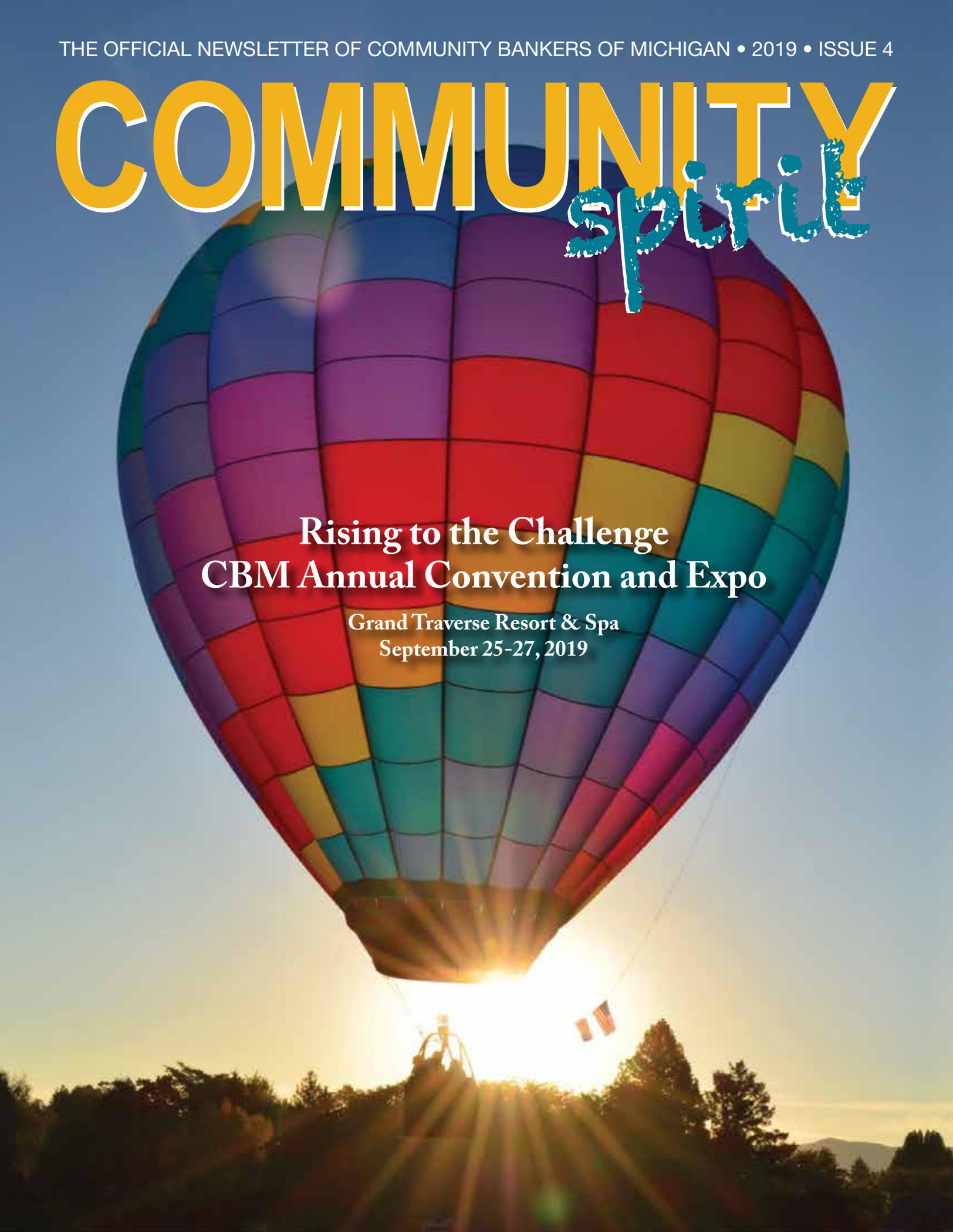


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CBM 2018-2019

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president's corner

We are in the countdown period for the CBM Annual Convention in Traverse City from September 25th to the 27th. We have a great program for you this year as we showcase how Michigan community bankers “Rise to the Challenge” every day for their clients and their communities. The convention will be here before you know it. We have already sold out of rooms at the Grand Traverse Resort, but there are plenty of other rooms available close by, so sign up now. Our Directors’ College, which we hold jointly with DIFS, will be held on Wednesday September 25th at the Grand Traverse Resort. Bring all of your directors for the training and the convention. Speaking of DIFS they recently released their fee schedule and the good news is it is unchanged from last year!!

Our nominating committee had an especially hard job this year as we had a large number of truly outstanding candidates for the “Best of Community Banking Award.” Every banker nominated for the award by their bank makes a huge difference in their bank and in their community and reading all of the information about each of them sure fired up our pride in this great industry. These people have a huge positive impact by being great and compassionate leaders who want to make a difference in the lives of their employees and for the citizens of their community. The nominating committee selected Mark Kolanowski as this year’s winner of the “Best of Community Banking Award.” Mark has been a great leader of his bank, a community leader, and he has been a strong advocate for the CBM and the ICBA. Please join us in congratulating Mark!! The nominating committee also selected Debbie Cunningham and Will Oldford to stand for election to the MCBS board at the annual convention. Will is going to replace a great banker on the board, Tim Ward, when Tim retires at the end of the year. David Williams was nominated to stand for election to become the next Secretary/Treasurer of the CBM. Another banker we are recognizing with a new award is Patricia (Trish) Brown of ChoiceOne – she will be our first winner of the Rising Star Award for her work with low to moderate income students in their markets.

Speaking of ChoiceOne – Adom Greenland was recognized by the ICBA as one of the 40 under 40 rising stars in our industry – congrats Adom and Trish!!

On a very sad note we were so sorry to learn of the passing of Sandra Willis, President and CEO, Exchange State Bank. Sandy was a great community banker. She was involved in so many things in her community and she will be sorely missed. The line was literally out the door at her visitation as so many in her community wanted to show their respect and affection for her – I should have expected it knowing her but it was still incredible to see. We have an article remembering her in this issue. She got married and went to work at the bank 39 years ago – what a great career and life she lived!!!



Michael J. Tierney
CBM President & CEO

The summer shot by in a hurry with all of the events and bank visits. Our Marijuana forum had our largest crowd ever as our bankers are doing all they can to keep themselves informed of all of the developments around this business. We heard from DIFS, the Michigan Department of Treasury, LARA, and compliance and legal experts about where things stand and where they are headed in this business. We also heard from business owners in the space and they gave us a unique perspective. We may think of this business as being run by old hippies who still have a VW van in the parking lot – well it is not. True there are some of these types in the business but there are also very competent and very successful business owners who have developed sophisticated approaches to this business. We will see a lot of change as the professional business class takes over this business from the less experienced operators. Unfortunately the US Senate Banking Committee hearing that just took place on marijuana banking is not likely to lead to any action this year. Even so – we need to keep talking to legislators in Washington, D.C.

and pushing to get the SAFE Act moving in Congress.

Please join us in October as we jointly sponsor a trip with the MBA to meet with the Michigan Congressional Delegation. Things will be starting to really heat up for the 2020 election year in the fall – so it is an ideal time for us to push for meaningful legislative priorities for Michigan banks. We hope you will join us as we push for your priorities. There is still plenty of work to do on cyber security, BSA reform, and GSE reform just to name a few.

Cyber security is in the news again as Capital One was the victim of a major hack for the third time in five years. Paige Thompson, also known on-line by the handle “Erratic”, appears to be the perpetrator of the hack. She allegedly gained access to over 100 million credit card applications, 140,000 social security numbers and 80,000 deposit secured credit card account numbers. This follows on the heels of Equifax settling out their claims by paying over \$450 million to consumers who were impacted and a \$100 million civil money penalty. Capital One is expecting the cyber breach to cost the company between \$100 and \$150 million. My guess is it will be a lot more than that when the dust settles. The hack took place between March and July. This again underscores how important it is for these data breaches to be made public as soon as reasonably possible and no later than 45 days after they are discovered so that losses can be limited for consumers and banks. Capital One is a bank but certainly not a bank like any of yours. We are fully behind the Michigan cyber bill being pushed by Diana Farrington that would require any company that is hacked, where sensitive information has been obtained, to have to disclose the incident in 45 days so that losses can be limited. We are going to ask every bank in the state to sign a petition supporting this position so the legislature is clear on where Michigan banks stand. Check out our article on cyber security in this issue and attend our Directors’ College for more insight.

We would also like your help to push for the Federal Reserve to get into the payments business to protect your bank from the mega banks. The

National Clearing House is controlled by the largest banks and they are not willing to play ball with your banks on a level playing field. I saw this first hand when I was on the NYCE board representing Comerica. Magic Line was sold to NYCE and CMA was a major holder of Magic Line shares so we were given a seat on the NYCE board and I served as our representative. There were really two boards in the one board – but not officially. Turns out that the board members from Chase, Bank of New York, Citibank and a few other large east coast banks would meet before each formal board meeting to set their priorities for the NYCE executives to follow – and then try to push the business objectives to what they wanted – not what the entire board wanted. The same thing is playing out with the Clearing House as they address faster payments. The mega banks wield too much power and all of the rest of our banks will end up paying more for their services and getting less attention than the big guys. This is a rerun of a movie we have all seen far too often. We all need to push the Fed to develop faster payment solutions that work for all banks regardless of size and the ICBA is doing a great job of leading this charge and we all have to help join in the effort.

We held two well attended classes for your new lenders – our credit training class and our appraisal review class. We have now put nearly 100 young, enthusiastic bankers through our credit training program. It has been so great to see their passion for the banking business and their desire to learn the trade. It was a pleasure for me to get to spend time with the future leaders of our industry in Michigan. Their energy and enthusiasm is contagious and it helped this old dog remember just how much our industry does for our clients and our communities. These young lenders will be helping to grow the businesses in our communities and we would like to see them do it by avoiding some of the mistakes we might have made along the way and helping them learn some of our most successful tactics and work habits.

Our UP Forum held in conjunction with Lasco was a huge success! Our thanks to Robert Baer

(continued on next page)

president's corner

(continued from previous page)

and his staff for all of their help to make this a great event. We started with golf on Wednesday at Greywalls and ended with a CEO Forum on Friday. The Greywalls Golf Course is a gem and if you are a golfer and have not played it – put it on your bucket list. Next year I would suggest that a number of our Lower Peninsula bank executives put this meeting on your calendars – great meeting, great content, and great golf. Marquette is a pretty nice place to be and things are going well in this marvelous town. We will be back up in the UP in the fall for our follow up event.

The CBM will also be having a grand opening in November as we will be moving to a new location. We are moving one mile away to a new office space on Lake Lansing Road. The new office will give us more space for all of the new programs we have been bringing online for you, provide more parking, and even easier access to the freeways. We loved our home for over 14 years but the new digs will be even better. We will get a save the date out when we have a firm date on when the interior construction work will be done – stay tuned. You will really like the new location!!

Our HR Forum just took place in Lansing. The group continues to grow and they are learning a great deal about how to protect and nurture your most important asset – your people. The group heard about the outstanding wellness and employee benefit plans available from Kapnick and reviewed the upcoming 401k plan the CBM will roll out in the fall. Be sure your HR director is signed up for the next meeting of this group.

I thought I would share a short story about being “On the Road for the CBM.” I have visited 20-30 banks this summer and you never know just what you might run into on your visits. Troutarama in Baldwin, concert in the park in Ludington, or the sudden flat tire outside of Brown City. I was driving to Mike Ford’s grand opening celebration of the new main office when nine miles from the bank my tire gauge light came on in my Jeep – I went from 36 pounds of air to 6 pounds in just a mile or two. The event was starting in 20 minutes – so I called



Mike on his cell and told him I might be a few minutes late. I changed my tire on the side of M53 in 88 degree heat in my suit and tie and showed up about 20 minutes late for the start. Fortunately they had some great food and Mark Shadley broke into his private reserve to help me forget all about the tire – it worked! What a beautiful new main office Tri-County Bank has in Brown City. Many of our member banks are building new main offices and new branches and I love having the chance to see firsthand the progress all of you are making. Keep up the good work, keep serving as the economic engine of growth in your community, and keep “Rising to the Challenge” - See you in TC!!

