May/June 2017 • Volume 105 • Number 3

THE TENNESSEE BANKER

MEMBER FEATURE

Dana Stonestreet

talks about N.C.-based HomeTrust Bank's expansion into East Tennessee

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PLUS

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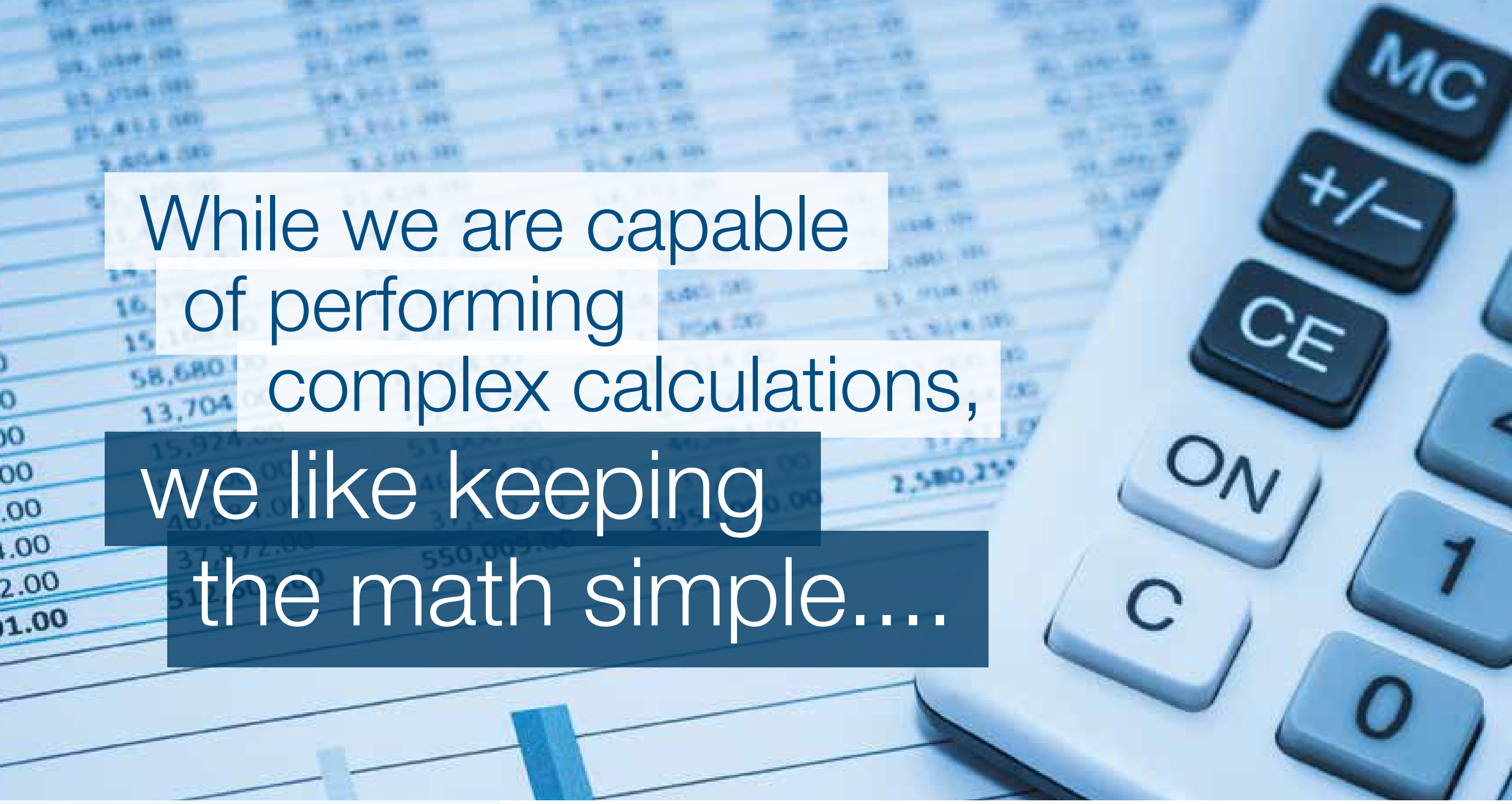

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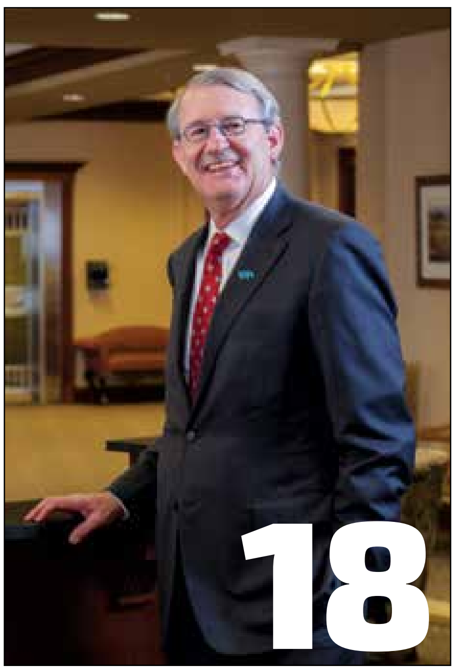

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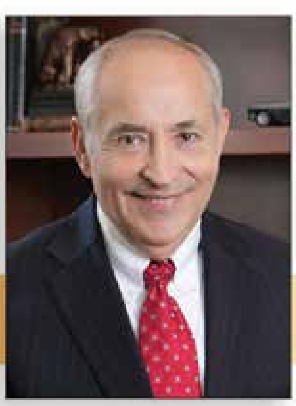

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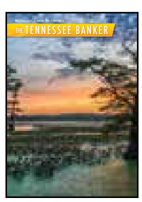

ON THE COVER

A bald cypress near Grassy Island on Reelfoot Lake, National Wildlife Refuge.

