

Kentucky Banker

March/April 2025

Making Sense of the American Noise Machine

KBA President Ballard Cassady considers
whether we're headed for ruin or reign.

Change is in The Air

General Counsel Timothy
Schenk answers whether its
real or imagined.

WOMEN IN BANKING RETURNS!

WITH LEADERSHIP DEVELOPMENT COACH,
ALYSON VAN HOOSER!





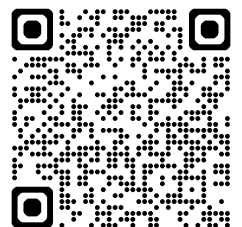
NEW FRONTIER

2025 Credit Conference

Blazing a Trail
The Community Bank Way

May 14-16, 2025
Manchester Reserve
Lexington, KY

Learn More



We Know Banks!

Your bank faces more uncertainties than ever...its insurance shouldn't be one! How confident are you in your current coverages? Let our expert team review your policies!

Visit us online and schedule your review at www.kenbanc.com today!

Property & Casualty
Collateral Protection
Employee Benefits
Fee Income
Cyber
Boli



Chuck Maggard

President & CEO

606-682-1950
cmaggard@kybanks.com



Lisa Mattingly

Benefit Solutions
Director of Sales & Services

502-377-4048
lmattingley@kybanks.com



Brandon Maggard

Account Representative

606.682.2769
bmaggard@kybanks.com

WHO WE ARE: The KBA is a nonprofit trade association that has been providing legislative, legal, compliance and educational services to its member institutions since 1891. KBA's directors and staff work together with its members to make the financial services industry a more effective and successful place to work. The strength of the KBA is bankers unifying as an industry to speak as one voice.

WHAT WE DO: The purpose of the Kentucky Bankers Association is to provide effective advocacy for the financial services industry both in Kentucky and on a national level; to serve as a reliable and responsive source of information and education about areas of interest to the industry; and to provide a catalyst and forum for collective industry action. The KBA does this in 4 ways:

1. Government relations & industry advocacy
2. Information interchange
3. Education
4. Products and services

KENTUCKY BANKERS ASSOCIATION

600 West Main Street, Suite 400
Louisville, Kentucky 40202

KENTUCKY BANKER is the official bi-monthly magazine of the Kentucky Bankers Association (KBA). No part of this magazine may be reproduced without express written permission from the KBA. The KBA is not responsible for opinions expressed by outside contributors published in KENTUCKY BANKER. The KBA reserves the right to publish submissions at the discretion of the KENTUCKY BANKER editorial team. For more information, or to submit an article, pictures or pass on a story lead, contact Matt Simpson, Managing Editor, at msimpson@kybanks.com

Visit us online at KYBanks.com



Ballard W. Cassady Jr.
President & CEO
bcassady@kybanks.com



Michel Buchheister
IT Specialists
mbuchheister@kybanks.com



Miriam Cole
Executive Assistant
Office Manager
mcole@kybanks.com



Cass Cassady
Director of Events
ccassady@kybanks.com



McKenzie Caldwell
Staff Accountant
mcaldwell@kybanks.com



John P. Cooper
Legislative Solutions
jcooper@kybanks.com



Amanda Cole
Coordinator
Bank Performance Report
acole@kybanks.com



Paula Cross
Education Coordinator
pcross@kybanks.com



Casey Guernsey
Enrollment and Billing
Specialist
cguernsey@kybanks.com



Jamie Hampton
Education Coordinator
jhampton@kybanks.com



Tamuna Loladze
Chief Operating Officer
HOPE of the Midwest
tloladze@hopeofthemidwest.com



Michelle Madison
IT Manager
mmadison@kybanks.com



Brandon Maggard
Account Representative
KenBanc Insurance
bmaggard@kybanks.com



Chuck Maggard
President & CEO
KenBanc Insurance
cmaggard@kybanks.com



Lisa Mattingly
Director of Sales & Service
KBA Benefit Solutions
lmattlingly@kybanks.com



Tammy Nichols
Finance Officer
HOPE of the Midwest
tnichols@hopeofthemidwest.com



Katie Rajchel
Accounting Manager
krajchel@kybanks.com



Timothy A. Schenk
General Counsel
tschenk@kybanks.com



Selina O. Parrish
Director of Membership
sparrish@kybanks.com



Jessie Southworth
Director of Education
jsouthworth@kybanks.com



Jennifer Schlierf
Sales Support
KBA Insurance Solutions
jschlierf@kybanks.com



Matt Simpson
Communications Director
msimpson@kybanks.com



Matthew E. Vance, CPA
Chief Financial Officer
[mvance@kybanks.com](mailto:m Vance@kybanks.com)



Billie Wade
Executive Director
HOPE of the Midwest
bwade@hopeofthemidwest.com



Audrey Whitaker
Insurance Services
Coordinator
awhitaker@kybanks.com

2024-2025 OFFICERS & BOARD

CHAIRMAN

April R. Perry, Chairman & CEO,
Kentucky Farmers Bank Corporation

VICE CHAIRMAN

W. Lee Scheben, President,
Heritage Bank, Inc., Burlington

TREASURER

J. Jason Hawkins, President & CEO, First
United Bank & Trust Co., Madisonville

GROUP REPRESENTATIVES

Represents Group 1

Jeff McDaniels, President & CEO
Farmers Bank & Trust Company

Represents Group 2

Douglas E. Lawson, President & COO
Field & Main Bank, Henderson

Represents Group 3

Logan Pichel, President & CEO
Republic Bank & Trust Company

Represents Group 4

Jason T. Jones, President
Morgantown Bank & Trust Co.

Represents Group 5

Don D. Jennings, CEO
First Federal Savings Bank of KY

Represents Group 6

Robert Miles, President & CEO
Peoples Bank of Lebanon

Represents Group 7

Lucas Shepherd, CEO
First National Bank of Manchester

Represents Group 8

Lonnie Foley, President & CEO
Peoples Bank of KY, Inc.

PAST CHAIRMAN

Mark Strother, President & CEO
Commercial Bank of Grayson

KBA PRESIDENT & CEO

Ballard W. Cassady, Jr., President & CEO
Kentucky Bankers Association

Represents Group 9

James Ayers, Regional Manager
First State Bank, Inez

THRIFT REPRESENTATIVE

Glenn Meyers, Executive Vice President
Citizens Federal Savings & Loan Assoc.

BANK SIZE REPRESENTATIVES

Represents Banks w/ Assets of \$1B+

Michael F. Beckwith, Executive Vice
President, Chief Banking Officer,
German American Bank

Represents Banks w/ Assets of >\$1B & at least \$200M

Frank B. Wilson, President & CEO
Wilson & Muir Bank & Trust Company

EDUCATION ALLIANCE REPRESENTATIVE

Lanie W. Gardner, Community President
First Southern National, Central City

KBA BENEFITS TRUST COMMITTEE REPRESENTATIVE

W. Fred Brashear, II, President & CEO
Hyden Citizens Bank

Kentucky Banker

March / April 2025

THANK YOU TO OUR ADVERTISERS AND CONTRIBUTORS

COMPLIANCE ALLIANCE

FHLB CINCINNATI

FIRST HORIZON CORRESPONDENT BANKING

ICBB

IMAGEQUEST

INTEGRIS

KENBANC

NCONTRACTS

OCCH

MORGAN POTTINGER MCGARVEY



*"The Examiner said
WHAT?!?"*



Need help meeting all
the cybersecurity
requirements?

Have a board that needs
more education on
security issues?

Facing a mess and not
sure where your cyber
posture stands?

