Since that time, I have worked in every department of the bank: teller line, bookkeeping, IT, loans, and management. I have been the bank president since the year 2000. By the way, I still fix a toilet if needed during the day!

What is your favorite aspect of your role at your bank?

This is a tough question. When it comes down to it, my favorite aspect of my career is not just a moment in time. Rather, it spans my 40-year career. For example, I recall opening a new checking account for a young customer. When I transitioned to the loan area, I helped this same customer buy a home and start a business. Today, the same customer I met on the teller line 40 years ago is very successful and has their home and business paid off. To this day, they remain a customer of the bank.

My favorite aspect of my role in the bank is customer relationships from start to finish! I enjoy seeing a customer grow financially and enhance their long-term relationship with the bank.

 Do you know a banker who should be recognized as a Community Advocate for the work that they do? Nominate them today by emailing Rose at ropoels@wisbank.com!

What do you wish the general public understood about the banking industry?

I will answer this question as it pertains to the community banking industry. With all the competition for financial services such as credit unions, regional banks, fintechs, credit card banks and others, the public should understand that community banks are integral parts of the communities they live and work in. Community bankers and community members see each other on the street, in church, in the store, at the gas station, at school events, and many other places. Community bankers really are part of the community! We care about our customers and their overall financial success. Yes, banks need to make a profit like any other business to stay viable. However, if you have a financial question, concern or just want to talk, community bankers are here for our customers.

We may not always be the lowest interest on loans or the highest interest on deposits, but there is more value to a community bank than the rates. Community banks provide unmatched service and meaningful relationships with customers. If a community is successful, the bank and other businesses in that community will also be successful. We are no longer tellers or lenders; we are Relationship Bankers!

Where do you believe the industry's greatest challenges are in the next three to five years?

Viability and survival! As stated earlier, banking is difficult with all the competition from "other financial entities" who state they can do it better, faster, and cheaper. I question if this is a true statement, or an unfair statement from a competitor who does not need to follow the same tax situation or regulations as a community bank.

Along with fierce competition, securing and keeping young talented employees is a challenge. There are many opportunities today for a bright, young individual in careers that sound more interesting than banking. The regulatory world also keeps getting tougher, with more being required of banks.

With all the competition, limited talent pool, and increasing regulatory requirements, survival is becoming very difficult for the community banking industry. Is this the cause of all the mergers and acquisitions? It's hard to really know, but in my opinion it plays a major role.

(continued on p. 27)

HELP WANTED

In Store Branch Manager

The In Store Branch Manager (located inside Walmart) is responsible for managing and anticipating the needs of the branch, including driving sales, stellar customer service, complying with regulations and policy requirements, and facility management. Develops new deposit business, provides superior customer service, and promotes a sales and service culture through coaching, guidance, and staff motivation. Provides leadership, training, and supervision to all Customer Service Representatives. Skills and Abilities Required: Detail-oriented, excellent organizational skills and high degree of accuracy with the ability to work independently; Strong verbal and written communication, problem solving, and decision-making skills; Strong supervisory, leadership and interpersonal skills required to manage, motivate, and develop employees; Strong sales and business development skills; Knowledge and understanding of all bank products and services; Ability to uphold confidentiality and customer and employee privacy in all situations; Ability to display professionalism and tact in interactions with customers and staff; Ability to work effectively within a team environment; Flexibility to work past regularly scheduled hours to cover the demands of the position. Benefits: American Bank offers a competitive salary (based on experience) along with an attractive benefit package which includes medical, dental, life

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and long-term disability insurance, employee stock ownership plan, 401k and paid vacation, holidays, and sick leave. [American Bank](#) is an Equal Opportunity Employer. Minority / Female / Veteran / Disability. Visit <https://americanbankbd.com/apply.html> to apply.