COVER PHOTO:
ANTHONY HEFLIN
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Financial PSI: The rest of the TBA story

COLIN BARRETT
President/CEO, Tennessee Bankers Association

THREE THINGS TO DO

1.
Contact Brian Mobley (*bmobley@financialpsi.com*) at Financial Products and Services to schedule a free review of your bank's insurance policies.

2.
Be on the lookout for TBA's new email design arriving in your inbox in a few weeks.

3.
Invest in your bank's future by registering your bank's employees for *The Southeastern School of Banking*. For more information, contact Susan Taylor at *staylor@TNBankers.org*. Learn more on page 85.

Growing up, I used to be a regular listener to "The Rest of the Story," Paul Harvey's afternoon radio broadcast in which he told a compelling story about someone you thought you knew. Oftentimes, the "rest of the story" was more than a tidbit of information; it was the formative but little-known fact that shaped who that person became.

Here at the TBA, the rest of our story is Financial Products and Services Inc.

Since TBA acquired the Beem Agency from Bud Beem in 1991 for $283,000 and later renamed it Financial Products and Services Inc., our wholly-owned insurance subsidiary has delivered more than $13 million in net income to the Association. The revenue generated over the past 26 years has helped us serve the Tennessee banking industry through our top-notch government relations efforts and education programs, while allowing us to maintain the lowest program registration fees and membership dues in the country.

We have long touted Financial PSI's contribution to the TBA ledger as one of the reasons Tennessee banks should consider doing business with the agency; but there is much more to the story than that. The fact is, Financial PSI offers excellent coverage packages, high-level service by agents who understand the banking industry, and competitive rates.

Many of you know Brian Mobley, our agency president, as well as agents Hubert Moore, Jon Goodson, and Ted Frizen. All of them do an excellent job providing group benefits for banks throughout Tennessee. In recent years, Jon and Ted have also been providing bond and D&O insurance for banks across the state. In fact, it is the fastest growing area of Financial PSI's business.

Their expertise in meeting a bank's insurance needs and the fact that they represent several companies allow Tennessee banks to know they have exactly what they need at the best price available in the marketplace. They have established a reputation for excellence that extends beyond our state lines, leading to an endorsement from our friends at the North Carolina Bankers Association.

Financial PSI has a deep bench of talented professionals. While our agents are on the road for face-to-face meetings with clients, they receive invaluable support from Marilyn Richardson, Ann Williams, and Megan Peterson back here at the TBA. And behind the scenes at Financial Products and Services, Brandi Speakman and Michael Quave provide the accounting resources needed to run a strong agency.

One part of the agency you might not be as familiar with is our telesales operation. Headed by Matt Dressel, Financial PSI offers a Medicare supplemental coverage to individuals throughout Tennessee, including many Tennessee bankers looking towards retirement. If you, your family, or friends need any assistance with Medicare supplements, I encourage you to give Matt a call.

There are no two industries that have undergone more change in recent years than banking and insurance. On behalf of the banking industry, we spend every day working on legislation and with our regulatory agencies to reduce the burden accelerated (but certainly not started) by the passage of the Dodd-Frank Act. As an Association, we are experiencing the impact of the Affordable Care Act. Revenue cuts to insurance agencies have resulted in a loss of income to Financial PSI to the tune of $500,000 per year.

Yet, just as each of your banks continues to do, we have adapted to the changing world in which we operate.

While Financial Products and Services Inc. revenue has decreased, it has never had more tools in which to meet the changing needs of the banking industry. If you haven't reached out to Financial Products and Services in a while, I encourage you to do so. They are the best at what they do, and their success is an instrumental part of our Association's success.

—Colin

The Financial PSI staff (left to right): Brandi Speakman, Megan Peterson, Karen Stewart, Matthew Dressel, Ann Williams, G. Hubert Moore, Brian Mobley, Michael Quave, Jon Goodson, Ted Frizen, and Marilyn Richardson.

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March 31 at 9:37 a.m.

Earlier @colinbarrett spoke w/ @GammaBlastTV about the importance of @Pathway_Lending & the Tenn Rural Opportunity Fund. Video coming soon!

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TNBankers.org is now responsive, meaning it looks great on a desktop, tablet, or smartphone. TBA's website will resize the content automatically to fit your device, ultimately providing you with better experience.