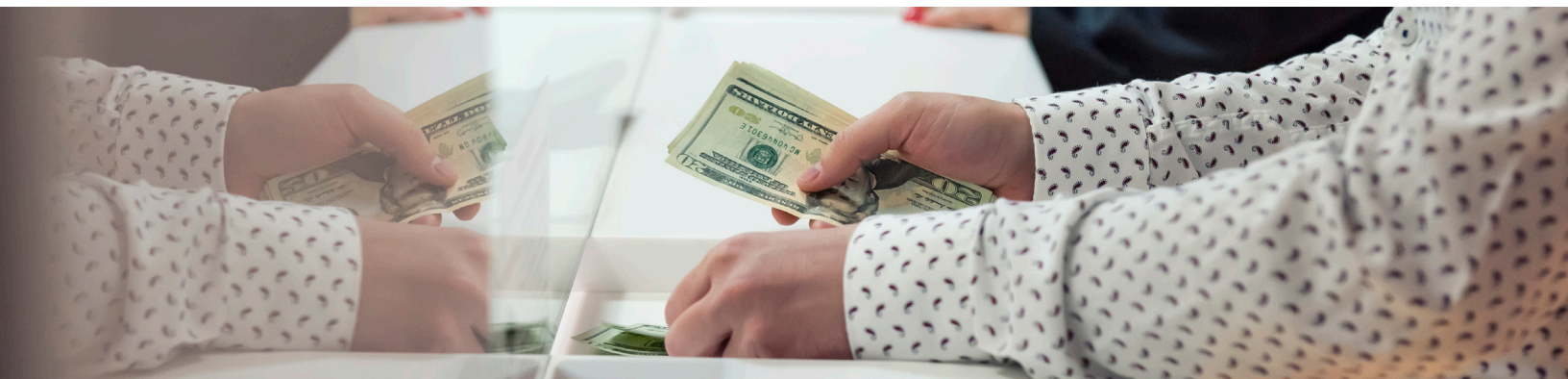
*Our virtual CISO service
may be the answer
to your needs.*

IMAGEQUESTSM



ImageQuest.com 502.400.3300





Confessions *of a* Lifelong Bank Lover.



MY PASSION FOR FINANCIAL LITERACY BEGAN AS A TEENAGER AND HAS CONTINUED THROUGHOUT MY LIFE.

by April Perry | KBA Chairman, 2024

I've taught elementary students the value of coins, explained the costs and benefits of a college education to young women in high school, and educated adults looking for a second chance in the banking system.

Our bank's philosophy has always been to do right by the customer. Sometimes that means turning down a loan but advising on how to improve credit scores and pay down costly debt to afford what one wants in the future.

The financial crisis of 2008 highlighted the need for financial literacy across the United States. Many people had entered into risky mortgage financing. They didn't understand the terms of their loans and were overleveraged. Shortly after the financial crisis, I reenergized my efforts to help people in NEKY take control of their finances. I had heard about the Bank On initiative through ECU and knew that for Northeast Kentucky to thrive, we needed a population that understood basic financial concepts. I formed a coalition of local business leaders to develop Bank On NEKY. Our goal was to raise the level of financial literacy in our communities by offering classes and access to bank accounts with low or no minimum balances and fees. Although we have helped some, the work is far from over!

Kentucky exceeds the national average of people that are unbanked with almost 6% of Kentuckians relying on expensive financial alternatives for check cashing and short-term loans. Many others are underbanked and use costly alternatives for much of their financial business. Check cashing services, payday lenders, and title loan companies charge for basic services costing

a person approximately \$40,000 over their lifetime for services that are free at a bank. The cost increases exponentially if they access credit through these predatory lenders.

In 2019, then Kentucky Treasurer Allison Ball successfully advocated for the passage of the Kentucky Financial Empowerment Bill, HB 139. As a result, the Kentucky Financial Empowerment Commission (KFEC) was formed. I was honored to join the Commission as a founding board member representing the Kentucky Bankers Association. What started out as a dream has become a hub for financial literacy resources.

Jennifer Inman, the Executive Director of the Kentucky Financial Empowerment Commission, has more passion and energy for financial literacy than anyone I have ever met! If you want to be inspired, just spend some time with Jennifer! Or visit KYFEC.ORG to learn more about the commission. There you will find ways to support the efforts of the commission and resources to improve the level of financial literacy in your community, including information about the Kentucky Bank On Network.

Recognition of the need for financial empowerment has taken center stage with Scott Bessent, the Secretary of the Treasury, touting the importance of strong financial knowledge and skills for Americans in achieving economic security. Kentucky's banks are poised to lead the charge to elevate our state. Join me in supporting KFEC's efforts. The reward for an educated population far exceeds the cost of education!



Making Sense *of the* American Noise Machine



TARIFFS ARE FLYING, MANUFACTURING COMMITMENTS ARE PILING UP, THE STOCK MARKET IS SCHIZOPHRENIC AND, DEPENDING ON YOUR CHOICE OF ECONOMIST, WE'RE EITHER HEADED FOR RUIN OR REIGN.

by Ballard Cassady | KBA President & CEO

And that might be the same economist, the type who uses the phrase 'on the other hand' every three minutes. Even the sages in both political parties are truly wondering where we end up. One is hoping for the best. The other has to hope for disaster, that being their shortest path back to power. Or maybe it's enough to convince voters that disaster is the most likely outcome.

We've had increasing political polarization for a good while now. But social media has fueled hysterics, from pundits to TikTokers, in a way that is something new, somewhere between funny and scary. The president at the center of it? Since he provokes media meltdowns for purposes that gradually become clear, I can still mostly laugh. But 'crazy' is king in Washington right now, which – even for a political junkie like me – is only fun to watch up to a point.

If hypocrisy were food, our politicians of a certain ilk would be

needing Heimlich maneuvers during every speech or interview. Those on the far right, which have the majority, can't agree on what to do with it. Mike Johnson has to have a little Pelosi envy over that. Those on the far left, with more discipline in using their daily talking points, have the challenge of being in the minority on too many polarizing issues. In recent weeks, they seem to have a newly discovered passion for legal process aimed at retaining every one of the 12M+ illegals ushered in by the Biden folks, even those whose sole occupation is crime.

It feels like Backwards Day when I was in grade school, when you wore your shirt backwards and your pants inside out. Am I the only one feeling a little disoriented when a socialist open border defender is hailed as a major party's best presidential hope? When the smartest man of my lifetime (I wasn't alive for Einstein) is called an 'idiot' by someone few of us would know by name or face but for her strategic use of profanity and ridiculing a man for being in a wheelchair?

I was asked a very serious question, by someone I admire for his years of service, before a group of bankers in Washington a few weeks ago. As my old granny used to say, “I was as honest as my profession allowed me to be.” My answer was, “I think what is happening right now could make President Trump the most consequential President since Franklin Roosevelt OR we could be headed for the cliff.” (I didn’t use the phrase ‘on the other hand’ for fear of sounding like an economist.)

The point is, the question’s scope exceeded my skill set and pay grade. But there are more limited things I feel able to point out. Illegal immigration has all but stopped. Though the stock market is ‘volatile’, our economic numbers are improving. We’re getting serious about serious things, like how to treat the entrenched disorders in our government and institutions? Why are our children among the sickest in the developed world? How do we best use our ‘superpower’ to limit wars? How do we re-balance our economy for prosperity that is more evenly shared across classes?

For the best of answers, we need constructive conversations across the idea spectrum, not toddler-esque tantrums of adults destroying property and assaulting people because they can’t handle the frustration of not getting their way at the ballot box. The good news: that describes a minority whose relative size is inflated by media attention. The bad news: that same media attention inspires others to ‘copycat’ their way onto the radar of a DOJ that seriously considers no one above the law – not even activists.

As a life-long sports fan, I get the emotional drivers of all this. We’ve all got a team. We want our team to win and the other team to lose. The problem is, some of us define ‘team’ a little too close to home. The fate of our children and theirs depends on recognizing that our team has to be our country, not our political party.

For me, that means we all have to hold a few values in common, like public safety and due respect for the rule of law. I can’t square that with judges whose decisions are aimed at keeping illegals known to be committing additional crimes on our streets instead of detained by ICE. I’ve had plenty to say over the years about the way the executive and legislative branches have failed in their constitutional roles at times. But this partisan rot in the branch most responsible for preserving the rule of law, the only one with lifetime appointments, is far more dangerous to us.

Our country is made stronger by having at least two strong political parties, a matter of checks and balances. But both parties have to act like grownups, to have goals for America as well as party power. What we’ve got at present, with one party in disarray and obstruction as its primary agenda, is at least as risky for this country as a ‘uniparty’ would be.

I say give our President the chance he deserves, the one that goes with winning both the electoral college and popular vote. He fought hard for it, even in the minutes following an assassination attempt. With problems of mind-boggling scale and complexity to be solved, he or someone on his team will make mistakes along the way. But if he pulls off the feat of doing exactly what he promised to the majority of Americans who elected him on those promises, America – as defined by that majority – wins. At the economic level, at least, that should be a win for every American.