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rebeca's remarks

Flourish

By Rebeca Romero Rainey, President and CEO of ICBA

I recently attended an ICBA Services Network meeting where a group of us started reminiscing about the evolution of banking over the past few decades. We collectively wondered at how much has changed for the better. From new products and services to digital strategies and internal efficiencies, we've evolved our business to support our customers' growing needs. Thankfully, we're no longer filing checks and stuffing statements!

But when we examine things more closely, we see that in some respects, much remains the same. Despite industry transformation, the core of who we are as community bankers stays constant. While *how* we do things has changed, our collective mission endures. We're here to serve our customers and our communities to the best of our ability.

“We stand the test of time as pillars of our communities.”

Nowhere was that more apparent than when I flew back to Taos, N.M., to attend Centinel Bank's 50th anniversary celebration in April. The stories that were shared emphasized the pivotal, permanent role a community bank serves in its home environment. Over the past 50 years, our family and the incredible team at the bank have helped to support the creation of countless businesses. Many of those businesses, like the local auto part store and a local restaurant, are still flourishing, and they now are being passed down to the next generation of business owners: the daughters, sons and, in some cases, grandchildren of the founders. All the while, Centinel Bank has stood as a fixture for their banking needs. From the day it opened its doors, the community bank has maintained an active role and still serves as their bank today.

The relationships we forge allow us to support those who live and work locally, and we help to

write the future of our towns. This is what makes us so unique. We stand the test of time as pillars of our communities.

This spirit of community is why ICBA exists. As you read this month's issue celebrating membership, I hope you'll take to heart the stories that show what it means to be a member of the Independent Community Bankers of America. I encourage you to look for new ways to leverage your membership to fulfill your mission to serve as a presence in your community for generations.

It's often said that the only constant is change. In community banking, we need to flip that lens to account for generations of impact. Because when change is upon us, we remain constant, continuing to do what we do best: serve our customers and communities.



**Rebeca Romero Rainey
President and CEO
of ICBA**



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from the chairman

From the Top

By Preston Kennedy, President & CEO Zachary Bancshores, Inc., Zachary, LA

August is upon us, and we've entered the dog days of summer, but it's not time to sit back and relax. Much to the contrary. We're heading into the midst of a tumultuous political season—one where community bankers' voices need to be heard—and we must take advantage of this time to get our plans in place.

We have had some political successes in the past couple of years precisely because we put boots on the ground, amplified our voices and elevated the issues of importance. We were fortunate to meet with the president on two occasions, and a year later, we saw the passage of S.2155, which created some regulatory relief. But what now? What are we going to do next? I can tell you one thing: We're not going to rest on our laurels. We have other objectives to advance.

For example, as real-time payments heat up, we need to be out there ensuring Congress and the administration recognize the critical role the Federal Reserve plays in making real-time payments a viable option for community banks. Then, as we look at housing reform, we need to be vocal about provisions that could disadvantage community banks. The nation's largest banks should not be the sole benefactors of any changes. The third issue to raise up is credit unions' abuse of power and overstep of their charters. We should continue to call for a review of the credit union tax and regulatory subsidies. Meanwhile, we have our work cut out for us on cannabis banking, reforming the Bank Secrecy Act and much more.

**“We're not going to rest on our laurels.
We have other objectives to advance.”**

These issues must rise to the surface for your senators and representatives, and now's the time to make it happen. When Congress is in recess, elected officials are back in their home offices to meet with constituents like you. Invite them out to your bank or schedule an appointment to meet them in their offices, or several community banks can come together and host them in one location. We've had Rep. Garret Graves (R-La.) out to our bank to hear from our

board and officers about the issues we're facing. Making that connection has mattered—and it opens doors for when we need to talk to him again.

So, I encourage you to make your voice heard. ICBA's Advocacy Toolkit (icba.org/advocacy) gives guidance on how to schedule these meetings and the points to raise in your discussions.

Don't wait for someone else. Set it up yourself, because you know how important it is. And just think, after your meeting, you can go home and put your feet up, knowing that you had an impact on the future of community banking.

My Top Three

These are the top three issues facing community bankers right now:

1. The Federal Reserve's role in real-time payments
2. Housing finance reform
3. Credit union poaching of community banks



**ICBA Chairman
Preston Kennedy**



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Banks renovating, moving and creating new and exciting space

Michigan has seen its share of banks committing to the challenges of updating old bank locations with fresh and exciting new space for their employees and customers alike. While there are several examples, we wanted to share a few recent ones with you.

Tri-County Bank

Tri-County originally made the decision to build a new corporate headquarters in 2016. They were out of space in their old buildings, and knew it was time to consolidate the 3 existing Brown City locations into one new and improved bank. The previous main office was built in 1972, by Thompson Phelan, Inc., when the bank had assets of about \$10 million, and today the bank is at about \$300 Million in assets.

Thompson Phelan, Inc. was again chosen to oversee the construction efforts and develop the overall design of the new location.

Tri-County had a weeklong grand opening celebration the week of July 8 – 12 complete with daily drawings, food, giveaways, etc. It provided a great opportunity to show off the new, open and welcoming bank location. “The event was well received and attended by hundreds of customers and community members. This has been an exciting time for our bank and our employees, and it seems the community is excited as well,” Tri-County Bank President and CEO, Mike Ford shared. “The community has been extremely supportive, we’re definitely here to stay. We’ve made an investment of millions of dollars in our community to keep 40 jobs local.”



Mike continued to share how Tri-County prides itself on being the premier community bank in the Thumb area. “We make decisions quickly and locally – we don’t have to wait for someone sitting in an office in a big city to tell us what we can or can’t do. We’re really proud of what we do to contribute to Brown City and the other local communities that we serve.” In addition to the headquarters in Brown City, the bank offers 11 branches throughout the greater Thumb area. Tri-County Bank currently employs 90 full and part time employees with a vast knowledge of banking expertise and varied banking backgrounds.



The new headquarters provides room to grow. Space was optimized for lobby and drive up teller operations. There are beautiful warm walnut wood accents throughout the new location designed to bring the outdoors inside.

The next time you are in the area, stop by the office and take a look around, you’ll be impressed! John Fountain, Vice President Client Relations, Thompson Phelan, Inc.

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features

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added, “We take so much pride in working with community banks on projects like these. It is wonderful to see a bank with so much commitment to their community and we work closely throughout the project ensuring employees and customers have a place to conduct business, and enjoy, for years to come.” John added the furniture, also warm with rich fabrics, was purchased through Financial Furnishings.

For more information on Tri-County Bank visit their website www.tri-countybank.com.

Central Savings Bank

Central Savings Bank, headquartered in Sault Ste. Marie, Michigan, recently remodeled their main office lobby to better serve their customers and the community. The remodel started with the idea of improving the efficiency of the teller operations in the drive through and lobby creating a more personal experience for the customers and allowing the tellers to transition into Universal Bankers.



After talking with various architectural firms who have worked with financial institutions, K4 Architecture & Design of Cincinnati, Ohio was selected to head the project. A local construction company, Nomad Construction was the general contractor. They hired other local contractors to see the remodel through.

With banking trends changing continuously, Central Savings Bank was sure to include one of the newest trends in banking, the Cash Recycler. The Cash Recycler is a machine that stores money securely and keeps an accurate count of the cash deposited and dispensed within it. Another great feature of the Cash Recycler is it provides the flexibility for

growth, creating a Universal Banker atmosphere, which allows CSB to meet the ever-so-changing demands of their customers.

K4 Architecture & Design shared the remodel of Central Savings Bank was more than just an updated main office lobby redesign, it was about creating a fresh environment to create a new experience and to improve their overall relationships with their customers. They were tasked to design a space where the employees could easily engage and interact with their customers while working more efficiently. The existing space had an expansive eight (8) person teller line, with a separate drive through area. With the integration of the pod concept the tellers could be more interactive and engaging with the customers, and with the use of video monitoring technology with the drive-through system, the same tellers staffing the pods can also service the drive-through customers, therefore eliminating double staffing.



Not only was the remodel about improving the customer experience, strengthening the relationships, and overall staffing efficiency, Central Savings Bank also takes great pride in their community and sought to enrich and brand their space by displaying Sault Ste. Marie's great history. Graphics are displayed throughout the lobby and waiting area both as a tribute and an education about their community.

Central Savings Bank has been a full service hometown bank in Sault Ste. Marie since 1902, with 9 locations in the Eastern Upper Peninsula and 19 conveniently located ATMs.

They offer deposit and loan products for both personal and business customers. In addition, they offer many eBanking products such as Internet and Mobile Banking, a 24/7 Access Line, Bill Pay and eStatements.

For more information on Central Savings Bank, call 906-635-6250 or click www.centralsavingsbank.com. You can always find them on Facebook at www.facebook.com/askwhatwecandoforyou



Mayville State Bank

Mayville took advantage of property previously purchased on a prominent location on M-24 to move their headquarters. The new location has substantially increased the presence of the bank in the community.

Several new bank features were considered before committing to the new location. Mayville took advantage of sit-down dialogue teller stations and convenient, private customer service centers which customers love. Lending activities are convenient to the lobby which customers appreciate and the increased privacy of this area.

Thompson-Phelan, Inc. was the general contractor for the project. One of the many goals was to ensure the customer experience was highly personalized. The location is featured with beautifully stained dark mahogany tone on oak doors and trim, combined with tile textures, rich paint and wallcoverings for an inviting and comfortable interior. Exterior windows are large and balanced with the exterior scheme. Almost all employees can see the out of doors.

Shelly Brooks, President and CEO, Mayville State Bank shared, "Mayville is our roots. Our bank dates back over 133 years. It was important to us to create a new location prominently in the town, with inviting areas for our customers, and our



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community.” Brooks continued, “M-24 is a great location for us with 5000-6000 cars passing each day. We look forward to serving Mayville and the surrounding communities for years to come.”

The bank relocated approximately 30 employees from their previous headquarters location and this is built with room to grow. Brooks shared the point of moving to a new location, with such great access, allows them to plan for growth. She acknowledged making a strong commitment to the community of Mayville and is excited to share the new location with new and existing bank customers.



Are you considering a renovation for your bank? Review the checklist for considerations on the following pages to help guide the decision-making process.



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IS YOUR COMMUNITY BANK READY FOR A BRANCH TRANSFORMATION?



Consult this checklist to see if you have all your bases covered!



1



2



3



4



5



6

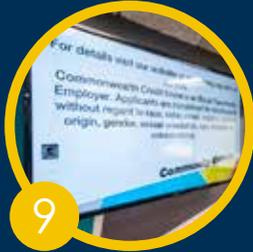


FACILITIES

- 1. From the exterior to the interior, do your branch(es) make a connection to and reinforce your brand?
- 2. Are your branch(es) modern, open, transparent, progressive, and retail oriented?
- 3. Have you considered downsizing your facilities or investigated re-purposing the branches?
- 4. Once inside the space, does your branch:
 - Promote interaction and engagement with the customers?
 - Is there a connection between the transaction areas and the offices, so there are no barriers?
 - Promote a sales culture – cross channel integration between technology and the personal touch?
- 5. Teller Line vs. POD – What works best for your customers, employees, and your branch demographics?
- 6. Have you looked at ways to transform your branch(es) from transaction centers to advisory, education, training, and problem-solving centers?

✓ TECHNOLOGY

- 7. Have you considered implementing check scanners and cash recyclers at the transaction area for increased efficiency and customer interaction?
- 8. Have you considered ITM's to assist with staffing efficiencies and to deal with the inconsistent lobby and drive thru patterns?
- 9. Have you replaced outdated print marketing with digital marketing and touch screens? Not just for increased branch real estate but for digital tracking of your marketing efforts?
- 10. Do you have a location within your facility to educate and train customers on how to access your online products and services, such as a Tech Bar or Tech Center?



✓ PEOPLE

- 11. Has your staff been trained and are they comfortable demonstrating the advantages of new equipment and technology?
- 12. Have you implemented the "Universal Banker" or "Relationship Banker" Concept? Put the right people in the right places to develop relationships. Make sure the front-line staff are comfortable interacting and engaging with your customers.
- 13. Have you created teasers of the new changes to create excitement amongst your employees and customers? Both in branch and on social media and the website?
- 14. Is your branch team "on board" with the branch transformation and their new roles as Advisors, Trainers, Educators, and Problem Solvers? If your team has not bought into the concepts, you cannot expect it to work!