Universal Banker

[Starion Bank](#) is a growing community bank known for providing local leadership, personalized service, and community loyalty. We foster a culture where you can grow both professionally and personally, and we treat employees as our most important organizational asset. Located in Middleton, Monona, and Sun Prairie; we are looking for self-motivated individuals to develop long-term relationships with consumer and business clients as well as maintain existing customer relationships. Individuals in this position are responsible for opening personal and business deposit accounts, cross-selling bank products and services, and processing regular teller transactions in an efficient, friendly, and accurate manner. Prefer two to three years of experience in customer service, sales, and cash handling.

Starion Bank offers a competitive salary and a full comprehensive benefit package including health, life, dental, vision, health savings account, 401K, profit sharing, paid vacation, and holidays. Join our team and work at a bank recognized as "Best of the Best" by *Independent Business* magazine and "50 Best Places to Work" by *Prairie Business* magazine! Apply online at www.starionbank.com/careers. Starion Bank is an Equal Opportunity Employer of women, minorities, protected veterans and individuals with disabilities.

Commercial Lender

Community Bank of Portage, a branch of [Bank of Wisconsin Dells](#), is looking for an experienced Commercial Lender to join our team. This position involves developing new business, including outbound calling efforts, and servicing an existing portfolio. BWD also expects active involvement in the communities we serve. Successful candidates will have experience in sales, credit, and commercial lending, and possess excellent communication and customer service skills. Candidates must also be knowledgeable in underwriting and structuring of loans. Previous commercial lending is required. Benefits include health and dental insurance, paid time off, and generous 401k match. Salary will be commensurate with experience. Position is eligible for bonus. Please include expectations with online application. Bank of Wisconsin Dells is proud to celebrate 110 years as a locally owned community

bank with strong ties to the communities we serve. Bank of Wisconsin Dells is an Equal Opportunity Employer. If you feel your background and experience are matches for this position, apply online through our website, www.dellsbank.com.

President

[Time Federal Savings Bank](#) is seeking a President to lead our bank into the future. In order to execute the desired succession planning due to our current President's expected retirement, the placement and selection process will be accomplished thoroughly and carefully. The right candidate must be ready to continue building an effective culture, provide inspired leadership to our team, establish a working relationship with our Board of Directors, set a path for long-term strategy and vision, and build continuous rapport with our valued customers. In addition to a competitive salary, this position includes insurance benefits (including medical, dental, vision, disability, life, and more), a competitive 401(k) match, paid time off, and additional fringe benefits. The candidate we are seeking must have a four-year Bachelor's degree in Business Administration or a related field, and a minimum of seven years of progressive leadership and executive/management experience at a financial institution. Additional education such as completion of a Graduate School of Banking is preferred. View the full job description and apply online at <https://timefederalsavings.apscareerportal.com/jobs/1039425/apps/new>.

Community Advocates

(continued from p. 26)

Please describe your current role at your bank and share with us one of your more rewarding experiences.

My current role at Farmers & Merchants Union Bank is President, CEO, and Chief Loan Officer. My most rewarding experience? This is difficult to answer because there have been many!

Of utmost importance, providing employment for our staff, who are part of us and the communities we serve, is very rewarding. They are our immediate family. Without great staff, we have nothing!

As far as customers go, it seems that every day something happens that is rewarding: helping a customer finance a business request, purchase a home, or just sit down and talk. Throughout my years, I have come to know a lot of customers, their financial situation, their family situation, and them as people. What I realize is that when a customer has something happen in their life, be it a "scam," marital issue, financial issue, illness or a death, they often come in just to talk! They are not looking for funding or a handout. They are just looking for someone they trust to talk through their situation and look for "non-banking" guidance. Being there for our customers above and beyond banking is very rewarding to me. Relationships are definitely the reward!