Regulations: Can You Feel Change *in the* Air?



FOR THE LAST SEVERAL YEARS, I HAVE HAD BANKERS DESCRIBE ME AS THE “GRIM REAPER,” OR THE “LORD OF THE SITH” FROM STAR WARS

by **Tim Schenk** | *KBA General Counsel*

All as a result of my compliance emails rarely delivering good news. I readily understand that many bankers moved my email address to “spam” just to avoid the onslaught of negative regulatory news.

I would have too; *It’s been a tough stretch for bankers.*

As many of you know, I coach travel baseball. One of my player’s walk-up songs is “In the Air Tonight” by Phil Collins. When you play multiple games in a day and hear the same song over and over again, they tend to get stuck in your head. After a long weekend of baseball, it

hit me: what better song to describe the current state of regulation.

“And I can feel it coming in the air tonight, oh, Lord. Well, I’ve been waiting for this moment for all my life, oh, Lord,” (Now it can be stuck in your head for the rest of the day, too!).

Whether it’s real or just imagined, I can’t help but feel like the winds of regulation are changing, and what feels like a lifetime of burdensome and unnecessary regulation are, at a minimum, changing incrementally. Finally, there’s something to celebrate, so let’s not waste a good opportunity!

Overdraft. The Congressional Review Act Resolution capping overdraft fees at \$5 passed both chambers of Congress and may be signed by President Trump by the time this article is printed. Congressman Andy Barr spoke on the House Floor discussing how the rule would be detrimental to Kentucky community banks stating, "Let me set the record straight, Mr. Speaker. This resolution of disapproval doesn't increase fees as my friends on the other side of the aisle insinuate. In fact, what it does do is it invalidates a regulation that would take away this critical lifeline from many of my constituents."

Congressman Barr is right. Had overdraft caps of \$5 been instituted, many of our members would have had to completely reevaluate their overdraft services, forcing consumers to have significantly less options in operating their daily lives. This critical vote on overdraft was a win for bankers and consumers.

Community Reinvestment Act. As you all know, the other CRA, the Community Reinvestment Act, has been a challenge for bankers across our Commonwealth. As Federal Reserve Vice Chairman nominee Michelle Bowman described the new proposed CRA Rule, currently enjoined by a federal court, "The final rule is unnecessarily complex, overly prescriptive, and contains disproportionately greater costs than benefits, adding significantly greater regulatory burden for all banks, but especially for community banks. The premise of the changes being made in this rule is that banks are not doing enough to meet the credit needs of their communities. Yet, there is no evidence provided to support this premise."

In short, the new CRA rule is broken. Despite this brokenness, prior interagency leadership refused to make common sense changes that truly served the statutory purpose of CRA that "banks should be involved in their communities, particularly as it relates to helping meet the credit needs of those communities."

On March 28th, the agencies announced that they would be rescinding the broken 2023 final rule and repropose interagency CRA framework with public commentary. While we don't know what that final rule will look like, we now have the opportunity for change and a framework that recognizes the work already being done by our Kentucky banks in serving their communities. I can feel it in the air...

Credit Card Late Fees. On April 15th, a United States District Court in Texas threw out the CFPB's \$8 cap on credit card late fees for violations of the Credit Card Accountability and Disclosure Act and Administrative Procedures Act. Had this rule remained, it would have resulted in more late payments, higher credit scores, higher interest rates and reduced access for consumers. Another common sense result in setting aside a broken rule.

The Tone. We have a lot of meetings with regulators. With two lawsuits, constant comment letters, and meetings in Washington, we are active in the regulatory

space. Pun intended, and with some exceptions, the tone of many of our meetings with prudential regulatory leadership was "off key" with the CFPB "beating their own drum" with complete indifference for what any banker, consumer or even other regulators thought.

Former Director Rohit Chopra utilized the CFPB as his own bully pulpit with the mindset that "all banks are bad" and passed unilateral rulemaking accordingly. "Meetings" with the former director, including our "meetings", were nearly always described as "useless" as the former director left promises of review unfulfilled, commitments broken and never considered intended or unintended effects of rulemaking on others. The CFPB's staff of thousands were prolific in vilifying banks.

Oh, how the air has changed. There are expected to be 1,500 layoffs at the CFPB leaving them with little more than 200 employees to carry out the agency's regulatory activities. The Wall Street Journal reported that a letter was sent to CFPB staff from the agency's chief legal officer, Mark Paoletta, which outlined how the agency is refocusing its efforts on "tangible harm to consumers" by reallocating resources from enforcement and supervision activities that can be done by states. The memo said the CFPB's supervision arm will reduce the number of supervisory "events" or exams by 50%, with a focus on "conciliation, correction and remediation of harms subject to consumers' complaints."

According to Fox News, "Mortgages will receive the highest priority, followed by data furnishing violations, consumer contracts and debts, fraudulent overcharges and fees, as well as inadequate controls to protect consumer information." The memo said the CFPB "will not pursue supervision under novel legal theories" and will "focus on areas that are clearly within its statutory authority." A stark contrast from prior leadership. Furthermore, and most importantly, the CFPB is now communicating with the banking industry. The CFPB is considering policy changes, looking at the effects of its prior rulemaking and focusing on actual consumer harm; a step in the right direction. The air is changing.

As many bankers have said to me, it feels like there is finally some "positivity." They are not wrong. Maybe I can be removed from spam boxes and blocked lists and added back to inboxes.

I often consider myself on the "frontlines" of fighting overburdensome regulation. The air is changing, and this article could go longer on positive change. However, our work is not done.

As you know, "In the Air Tonight" contains a big drum solo halfway through that challenges the finest of air drummers to show off their skills. A crescendo, as musicians call it. We are not to the crescendo in repealing regulations quite yet... we still have challenges such as 1071, 1033 and others. But I believe it's coming, and I will enjoy the air tonight.

REVIEW:

KEEPING AT IT: THE QUEST FOR SOUND MONEY AND GOOD GOVERNMENT

BY PAUL VOLCKER



The last several years have been interesting economic times in which to live. During 2022, the United States experienced the highest inflation in 40 years, leading to 11 rate increases between March of 2022 and July of 2023. Terms that are typically only used by economists and bankers like discount rate, dot plot, an inverted yield curve, ended up in the daily news cycle. Federal Reserve Chairman Jerome Powell found himself constantly in the news with markets reacting to his every word. The Federal Reserve Chairman that ‘beat’ the inflation of the late 1970s and early 1980s, Paul Volcker, could have certainly related to Powell’s experience. The year before Volcker’s death in 2019, at the age of 90, he published a memoir detailing his life of public service, *Keeping At It: The Quest for Sound Money and Good Government*. I felt like Volcker’s memoir would be informative and timely. I was right.

Volcker writes in chronological order, beginning with his childhood in Teaneck, NJ, where his father served as one of the nation’s first city managers. Observing his father during these formative years- years that included the Great Depression and World War II - had a profound impact on Volcker, imparting lessons in administration and public service that he carried with him throughout his life. Volcker’s educational endeavors could themselves fill a book. He was a graduate of Princeton, Harvard and the London School of Economics. He began his career as an economist with the New York Federal Reserve and a stint at Chase Manhattan Bank. He went on to serve under eight US Presidents.

His memoir could serve as a history of monetary policy and international financial crisis in the post-World War II economy. He gives detailed accounts of the Nixon administration ending the gold standard, of financial crisis in Central America and Asia, as well as the S&L crisis in the United States. The core of the book is the rampant inflation of the 1970s and 80s and the strategy and tactics that were used to defeat it.

Volcker recognized when he became Chairman that the Fed was losing credibility and that a new approach was necessary to tame inflation. Interest rate hikes were an obvious part of that approach. Beyond that, Volcker stated that the Fed “aimed the whole range...of ammunition at the market”. In addition to interest rates, this included:

- *A requirement that banks set aside more of their deposits as reserves.*
- *A call for an end to speculative lending.*
- *Restraining growth in the money supply, no matter what the impact was on rates.*

The impact on rates was indeed substantial. The rate on 3-month T-Bills eventually exceeded 17%, prime peaked at 21.5% and mortgages were over 18%. Protests became common and Volcker had to be assigned a personal security detail. At one point an armed man entered the Federal Reserve and threatened to take the board hostage. As difficult as this time period was,

it worked, and inflation eventually subsided. Volcker states that even with the benefit of hindsight, he does not believe that there was a better way to accomplish the goal of lowering inflation. He is also of the opinion that the success of taming inflation was instrumental in restoring confidence in central banks worldwide.