✓ BRAND

- 15. Branch Transformation could be called Brand Transformation as not updating your other marketing assets along with your branch is the kiss of death as you lose brand consistency. Protect your brand value during and after branch transformation and don't forget your brand during the process, make it a priority! Don't eliminate the equity of the existing brand immediately and keep a presence of those years of hard work in the items below.
- 16. Your plans to transform your branch(es) are underway, have you also made plans to update your:
 - Website?
 - Mobile?
 - Social Media?
 - Print Marketing Collateral? Including print marketing pieces as well as letterhead, business cards, etc.
 - Branded Employee Clothing
 - Environmental Branch Graphics
 - Employee Nametags
 - Internal Graphics (break room, etc.)



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Are Your Vendors Doing Everything They Promised?

Find out with these four types of vendor monitoring

Michael Berman, Founder & CEO – Ncontracts

Your vendors have promised a lot. More than just providing products and services, they've promised to keep your data safe and their systems backed up. They've promised to carry insurance and follow applicable laws and regulations.

While it's obvious when a product or service is delivered—the lawn is cut or a new sign is delivered—it's much harder to tell if a vendor is following policies and procedures and meeting the less visible obligations.

How do you know whether your vendors are actually doing what they say they are doing?

It comes down to four key types of vendor monitoring:

1. **Vendor reports**
2. **Third-party reports**
3. **Audit rights**
4. **Cyber monitoring**

Vendor reports

Tracking a vendor's every action would be onerous and negate the value of outsourcing. It makes a lot more sense to have the vendor monitor its own performance and provide reports.

The vendor is in the best position to monitor its work and let you know if it's meeting its obligations in areas like uptime, security, and vulnerability testing. Yes, you'll have to count on the vendor to provide accurate information, but if you suspect the vendor is lying to you in its reports, you've got a much bigger problem—and an issue for the courts.

Third-party reports

Third-party reports are information provided by organizations hired by your vendor. This includes internal/external audits and exams, SSAE 18s, insurance certificates, outside test results, notices from suppliers, and other documents. Process and/or work product identified issues (findings) may be a red flag of an expectation not being met. These instances should be recorded as part of vendor monitoring and leveraged throughout the lifecycle of managing your vendor.

Reports from established, well-known partners can provide objective assurances that a vendor is performing as promised.

Cyber monitoring

Vendors boast about cutting-edge cybersecurity and promise to keep your data safe, yet third-party vendors are responsible for a shocking number of data breaches. Ongoing monitoring of vendor cybersecurity programs through vendor and third-party reports is important, but they only can tell you what happened in the past.

Cyber monitoring harnesses artificial intelligence to continuously monitor third-party vendor cybersecurity controls in real time to empower your bank to proactively defend against vendor breaches. It lets you know which of your vendors are most susceptible to a breach before it happens and helps identify vendors that are not aligned with your institution's cyber risk appetite.

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features

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Audit rights

Even if you never use them, it's smart to include audit rights in a third-party vendor agreement, whether through a third party or your employees.

Audit rights don't give your institution carte blanche. The vendor is likely to require you to pay for the audit, including use of its employees, provide reasonable notice and limit your access to relevant records and facilities.

Accessing Vendor Monitoring Tools

Monitoring tools like vendor reports, third-party reports, and audit rights aren't automatically available as part of a vendor contract. They must be negotiated into the third-party vendor contract so that you or the third-party conducting your due diligence can access them on a regular basis.

Consider insurance. It's not enough to require insurance, it also needs to provide assurances coverage is in effect. For example, a contract could require a vendor to provide an updated certificate annually or upon reasonable request. It could require immediate or prompt (make sure this term is defined) notice if insurance coverage lapses or falls below a certain threshold. The agreement could be written so that the insurance company would provide notice directly. This ensures there is a monitoring mechanism.



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Don't rely on the word of your salesperson. If it's not in writing, it's not enforceable. Use the bargaining power you have before signing a contract to ensure you have all the monitoring tools you need.

Putting It All Together

Don't just collect vendor data. Make sure you aggregate your findings for a thorough view of vendor performance, including regular risk assessments. Monitoring on its own is not enough. It's just one step in a vendor management lifecycle that also includes planning, due diligence, and contract negotiations. It's how you use the data that counts.

Ensure security at your financial institution

Implementing a robust security program strengthens your financial institution by protecting your cardholders and lowering your institution's risk.

Strengthening community financial institutions. That's our mission at SHAZAM.

As manager of SHAZAM's risk consulting business, I have the unique opportunity to help institutions of all sizes fortify their defenses, with both information and physical security programs. We work with clients of all asset sizes, across the country and assist financial institutions with "all things risk." This may mean information technology audits, BSA and ACH audits, as well as network penetration testing, vulnerability assessments and social engineering. In our work, we've noticed recurring findings that many institutions share. We strive to strengthen not only our clients' security, but the security of all financial community institutions. Addressing these common findings is a part of that process.



Ben Hayden

INFORMATION TECHNOLOGY AUDIT PROGRAMS

Access management. When conducting an IT audit, the majority of recurring findings are related to poor logical access management. This can include a wide variety of issues, but often focuses on poor control of Microsoft Active Directory. Many institutions have a high number of users with "domain administrator" privileges, don't restrict logon hours, allow nonexpiring passwords, haven't deleted unneeded or unused service accounts, or haven't removed terminated users from the system. Attackers *look* for these types of accounts. Digging deeper, we find that many institutions don't have a process for reviewing user access to wire platforms, core systems, internet banking or other systems. We hear the term "least privilege possible," which is a good security principle ... but it's not being followed consistently. Review *why* administrator accounts are needed. Chances are they're being used for privileges that can actually be — and should be — assigned to user accounts.

Configuration standards. Industry best practices tell us to use configuration standards found in "hardening documents." These standards are usually provided by firewall, switch and IDS/IPS manufacturers and the documentation outlines how to secure each system effectively. Download a free (usually) copy from the manufacturer's website. Make it a priority to update system configurations based on these standards.

Inventory. Institutions failing to maintain current hardware or software inventories is another common issue. It's your stuff — know where it is! Institutions should maintain an inventory of their assets, including what operating system and version each is running. In addition, a software inventory should be maintained. If needed, find a tool that will do this for you; knowing what software is on the system is critical. By having a software inventory in place, unwanted programs or even malicious programs, can be more easily located and this process can lead to reductions in system latency. In our reviews, we often find that these inventories are out-of-date and vulnerable programs exist.

Track findings. Once an audit is complete, it's important that institutions track their findings, assign them to a specific person, or establish deadlines to correct the issues. While there are many tools available to help with audit tracking, a simple spreadsheet can be created listing the audit's origin, responsible person, risk or priority level, and a deadline for remediation. This process is important to the security of your networks and systems.

MANAGE RISK

Many institutions fail to manage their overall exposure when they don't adequately assess, track, mitigate or accept risks. While they may adequately assess the risk through a risk assessment, they fail to fully mitigate risks for those items deemed higher risk. More threatening, however, is improperly lowering a risk score of a specific product or business line. Institutions do this to "accept" risk, yet lower risk items are easily forgotten. This simply isn't proper risk acceptance. Institutions should assess the risk of the product in question *only* after careful scrutiny. If there is a business need for the risk, move forward with an acceptance process that encompasses both senior management as well as the board of directors.

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features

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SECURITY VULNERABILITIES

Security vulnerabilities are often found during network penetration tests or vulnerability analysis. The following items include text from the Common Vulnerabilities and Exposures (CVE) database, and from findings identified by Nessus, a vulnerability assessment solution used by SHAZAM Secure.

Security protocol. Most findings we identify are related to institutions still running transport layer security (TLS) protocol, version 1. This protocol uses cryptography to encrypt communication over a network using a symmetric key system. Originally, many governing bodies listed June 2016 as the deadline for depreciation of TLSv1, although it was eventually extended to 2018. Resolve this issue now by upgrading to TLSv1.1 or TLSv1.2.

SSL certificates. Many institutions have findings related to SSL certificates which can't be trusted. An SSL certificate verifies that the data being shared is from a trusted source. When the certificate is correctly installed on the institution's web server, a secure connection is established. A registered certificate authority issues these certificates to ensure authenticity.

Out-of-date certificates create vulnerability to man-in-the-middle attacks. These occur when an attacker secretly relays, and possibly alters, communication between two parties who believe they are directly communicating with each other. It's important to take these steps to make sure your certificates work to keep information safe:

1. Confirm that the top of the certificate chain sent by the server is from a known public certificate authority. When the top of the chain is an unrecognized, self-signed certificate, or when intermediate certificates are missing, the certificate may fail.
2. Make sure the certificate chain contains a certificate that is valid at the time of the scan. If the scan occurs before one of the certificate's "Not Before" dates, or after one of the certificate's "Not After" dates, it can fail.
3. Ensure that the certificate chain doesn't contain a signature that doesn't match the certificate's information, or it doesn't contain a signature that can't be verified. Bad signatures can be resolved by getting the certificate re-signed by its issuer.

Cipher strength. Medium strength ciphers are less than 112 bits (but more than 64) or using 3DES encryption. Using poor encryption makes your organization susceptible to attackers. The fix is to configure applications to use higher strength ciphers.

Internet Key Exchange (IKE). Essentially, IKE version 1 supports aggressive mode with pre-shared key (PSK) authentication. "Aggressive mode" refers to the nature of the encryption between the two entities taking part in the key exchange. Using aggressive mode means the identity of the two entities in the key exchange isn't encrypted. Using this type of authentication allows an attacker to crack the PSK of a virtual private network (VPN) gateway. The easiest fix is to upgrade to IKE v2 as IKE v2 doesn't allow aggressive mode. If upgrading isn't an option, IKE v1 allows for "main mode," which encrypts the identity of the entities involved in the key sharing. If none of these are an option, use very strong keys.

PROTECT YOUR INSTITUTION

Cybersecurity and IT risks present some of the scariest challenges to financial institutions. To compound the problem, a recent IBM study conducted by the Ponemon Institute, an independent research firm, found the average amount of time from breach to discovery is 197 days. This means the attackers could be in your network for more than six months before you know it!

For the security of your institution and your accountholders, don't treat audits or security testing as a compliance "check the box." These risks should be analyzed with the same priority and level of concern as credit or liquidity risks.

Ben Hayden manages SHAZAM's risk management services, helping member institutions mitigate their risks in information technology, cybersecurity, physical security and BSA/ACH compliance. He holds master's degrees in both computer engineering and information assurance, is a certified anti-money laundering specialist and member of the Association of Certified Anti-Money Laundering Specialists. He has additional certifications and extensive training in electronic investigations, digital forensics and active shooter response.

SHAZAM is a national member-owned debit network, processor and core provider delivering choice and flexibility to community financial institutions throughout the U.S. since 1976. SHAZAM is a single-source provider of the following services: debit card, core, fraud, marketing, merchant and more. Learn more at shazam.net and follow @SHAZAMNetwork.

*Always a Challenge-
How Do You Make Sure You Are Selecting the Right Partners?
The 2019 Community Bankers of Michigan Convention
Might Provide Some Answers!*



James Harvin
Managing Partner
and Principal
JLH Associates, LLC

We have discussed this several times in this space – at the base of it, trying to make sure you have the best partner fit for very specific areas in your bank. Certainly a challenge for community banks with finite resource and levels of expertise in various areas.

If there are areas in bank operations that *seem* to be working, not causing any *apparent* issues it is easy to “not rock the boat”. Too many other things to address. And as we all know, no one likes change.

The Community Bankers of Michigan Annual Convention and Expo provides bank officers and directors a great opportunity to meet and talk with a variety of community bank product and service providers.

Maybe more importantly – it provides an opportunity to meet and talk with several *Preferred Partners* of the CBM. These partners are special for many reasons, but high on your list should be the vetting process employed in their selection as preferred partners and the ongoing due diligence provided by CBM.