TBA WEBINARS

Register for these webinars and more at *TNBankers.org/calendar*

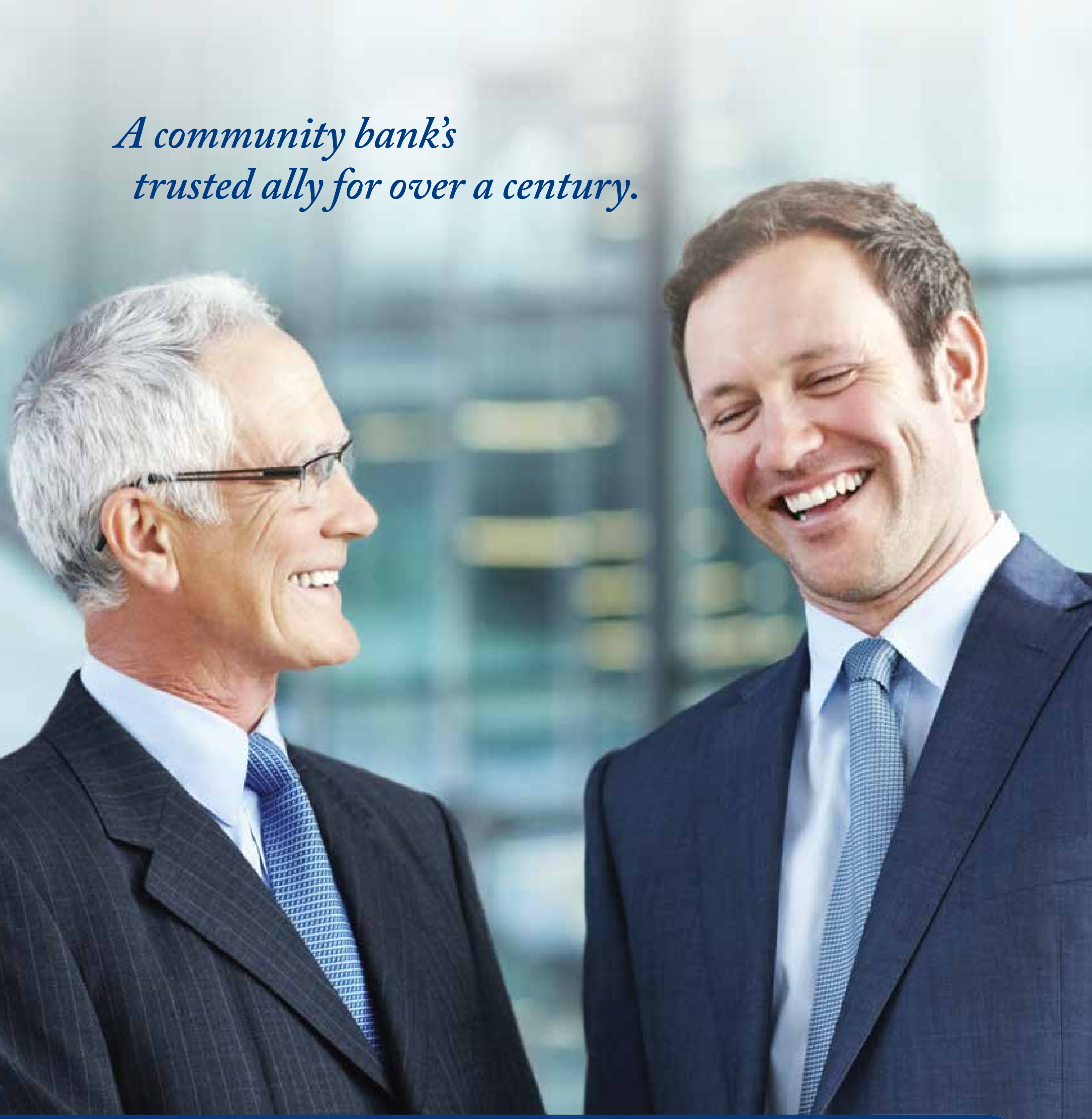
Military Lending Act Essentials
May 25, 1:30 to 3:30 p.m., CT

On July 22, 2015, the Department of Defense (DOD) published a 54-page final rule that amends its existing Part 232, which implements the Military Lending Act (MLA). The DOD amended its regulation primarily for the purpose of extending the protections of the MLA to a broader range of closed-end and open-end credit products. The revised rule was effective October 1, 2015. Compliance was mandatory, for the most part, on October 3, 2016.

This information-packed program helps participants assure they are prepared for the first regulatory review of MLA compliance. Participants will receive a detailed manual, which will serve as a handbook long after the webinar is completed.

Auditing Call Reports: Compliance, Regulator Expectations & Best Practices
May 31, 2:00 to 3:30 p.m., CT

With regulatory agencies increasingly relying on the Call Report as an effective way to monitor and remotely supervise banks, there is greater emphasis on Call Report accuracy. In addition, regulators are more frequently including a Call Report review during on-site examinations. It is imperative that Call Report preparers, reviewers, and auditors understand regulators' expectations regarding Call Report accuracy as well as the bank's procedures for preparation and review. This session will highlight key audit areas, common errors, and best practices for performing and documenting the review of quarterly Call Reports.



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2017 General Assembly: Issues define future of banking

TIM AMOS
Executive Vice President/ General Counsel, Tennessee Bankers Association

"Life is like a box of chocolates. You never know what you're going to get," said Forrest Gump quoting his mother in the hit movie of 1994. The 2017 session of the Tennessee General Assembly, like every other session, begins with this uncertainty—you never know what you're going to get. It is not until the bill filing deadline passes, and businesses are confronted with a myriad of issues.

For bankers, 2017 turned out to be another successful year at the state level. TBA's primary initiative, providing tools for bankers to protect vulnerable adults from financial exploitation, passed the Senate unanimously and garnered only one "no" vote in the House. What may seem at first blush as an easy passage with broad-based support was only achieved with a carefully planned strategy, which was the culmination of several years' worth of discussion and input from numerous bankers, the Tennessee Commission on Aging, the Department of Financial Institutions, District Attorney General's, and other groups. It is one of three enactments to address the growing problem of financial exploitation against an aging and targeted audience.

On its face, the bill provides simple tools that permit banks to intervene in suspicious transactions by holding or refusing a transaction, notifying a family member of suspected abuse, or refusing to accept a power of attorney. The legislation also permits the Department of Human Services/Adult Protective Services Division to obtain a limited amount of customer information on an expedited basis using an administrative subpoena and delaying notice to the customer. This delayed notice not only permits faster access but also prevents a possible perpetrator from being tipped off. Finally, the legislation calls upon the Department of Financial Institutions to work with banks to develop a public educa-

Bill Haslam gives his annual State of the State address to a joint convention of the Tennessee General Assembly in January.

PHOTO: **AP PHOTO/ MARK HUMPHREY**

tion campaign. No amount of bank intervention can prevent fraudulent activity unless the vulnerable adults, their families, and their caregivers are sensitive to the multitude of scams and deception.