Volcker closes by describing his post-Federal Reserve career, which included serving as Chairman of several Presidential appointed commissions as well as advisory and consulting roles. The discussion of the Volcker Commission that investigated holocaust era Swiss bank accounts is quite interesting.

I'm a firm believer in the adage "nothing new under the sun". No matter what the latest breaking news story or 'unprecedented' event of the day happens to be, I believe one can find a historical example of a similar occurrence. This book confirmed my opinion. Consider:

- As I write this in April the current President has just criticized the current Federal Reserve Chairman. Is this an 'unprecedented' assault on the independence of the Fed that cable news tells us it is? Not hardly. Volcker recounts being summoned to a meeting at the White House with President Reagan and Chief of Staff James Baker where Volcker was told bluntly that "the President is ordering you not to raise interest rates before the election". Volcker considered resigning in protest, but, according to him, he had no intention on raising rates anyway.

- DOGE firing of federal employees- not much new there either. Volcker criticizes President Clinton and Vice President Gore for cutting thousands of federal jobs and freezing spending as part of a "reinventing government" initiative that focused on- wait for it- promoting government efficiency and cutting spending.

If you are a politically minded person, you may take issue with parts of this book and certain views held by Volcker (not to mention his role in and view of Dodd-Frank). However, if you want to understand the inner workings of the Federal Reserve and get a great economic history lesson at the same time, you will enjoy his memoir.



Author: James Ayers
Assistant Vice President
Regional Retail Manager
Kentucky Market
First State Bank



COURSE CATALOG

At A Glance...

For our complete course catalog and registration info, please visit www.kybanks.com!

June 2025

General Banking School

June 1 - 6, 2025

Year 1 \$1,850

Year 2 \$1,975

Griffin Gate, 1800 Newtown Pike, Lexington, KY

The General Banking School (GBS) is a two-year program for bankers ready for advanced training. It bridges concepts and real-world application, equipping professionals with skills for career growth and national graduate banking programs. The curriculum includes classroom sessions and BankExec, a hands-on bank management simulation. Between years, attendees complete Intercession Exercises, applying research to real banking challenges.

Security Seminar

June 18, 2025

\$395

Unified Technologies Training Room

11500 Blankenbaker Access Drive, Louisville, KY

This five-part security seminar, led by Barry Thompson, equips employees with the knowledge to protect your institution. Sessions cover Crime Prevention through Environmental Design, Security Demystified, Focus Groups and Case Studies, Adapting to Emerging Technologies, and Conducting a Physical Security Review Assessment. Participants will explore cost-effective facility safety improvements, regulatory responsibilities, and best practices for camera placement, alarm activation, and time locks. Case studies emphasize recognizing suspicious activity, while interactive discussions address security challenges with emerging technologies. The seminar concludes with a step-by-step guide to conducting an annual security review, ensuring institutions remain prepared and compliant.

Regulators Forum

June 25, 2025 - *WKU Knicely Conference Center, Bowling Green, KY*

June 26, 2025 - *Hyatt Regency Downtown, Lexington, KY*

\$180 first person

\$165 for each additional registration

Join this exclusive forum to hear directly from regulators as they discuss hot topics, examination priorities, and future regulatory expectations. This panel presentation offers a unique opportunity to address your questions and concerns while gaining insights into areas of intense review from both a safety and soundness and compliance perspective. Regulatory agencies in attendance include the Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), Federal Reserve Bank (Fed), and the Kentucky

July 2025

BSA 101 Seminar

July 9, 2025

\$295

Kentucky Society of CPAs

1735 Alliant Avenue, Louisville, KY

Bank Secrecy Act 101 provides a comprehensive introduction to BSA regulatory requirements, identifying AML red flags, and developing a strong Customer Due Diligence (CDD) profile. Designed for all levels of financial institution employees, this one-day course uses real-world case studies to illustrate key concepts. The program covers new customer onboarding, ongoing monitoring, and transactional activity, addressing Customer Identification Requirements, Beneficial Ownership, Currency Transaction Reports, suspicious activity detection, funds transfer rules, monetary instrument transactions, OFAC compliance, and structuring red flags. Gain a solid foundation in BSA compliance and practical tools for regulatory adherence.

Women in Banking

July 14th - 15th, 2025

\$525

The Galt House / Louisville, KY

Join us at the Women in Banking Conference 2025 as we welcome Alyson Van Hooser—keynote speaker, leadership expert, and best-selling author—as our emcee and host! With a bold mission to develop highly effective leaders who inspire change, Alyson brings unmatched energy, experience, and passion to the stage. Her journey—one of resilience, leadership, and relentless determination—embodies this year's theme: Earn the Right to Be Heard! Get ready for a transformational experience where your voice matters, your leadership thrives, and your impact grows. The KBA Woman in Banking 2025 returns July 14th.

Cash Flow Seminar

June 22 - 23, 2025

\$650 per person

Kentucky Society of CPAs

1735 Alliant Avenue, Louisville, KY

This two-day course helps bankers analyze cash flow in and out of business entities, covering Uniform/Universal Cash Flow Analysis, traditional cash flow, and Fast Cash Analysis. Participants will learn to calculate global cash flow for entities relying on owner-generated cash to service debt. The course also explores operating, investing, and financing activities, assessing their impact on cash flow, and includes a review of personal financial statements and tax returns to determine available cash for servicing commercial debt.



Elevate Your Career

EARN YOUR MASTER'S DEGREE IN LAW

The **Juris Master in Financial Regulation and Compliance** is a 100% online, 30-credit-hour master's in law that can be completed part time. This specialized concentration is for banking professionals seeking to develop a strong understanding of banking law, regulatory compliance, and financial transactions.

Earning a J.M. degree prepares working professionals to better understand the compliance issues surrounding their work and effectively strategize for, identify, and understand potential legal and regulatory hazards.

The career-focused curriculum affords students a unique and multifaceted understanding of the laws impacting financial industries by offering courses in:

- BSA/AML
- Consumer Compliance
- Financial Privacy and Cybersecurity
- Risk Management for Financial Compliance

Visit law.fsu.edu/JMOnline for detailed Admissions Requirements and to access the J.M. Application Portal.

INTRODUCING OUR HOST
& KEYNOTE SPEAKER,

Alyson Van Hooser



OUR MOST ANTICIPATED
EVENT OF THE YEAR!

Women in Banking

July 14th - 15th, 2025 | The Galt House | Louisville, KY

Join us at *Women in Banking Conference 2025*
as we welcome **Alyson Van Hooser**:
keynote speaker, leadership expert, and
best-selling author!

Monday, July 14 – Archibald Room

1:00 PM - 1:30 PM	Registration
1:30 PM - 2:00 PM	Welcome & Opening Remarks Alyson Van Hooser
2:00 PM - 3:00 PM	Fireside Chat Megan Gultinan Legislative Director Sr. Financial Services Policy Designee for Congressman Andy Barr
3:00 PM - 3:45 PM	Fireside Chat Amanda Mays Bledsoe Kentucky Senator
3:45 PM - 4:00 PM	Refreshment Break
4:00 PM - 5:00 PM	Speed Networking
5:00 PM - 6:30 PM	Reception & Market

Tuesday, July 15 – Archibald Room

8:00 AM - 9:00 AM	Breakfast
9:00 AM - 10:00 AM	Fireside Chat Lorrie Trogden President/CEO of the Arkansas Bankers Association
10:00 AM - 10:15 AM	Refreshment Break
10:15 AM - 11:00 AM	Earning the Right to Be Heard Alyson Van Hooser
12:00 PM - 1:00 PM	Lunch, Archibald Room
1:00 PM - 2:00 PM	Panel Discussion Alyson Van Hooser Grace Pace SVP, Quintic Bank Lauren Thompson VP, Chief of Staff, Republic Bank
2:00 PM - 2:15 PM	Refreshment Break
2:15 PM - 3:00 PM	Situational Awareness Shane Ensminger The Face of Fraud Prevention, Central Bank
3:00 PM - 3:30 PM	Lay Down the Law Alyson Van Hooser
	Adjourn



Alyson Van Hooser | Leadership Coach

We are honored to welcome Alyson Van Hooser, CSP, as our host and keynote. A leadership expert and acclaimed author, Alyson is on a sold out mission to develop strong leaders who drive positive change now and for the future. Her ownership mindset, shaped by personal challenges, fuels her passion to help others achieve bold goals. Through keynotes, training, and advising, she equips people to lead with confidence, clarity, and purpose, bringing unmatched energy, authenticity, and insight to every stage.