The selection process to determine CBM preferred partner is extensive;

Feedback from community banks;

Discussion with and feedback from the Community Banking Initiatives Member Services Committee – 16 community banks 8 from Michigan and 8 from Ohio as well as the staffs of Community Bankers of Michigan and Community Bankers Association of Ohio;

Vendor sourcing from throughout the industry;

Request for information based on criteria develop by Member Services Committee and association staff;

Reference checks, site visit, accumulation of require due diligence information.

Having the Community Bankers of Michigan looking at vendor options, evaluating performance, price, contracts and compliance relieves bank staff of much of the current vendor risk management vetting burden. It also provides a basis for and confidence when selecting important bank partners.

Here are just a few of the partners in some critical areas already set to attend and provide information and discussion at Grand Traverse Resort:

Employee Benefits – Kapnick Insurance Group. The employee benefit group at Kapnick has quickly proven their level of expertise and competence for Michigan community banks providing the complete array of services required for a community bank employee benefit program to perform at a high level.

BOLI – EBS. Comprised of a group of accounting and high level insurance team members, including several CPAs as client bank service leads, as well as internally developed and managed administrative and systems, EBS has been and remains the premier- and most compliant- provider for Bank Owned Life Insurance (BOLI).

Bank Insurance – HUB International. Nationally recognized expertise in financial institution bond, director and officers liability, property and casualty and important in the current environment - cyber and cannabis banking.

Retail Investment Platform – Ameriprise. The combination of Ameriprise and IPI has created a high-level platform with community bank wealth management programs for both retail and commercial customers. The business division created has a primary focus on community banks- performance, compliance and customer support.

The exhibit hall will be completely full, as usual, with a wide array of providers. Be sure to visit these, and the more than 60 other associate members offering great products and services for community banks throughout the state.



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K4 believes in designing and creating environments in which banks can succeed and thrive. We believe it is possible to design your space to attract both younger and older generations.

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Contact us today, we look forward to building a relationship with you.

**Look for K4 at the CBM Annual Convention
on September 25th - 27th in Traverse City!**



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Richwood Bank - Richwood, OH



Citizens Bank - Royal Oak, MI

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legislative spotlight

This month's spotlight features State Senator Lana Theis.

State Senator Lana Theis represents the 22nd Senate District and serves as Assistant President Pro Tempore of the Michigan Senate.

Theis chairs the Senate Insurance and Banking Committee and Senate Education and Career Readiness Committee, and is vice-chair of the Senate Regulatory Reform Committee. She also serves as a member of the Economic and Small Business Development; Health Policy and Human Services; Joint Committee on Administrative Rules (JCAR); and Oversight committees.

Theis first began serving as the 42nd District State Representative in 2015. She served two terms, until being elected to the 22nd District State Senate. While in the House of Representatives, Senator Theis served as Chair of the House Insurance Committee, Vice-Chair of the House Judiciary Committee, and served as a member on the House Regulatory Reform, Law and Justice, Local Government, and Oversight and Ethics, and Financial Service committees.

Prior to her election to the House, she served as Brighton Township Treasurer from 2008-2014. During that time, she served as chair of the Brighton Area Fire Authority, the Livingston County Republican Party, and the Livingston County Treasurers Association, and was a member of the Brighton Township Planning Commission.

Theis graduated from California State University, Fullerton with a bachelor's degree in Biology and a minor in Chemistry.

The Community Bankers of Michigan had the opportunity to ask Senator Theis a few questions to allow us all the opportunity to get to know her a bit better.



Q: What motivated you to get into politics and become a lawmaker?

A: I've been interested in politics for a very long time but hadn't thought I'd be doing anything other than volunteering. I'm not fond of public speaking and never considered being the person at the podium or in front of the cameras. It was when my township passed a tree ordinance that was going to cost me \$40K before I'd be able to add on to my 1500 sq ft home that pulled me into the political arena. I ran a referendum against that rather ill-advised ordinance, and we won nearly 2/3 of the vote. Shortly after, I was recruited to run for the township treasurer position.

Q: What has been the biggest challenge with political life for you?

A: Working on getting no-fault reform across the finish line was an effort begun when I first entered the House and only just reached its conclusion over four years later. Biggest surprise? That other legislators aren't as interested in spending time as deep in the weeds as I go. I had to change how I communicate. Honestly, if everyone spent as much time in the details as I do, things in government would move at an even slower pace, so it is fair to say we need both approaches.

Q: How can community bankers, and the companies that support them, help with legislative issues?

A: Instead of telling a bill sponsor "no" on a particular issue, make an effort to understand the problem they are trying to solve and work with them on solutions to that problem that help both of you. Also, bring issues you are seeing to us that might have a legislative fix. Because we don't operate in your arena, we aren't as able to see the issues that your industry deals with as soon as you do.

Q: How do you feel community banks and financial institutions impact communities throughout Michigan?

A: They are the lifeblood of our state. Our local businesses rely on community banks/financial institutions and often have personal relationships with them that may go back generations. Still, given the economic uncertainties that are now a reality in our world, businesses and families can no longer operate with just cash and a handshake, and their reliance on this industry is even more significant.

Q: What are your top legislative priorities for the remainder of 2019?

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legislative spotlight

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A: Getting the budget completed, coming up with a long-term solution for our roads here in Michigan, working with regulators and industries to ensure we can properly bank marijuana money now that Michigan legalized recreational marijuana, and improving our education system.

Q: What are your favorite hobbies/outside interests?

A: I love learning about American History, traveling if and when I can ever find the time, and spending time with my family, especially my granddaughter.

Q: If you had a dream job, what would it be and why?

A: If I had a life to do over again, I'd go to law school with the hopes of someday becoming a United States Supreme Court Justice. I love the law, and I consider it a blessing that I can be a part of the legislative process. I wish I'd spent more time getting my degree in that after my Biology and Chemistry undergrad. Though I enjoy those subjects as well, we're talking hindsight here, and I wish I'd continued.

Q: Who, in politics, has been the most influential person in your life?

A: My high school government teacher, Mr. Christ Goutis, taught me about the political process and gave me my genuine love for it. He originally comes from a different country, and he has an appreciation for our governmental system that I often see in new citizens, but one that is often taken for granted by those of us who grew up here in the United States. We are so blessed to be able to live under a system with an outcome Alexis de Tocqueville defined using the term "American Exceptionalism." I was blessed to be able to have that teacher on the House floor with me as a guest after I'd become a State Representative.

Q: Who has been the most impactful personal influence?

A: My mother. She has been the rock of my faith, my biggest cheerleader, my shoulder when I needed support, and she's done that since birth. Much of the time she did that as a single mom, always giving of herself first. I learned what selfless giving meant from her. She's still the first person I call when there's an exciting event to share.



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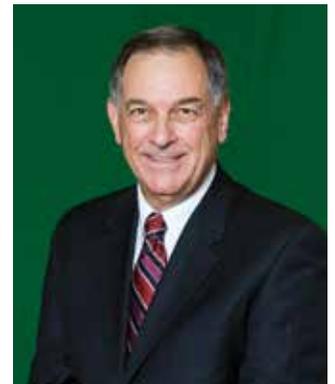
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Regulation CC Amendments Require Banks to Modify Funds Availability Policies, Procedures, and Disclosures

The Consumer Financial Protection Bureau (CFPB) and the Federal Reserve Board (FRB) published in the *Federal Register* on July 3, 2019 a Final Rule amending Regulation CC, *Availability of Funds and Collection of Checks* (84 FR 31687 – 31701). The amendment implements changes to Regulation CC that were mandated by provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”). Section 1086 of Dodd-Frank amended the Expedited Funds Availability Act (EFTA) to require that the FRB, together with the CFPB, issue regulations requiring that certain threshold dollar amounts specified in the Regulation be tied to changes in the consumer price index (CPI), and that adjustments to those dollar amounts, rounded to multiples of \$25.00, be made every five years, based on changes in the CPI over a 5-year period. Although the Final Rule generally takes effect on September 3, 2019, the provisions related to the adjusted threshold amounts do not take effect until July 1, 2020.



Michael Kus
CBM Legal Consultant

The Regulation CC changes will require all banks (and other financial institutions) to adjust their Funds Availability Policies and related procedures, and will also require that written notice of the Policy change be furnished to accountholders in advance of the July 1, 2020 implementation date. The amended threshold amounts will remain in effect for five years. Beginning in 2025, and every five years thereafter, subsequent threshold adjustments (and corresponding notifications) are to be made based on changes in the CPI over a five-year span, as specified in the Final Rule. The adjusted amounts will be determined by the FRB and CFPB well in advance of each adjustment date, and will be published in the *Federal Register*.

The Dodd-Frank amendments to the Expedited Funds Availability Act (which was first enacted in 1987) are intended to ensure that the relative purchasing power of that portion of funds from local check deposits required to be made available no later than the first business day after the day of deposit (originally set at \$100.00) is not eroded over time by inflation. To bring the threshold amount back into alignment with the relative purchasing power of funds in 1987, Dodd-Frank increased the minimum dollar thresholds for next-day availability from \$100.00 to \$200.00. However, no corresponding adjustments to Regulation CC were made at that time. As a result, Regulation CC has lagged behind, and continues to specify the original \$100.00 amount. Nevertheless, because the underlying law had mandated the change, Banks were required to increase the amount made available to \$200.00 in July 2011. The July 3 Final Rule finally realigns Regulation CC with the EFTA, effective July 1, 2020, and also includes provisions for making periodic adjustments.

To accomplish the changes, the CFPB and FRB amended § 229.10, *Next-Day Availability*, which establishes the minimum amount of funds from deposits of “local checks” that must be made available not later than the first business day after the day of deposit (12 CFR 229.10(c)(1)(vi)). As of July 1, 2020, this amount will be increased from \$200.00 (the threshold specified in the Dodd-Frank amendments of the EFTA that became operative on July 21, 2011) to \$225.00.

In order to provide for subsequent inflation adjustments specified by Dodd-Frank, it was necessary for the CFPB and FRB to add a new section to the Regulation. Effective July 1, 2020, new § 229.11, *Adjustment of Dollar Amounts*, will govern adjustments to the threshold dollar amounts based on changes in the CPI (rounded to the nearest multiple of \$25.00). To tie up the loose end that resulted from Regulation CC lagging behind the EFTA for nine years, new § 229.11 also includes a subparagraph that formally establishes the two earlier threshold amounts for deposits of “local checks” in effect since the EFTA was enacted (\$100.00 and \$200.00, respectively), as well as the new \$225.00 threshold amount that will take effect on July 1, 2020.

New § 229.11 also specifies three other threshold amounts that will be indexed to the CPI beginning July 1, 2020:

- The additional amount that must be made available for certain cash or equivalent withdrawals under § 229.12(d), *Time Period Adjustment For Withdrawal by Cash or Similar Means* (currently \$400.00). Effective July 1, 2020, this amount will be increased to \$450.00;
- The aggregate deposit availability limits for certain types of deposits that apply in connection with the new account exception, large deposit exception, and the repeated overdraft exception specified in § 229.13, *Exceptions* (currently \$5,000.00). Effective July 1, 2020, this amount will be increased to \$5,525.00; and
- The limits that apply to the civil liability penalties that may be assessed for violations of the Regulation, specified in § 229.21(a), *Civil Liability* (currently \$100.00, \$1,000.00, and \$500,000.00, respectively). Effective July 1, 2020, these penalty limits will be set at \$100.00, \$1,100, and \$552,500, respectively.

Although the primary focus of the amendments is to identify those threshold dollar amounts that are specified in Regulation CC that will be subject to periodic inflation adjustments, and to establish deadlines for when the adjusted amounts will apply to deposit accounts, the amendment also includes an adjustment to three defined terms contained in the Regulation that effectively define the territorial application of the Regulation. The definition of “Automated Teller Machine” or “ATM” has been modified to make it clear that it refers only to ATMs located in the United States (the definition of which has also been revised). The term “State” has been amended to add American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam to the definition. A similar adjustment has also been made to the definition of “United States,” and as a result, the territorial application of Regulation CC now covers each State, the District of Columbia, the U.S. Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and Puerto Rico. As a result of this adjustment, items received from financial institutions in all these locations must be handled pursuant to Regulation CC.