Passing the legislation is an important first step. The follow-up for banks will be to make critical decisions on adopting policies to implement the new broad base of authority, to design compliance programs, train employees, and exercise discretion, when dealing with customer transactions.

TBA also passed legislation increasing the permissible interest rate under the Credit Card State Bank Act from a maximum 21 to 30 percent. While there has been an extended, unprecedented period of low interest rates, this environment is not likely to last for much longer. Increasing the maximum rate provides more flexibility in the future as the rate environment changes. Importantly, Tennessee's 21 percent rate is lower than most of our surrounding states. Since banks are permitted to use the rate in their home state Tennessee does not need to be at a competitive disadvantage with other states when banks are making location decisions. To stay competitive nationally, both for customers and for banking locations, Tennessee's rate was out-of-step and needed to increase.

In addition to these two significant initiatives of the Association, the TBA also played a role in amending or defeating a number of other bills, including:

- Amended the Revised Uniform Unclaimed Property Act proposed by the Treasurer to permit banks to link multiple accounts so as to not treat an inactive account as unclaimed when other accounts remain active.
- Amended a proposal by the Secretary of State to permit the removal of fraudulent UCC filings.
- Established procedures for filing of liens for floating homes.
- Defeated PACE legislation, for the third year in a row.

A more detailed look at this legislation and others will be included in the Association's annual Legislative Report.

With the Tennessee General Assembly ending for the year, the TBA's attention will shift to legislative and regulatory reform efforts in Washington. The Association's *Washington Conference* in early May has the largest ever delegation of Tennessee bankers attending, and one of the largest state delegations nationally participating. Support for House Financial Services Committee Chairman Jeb Hensarling's Financial CHOICE Act is at the top of the list.

Thanks go to the many bankers who worked with the TBA to pass or defeat legislation at the state level. It will take an even more concerted and sustained effort from all bankers to achieve results in Washington. We look forward to continuing to work to define the shape of the future of the banking industry through these efforts.

Managing risk: Regulations, cybersecurity, and staffing

GREG GONZALES
Commissioner, Tennessee Department of Financial Institutions

It is all about risk management these days. That goes for regulators and not just bankers. Governor Bill Haslam expects our Department to identify, monitor, and manage our risk, and we know the industry has the same expectations of us, so I wanted to devote this column to giving you a good overview of our approach.

As I have discussed before, the Department has established goals with the Administration to further our regulatory balance mission. Although we have undertaken a formal risk assessment on an annual basis, we have committed to the Administration to have an ongoing process.

I am chairing a formal risk management committee that consists of our regulatory division leadership as well HR, Legal, Budget, IT, and Internal Audit.

> We are now more intentional in talking about regulatory balance and understanding the impact on the industry of what we do.

We have identified 19 major risk areas and have assigned individuals or groups of individuals to work on these risk areas and report back to the committee. The risk committee meets every other month. We maintain minutes of our meetings to share our deliberations with the Comptroller's office in order to give our auditors comfort that we take risk management seriously and to show what steps we are taking to monitor and manage risk.

As you might imagine, cybersecurity is one of the risks that we have placed at the top of the list. In some form or fashion, cybersecurity is discussed at every risk committee meeting as well as our management meetings that focus purely on IT issues for the Department.

Just like the industry, we seem to be constantly under attack. For years, we have made our IT leadership clearly aware of the consequences should we have a breach of our security. We are spending more time and resources on cybersecurity. This year we are testing ourselves in this area. We are working with federal regulators and the National War College to bring an exercise to the industry this year as well.

State government has a new entity, Strategic Technology Solutions (STS), that centralizes the delivery of IT services to many state departments. So another key risk we have identified is the ability to acquire the IT support we need. We have established a three-year plan with STS to engage in a number of important projects to move our mission forward. For instance, one project is to create a new Bank Division application. Currently, we have more than one application that holds bank information but they don't necessarily coordinate. We have also had good discussions with the state's Chief Information Security Officer about our ongoing security needs.

Another risk we have identified is ensuring that current staff and certainly new examiners have a great understanding of our mission and regulatory philosophy.

I think we have always had a culture of finding balance in regulation, but I do not believe we recognized the full implications of Department regulation. We are now more intentional in talking about regulatory balance and understanding the impact on the industry of what we do.

We have established an examiner guide laying out the characteristics of what this balance looks like. Tod Trulove and I visit examiners across the state from time-to-time to specifically discuss our philosophy. We ask examiners to document examples of how they have found balance, and I discuss some examples at TBA's *Credit Conference* every year so the industry can know that this is more than a talking point.

We have also established a Commissioner Leadership Academy in partnership with

Commissioner Gonzales speaking to Tennessee bankers at TBA's *Credit Conference* in February.

our Department of Human Resources that is designed to develop leadership in every Department employee and is built around our mission of ensuring safety and soundness while giving institutions the opportunity to contribute to economic progress.

Closely tied to staff development are the goals to retain experienced staff, define satisfactory performance, and measure Department progress.

We have heard the industry loud and clear when you tell us to retain staff because you want experienced examiners able to use judgment in making decisions about your institutions. We now measure whether we are increasing experience in the field on an annual basis. Experienced examiners put the Department in a better position to tailor regulation.

Last year we established a program of encouraging mobile working and working from home, which has become very attractive for our staff and results in savings to our institutions of about $450,000 on an annual basis.

Other risks we regularly discuss involve budget trends and staffing needs. For instance, increased trust activity will likely mean adding a staff person. We are watching trends in the marketplace to inform us as to what consumer education initiatives we should consider. We expect to work with the industry on elder abuse education efforts. We are also considering the risks of not telling our story well, and we will discuss more on that at a later time. Internal audit and Department processes are a regular topic of review. A greater focus is being made on internal audit and particularly on auditing our process to measure how we are meeting our goals. We are also determining whether our goals to the Governor should be modified or changed and whether we have the appropriate metrics in place.