ALSO FEATURING...



Amanda Mays Bledsoe | Senator

We're honored to welcome **Kentucky State Senator Amanda Mays Bledsoe** to this year's conference. Representing the 12th District which includes Boyle, Mercer, Woodford Counties, and part of Fayette County, Senator Bledsoe is a respected voice in Frankfort and a strong advocate for education, families, and economic development. As Vice Chair of the Senate Appropriations and Revenue Committee, she brings thoughtful leadership and a deep understanding of the challenges facing Kentucky communities. We feel so lucky to have Senator Bledsoe joining us this year and can't wait for her appearance!



Grace Pace | SVP, Quintic Bank

We're excited to feature **Grace Pace, Senior Vice President at Quintic Bank**, as part of this year's program. With a strong track record in strategic growth and client relationship management, Grace brings practical insight into today's banking landscape. Her leadership reflects a deep understanding of how banks can evolve while staying grounded in community values. As a senior executive, she continues to champion innovation, integrity, and the advancement of women in financial services.



Megan Gultinan | Legislative Director

We're also pleased to feature **Megan Gultinan, Legislative Director and Senior Financial Services Policy Designee for Congressman Andy Barr**. With deep expertise in financial regulation and legislative strategy, Megan plays a key role in shaping national policy on banking, capital markets, and consumer finance. Her leadership on Capitol Hill reflects a strong commitment to practical, pro-growth solutions and thoughtful engagement with the financial sector. Attendees will gain valuable insight into the policymaking process and the issues driving the financial services agenda in Washington.



Lauren Thompson | VP, Chief of Staff Republic Bank

Say hello to **Lauren Thompson, VP & Chief of Staff at Republic Bank**. In her role, Lauren serves as a key advisor and strategic connector, helping drive high-level initiatives and align organizational priorities across the bank. With a sharp eye for detail and a deep understanding of executive leadership, Lauren brings a behind-the-scenes perspective on what it takes to lead at the highest levels of banking.



Lorrie Trogden | President, Arkansas Bankers Association

Joining us at WiB25 will also be **Lorrie Trogden, President of the Arkansas Bankers Association**, as a featured guest. A respected leader in the banking industry, Lorrie brings years of experience in advocacy, association management, and financial policy. As one of the few women leading a state banking association, she offers a powerful perspective on leadership, industry challenges, and the evolving role of women in banking. Her work continues to strengthen the voice of community banks across Arkansas and beyond.



Shane Ensminger | SVP, Director of Financial Intelligence & Security Unit

We're proud to welcome **Shane Ensminger, Senior Vice President and Director of the Financial Intelligence & Security Unit at Central Bank & Trust Co.** With a robust background in financial and security intelligence, Shane leads efforts to protect the bank's integrity through proactive risk management and operational security. Shane is the co-founder of the KBA Fraud Academy which is now in its third year running.

Onward & Upward

Have a promotion or branch news you want to see featured?
Email us at marketing@kybanks.com

First Kentucky Bank Pennyriple Region Market Executive, Doug Smith announces that **Sandy Goff** has joined First Kentucky Bank as Beaver Dam Branch Manager. Goff has 11 years of banking experience. She graduated from Scott County High School and attended Owensboro Community Technical College. At First Kentucky Bank, she will be responsible for managing our Beaver Dam Office and providing exceptional service to our customers.

First Kentucky Bank President/CEO Will Hayden announces that **Cole Arnel** has joined First Kentucky Bank as Vice President, Commercial Lending. Arnel has nine years of banking experience. He graduated from Ballard Memorial High School and Murray State University with a Finance degree. At First Kentucky Bank, he will be responsible for business development and commercial lending in Graves, Livingston, and Marshall counties, as well as the surrounding areas.

Mark A. Gooch, Chairman, President and CEO of Community Trust Bancorp, Inc., is pleased to announce the appointment of two new Danville Market Advisory Board Members to Community Trust Bank, Inc., **Dr. Aaron Rowland** and **Nicholas Spoonmore**.

The Murray Bank President and CEO, **Bob Hargrove**, presented **Maurice Thomas** with the Employee of the Quarter award at the Bank's recent employee meeting. Thomas currently works in the Solutions

Center at The Murray Bank. Thomas expressed her gratitude upon receiving the award, stating, "I am passionate about my work at TMB, and being recognized in this way is truly meaningful to me. The work environment here is exceptional, and I am grateful to contribute to it. Joining the TMB family has been a wonderful experience, and I feel blessed to be a part of it."

Congratulations are in order to **Bank of America** on the breaking of new ground for their Jeffersonville Financial Center in Jeffersonville, IN.

Central Bank Chairman, **President, and CEO Luther Deaton, Jr.** would like to announce the following promotions: The promotion of **Ed Cundiff** to Senior Vice President, Retail Development Officer; the promotion of **Clayton Rogers** to Vice President, retail banking officer III; the promotion of **Chris Eder** to assistant vice president and card services systems manager; the promotion of **Andrea Creech** to assistant vice president and human resources benefits manager; the promotion of **Janette Hodges** to assistant vice president and talent acquisition manager; the promotion of **Kimberlyann Smith** to officer, trust operations supervisor; and the promotion of **Ken Kirk** to assistant vice president and card services operations manager. Congrats to all on your continuing journey in banking!

Please join us in congratulating **Ashley Yocum** of Peoples Bank of Kentucky on

her recent promotion effective January 1, 2025. Ashley has been promoted to Senior Vice President ~ Chief Operations Officer. Ashley has been with PBK Bank since August 2008 and previously served in the role of Supervisor of Bookkeeping and Compliance Officer.

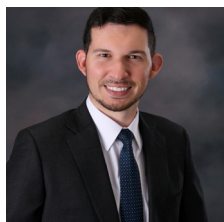
Bank of the Bluegrass & Trust Co. in Lexington is pleased to announce **Kristina Carpenter-Miller** has joined their Financial Center on Romany Road as a Universal Banker.

Traditional Bank is pleased to announce the promotion of **Whitney Davidson** to Cash Management Director. Since joining the bank in 2010, she has demonstrated exceptional dedication to her customers and her team. In this leadership role, Whitney will be responsible for securing new banking relationships, expanding the bank's business deposit portfolio and executing retention strategies, and serving as a trusted consultant to clients. Congratulations!

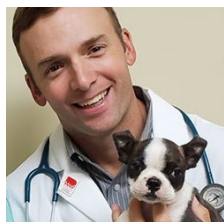
Traditional Bank is pleased to announce the promotion of **Sarah Jefferson** to Chief Experience Officer (CXO), a new position for the bank. Sarah most recently served as Cash Management Director. As CXO Sarah will continue to oversee cash management operations at the executive level with departmental leadership provided by **Whitney Davidson**, who has been promoted to cash management director. Well done!



Sandy Goff



Cole Arnel



Dr. Aaron Rowland



Nicholas Spoonmore



Maurice Thomas



Ed Cundiff



Clayton Rogers



Chris Eder



Andrea Creech



Kimberlyann Smith



Ken Kirk



Ashley Yocum



PROUDLY SERVING OUR
COMMUNITIES SINCE
1875

Traditional Bank is pleased to announce the promotion of **Jordan Parker** to Business Development Director. With 20 years of banking and client relations experience, Jordan has been an integral part of Traditional Bank since 2004. In his new role, he will focus on building relationships with businesses and individuals across all of the bank's markets, ensuring clients have customized banking solutions to support their success and fit their unique needs.

Traditional Bank also welcomes Mortgage Loan Officer **Noelle Penta** to its Louisville lending team. Whether you're a first-time buyer, you've outgrown your current space or are looking to downsize, Noelle understands the importance of home and is here to make your buying experience as easy as possible.