From an operational standpoint, because these changes affect the minimum amount of funds from deposits of local checks that must be made available no later than the first business day after the day of deposit, and because they also affect other amounts subject to preset limitations, Banks must immediately begin to take steps to comply with the amended requirements. To ensure a smooth transition and avoid problems, senior management and the Board of Directors must begin the process of amending the Funds Availability Policy, and must decide whether the new changes will require any other adjustments to that Policy.

After the amended Policy has been established, senior management must work with the bank’s deposit account platform system vendor to initiate the corresponding adjustments that must be made to the bank’s deposit account processing system. Ample time should be allowed for testing the changes, to ensure that the increased risk posed by these changes is properly handled. Bank personnel must also be trained to comply with the amended Policy, to understand the practical effects that the revised limits will have on basic operations, including transactions at the teller window as well as back-room operations.

The amended Funds Availability Policy must be furnished to the bank’s customers following the timing rules specified in Regulation CC for notice of changes. For new customers, the amended policy must be furnished to customers prior to account opening. For existing customers, the notice of the change in policy must be provided at least 30 days prior to the effective date, following the procedures specified in § 229.18(e) of Regulation CC. Because of the 30-day advance notice requirements, banks must ensure that all of the work associated with the required change, including providing notice of the amended Funds Availability Policy to existing customers, is completed no later than May 31, 2020.

Obviously, time is of the essence with this change, and banks do not want to cut it that close. The time to begin is now – the one-year lead-time provided in the amended Regulation is already running.

industry news & information

Waterford Bancorp, Inc. Announces Agreement to Acquire Clarkston Financial Corporation

Waterford Bancorp, Inc., Toledo, Ohio (“Waterford”), the bank holding company for Waterford Bank, and Clarkston Financial Corporation, Clarkston, Michigan (“Clarkston”), the bank holding company for Clarkston State Bank, jointly announce the signing of a definitive agreement and plan of reorganization and merger. Under the terms of the agreement, Clarkston will merge with and into Waterford and Clarkston State Bank will merge with and into Waterford Bank.

The agreement provides upon closing of the transaction, each share of Clarkston common stock will be exchanged for either 0.1196 shares of Waterford common stock or at least \$10.52 per share in cash. The per share cash consideration is subject to possible upward adjustment based on the appraised value of Waterford common stock as of June 30, 2019. Shareholders of Clarkston owning less than 50,000 shares will receive cash consideration, subject to no more than 25% of Clarkston shares being acquired for cash. All other Clarkston shareholders will receive stock consideration. Based on 3,309,156 Clarkston shares outstanding, the aggregate transaction value is estimated at approximately \$34.8 million.

Waterford Bank opened as a de novo institution in 2007, serving privately-held businesses, owners and executives of those companies and local-area professionals. Waterford also operates a residential mortgage lending division. Waterford is privately-owned with 479 shareholders of record, assets of \$748 million and tangible common equity of \$81.3 million as of March 31, 2019.

Clarkston, established in 1998, has total assets of \$219 million and tangible common equity of \$18.4 million as of March 31, 2019. Clarkston State Bank operates from two banking offices in prestigious Oakland County, Michigan. Oakland County is one of the most prosperous and wealthiest counties in the nation among counties with population exceeding one million.

“We are proud to combine with Clarkston State Bank,” stated Mike Miller, Waterford’s Chairman and CEO. “This is a unique opportunity consistent with our Strategic Plan to expand to larger, metro markets. Clarkston State Bank operates with a very similar business model and culture, and we expect to make significant investments to pursue future growth. Clarkston and Waterford share a strong focus and commitment to community development and customers, further signifying they are the right partner for us. We are thrilled that Grant Smith and his team will be leading this effort.”

Grant Smith, President and CEO of Clarkston, commented, “Waterford’s business model emphasizing the delivery of exceptional service and value fits perfectly with our approach to community banking. I am very proud of what we have accomplished at Clarkston State Bank and the deep customer relationships we have built in our community. We believe combining with Waterford Bank will enable us to further enhance the banking experience and capabilities we can provide to our customers.”

The boards of directors of Waterford and Clarkston unanimously approved the agreement. Two of Clarkston’s directors will join the Waterford board of directors. The merger is subject to regulatory and shareholder approval, among other customary conditions to closing.

Succession Planning

In July the PCBB newsletter shared an interesting and insightful article regarding succession planning. In the event it was missed, we are publishing it again here.

Succession planning is difficult for nearly every bank, particularly when you consider a Bank Director survey that finds 60% of respondents expect their bank’s CEO and/or other senior executives to retire in the next 5Ys. Adding to the angst, 55% say they do not have both a long-term and emergency succession plan in place for the CEO and all other senior executives.

We bring this up because even huge banks with all sorts of executives can feel the pinch, when it comes to succession. Look no further than Wells Fargo’s well-publicized struggle to fill the CEO slot. Sure, they have problems and running a bank that size takes lots of refined experience, but it also highlights the need for community banks to have a successor waiting in the wings. Of course, identifying and grooming a successor can be an arduous task. Yet, it’s one many banks should be gearing up for.

industry news & information

We've spoken before about the need to follow best practices when it comes to succession planning. This includes assigning responsibility for the task and creating an emergency plan to ensure all bases are covered. Even so, for some financial institutions, the rubber hasn't met the road. In other words, despite their best intentions, succession planning hasn't quite made it beyond the proverbial to-do list.

In a 2018 Bank Director Survey, more than 37% of banks cited succession planning for executives as one of their top three challenges. Around 26% also said they were dissatisfied with their bank's succession planning efforts. Notably, only around 33% said they had a designated successor for the CEO, which speaks to how widespread this pressing issue is for the industry.

For guidance in this process, banks might consider following the lead of a successful Midwest bank. This particular bank started the process a few years ahead of the planned retirement of its long-time CEO and several other senior executives. Well before the bank had an immediate need, the push for succession planning came from the top down, which set the appropriate tone.

Next, the bank began to assess its existing team. The goal was to evaluate each member's performance and respective competencies. Part of this discussion involved determining a potential successor's readiness to take over a particular role at the present junction, in 1-3Ys, or at some further out point. This helped the bank assess which roles could be filled internally and within what time frame. For positions that had no viable internal candidate, the bank could then more effectively chart its course for hiring externally.

To groom senior executives, banks should consider establishing or beefing up in-house and outside leadership training programs. Of course, effective leadership training costs money, but comfortable succession planning is worth its weight in gold too. To start, you can build a respectable training program with some creativity. One community bank, for instance, tapped state-funded grants and partnered with local colleges to improve the quality of its program.

Generally, the key to successful succession planning is advanced planning. Recent personnel announcements at a number of community banks give us hope that more banks are taking this issue seriously. Still, there's more work to be done.



Bank Michigan Launches, Promising “Better. Thinking. Banking.™”

New bank leverages a century of service, encouraging individuals and businesses to use community banking as local economic engine.

On July 1, 2019 OSB Community Bank (OSB) became Bank Michigan and officially opened its doors under its new name. The bank will continue to serve Michigan's Jackson, Lenawee, and Washtenaw Counties while also expanding its service area throughout Michigan.

“Starting July 1, OSB changed to Bank Michigan. This new identity better reflects our expanding service area and our commitment to our state,” stated Richard C. Northrup, President and CEO in his letter to the community. “It represents our organization's innovative and growth-minded spirit as well as our dedication to thinking and acting differently to better serve businesses and individuals. This is reflected in our new tagline, “Better. Thinking. Banking.™”

The launch of Bank Michigan is part of the Bank's long-term plan and the end result of an extensive strategic visioning and planning process. The Bank's board of directors and management team worked with industry professionals to evaluate the bank, its culture, how it succeeds in its business, its competition and its customer base.

“We are very proud of our history—it has given us a strong foundation for growth. Now we are evolving to better meet the needs of today's customers. It's this progress that continues to be the key to preserving our bank by increasing service, products, and financial strength,” explained Northrup. “We are dedicated to serving the state and to showing Michigan residents how banking locally creates a better, more vibrant economy. We also believe that being a user-friendly and innovative bank is how we can make our customers' lives and businesses better.”

industry news & information

\$4.6 Million to Michigan as part of Equifax data breach settlement

Michigan will receive more than \$4.6 million following the settlement related to Equifax's data breach in 2017 according to the Office of the Attorney General.

Up to \$425 million in consumer restitution and \$175 million to states is expected in the settlement, making this the largest settlement for a data breach in history. Attorney General Dana Nessel joined 49 attorneys general in the investigation into Equifax's handling of the breach following the company's announcement that 147 million of its consumers had their social security numbers, names, dates of birth, addresses, credit card numbers or driver's license numbers exposed.

Those affected by the breach can file a claim for redress: www.equifaxbreachsettlement.com or via mail, with physical paper claims orderable by calling the settlement administrator at 1-833-759-2982.

College Ave Student Loans' (CASL) performance continues to demonstrate its financial strength

College Ave closed its third Asset Backed Securitization with its best ever results

- The pool totaled **\$300 Million**, *the largest single offering to date*
- DBRS increased their rating to **AAA** while S&P increased theirs to **AA**
- The A through D tranches were all *oversubscribed evidencing a strong demand for these assets*
- Loans securitized now totals **\$660 Million** over three separate transactions

Earlier this year DBRS and S&P upgraded the ratings for three classes of securities in the CASL 2017-A transaction, less than two years from the issuance date. The Class A-1 and Class A-2 were upgraded to AA (high) from A, and the Class B was upgraded to A from BBB. The rating upgrades were based on collateral pool performance as well as the transaction parties' capabilities with regard to origination, underwriting and servicing.

College Ave's securitization transaction (2018-A), completed last summer, had already received an 'AA' rating from DBRS and an 'A' rating from S&P for the senior notes. The 2018-A transaction was heavily oversubscribed, attracting a broad group of repeat investors and nine new participants.

The intense scrutiny these securitization pools undergo, and the informed markets' acceptance clearly demonstrate the pristine nature of College Ave's lending model. Correctly executed, a student loan portfolio can perform very well for both the lender and the borrowers.

Glen R. Smith is designated chairman and CEO of FCA

Glen R. Smith has been designated by President Donald Trump as chairman and CEO of the Farm Credit Administration (FCA). The designation was effective July 17. FCA has examination and regulatory authority over the Farm Credit System, with oversight by Congress. Collectively, the institutions of the Farm Credit System constitute the nation's largest single provider of agricultural credit, with offices in all 50 states and assets over \$350 billion.

Mr. Smith has served as a member of the FCA board, as well as a member of the board of directors of the Farm Credit System Insurance Corporation, since December 2017, when President Trump appointed him to the FCA board. His term on the board will expire on May 21, 2022. As chairman, he succeeds Dallas Tonsager, who died in office in May. As CEO, he succeeds Jeffery Hall, who became acting CEO following Mr. Tonsager's incapacity from illness. Mr. Hall continues to serve as a member of the FCA board and as chairman of the board of directors of the Farm Credit System Insurance Corporation.

Mr. Smith is a native of Atlantic, Iowa, where he was raised on a diversified crop and livestock farm. His farm experience started at a very early age, after his father was involved in a disabling farm accident. He graduated from Iowa State University in 1979 with a Bachelor of Science in agricultural business and accepted a position with Doane Agricultural Services as state manager of the company's farm real estate division.

industry news & information

In 1982, Mr. Smith and his wife, Fauzan, moved back to his hometown and started farming and developing his agricultural service business. Today, their family farm, Smith Generation Farms Inc., has grown to encompass about 2,000 acres devoted to corn, soybeans, hay, and a small beef cow herd.

Mr. Smith is founder and co-owner of Smith Land Service Co., an agricultural service company that specializes in farm management, land appraisal, and farmland brokerage, serving about 30 Iowa counties. From 2001 to 2016, he was also co-owner and manager of S&K Land Co., an entity involved in the acquisition, improvement, and exchange of Iowa farmland. Mr. Smith has served on numerous community, church, and professional boards. He was elected to the Atlantic Community School Board of Education on which he served for nine years.

In 1990, he earned the title of Accredited Rural Appraiser from the American Society of Farm Managers and Rural Appraisers. In 2000, he served as president of the Iowa chapter of that organization. He is a lifelong member of the Farm Bureau, Iowa Corn Growers Association, Iowa Soybean Association, and Iowa Cattlemen's Association. The Smiths have four grown children and three grandchildren. Two of their children are involved in production agriculture. Their son Peter has assumed managerial responsibilities for both the family farm and business.