We have an important initiative underway to improve our examination and risk assessment of over 4,000 nondeposit licensees. It concerns us when we hear the uninformed talk about the unregulated non-banked world. Those individuals do not know of the hundreds of annual exams we complete and the action we take on the problems we discover. Through risk assessments, we are also attempting to change the risk profile of individual nondeposit companies and ultimately entire industries.

I hope this gives you some view of our efforts on risk management. We believe good risk management on these issues supports a healthy environment for bank operations in Tennessee.

A do-something Washington

ROB NICHOLS
President/CEO, American Bankers Association

Partisanship in Washington in recent years has led some to believe that Congress doesn't "do" collaboration anymore. One party's gain is seen as the other's loss, making deals hard to come by.

But many bankers who came to Washington in March for ABA's Government Relations Summit and other meetings got a slightly different vibe from the policymakers they met with. Yes, some members of Congress predictably held firm against significant changes to the Dodd-Frank Act. Yet others, informed—and perhaps worn down—by bankers' true stories of how over-the-top rules were harming their customers were positive about the possibility of finally doing something for community banks.

There's a similar realistic yet optimistic attitude behind an effort by the two leaders of the Senate Banking Committee—Chairman Mike Crapo (R-Idaho) and Ranking Member Sherrod Brown (D-Ohio)—to identify legislative changes that could help spur economic growth. They won't pursue changes they don't believe in, of course, but both see an opportunity to find and pursue common ground.

These encouraging signs are made all the more hopeful by administration officials who have proactively reached out to community banks to learn what rules are acting as roadblocks to growth. In March, President Trump invited nine community bankers to the White House for a roundtable discussion of the industry's regulatory challenges.

Though the bankers represented institutions with different business models, operated in different parts of the country and were affiliated with different national trade associations (six were part of ABA's delegation; three were with the Independent Community Bankers of America), there was remarkable alignment in our policy positions and priorities.

The same can be said for the follow-up meeting that Treasury Secretary Steven Mnuchin held with 16 community bankers in April. That's where the secretary made clear how serious the administration was about helping banks perform their critical role in promoting economic growth. And it's where we dug into the specifics of issues related to mortgage, agricultural and commercial lending as well as Consumer Financial Protection Bureau rules that are ill-tailored for community banks. There again, ABA and ICBA members were side-by-side, advocating practical solutions.

Such alignment is critical to success in Washington. I've said before that Washington has enough challenges without trying to legislate issues on which an industry is divided. Policymakers up and down Pennsylvania Avenue are interested in addressing our problems—so long as we can agree on the best solutions.

And I am confident that the solutions we have proposed—as detailed in white papers ABA shared with Secretary Mnuchin following the meeting—are what's right for America's banks and the communities they serve. The white papers (visit *www.aba.com/executive-orders*) articulate how regulation in areas like capital, liquidity, fair lending and stress testing can be improved. They were informed by the deliberations in recent years of bankers who serve on our many councils and working groups and who represent banks of different business models and asset sizes. Solutions born of such diverse perspectives are always stronger by ensuring that they make sense for all banks.

Given how intent this administration is about using banks to spur growth, and given the interest Congress has shown in providing some community bank regulatory relief, having strong solutions with unified industry backing could just make something happen in Washington again.

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HomeTrust's Dana Stonestreet loves it when a plan comes together

Asheville bank's Tennessee markets playing key role in growth strategy

STORY BY **ROGER SHIRLEY**
PHOTOS COURTESY OF **HOMETRUST BANK**
ILLUSTRATION BY **MATT RADFORD**

BY the time Asheville, N.C.-based HomeTrust Bank went public in 2012 with a $211.6 million IPO, its chairman, president, and CEO had a well-honed strategic plan for growth and sustainability. In fact, Dana Stonestreet had been honing and executing it for 27 years.

Today, what was formerly the small-town Clyde Savings Bank in Clyde, N.C., located about 25 miles west of Asheville, has grown into $3.1 billion HomeTrust, with a market footprint extending into four states. It gained a major stake in Tennessee with its 2014 acquisition of Jefferson Federal in Morristown and its merger earlier this year with TriSummit in Kingsport.

Stonestreet says he has been impressed with the overall quality and collegiality of Tennessee bankers and especially their commitment to government affairs work on behalf of the entire industry.

"Of course, they compete with each other," said Stonestreet, who grew up in Cross Lanes just outside Charleston, W.Va., and has lived in North Carolina since 1989, "but there is this feeling of shared values, and they have as much passion for their work as I have seen anywhere."

Stonestreet got his first taste of that collegiality a few months after the merger with Jefferson Federal was announced three years ago. He was working on the details of the deal with Andy Smith, a former CEO of Jefferson Federal who was on the TBA board of directors at the time, and TBA President Colin Barrett invited Stonestreet to drop by a past chairmen's gathering at the Grove Park Inn being held in Asheville for cocktails and dinner.

"It was great getting to know a group of Tennessee bankers and having conversations with them, learning more about banking in Tennessee," Stonestreet said.

Now, three years later, even though his office is located just over the Blue Ridge Mountains across the Tennessee state line, he feels a part of the collegiality—not a visitor to it.

EMBRACING THE CHALLENGE

Stonestreet got a jump-start on his successful banking career as the new kid at a Charleston, W.Va., CPA firm, which he joined after graduating in 1975 from West Liberty State College just north of Wheeling, W.Va., and southwest of Pittsburgh.

"Right after I started working for them, the firm landed five new clients that were savings banks," Stonestreet said, "and they had never audited savings banks before. They determined I was a quick learner, so all of a sudden they decided I was going to be their expert on savings banks. And that set the path for the next 42 years of my life, career-wise."