Central Bank Chairman, President, and CEO Luther Deaton, Jr. announces the promotion of **Alex Wolf** to vice president, private banking officer, **Justin Smith** joins Central Bank as vice president, personal

trust officer, the promotion of **Tim Hurley** to assistant vice president, information security officer, the promotion of **Trevor Humphrey** to assistant vice president, mortgage lending officer, **Christy Davison's** promotion to retail banking officer, **Laura Warren's** promotion to central insurance services office manager, officer, and **Danny Purvis's** promotion to senior staff accountant, officer. We celebrate each of your achievements and can't wait to see what's next for each of you. Thank you, Mr. Luther Deaton, for continuing to grow and promote new talent in banking!

Cumberland Valley National Bank & Trust (CVNB) is pleased to announce the appointment of **Steven King** as the bank's new Senior Vice President and Chief Financial Officer (CFO). With this strategic move, CVNB is well-positioned to continue its growth and legacy of financial excellence, further enhancing the bank's ability to serve its customers and stakeholders. His office is located on the 3rd floor of the London Main Office.



Helping You
Thrive
Since
1975



Whitney Davidson



Sarah Jefferson



Jordan Parker



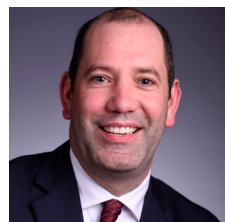
Noelle Penta



Alex Wolf



Justin Smith



Tim Hurley



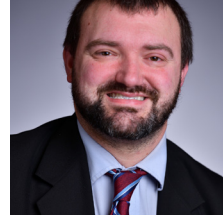
Trevor Humphrey



Christy Davison



Laura Warren



Danny Purvis



Steven King



With over \$530 million in loans funded to date and more than 7,000 affordable units built, HOPE has united bankers and developers to make impactful projects a reality. From historic preservation at Gateway on Broadway to modern family living at Richwood Bend Apartments, HOPE is transforming communities across the region. Learn how you can join this mission to build a brighter future at hopeofthemidwest.com.

(Pictured Left to Right) Tamuna Loladze (HOPE), Tammy Nichols (HOPE), Steve Gallahue (Housing Partnership, Inc.), Billie Wade (HOPE), and Jim Sparks (Central Bank)



Responsive. Trusted. Focused.

A focus on banking law since 1974.



MORGAN POTTINGER MCGARVEY

LOUISVILLE

NEW ALBANY

LEXINGTON

mpmfir.com



Judy Rose
rosejm@fhlbcin.com
513-324-2789



Montez Shugars
shugarsmk@fhlbcin.com
513-852-7693



SAVE THE DATE

FINANCIAL MANAGEMENT CONFERENCE



August 12-13



Nashville, Tenn.



www.fhlbcin.com





Learn where other banks stand on technology

- ✓ Survey of 1,000+ executives
- ✓ Top priorities for 2025
- ✓ How banks can stay ahead of cybersecurity concerns
- ✓ Free to download – use the QR code to view online



Integris.

Managed IT for community banks



OCCH
OHIO CAPITAL
CORPORATION
FOR HOUSING

OHIO CAPITAL CORPORATION FOR HOUSING

Transforming lives and communities
through housing and partnerships.



OCCH

671 S. High St., Suite 600
Columbus, Ohio 43221

(614) 224-8446

www.occh.org

35+ Years
of LIHTC experience

\$6.7 Billion
of private investor capital

64,984
units of affordable housing

1,117
developments and partnerships

0
foreclosures

8 States
OH, IN, KY, TN, WV, GA, MI & PA



Should I Be Reinvesting *In My* Bond Portfolio?



Todd Taylor, CFA, CPA | *Managing Partner*

Sasha Antskaitis, CFA | *Managing Partner*

With investment yields currently well-above their 5- and 10-year averages, many financial institution executives are asking this question. In this article we discuss important considerations that can help provide clarity relating to investment strategies in the current environment:

Spread to Cash. For all of 2023 and 2024, the average spread between the Fed effective rate (cash yield) and the 5-year Treasury (investment proxy) was negative 99 basis points. It was more difficult to find additional income in investments vs. cash without taking on some level of risk. Today, the spread is straddling zero +/- 10 basis points. With various investment options trading at +30 to +120 bps spread to Treasuries, investors can now find meaningful income pick up vs. cash to help widen overall margins. Similarly, with lower short term funding rates, it is no longer punitive to temporarily utilize non-core sources to fund reinvestment activity.

Anticipated Loan Demand. If net new loan demand is expected to be robust, there may not be a lot of cash flow available for deployment in the investment portfolio. However, if loan demand is slowing or is being managed to a slower pace intentionally due to capital, concentration and/or liquidity constraints, reinvesting cash flow could be warranted.

Liquidity Profile. When evaluating the liquidity position, it is important to consider current excess cash in the overnight account, along with wholesale funding availability/dependency, large depositor makeup, and pledging needs. Institutions with elevated wholesale funding dependency and higher asset liquidity ratios may choose to reduce non-core funding levels with incoming investment cash flow, especially if capital ratios are constrained. Alternatively, institutions with ample funding capacity should evaluate reinvesting excess cash in the bond portfolio.

Interest Rate Risk. Institutions with clear asset sensitive exposures (i.e., large cash positions) could consider certain types of investments as a balance sheet hedge against a prolonged declining rate environment. Executives should be very intentional selecting investments with various degrees of call protection. It is also wise to evaluate other strategies to help reduce this risk, including derivatives.

Fed Funds Rate vs. Yield Curve. When thinking about “rates” it is important to understand that just because the Fed Funds Rate is decreasing, like it did during the second half of 2024, it does not mean yields across all points of the yield curve are also decreasing. Specifically, the Fed cut the Fed Funds rate by 100 bps between 9/18/24 and 12/31/24, but the 5-year Treasury yield increased by 90 bps during the same timeframe. For those expecting a strong correlation, this created seemingly unexpected volatility in market values.

Current Unrealized Loss and AOCI. Significant Fed Funds rate increases in 2022-23 caused Treasury yields to spike, leading to bond price declines. For financial institutions, the unrealized loss of the AFS portfolio resides in the AOCI account, which reduces book/tangible equity. This is an important consideration when evaluating additional investments that could layer in additional AOCI impact. Depending on the future shape of the yield curve, investments with some duration added today could help reduce the unrealized gain faster (if the yield curve moves lower) or could further increase the unrealized loss (should the yield curve move higher). No one can confidently predict interest rates. Therefore, if the risk of additional unrealized loss is a material balance sheet concern, institutions can consider shorter duration investments, including those with variable rate coupons.

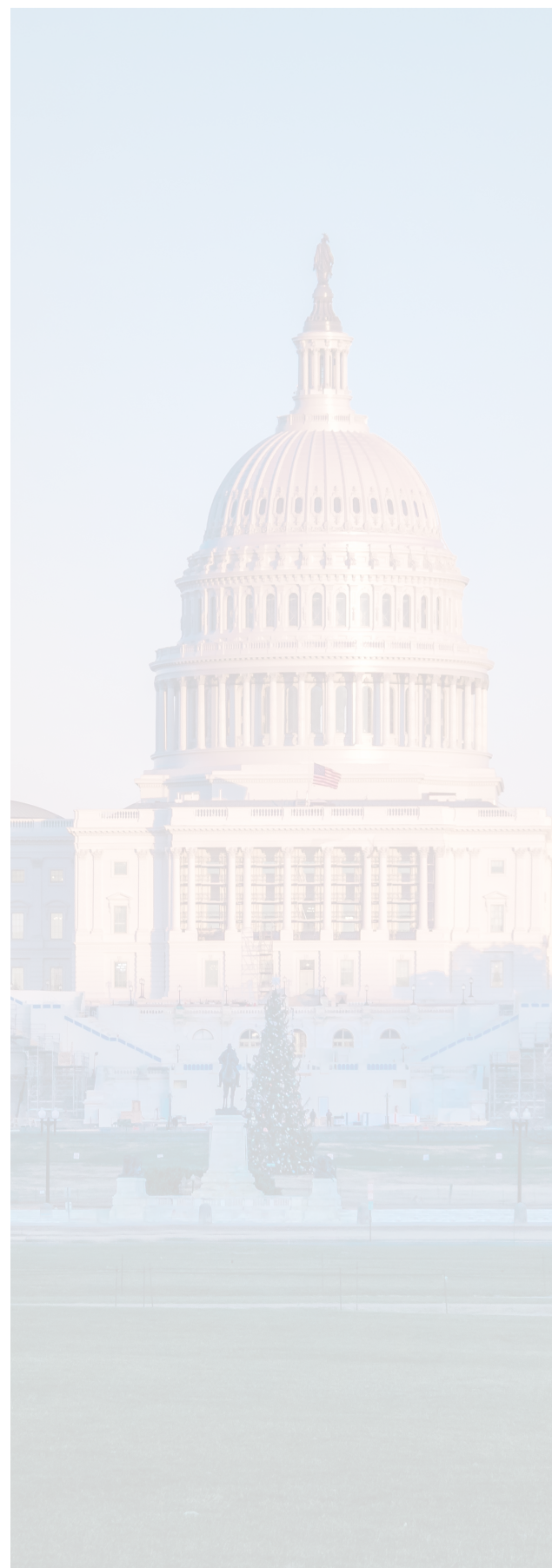
Long Term Investment Strategy Focus. For most institutions, the investment portfolio represents a meaningful earning asset. Therefore, managers should employ a strategic approach to portfolio management. This means principles such as dollar cost-averaging, sector allocation, and yield curve positioning should be viewed from a longer-term perspective. “Chasing yields” and frequent/significant churning of the portfolio can negatively impact returns for years to come.