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Welcome New Associate Members to the Community Bankers of Michigan

Thank you to the following new members for supporting the association and community banks with innovative products and services.

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Union Home Mortgage

Since their inception in 1970, Union Home Mortgage has guided hundreds of thousands aspiring homeowners through the process of achieving homeownership. Driven by the belief that homeownership should be accessible for everyone, they will go the extra mile for every business partner, while providing a personalized experience unmatched in the industry.

With a culture that stands out in the mortgage industry, you won't find employees here – only partners – who live by the shared values of our Code of Conduct. We respect one another, communicate openly, and hold each other accountable. We are committed to delivering personal, world-class service for community banks throughout Michigan.

Important update released from Seattle Specialty, a CBM preferred and vetted partner!

Lender placed insurance programs are more important than ever. Compliance issues and a focus on FTE expense in collateral insurance management make vendor selection a high priority for community banks.

The commitment continually shown by CBM partner Seattle Specialty by adding industry leading team members, as illustrated by the press release below, is just one of the many reasons Seattle Specialty leads the community bank market for Lender Placed programs in the number of banks using the program, compliance, technology and service.

Industry Veterans Jodi Brecke, Debi Vincent and Jennifer Wright Join National General

National General Lender Services is pleased to announce the addition of mortgage industry veterans Jodi Brecke, Debi Vincent and Jennifer Wright to support the company's growth.

Ms. Brecke and Ms. Vincent both join the organization as Vice President, Relationship Management, to support National General's expanding client base. They will focus on managing client relationships to ensure the highest level of client and customer satisfaction. Ms. Brecke brings over 24 years of insurance, mortgage servicing, loss draft and quality experience to her role. Most recently, she served as Vice President of Property Insurance with Wells Fargo. Ms. Vincent brings over 30 years of mortgage servicing experience to her role, 22 years of which were specifically focused on escrow administration, most recently serving as Vice President of Escrow Administration with Seterus.

Ms. Wright serves as Vice President, Customer Care and manages National General's call centers, which have been certified as Centers of Excellence by BenchmarkPortal for 13 consecutive years. She brings 17 years' experience in the insurance industry to her role, most recently serving as Vice President of Customer Management for Seterus.

"The addition of Jodi, Debi and Jennifer enhances our senior leadership team, and their combined expertise, industry experience, and customer-focused approach add great value to our company and clients," said Art Castner, President of National General Lender Services. "National General is experiencing significant client growth, and these new key leaders will play a critical role in ensuring our continued success and client satisfaction."

TCA Changes Ownership, Names Three New Partners

The Chicago-based compliance consulting firm embraces founding principles as it maps out its future

TCA has announced that Jim Dray, Michelle Strickland, and Brian Crow have purchased the Chicago-based compliance consulting firm from its founder, Tom Thomas, who is retiring.

Thomas, whose name is synonymous with compliance risk management, envisioned a firm with a sole focus: compliance. He founded TCA in 1991 and built it into the country's premier compliance consulting firm.

The new partners have been long-time employees of the 17-person firm that also has offices in North Carolina and Virginia.

Dray, TCA's president since 2009, is an in-demand speaker and educator. During his 35-year career, he has had hands-on management experience at both community banks and large bank holding companies and direct involvement in compliance risk management and operations.

Strickland joined TCA in 2013 and specializes in commercial, consumer, and residential loan compliance, and has conducted risk assessments on loan operations function areas, vendor relationships, and regulatory compliance. Her 31 years as a banker includes management in loan operations and processing and in IT, where she was responsible for loan origination system administration.

Crow, an award-winning educator, is a nationally recognized speaker on BSA/AML and deposit compliance and is an expert at protecting bank assets from fraud and compliance losses.

"Compliance risk management is a nuanced skill. As the regulatory environment continues to evolve and get more complex, banks need compliance risk managers who understand regulatory subtleties and can manage them effectively," says Dray. "Compliance challenges should never obstruct a bank's strategic plans."

For nearly 30 years, TCA has worked to find a better way to help clients address their compliance obligations and go beyond just satisfying the mandate for independent oversight by providing real-world solutions to clients' compliance challenges.

In addition, TCA has always reflected its founder's values of compassion and professionalism.

"Tom built his firm based on a desire to always do the right thing in every circumstance," says Dray. "As we lead the Company forward, this new team will continue to embrace Tom's values and respect the business legacy that he created."



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NetGain Technologies Receives World's Top 100 Managed Service Provider Award

12th Annual MSP 501 Identifies Top Forward-Thinking Global MSPs & Leading Trends in Managed Services



NetGain Technologies has been named a world's top 100 premier managed service provider on the prestigious 12th-annual Channel Futures MSP 501 rankings.

Every year, MSPs worldwide complete an extensive survey and application to report their product offerings, growth rates, annual total and recurring revenues, pricing structures, revenue mix and more. MSPs are ranked according to a unique methodology that weights revenue figures according to how well the applicant's business strategy anticipates trends in the fast-evolving channel ecosystem.

Channel Futures is pleased to name NetGain Technologies to the 2019 MSP 501.

"We are honored to be selected as a global, top 100 managed services provider. Founded in 1984, NetGain Technologies has grown and evolved with the needs of the market to best serve the technology demands of organizations across the South Central U.S.," said Jason Jacobson, CEO of NetGain Technologies. "NetGain provides best-in-class IT services and solutions to assure technology supports the growth and success of the organizations we serve. Our primary goal is to remove the technology burden from organizations and free them to focus on their core business objectives. This recognition confirms our leadership position in the managed services industry."

In the 12 years since its inception, the MSP 501 has evolved from a competitive ranking list into a vibrant group of service providers, vendors, distributors, consultants and industry analysts working together to define the growing managed service opportunity.

"The 2019 MSP 501 winners are the most elite, innovative and strategic IT service providers on the planet, and they stand as a model of excellence in the industry," says Kris Blackmon, Content Director of Channel Partners and Channel Futures and lead of the MSP 501 program. "As the MSP 501 Community grows, leagues of managed service providers learn from the successes of these winning companies, gaining insight into the best practices, strategies and technologies that elevate an MSP to the level of the 501 winners. Our heartfelt congratulations to the 2019 winners and gratitude to the thousands of MSPs that have contributed to the continuing growth and success of both the 501 and the thriving managed services sector."

In addition to deciding the rankings, the survey drives the creation of an annual in-depth study of business and technology trends in the IT channel, released each year at the Channel Partners Evolution conference. The full MSP 501 Report leverages applicant responses, interviews with industry experts and historical data to give a well-rounded picture of the managed services opportunity.





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Reid Moehn – rmoehn@collegeave.com – 619-865-3395

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Bill Evers – bill.evers@csiweb.com – 219-929-8337

EBS, a bank consulting company – Executive Benefits – BOLI – Marketing, consulting and service firm specializing in the administration and placement of BOLI programs.
Kirk Anderson – kanderson@ebscomp.com – 248-244-6076

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Trent Dalhstrom – trentd@sprybrands.com – 517-209-7023

FiNet – Merchant Services – Credit Card Processing – Providing a network of merchant payment processing services.
Richard Camardo – rcamardo@finetsolutions.com – 800-487-5577

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John Fountain – johnf@financialfurnishings.com – 800-769-8841

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Debra McManigle – debra.mcmanigle@hubinternational.com
269-441-5058

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Kate Angles – kateangles@cbofm.org – 517-336-4430

Investors Title Company – Title Insurance – Multi-bank owned title insurance program and Home Equity Title Insurance – Full instant coverage title insurance.
Sky Weaver – skyweaver@invtitle.com – 989-387-8869

JLH Associates, LLC – Consulting – Outsourced resource in non-deposit areas including vendor sourcing and RPF facilitation for financial services and insurance programs and collateral insurance management.
Jim Harvin – jharvin@jlhassociatesllc.com – 517-351-4158

Kapnick Insurance Group – Employee Benefits – Supported through Community Bankers Insurance Agency, this is a comprehensive benefits program including an internet portal.
Kate Angles – kateangles@cbofm.org – 517-336-4430

Ncontracts – 3rd Party Vendor and Contract Management – Providing web-based vendor and contract management services for financial institutions.
Jessie Hogue – jessie.hogue@ncontracts.com – 317-513-0729

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Ricki Dagosta – Ricki.dagosta@qwickrate.com – 678-797-4067

Seattle Specialty Insurance Services, Inc. (SSIS) – Force Placed Insurance – Income Opportunity – Largest provider of collateral insurance coverage and specialized services to the community banking industry.

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SBA Complete, Inc. – Outsourced SBA loan solutions – Conducts portfolio reviews, offers solution for reporting and loan servicing in addition to complete SBA lending solutions.

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SHAZAM – A national single source provider of the following services: debit card, core, fraud, ATM, merchant, marketing, platform, risk and more. To learn more visit shazam.net.

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community connections

Sandra Willis, President and CEO, Exchange State Bank, Passes Away

It is with heavy hearts the CBM shares the passing of Sandra Willis. Sandra Lee Willis, age 58, of Port Sanilac, went to be with the Lord Friday, July 26, 2019.

She was born October 17, 1960 in Deckerville to Harvey and Sharon Albrecht, one of six children. Sandy married Steven D. Willis on June 28, 1980 in Port Sanilac, they just celebrated 39 years of marriage.

Sandy graduated from CPS, SC4, Walsh College, and University of Wisconsin School of Banking. She was a dedicated employee of Exchange State Bank for 39 years. At the time of her passing, Sandy was the President and CEO of the bank.



Sandra Willis

Touching many lives, Sandy was an avid member of St. Johns Lutheran Church in Port Sanilac, member of Huron Shores women's league, active in the community, and involved in many foundations, including the Sanilac County Humane Society, the Community Foundation, and many more. She also enjoyed camping with friends and family, and spending time with her grandchildren. Sandy loved driving her "Hot Rod", ONLY on sunny days.

She is survived by her husband, Steven; son Brett (Julie) Willis, daughters, Courtney Willis, and Jessie (Eddie) Moyer; 4 grandchildren, Izabella Willis, Lily and Blake Moyer, and Amariyah Brown; mother, Sharon Albrecht; sisters, Debbie (Tony) Hammond, Donna Albrecht, Cheryl Albrecht, and Missy (Tim) Smith; brother, Charles (Rhonda) Albrecht; mother-in-law Gloria Willis; sister-in-laws, Julie (Steve) Molloy, and Lori (Brian) Moran; and several nieces and nephews.

She was preceded in death by her father, Harvey Albrecht; father-in-law, Harry Willis, and her faithful dog, Snickers.

An advertisement for QwickAnalytics. At the top, the logo features a green grid icon above the text "QwickAnalytics®". Below the logo, a white cloud contains the tagline "Easy. Online. Affordable. Time-saving tools for bankers." Three dotted lines lead from the cloud to three screenshots of software dashboards. Below each screenshot is a title and a list of features: "Bank & Peer Performance" (Powerful Benchmarking Tools, PeerWatch Trends), "Interactive Bank Analysis" (Your Bank's Financial Story, Competitive Research), and "Regulatory Compliance" (CECL Solver™, Credit Stress Test). At the bottom, a dark blue banner contains the text "One subscription" and "Unlimited users" flanking a circular icon of three stylized human figures. Below this banner, the text "See QwickAnalytics in Action." is followed by the email "info@qwickanalytics.com" and the phone number "800.285.8626". On the right side of the banner, it says "Brought to you by QwickRate®" with the QwickRate logo and the tagline "We have your best interests online."

community connections

Craig S. Connor announces retirement as Chief Executive Officer of County National Bank



Craig Connor

CNB Community Bancorp, Inc. (OTC:CNBB), the parent company of County National Bank, announced Craig S. Connor's, Chairman and Chief Executive Officer ("CEO") of County National Bank & CNB Community Bancorp, Inc. ("CNB" and "Company", respectively), retirement as CEO, effective July 26, 2019.

This was the planned progression of the Leadership Succession Plan at CNB. As announced in June of 2018, John R. Waldron was promoted to President of CNB and also appointed to a Board of Director ("Board") position at both CNB and the Company. John became CEO of CNB and the Company upon Mr. Connor's retirement.