The young accountant embraced the challenge, and after three years of gaining bank auditing experience, he was recruited by one of his clients, Charleston Federal Savings and Loan, to join them as comptroller in 1978.

Stonestreet began an eight-year run at Charleston Federal as interest rates began a run of their own toward 25 percent. With the thrift crisis of the 1980s unfolding, the savings bank went on a self-preservation offensive, closing on mergers with five other thrifts and acquiring a mortgage company.

Charleston Federal launched an initial public offering in 1983, and Stonestreet got his first taste of converting a privately held bank to a publicly traded company. He also got his first taste of the North Carolina banking industry, which was establishing itself as a regional powerhouse.

Stonestreet and other members of the IPO team worked with Trident Financial, a North Carolina investment bank that was doing a large number of mutual conversions, to take Charleston Federal to the market. "That's where I made my North Carolina connections," Stonestreet said, adding that he and his wife, Jana, had begun thinking of relocating to North Carolina because of the strength of the banking industry and also to offer better opportunities for their children.

After helping Charleston Federal grow from $100 million to $800 million, Stonestreet says, he "semi-retired" and worked for a smaller bank while mapping a strategy to make his way to North Carolina.

"Using the connections I made while we were doing the IPO in 1983, I had been interviewing for jobs in North Carolina and had turned down a couple of offers because they were just not quite right or what I was looking for. And then I got a phone call from one of those connections telling me I needed to meet Ed Broadwell, who was chairman and CEO of Clyde Savings Bank and was looking for someone with my background."

Clyde Savings, which was chartered in the small town in 1926, had opened its first branch in downtown Asheville (the three-story building is HomeTrust's current corporate headquarters), and Broadwell was eager to expand the bank's assets and footprint.

Continued on next page

Broadwell became CEO of Clyde Savings in 1965, and he had grown its assets from $10 million to $225 million; but he knew he needed to strategically push that base higher. In 1989, as the thrift crisis was coming to an end, he found the man to help him do that. And Stonestreet found the North Carolina opportunity he had been looking for.

PARTNERSHIPS SET STAGE FOR IPO

"Ed and I worked together for 25 years, and we came up with a plan on how to create a sustainable hometown bank together, and we executed it for 20 years prior to our stock conversion in 2012," said Stonestreet, who came on board as senior vice president and chief financial officer. It was that plan that led HomeTrust Bank (the name was changed from Clyde Savings Bank in 2003) to expand beyond North Carolina, first into South Carolina and then to Virginia and Tennessee.

Initially, after Stonestreet joined the bank, its growth was slow, steady, and organic; but in 1996, HomeTrust merged with Tryon Federal Bank in Tryon, N.C., in the first of what Stonestreet terms as "partnerships" with five small community savings banks, in which they kept their local names and boards of directors as divisions of HomeTrust. The bank's growth through these partnerships culminated in 2011 with its merger with Cherryville Federal, and Stonestreet, who by then was president and chief operating officer, says the deals were a big piece of increasing its assets from $300 million to $1.5 billion and its capital from $20 million to $175 million.

"These community savings banks had been around for 80, 90, 100 years, and like us, they had all grown up doing the same kind of business," Stonestreet said, "and we felt we had similar values and aspirations for growth. We came up with the idea of looking for ways to combine our assets to create some sustainability so we could better address the changes occurring in banking and meet our customers' needs.

"I think we really preserved hometown banking in those communities," he said. "And we executed these partnerships by coming in and building personal relationships built on trust and shared values."

Using the term partnership was "uniquely appropriate" for what HomeTrust was doing, Stonestreet says, because they wanted to explain it to the customers in an authentic way and also because it was not a stock or cash deal but "truly, you take A plus B to get C—we thought we could add 1 plus 1 and get 3 or 4 by leveraging our resources."

The organic and partnership growth set the stage for HomeTrust to go public in 2012 under the holding company HomeTrust Bancshares Inc. Since that time, the bank has grown substantially across all measures: Assets have nearly doubled, from $1.6 billion to $3.1 billion, and its loan portfolio has grown by 84 percent, to $2.2 billion.

Continued on next page

5 Questions with Dana Stonestreet

How did your family life growing up influence your career?

I grew up in a family with six kids—I was number three. There were three brothers one year apart from each other, so we kind of grew up as one kid, doing everything together, which was either working or playing sports. My father was sort of the classic barefoot farmer from West Virginia, going to a one-room schoolhouse until the eighth grade. He worked his way through college and then became an entrepreneur, doing a little of everything—a floor-covering business, oil and gas drilling, real estate, timber, flower and gift shops, a trailer park, a purebred Charolais cattle ranch. He was always working, so my brothers and I were always working. We were his free workforce.

We were raised to be independent and on our own, so we all went to college with the idea to create a career. One brother went to medical school, one went to law school, and I went into accounting to become a CPA. In high school, I had thought about engineering because I liked to work with my hands; but I went into financial engineering instead because I really liked business.

What is the key metric you look at in terms of the success of HomeTrust?

There are a number of important ones that have to come together to make us a profitable bank, but for me the bottom line is return on assets. When we converted (to a public company) in 2012, we were at 40 basis points on assets, and our goal was to double the size of the bank by getting into larger, growing markets and get our ROA to 1 percent. We expect to hit 70 basis points in the near term on our way to 1 percent ROA. But really, despite all the technological advances, banking is still a people business, and you have to have high-performing people throughout the bank who are on the same page, living our culture, and driving growth and customer service. Those things are not reflected on the income statement, but that's what drives the income statement.

HOMETRUST BANK: STRONG FOOTPRINT FOR GROWTH

With at least two branches in North Carolina, Virginia, and South Carolina, HomeTrust Bancshares Inc. made its first foray into Tennessee in 2014 when it acquired Jefferson Federal in Morristown. Then in early 2017 it merged with Kingsport-based TriSummit Bank.