Utilize Portfolio Management Principles. Individual securities within a portfolio can perform differently in several rate scenarios. It is the whole portfolio performance that should be ultimately evaluated. Investments should be monitored for strategic repositioning opportunities to rebalance the portfolio given changes in market conditions.

HUB | Taylor Advisors’ Take:

Navigating the current fixed-income landscape presents a complex challenge for community banks. Prevailing yield curve dynamics and liquidity conditions offer ambiguous signals, requiring careful deliberation regarding portfolio reinvestment strategies. The considerations outlined above provide a framework for this analysis. However, each institution’s specific circumstances, including capital adequacy, liquidity requirements, and prevailing market conditions, necessitate a tailored approach. Consequently, access to robust internal or external investment and balance sheet management expertise is critical. This expertise facilitates a holistic investment strategy, aligning portfolio construction with distinct institutional objectives and needs, ultimately driving enhanced performance and mitigating the risk of suboptimal investment decisions.

An Associate Member of Kentucky Bankers Association, HUB | Taylor Advisors provides consulting and advisory services in the areas of ALCO, capital, liquidity, interest rate risk and investments to community-based financial institutions throughout the country. To learn more, visit www.tayloradvisor.com or contact Todd Taylor at todd.taylor@hubinternational.com and Sasha Antskaitis at sasha.antskaitis@





How to Build Strong Fintech Partnerships

CONTRACTS The Upside of Risk

Fintech companies are indispensable partners for financial institutions, enhancing consumer experience with innovative solutions. While these partnerships offer growth opportunities and efficiencies, they also introduce operational, regulatory, and reputational risks, among other challenges.

Recent events have underscored these risks. In early 2024, Synapse, a middleware provider that linked fintechs lacking banking licenses with financial institutions, declared bankruptcy. This incident led to lawsuits against several partner banks over allegations of mismanaged customer funds, highlighting the inherent risks that FIs assume when collaborating with fintechs. While every fintech–financial institution relationship looks different, there are common challenges that financial institutions must navigate. Let's review

some of the most prevalent issues and best practices in third-party risk management (TPRM) for mitigating these challenges.

Common Challenges in Fintech Relationships

Regulatory Compliance

The current regulatory environment is confusing, but even amid change, financial institutions know that complying with industry best practices and regulations is essential. However, fintechs don't always possess the regulatory expertise that traditional financial institutions have honed over the years. While they drive innovation, they often don't understand the compliance frameworks that govern the operations of banks and credit unions. This gap can introduce significant compliance risks for FIs, which are responsible for ensuring their partners follow all relevant laws and regulations.

Operational Risk

Fintech solutions can introduce operational vulnerabilities ranging from cybersecurity threats to software incompatibilities

and service interruptions. An unsuccessful integration can hurt an institution's services and reputation. A notable case involved a credit union that incurred a \$1.5 million penalty after a failed online banking platform launch left customers unable to access their accounts for weeks.

Data Security and Privacy

Data breaches or misuse of information by fintech partners can result in substantial liabilities and a loss of customer trust for financial institutions. Third-party vendors, including fintechs, often play a role in data breaches, making robust data security a top concern.

Cultural Differences

There can be a significant cultural clash between traditional financial institutions and fintechs. While FIs focus on regulatory compliance in their decision-making processes, fintechs emphasize rapid innovation and growth. This divergence can lead to friction, where fintechs may pressure their financial partners to expedite processes, occasionally ignoring legal and regulatory considerations.

How to Mitigate Risks in Fintech Relationships

To successfully navigate the complexities of fintech partnerships, financial institutions can adopt several strategies, including:

1. Consider fintechs in your enterprise risk management strategy.

The Committee of Sponsoring Organizations (COSO) defines ERM as the combination of culture, capabilities, and practices managed by board members, senior management, and other stakeholders.

By integrating fintech risk management into your institution's larger ERM framework, you can more clearly identify, assess, mitigate, monitor, and communicate risks throughout the organization. Some tips include:

- **Connect fintech vendor management** with compliance, business continuity, and information security.
- **Clearly define the institution's risk appetite**, especially for high-risk technology activities, and allocate additional resources for oversight.
- **Involve the board and leadership** to ensure that fintech partnerships support strategic goals.

2. Include the third-party relationship lifecycle.

The Interagency Guidance on Third-Party Relationships provides information on navigating fintech and other vendor relationships, including an overview of the third-party vendor management lifecycle:

- **Planning:** Establish a clear reason for the fintech partnership, assess the business case, and identify potential risks. Ensure your institution has the necessary time and

resources for third-party risk management.

- **Due diligence and third-party selection:** Conduct thorough vendor assessments to manage risks and verify compliance with laws and regulations based on the relationship's complexity and risk level.
- **Contract negotiations:** Use contract management to analyze and oversee third-party agreements, including provisions for risk management during negotiations.
- **Ongoing monitoring:** Regularly check that fintechs meet service expectations and maintain adequate controls. Address any red flags promptly, updating contracts and consulting leadership as needed.
- **Terminations:** Clearly outline the terms for ending the partnership, including reasons for termination, associated costs, data management, and transition plans to new providers.

3. Assess a fintech's governance framework.

Your financial institution's approach to overseeing vendor relationships is your governance framework. Evaluating a fintech's governance processes is a crucial part of the due diligence process. Conducting internal reviews and documenting updates is essential — after all, “If it isn't documented, it didn't happen.”

Proper documentation shows regulators that your institution values governance. Remember, weak governance and risk management can lead to enforcement actions.

4. Consider examiners' focus.

The scope of the supervisory review varies based on your institution's activities and third-party relationships, with the review being more or less extensive depending on your organization's size, resources, and use of fintech.

Examiners will assess whether activities are conducted safely and in compliance with laws. This includes transaction testing, reviewing test results, discussing significant risks with board members, and analyzing the overall risk profile.

The Future of Fintech and Financial Institutions

Working with innovative vendors and fintechs has become the norm for financial institutions looking to stay ahead of their customers' needs and improve their services and products.

However, every new vendor relationship comes with risks. As you revisit your current fintech partnerships or begin new ones, consider regulatory guidance and industry best practices to ensure your relationships remain compliant and mutually beneficial.

Vendor management software can streamline this process by helping your institution store, track, and manage each aspect of vendor management throughout the lifecycle.



Increase Net Interest Income & Win More Deals!



Many community bankers “look down the street” when pricing commercial loans to see what the competition is doing. Ironically, those bankers are looking at your bank as well to see what rate to offer! What if neither bank knows how to ensure the loan nor the borrower’s relationship is profitable?

In the mid 2000’s large and regional banks used pricing tools to help them win more deals and to ensure the loan/relationship met their profitability target. Community bankers were left out due to the complexity and cost of the pricing solutions.