Craig S. Connor began his banking career 41 years ago and was with CNB since 1993. Prior to becoming the President and CEO, in 2005, Craig was the Senior Vice President and Senior Loan Officer. "For nearly 20 years I have observed Craig's dedication to community banking and the betterment of areas we serve," stated John Waldron, President of County National Bank. "He is a great leader and his commitment has resulted in the outstanding bank that CNB has become." Throughout the years, Craig epitomized the role of a community banker serving on many local nonprofit boards and always encouraging CNB to invest back into the community. He was recently named the 2019 Banker of the Year for the state of Michigan by the Michigan Bankers Association.

Craig will remain active in the company as Chairman of the Board of CNB and the Company. He will also continue to serve on several Board committees for both CNB and the Company.

The entire CNB staff, its officers and Board members commend and sincerely thank Craig for his dedication and for the many contributions to the Bank and the communities we serve.



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mBank Welcomes New Mortgage Loan Officer to Marquette Branch



Gina Bell

mBank is pleased to announce that Gina Bell has joined the team as Assistant Vice President Mortgage Loan Officer at its Washington Street branch in Marquette, MI.

Bell graduated from Northern Michigan University in 2008 with a Bachelor of Science in Finance and has over 13 years of experience in the banking industry. In her new role at mBank, Bell will be responsible for assisting borrowers with their financing needs including traditional home loans, construction loans, refinancing, and more at her office location in Marquette.

“Gina brings a wealth of knowledge gained from her experience in banking, specifically in the mortgage lending area,” said Ross Anthony, mBank Vice President, Regional Mortgage Lending Team Lead. “I look forward to the contributions she will make to our team as we continue to grow.”

“I’m very excited to continue my banking career with mBank and help people in the Marquette Area with their financial needs,” said Bell. “mBank has a great team of lenders here in Marquette and I’m eager to join them.”

First National Bank of Michigan Appoints Board Member

Kalamazoo based First National Bank of Michigan appointed David G. Echelbarger to its Board of Directors. Mr. Echelbarger is the Managing Partner at Echelbarger, Himebaugh, Tamm & Co., P.C. (EHTC) based in Grand Rapids. David will serve on the Information Technology Steering committee.

“David’s business insight, coupled with his entrepreneurial and leadership skills make him a great addition to our board,” said Daniel Bitzer, President & CEO of First National Bank of Michigan. “We are pleased that David has accepted a position on our Board. We look forward to working with him, as his professional experiences will contribute immensely to the future of our Bank.”



David Echelbarger

Honor Bank Promotes Amanda Stacy to Branch Manager



Amanda Stacy

Honor Bank is excited to announce the promotion of Amanda Stacy to Branch Manager at the Lake Ann location. Amanda started her career with Honor Bank as a teller at the Honor location in 2015. Along with the responsibilities as branch manager, Amanda is the IRA Expert for the bank, and oversees the bank’s overdraft program for the Retail Department.

“Amanda has been a shining star for quite some time now. This promotion is a result of her efforts both within the bank and in the Lake Ann community,” said Mike Worden, Honor Bank CEO.

Amanda is originally from Genesee County, and graduated from Swartz Creek High School. Amanda moved to the area 6 years ago, and lives in Lake Ann with her significant other Chris. She has a 4 year old chocolate lab named Charlie. Amanda likes to volunteer at local events like the Almira Township Annual Trunk or Treat,

Lake Ann Days, or the Benzie County Animal Control and Shelter. During her down time, she enjoys boating, reading, fishing, hunting, and snowmobiling. She is also an active swimmer and runner.

Amanda looks forward to growing relationships within the community.

community connections

Honor Bank Promotes Holly Buda to First Vice President



Holly Buda

Honor Bank is excited to announce the promotion of Holly Buda, to First Vice President. Holly is located at the main office in Honor. Holly started her career with Honor Bank in May 2000, as a part time teller. In a short time, she was promoted to branch manager at the Copemish office. Holly accepted the BSA Officer position in 2012. In 2016, Holly was promoted to Vice President, and took the leadership role in the Compliance Department. Currently, Holly oversees the Information Systems/ Compliance & Security Department, and is a member of the Senior Management Team.

“Holly has been an integral part of the success at the bank in many different capacities over the years. This is a well-deserved promotion and I am excited to have her as part of our senior management team. She will help set our direction for years to come,” said Mike Worden, Honor Bank CEO.

Holly graduated from Brethren High School (Go Bobcats), was a member of the school band, and focused on academics. Holly enjoys time with her family, being in Northern Michigan’s great outdoors, live music, and the local communities.

Huron Valley State Bank Announces the Appointment of Jeff Ozanich to Vice President / Commercial Lender

Jack Shubitowski, President and CEO of Huron Valley State Bank, is pleased to announce the appointment of Jeff Ozanich to Vice President / Commercial Lender. In his position, he will be concentrating on developing and expanding commercial relationships in the community.

Ozanich started his career over twenty years ago. He was most recently with Citizens Bank where he served as a Relationship Manager located out of Brighton covering a wide territory throughout Livingston and Oakland Counties. In his role he was responsible for partnering with the branches to develop new business, while managing his existing book of business. He was also responsible for deposits, cash management and merchant processing. Prior to that he was with Bank of America for 17 years. During his time at Bank of America he had a variety of roles from Business Calling Manager, to Mortgage Banker, Branch Manager and at one time he was licensed for investments.



Jeff Ozanich

“Ozanich is a great addition to our already strong lending team led by Steven Peacock. He brings a wealth of knowledge from his experience on the retail side and has extensive experience in different areas of lending,” said Jack Shubitowski, President and CEO of Huron Valley State Bank.

“I am excited about the opportunities to work at a progressive community bank in small business said Ozanich. “I look forward to building new relationships and expanding our commercial lending services to small and medium sized businesses.”

Ozanich earned his degree in Business Management from Western Michigan University.

The State Bank Promotes Bank Officer

The State Bank is proud to announce the promotion of Lisa Pearce as the Company's newest Bank Officer for the lending division. Lisa will continue to be responsible for overseeing consumer and commercial loan documentation and processing.

Lisa has worked for The State Bank for nearly 33 years, starting as a Co-Op Student. She entered the commercial lending department in 1995 serving in positions of lending secretary, senior secretary, commercial loan processor, senior loan coordinator and working her way to her most recent position of Loan Documentation Manager.

"I have been fortunate to have held several different positions in my time with The State Bank. The last 25 years in the lending division has allowed me to grow both personally and professionally. I look forward to continuing to work with my team to support our lenders as they assist local business owners and residents of our community with their lending needs," says Pearce.



Lisa Pearce

Donna Steffey, Vice President, states "we are excited to recognize the accomplishments that Lisa has achieved in her nearly 33 years with the Bank. Her level of knowledge in the documentation area has been instrumental in ensuring that our processes are sound and that our lending operations can satisfy the increasing loan volumes of our Company."



Tammie Loker Promoted to Senior Vice President and Senior Branch Manager

First National Bank & Trust is pleased to announce the promotion of Tammie Loker to Senior Vice President/Senior Branch Manager.

Ms. Loker started her career at First National Bank & Trust in 1984 as a part-time Accounting Assistant before becoming a full-time Accounting Clerk in 1986. She moved to a teller position in 1988 and became Teller Supervisor in 1995. After being promoted to Branch Supervisor at the downtown Iron Mountain location in 1997, she was named a Bank Officer in 1998. She was promoted to Assistant Vice President in 2010, followed by a promotion to Vice President and Branch Manager in 2017.

Tammie Loker

"Tammie's leadership and knowledge has been invaluable to the bank throughout her years as a dedicated employee," said David Kashian, President and CEO of First National Bank & Trust. "We are very pleased to have an individual of this caliber as part of our Senior Management Team."

In addition to specializing in Personal Banking customer service, Ms. Loker volunteers her time for many First National Bank & Trust community events and activities, as well as being involved with fundraising activities for the Aurora Volunteer Fire Department.

community connections



County National Bank Receives Athena Lenawee Parthenon Award

County National Bank (CNB) was recently presented the Athena Lenawee Parthenon Award, which celebrates business dedicated to raising the potential of all women as valued members of their business, profession, and community. The award honors those businesses that strive toward the highest levels of that achievement.

Athena Parthenon Award recipients must meet three specific criteria:

- Assist women in reaching their full professional and leadership potential;
- Demonstrate excellence, creativity, and initiative in their business category; and
- Provide valuable service by devoting, or allowing their employees to devote time and energy to improve the quality of life for others in the community.

CNB Chairman and CEO Craig Connor shared that the majority of the organization’s professional development dollars, \$90,000 total in the past year, are invested in female employees. “Women make up 50% of our senior management and 65% of overall management, and 53% of our officers are women. Not only do we support the development of women, we also recognize professional achievements through promotion. Winning the Athena Parthenon Award is a great honor for our organization.”

County National Bank is committed to serving the community, banking on building a better future for all.

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Chelsea State Bank Announces Joanne Rau as Next President

The Board of Directors of Chelsea State Bank is pleased to announce Joanne Rau as the next president of Chelsea State Bank. Rau will begin as President on October 1. At that time, current President David Schaible will become President ex officio and retire at the end of the year. John Mann will remain Chief Executive Officer.

“I am extremely pleased to announce Joanne as our next President of Chelsea State Bank,” stated Chelsea State Bank Chief Executive Officer John Mann. “I have known Joanne professionally for 15 years. She has an extensive and impressive leadership career in banking and with children in the Chelsea School District, she is embedded in our community. I am also excited to change the course of our history as we have had all men and all Schaible’s and Mann’s appointed to this position since 1921!”



Joanne Rau

Rau will join Chelsea State Bank with 19 years of distinguished banking experience. She has spent the last 15 years moving into executive positions at Fifth Third Bank (Cincinnati, Ohio) and will leave her current post as Senior Vice President and Business Banking Executive.

Rau began her banking career as a Credit Analyst with Bank One Corporation in the Ann Arbor market and soon moved into commercial lending. She then worked as a Business Development Officer with Crestmark Bank in Troy before joining Fifth Third Bank in 2004 as Assistant Vice President in the Correspondent Banking Group, where she called on community banks, including Chelsea State Bank. Rau steadily moved up the executive ranks at Fifth Third, specializing in small business and middle market commercial banking, including leadership positions within the Southeastern Michigan Region, and into her current position as Senior Vice President, Business Banking Executive overseeing the Great Lakes Region for Fifth Third Bank.

A proud native of the Mount Pleasant area, Rau received her Bachelor of Business Administration from Eastern Michigan University. Rau is currently an Executive Committee Member of Ann Arbor SPARK, previous Power of the Purse Chair for United Way of Washtenaw, and previous board member and mentor of Winning Futures.

With a history of serving the local communities for over 120 years, this is the first time in 98 years of the Bank’s rich history that someone other than a Schaible or a Mann will lead the Bank as President. Currently each family has a junior leader represented in the Bank – Human Resource Director Emily Schaible and Credit Analyst Stuart Mann. The Schaible-Mann beat goes on.

“We are thrilled to have Joanne join our team,” said Mann. “Joanne’s expertise in banking including leadership, planning, and team building – coupled with her community involvement – will position Chelsea State Bank for continued long term success. Change creates positive energy, and we are tremendously excited for our future at the Bank and in our communities.”

community connections

1st State Bank Announces the Promotion of Six Officers



Kevin Fraser

Jim Milroy, President & CEO of 1st State Bank, is proud to announce the following promotions:

Kevin Fraser has been promoted to Senior Vice President & Chief Financial Officer. Fraser joined 1st State Bank in 2009 and has 20 years of experience in the accounting industry.

Denise Avery has been promoted to Senior Vice President. Avery oversees Deposit Operation Services, Compliance, and Bank Secrecy. Avery has worked for 1st State Bank since 2015 and has 18 years of banking experience.



Denise Avery



Craig Loree

Craig Loree, Bank Security Officer & Information Systems Officer, has been promoted to Senior Vice President. Loree joined 1st State Bank in 2010 and has 30 years of Information Systems experience.