HomeTrust has bought a good bit of its stock back since going public. What drives that decision?

When we converted, we raised $211 million in capital, and we had already grown to $175 million, so we had a 22 percent capital ratio, which is really strong. We wanted that to propel growth—capital is always king—but we had such a high level of it that our stock was trading below book value. So we bought stock back below book value and created value for our stockholders. We were essentially buying our own future success below book. So far, we have bought back 25 percent of our stock.

What books are you reading these days? Which ones have had an influence on your management style?

I buy and download books on an app on my phone, so when I'm jogging or working out, I'm always listening to books. One of my favorite authors is Patrick Lencioni, who's written books such as "The Five Dysfunctions of a Team," "Four Obsessions of a CEO" and "Death by Meetings." His whole focus is on organizational health, and he recently wrote one called "The Advantage," where he talks about culture and values. I read it, and then had my management team read it, and then we hired one of his consultants to come in and we worked on the four quadrants that create organizational health: having a cohesive leadership team, creating clarity, over-communicating clarity and then reinforcing clarity. A key part of our journey has been taking what we have learned from that book and actually executing it day in and day out in the organization.

What is your favorite meal?

My wife Jana has a recipe for fresh halibut and vegetables that we both rave about every time she makes it, and serves it with a nice glass of wine—my all-time favorite!

Ed Broadwell and Dana Stonestreet

Dana Stonestreet and Ed Broadwell with campers and counselors of the Children First summer camp where HomeTrust sponsored the van.

That rapid growth was fueled mainly by taking advantage of acquisition opportunities in key markets within its strategic footprint, which was drawn up prior to going public.

"We basically looked at a geographic area that generally followed I-26 from Greenville, S.C., to the Tri-Cities in East Tennessee, and then I-40 from Raleigh to Knoxville, and then I-81 up to Roanoke in Southwest Virginia," Stonestreet said. This area included several larger metro areas that turned around more quickly than many smaller communities that were hit especially hard by the 2008–2009 economic meltdown.

"We really drew a market area that we thought was logical, that incorporated growth markets with significant populations, and that was where we were going to look for opportunities for growth," he said.

Following its acquisition of BankGreenville (S.C.) in 2013, HomeTrust moved quickly on other acquisitions in 2014, including the Bank of Commerce, a $100 million asset financial institution that gave HomeTrust an entry into Charlotte, the competitive epicenter of North Carolina banking. That same year, it acquired 10 branches from Bank of America in the Roanoke, Va., area that became available as part of a regional downsizing by the nationwide bank. Interestingly, HomeTrust had opened a loan production office in Roanoke and was planning to open a branch there when the BoA opportunity arose.

In 2014, HomeTrust expanded to Raleigh, N.C., with a lift out of a dynamic commercial lending team and the opening of a branch in 2017.

The bank made its first foray into Tennessee in 2014 with the acquisition of Morristown-based Jefferson Federal, which gave HomeTrust a foothold in East Tennessee, including Knoxville and the Tri-Cities, and added $506.8 million in assets. And earlier this year, it finalized its merger with Kingsport-based TriSummit Bank, adding another $353 million in assets and further expanding its Tennessee footprint.

In both of those deals, Stonestreet worked closely with two longtime Tennessee bank CEOs—Andy Smith at Jefferson Federal and Lynn Shipley at TriSummit. Smith retired as HomeTrust's East Tennessee president last year. Following the TriSummit acquisition, Shipley is heading up the in-state operations as HomeTrust's Tennessee president, with Trey Coleman serving as Knoxville market president and Corey Webb, a Bristol, Va., native, serving as Tri-Cities market president.

Shipley said that in considering a merger partner for TriSummit, it was very important to find a bank with a similar culture: "In my initial conversation with Dana, it was clear to me that we shared similar values. Over the following months, Dana and I continued to build a strong rapport. Throughout the course of our negotiations and the subsequent integration of our banks, I found Dana to be a very good listener (and that we are) two like-minded CEOs." Stonestreet echoes Lynn's comments and stated how much he is enjoying working together.

Stonestreet says the TriSummit merger was the smoothest one yet for HomeTrust, in part because of the proactive leadership of Shipley and the cumulative effect of adding to its playbook of best practices after 10 acquisitions. Another reason, he says, was that it already had a presence in the Tri-Cities, established by the Jefferson Federal merger. That allowed the team members to immediately begin interacting and getting to know one another.

The TriSummit and Jefferson Federal markets lined up extremely well, Stonestreet says, and collectively, they lined up equally well with HomeTrust's multistate footprint. The

HomeTrust staff at the Med Tech Banking Center in Johnson City, Tenn. Pictured left to right: Steve Mears, Teresa Bowman, Kari Hensley, Lynn Shipley, Andrea Pender, Dana Stonestreet, Connie Widener, Ford Davis, Meagen Mullins, Mikki South, Tammy Hyatt, Freddie Malone

two Tennessee acquisitions also allowed HomeTrust to significantly beef up its lending team.

NO GUARANTEES, JUST EARN IT

Stonestreet sees HomeTrust as well-positioned to take advantage of additional opportunities that may arise in Tennessee—after all, the bank's tagline is "Ready for what's next!"—but he is clear that what's next on that front would have to pass a battery of litmus tests in terms of cultural fits and matching missions.

"Tennessee gets a lot of accolades for its GDP growth rate, which is one of the highest in the nation and for its economic development efforts. Plus, it is just a great place to live.

"Tennessee also has a very strong banking market," Stonestreet said. "There are more community banks in Tennessee than in North and South Carolina combined—156 banks are chartered in Tennessee; North Carolina has 60, and it will be closer to 50 after announced mergers are completed; and South Carolina has 56. And then Virginia has 84, so Tennessee is just a little short of having more banks than the other three states we are in combined. In five years, North Carolina has gone from 100 banks to soon 50 banks, which just takes your breath away when you think about it.