Then from late 2008 until March 2022 rates were so low that almost any loan a bank could make to a credit-worthy borrower was better than investing in Fed Funds. Therefore, loan pricing wasn’t much of a science for many banks. However, in the past two years rates have gone up dramatically and liquidity has diminished to a great degree - so once again, precision in loan pricing has become a major consideration.

There are many factors that go into a pricing decision. Size, term, fees, fixed or floating rate, balloon, collateral, and of course the borrower’s creditworthiness are all important factors.

2025 is the year to look at giving your loan officers the tools they need to win more deals while meeting your profitability

goals. Just like loans, size matters when it comes to deposits as well. Let’s look at several of these considerations.

What About the Competition?

Pricing commercial loans for community banks can be daunting especially in areas where competition is fierce. Often, we have a customer – particularly when the customer is one of our most credit-worthy customers – that indicates they can get a better deal from another bank. What do we do? Blindly match the rate? Let the customer take the competitor’s deal? The largest loan opportunities drive our net interest income – we can’t afford to leave winning or losing to chance.

Commercial lending comes in all shapes and sizes and borrowers are more sophisticated with easier access to information regarding alternatives. What should our interest rate be? For what term? Is there a fee involved? Is the rate fixed? Is the loan structured as a balloon or an adjustable? How should the adjustable portion of the loan be structured in terms of price and term? Will the borrower keep deposits with the bank? All of these considerations and more should be factored into the equation in order to make the best possible decision, so the deal works for both the borrower and the bank...not just the borrower!

Loan pricing solutions have been used by the “mega banks” and large regional institutions for years while community banks sometimes just “throw a dart” to determine what a borrower will pay. Generally, costs associated with underwriting and servicing the loan are not considered since it is hard for most community banks to determine with precision what they are.

Bottom line, although competition is a very important part of the pricing equation, it is also critically important to understand the impact a particular decision will have on our

profitability. Of course, under any circumstance we are still free to make whatever decision bank management chooses – but information is power, and more information is always better.

Size is a Driver of Profitability

The three main factors that drive loan profitability are: 1) creditworthiness of the borrower; 2) term of the loan and 3) size of the loan. Most financial institutions focus on the first two factors but ignore the third. Worse, the third is often the driver that results in the biggest rate differentiation.

Small dollar loans are not nearly as profitable as larger loans because the costs associated with underwriting and servicing have to be considered. Even when varying the costs based on size of loan – lowering the costs for smaller loans and raising the costs for larger loans – this dynamic is still true. The smaller dollar loans simply don't produce enough dollars of net interest income to cover even the most modest operating costs.

Interestingly, not only do we often make sure we consider the first two factors, we generally put great effort into the first – creditworthiness. We consider loan to value ratios, debt coverage ratios and a variety of other performance indicators before deciding to make or decline the loan request. Then, we end up not factoring what may be the biggest driver of profitability into our equation!

Does that mean we always have to price up smaller loans to achieve our profit targets? Of course not – not if we have a customer relationship that is profitable enough to carry the smaller loan. However, it then becomes critical for us to have an easy way for our lenders to have customer profitability data at their fingertips, so they can know who is who and when pricing up is critical to bank profitability.

Overpricing Your Most Profitable Customers and Underpricing the Least Profitable

Most banks overprice their largest, most valuable customers and underprice their smaller, least profitable customers. This is a troubling prospect, since as a result we end up giving the best deal to those who contribute the least to the bottom line and at the same time run the risk of losing our most profitable relationships.

Understanding the drivers of profitability on loans as well as commercial customer relationships and making decisions based on that knowledge is of the utmost importance. In order to accomplish this, we must have a way to set profitability targets that are then applied consistently to every pricing decision. Also, we need to be able to vary these targets by product type because all products are not the same in terms of the profit opportunity they provide to the bank. Some products are riskier than others – so they should demand a higher return. Others are more of a 'commodity' and as a result are not able to produce as high of a return. The key is consistency and discipline. We want to be consistent from lender to lender, customer to customer, and most importantly from one point in time to another as the interest rate environment changes.

Can I Afford a Loan and Deposit Pricing Solution?

Historically, loan pricing solutions have typically been fairly expensive, making them practical only for mid-size to larger banks. With the advent of software as a service, that situation has changed dramatically. Today, these tools are affordable for any size institution. Also, when you factor the increase in net interest income that a more disciplined and consistent pricing practice will produce into the equation, the cost of the solution becomes a rounding error.

As an example, a typical \$500,000 commercial real estate or land loan will produce approximately \$13-15K per year in net interest income depending on how aggressively the loan is priced/how competitive the market might be. Winning just one loan like this that the bank might otherwise lose to the competition over price should more than pay for the cost of the highest quality tool available on the market!

Also, putting the discipline and consistency in place provided by a pricing tool will effectively produce an increase in net interest income of 25-50 basis points. When considered in that context, today's SaaS cost for a pricing tool is truly a rounding error.

How Does a Pricing Tool Help My Bank?

An empirically based pricing solution offers lenders the ability to vary rate, fee, risk premium and term structure among other variables, to understand the drivers of profitability and develop pricing options for borrowers that all achieve the bank's target profitability objectives. Deposit relationships should also be included to see how much 'pricing power' each brings to the loan or total relationship. It is critical to apply consistent assumptions for loan origination, loan servicing and cost of funds so that all pricing decisions are considered based on a level playing field. It's simply not possible to consider all the factors that impact profit without using a computer-based solution. An effective pricing solution should provide:

- Lenders with the tools needed in an increasingly competitive environment
- A relationship profitability module so relationship value can be factored into the decision
- Instant adjustments in a changing rate environment to ensure pricing consistency
- Rate sheets for consumer loans and interest-bearing deposit products
- Pricing options that will win more deals

Also, buy in is key. Working with an experienced loan pricing expert is essential to achieve success because effective implementation is everything. We want to be sure our lenders understand how a pricing tool can help them better serve their customers and win more deals.

Over the past 30 years Strunk has helped over 1,800 community financial institutions increase income with a variety of innovative products and services. A more disciplined and consistent pricing methodology will increase your bank's net interest income by at least 25-50 basis points. With increasing margin pressure in 2025, now is the time to consider making adjustments to your pricing practices!



We have a reputation in Kentucky as a preferred partner for Correspondent Banking.

First Horizon Correspondent Banking is a leading choice for Kentucky banks. Benefit from the expertise of a dedicated Relationship Manager who has a deep understanding of Correspondent Banking to provide you with tailored solutions – from expert advice to quick decisioning for the capital you need.



David House
Senior Vice President
Correspondent Banking
(M) 901-828-6785
(O) 901-523-4261
david.house@firsthorizon.com





Fraud Academy

AUG 12 - 14, 2025 | Hyatt Regency, Lexington KY | Register Online Today!

The ultimate fraud prevention training program is **BACK...**
**CREATED BY POLICE, SECRET SERVICE, FBI, AND
FRAUD PREVENTION SPECIALISTS!**



Fraud is costing banks valuable time and money—but your team can fight back.

Fraud Academy is a first-of-its-kind training program designed to equip bankers at all levels with the tools to detect, prevent, and mitigate fraud.



Led by experts from the U.S. Secret Service, law enforcement, and fraud prevention specialists, this intensive, banker centric program covers 18+ fraud risk areas, including check fraud, elder fraud, cybercrime, and prevention strategies.



**FRAUD
NEVER
SLEEPS**

Register online at KBAFraudAcademy.com!

LEARN MORE AT
BANKPERFORMANCEREPORT.COM

SIGN UP TODAY!



See the opportunity today, for better performance tomorrow!

Imagine a wealth of data carefully curated to improve your banks performance where it's needed most.

A one stop, **comprehensive analysis** of benchmarks that move the needle.

The **Bank Performance Report** is a state by state quarterly publication proven to transform the way you do business.


Strategic
Profit Planning


Board
Reporting


Competition
Analysis


Performance
Measurements


Current
Trends

Comprehensive Quarterly Analysis

All Commercial Banks in a State
Rankings for Major Operating Ratios and Overall Performance
Yield and Cost Data on Competitors
Efficiency and Overhead Analysis

Custom Performance Reports

Pricing Comparison by Loan and Deposit Type
Growth Analysis by Loan and Deposit Type
Comprehensive Peer Analysis