Brittney Welke has been promoted to Banking Officer & Loan Administration Manager. Welke started at 1st State Bank in 2012 as a Loan Specialist and has 12 years of banking experience.



Brittney Welke

Kimberly Amley has been promoted to Banking Officer & Compliance Officer. Amley joined 1st State Bank in 2018 as Compliance Specialist and has 17 years of banking experience.



Kimberly Amley

Cynthia Holliday has been promoted to Banking Officer & Bank Secrecy Officer. Holliday has over 18 years of banking experience and began working at 1st State Bank in 2017 as a Deposit Operations Specialist.



Cynthia Holliday

community connections

Lori Verbrugge Announced Her Retirement From Huron Valley State Bank

Lori Verbrugge, Senior Vice President of Retail Operations, announced her retirement effective May 31, 2019. During her 14 years at Huron Valley State Bank, Lori was involved in many areas of the bank including Operations, Retail, and Administration, Human Resources, Compliance and Marketing. The Huron Valley community was also well served by her dedication. She served on the boards of Milford Business Association and Huron Valley Council for the Arts. Lori also served on numerous committees and special projects over the twenty-five years living in the Huron Valley community.



Lori Verbrugge

When a group of local businesses and community leaders recognized the need for a community bank that focused on and re-invested in the local economy, Lori was hired to carry out that mission. As the first employee, she was instrumental in establishing the bank that was originally founded in 2005 on Main Street in Milford. During her tenure at the Bank, she was instrumental in growing it from three employees to over thirty, one branch to two plus a Financial Center, and to over \$150 million in assets.

“We greatly appreciate Ms. Verbrugge’s years of dedicated service to the Bank,” said Lyle Tyler, Chairman of the Board. “She has been an integral part of the bank’s growth and has provided valuable leadership and guidance throughout the years.”

“Lori touched practically every area of the bank,” said Jack Shubitowski, President and CEO. “Her skills, experience and knowledge have been a magic ingredient in our growth and internal culture. We wish Lori a long, happy and healthy retirement.”

“This was a very difficult decision to make. Banking is in my life and Huron Valley State Bank is my second family. I’ve spent more than 30 years in this industry and have accomplished so much including developing life-long friendships,” said Lori Verbrugge, “I am looking forward to joining my husband in retirement and spending time at our home in Northern Michigan.”

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community connections

CNB Hires Regina Patton as Mortgage Officer for Emmet County



Regina Patton

Regina Patton has joined Citizens National Bank (CNB) as a Mortgage Officer for the Emmet County market. President & CEO Matthew E. Keene stated, “Ms. Patton is well respected in the community and has made a name for herself in the banking industry. She brings over 10 years of experience and knowledge to the CNB residential banking team.”

In addition to her banking experience, Regina is a Michigan-licensed Real Estate Salesperson and holds both Series 6 and 63 investment associate licenses.

Her commitment to the community is evident through her participation and membership in the Petoskey Regional Chamber of Commerce.

Chris J. Clarke Named Vice President – Senior Loan Officer

John R. Waldron, President and CEO of County National Bank (CNB), is pleased to announce the Board of Directors approved the promotion of Chris J. Clarke to Vice President – Senior Loan Officer.

Since joining the bank in 2015, Chris quickly transitioned from Vice President – Commercial Loan Officer to Regional Vice President - Commercial Loans for the Lenawee Market. “Our lending department is in great hands,” said John Waldron, President & CEO. “Chris will be an outstanding Senior Lender, he brings strong business development and credit skills to the position.” Chris has contributed to our overall growth within Lenawee County while demonstrating strong lending and leadership skills. He will oversee the lending department.

Chris has been in the banking industry for nearly 20 years, primarily in Lenawee County. His banking expertise includes commercial lending, business relationship banking and business financial statement analysis. Chris received a B.A. in Finance from Western Michigan University, is a graduate of the Michigan Banker School for Commercial Lending, and currently attends the Graduate School of Banking in Madison, Wisconsin. Chris is dedicated to the community and serves on numerous organization Boards.



Chris J. Clarke

Matthew J. Morgan, CFO of First National Bank of Michigan, Earns Certified Banking Cybersecurity Manager Designation

Matthew J. Morgan, CPA has earned the Certified Banking Cybersecurity Manager (CBCM) credential through the SBS Institute. Mr. Morgan joins a growing community of financial service professionals showing their commitment to strong cybersecurity practices with a cyber-specific certification.

The CBCM designation acknowledges licensing professionals who have demonstrated their experience and proficiency in conducting a complete assessment to better defend against cybersecurity threats. It is built on internationally applicable standards of practice, knowledge, and ethics to differentiate licensing professionals who have taken the steps necessary to become certified.



Matthew Morgan



Sarah Bliven

Bliven Promoted to Shepherd Branch Manager

Jerome Schwind, President of Isabella Bank announced the promotion of Sarah Bliven to Shepherd Branch Manager. Sarah will manage the daily operations of the Shepherd branch, while servicing the retail lending needs of the area including automobiles, campers, boats, and credit cards.

“I am confident in Sarah’s caliber of customer service and pleased to have her lead the Shepherd team. Sarah’s personal dedication to her customers is impressive,” stated Schwind.

Ms. Bliven is a graduate of the Dale Carnegie Team Development Process, Isabella Bank’s Leadership Program, Michigan Bankers Association Supervisor Program, and several Isabella Bank training programs including Isabella University. She has eleven years of banking experience, most recently working in branch administration. Ms. Bliven enjoys volunteering her time with Junior Achievement, Rotary, and the Shepherd Area Chamber of Commerce. She is eager to get involved with the Shepherd Maple Syrup Festival Committee in 2020.

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Max Holman and Paul Barbeau Join 1st State Bank's Board of Directors



Max Holman

Phillip List, Chairman of the 1st State Bank Board of Directors, is proud to announce that Max Holman and Paul Barbeau have been appointed to 1st State Bank's Board of Directors.

Holman is a co-owner of The Bay Cast Companies and President & General Manager of Bay Cast Incorporated. He is a current board member of Bay Area Community Foundation, and Steel Founders Society of America. Holman has also served as board member for Bay Area Chamber of Commerce, Michigan Chamber of Commerce, Great Lakes Bay Economics Club, Junior Achievement of North Central Michigan, and the local board for the American Foundry Society. Holman graduated from Michigan Technological University with a degree in Electrical Engineering.



Paul Barbeau

Barbeau works for Dow as Director, Real Estate Strategy and Facility Development. Barbeau serves on various boards and committees including the Greater Midland Community Center Board of Directors, Michigan Baseball Foundation Board of Directors, and Downtown Development Authority, City of Midland, Board of Directors. He earned his bachelor's degree in history and government from Georgetown University and his Master's in Business Administration degree from the University of Michigan, Ross School of Business.

Both Holman and Barbeau are recipients of 1st State Bank's RUBY Award. The award recognizes successful young professionals of the Great Lakes Bay Region. "We are pleased to welcome Max and Paul to the Board of Directors," said Jim Milroy, President & CEO of 1st State Bank. "Their professional experience combined with the strong leadership skills they have exhibited in our community makes them excellent additions to our Board. Max and Paul will be assets to our continued growth in the Great Lakes Bay Region."

First National Bank of Michigan Board of Directors Promote Jefra A. Groendyk to Executive Vice President

First National Bank of Michigan's Board of Directors recently promoted Jefra A. Groendyk to Executive Vice President.

Since joining FNBM in 2012, Jefra has been promoted to Market President of Grand Rapids and then to Senior Lender managing the Bank's Commercial Banking. She led the Bank's expansion into Holland, Michigan and more recently into Lansing Michigan.

Jefra has over 30 years of banking experience including managing a \$1.0 Billion loan portfolio in outstate Michigan. Prior to joining First National Bank of Michigan, she was a Portfolio Manager in charge of a \$6.0 Billion loan portfolio in three states with over 35 underwriters reporting to her.

Jefra holds a Bachelor Degree in Business Administration from Grand Valley State University. She was a previous winner of the West Michigan Business Review's Most Influential Women Award and the Midwest Real Estate News Powerful Women in Real Estate Award.

"Jefra is a valuable part of the Leadership Team at FNBM, and influential in the Bank's ALCO, Audit and Marketing Committees along with chairing the Bank's Directors Loan Committee.

Jefra continues to be an exemplary leader and visionary, and her leadership in the communities we serve is second to none" said Dan Bitzer, President and CEO.

mBank Welcomes New Branch Manager to Birmingham Office

mBank is pleased to announce that Brian Barens has joined the team as Assistant Vice President Branch Manager at its branch in Birmingham, MI.

Barens graduated from Central Michigan University in 2000 with a Bachelor of Science in Business Administration-Finance and has over 15 years of experience in the banking industry. In his new role at mBank, Barens will be responsible for all branch operations and employee development at his office location in Birmingham.

“Brian brings a wealth of knowledge gained both from his time in banking and experiences beyond the financial industry,” said Laura Garvin, mBank Senior Vice President, Commercial Portfolio Manager. “I look forward to the contributions he will make as we continue to grow and enhance the services we provide to our customers.”

“I’m looking forward to continuing my career with mBank and helping our customers with their financial goals,” said Barens. “mBank makes giving back an integral part of their culture, and I’m excited to be a part of a company that values strengthening their communities.”



Brian Barens

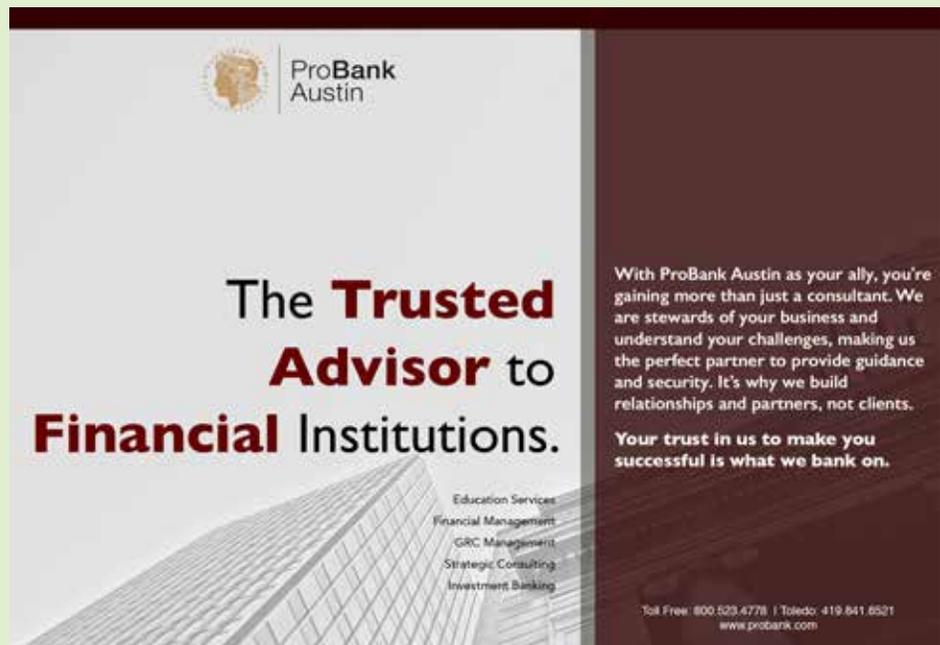
Citizens National Bank Hires Garrett Urman as Assistant Vice President, Business Banking



Garrett Urman

Garrett G. Urman joins Citizens National Bank (CNB) as Assistant Vice President, Business Banking. In making the announcement President and CEO Matthew E. Keene said, “In addition to his ten years of business banking experience, Garrett’s values and commitment to community banking make him an excellent addition to the CNB team.” Garrett will be based out of the bank’s Petoskey office concentrating on developing relationships throughout northern Michigan.

Garrett earned his bachelor degree from Lake Superior State University (LSSU) in Sault Ste. Marie, MI, and currently serves as a member of the LSSU Lukenda School of Business Advisory Board. Additionally, Garrett is a steering committee member for the Petoskey Regional Chamber of Commerce Leadership Little Traverse program and a member of Harbor Light Community Chapel’s finance team.



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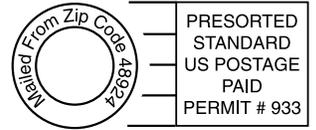
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