Oswald Poels is WBA president and CEO | ropoels@wisbank.com
608-441-1200 | Twitter: [@RoseOswaldPoels](#)

WISCONSIN BANKER

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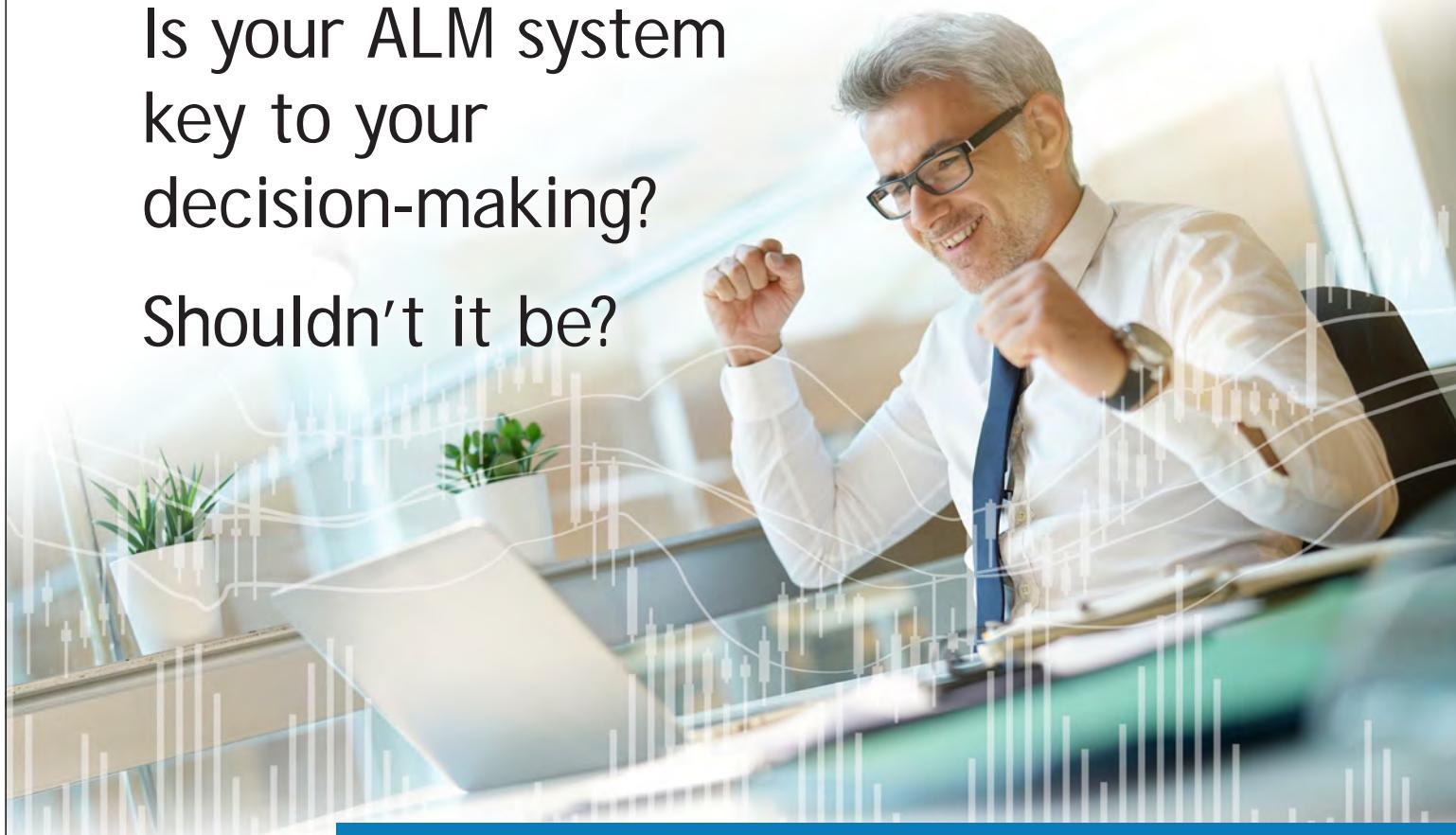
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Your Commercial Bankers

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