"In the past 12 months, a number of the larger community banks have been looking to cross the $10 billion mark, and once they do, they are quickly wanting to get to the $20 billion mark to deal with the regulations, so we think there is a growing void for unique, under-$10 billion community banks—or what I like to call entrepreneurial banks—that are building value propositions for both employees and customers.

"But we are very focused on the geographical footprint we are in today," Stonestreet said. "We are not looking to go off somewhere too far away. At the same time, we are focused on being positioned as really one of the ideal partners for community banks that want to join forces to find their way forward in this changing bank environment. We want to be on the radar screen and be positioned to be responsive to potential partners whenever they make a decision that it's the best thing for them."

We are focused on being positioned as really one of the ideal partners for community banks that want to join forces to find their way forward in this changing bank environment

For Dana Stonestreet, being prepared is a key ingredient for success—whether for a bank looking for sustainable growth opportunities, or a young banker looking to earn the chance to advance in his career and perhaps one day become chairman and CEO of a publicly held company.

"I learned a lot from Ed Broadwell; and I also drew a lot on my experiences as a young person going through the thrift crisis—doing five mutual mergers, buying a mortgage company, doing an IPO. I did all that between the ages of 25 and 35. It was a very stressful environment, paying 14 percent on CDs and earning 6 percent on loans, and trying to figure out how to deal with that. The way I look at any job is that it is an opportunity to make a difference and see what you can grow it into. No guarantees, no hard plans, just earn it as you go."

Leadership Convention makes return trip to Nashville

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Through April 23-25, more than 140 bankers, associate members, and guests from around the state gathered at the Hutton Hotel for the Young Bankers Division's annual *Leadership Convention*.

The convention continued the emphasis on peer networking for the next generation of industry leaders through an opening reception at Union Common, a PEP financial literacy awards luncheon, and the Chairman's Reception at Waller Law.

Leadership Convention included a number of event highlights.

Scott Colbert of The Commerce Trust Company discussed the economic outlook for the remainder of 2017, and Impavid Consulting's Dan LeBreton explained the importance of not waiting on a big moment to inspire through leadership—everything we say and do communicates something.

Roundtable discussion participants talked through key issues and challenges that they face during their jobs.

Following a luncheon address by TDFI Commissioner Greg Gonzales, the Young Bankers Division recognized exceptional bankers and Tennessee banks participating in the Personal Economics Program (PEP), TBA's financial literacy program for children and adults.

Attendees then heard from Level 5's Anthony Burnett on loan growth and Lt. General Keith H. Huber on leadership.

Young Bankers Division Chairman Chris Schlueter, FirstBank, closed out the business session with election of Division vice chairman and directors (see page 34).

The final day included a report from Greyson Tuck, Gerrish Smith Tuck, PC, on a guide to community bank independence. Also Michael Harmon of Waller Law led a panel discussion from Tennessee bank CEOs—Jay England, Decatur County Bank; Roy Harmon, Bank of Tennessee; and Bill Nigh, Synovus Bank of Nashville—about leading the industry into the future.

The event closed with an inspirational speech from Baltimore Ravens and former University of Tennessee football player Morgan Cox. The Super Bowl champion and Pro Bowler shared the importance of cultivating a winning environment.

In a time where the next generation of banking talent ranks as a primary focus for the industry, the TBA Young Bankers Division is as vital and vibrant as it's been since its inception in 1960. Now is the time to identify the young bank leaders on your team and encourage them to engage in the association and the industry through the Young Bankers Division. Regional *Leadership Luncheons* will be held around the state this fall, and the 2018 *Leadership Convention* will be held in Memphis, April 15-17, at The Peabody Hotel.

For more information about becoming involved in the Young Bankers Division, please contact Stacey Langford, *slangford@TNBankers.org*.

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DIRECTOR


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Young Bankers elect new leadership

During the Monday afternoon business session at the Young Bankers Division's Leadership Convention, members of the division elected new officers and directors to lead the division during 2017-2018. Division Chairman Chris Schlueter, FirstBank, Nashville, presided over the business activities of the convention.

NEW OFFICERS

Delegates elected the following bankers to serve as officers:

- **Chairman—Michelle Bing**, Senior Vice President/Commercial Lending, Bank3, Union City
- **Chairman-elect—Josh Lane**, Senior Vice President/Lending Services, TNBANK, Knoxville
- **Vice Chairman—Samuel L. Short**, Senior Vice President, Southern Bank of Tennessee, Mount Juliet
- **Immediate Past Chairman—Chris Schlueter**, Vice President, FirstBank, Nashville

Executive officers for 2017-2018 are Past Chairman Chris Schlueter, Chairman Michelle Bing, Vice Chairman Sam Short, and Chairman-elect Josh Lane.

As chairman of the division, Bing will serve as an ex-officio member of the Tennessee Bankers Association board of directors.

"It is an honor to serve as the Chairman of the TBA Young Bankers Division, which has been shaped over the last 50 years by some of the most well respected bankers in Tennessee," Bing stated. "As in many industries, banks are looking to identify and groom the next generation of leaders. The Young Bankers Division has a well-established track record of providing the network and professional development skills bankers need to become effective and influential leaders in their banks and communities."

DIRECTORS

In addition to the four executive officers, the Young Bankers Division is governed by a nine-member board composed of three directors from each of the three grand divisions of the state—East, Middle, and West. Directors serve a three-year term with one director from each of the grand divisions rotating off each year to be replaced by a newly elected banker from the same division.

Directors elected to the board during this year's convention were:

- **East Tennessee—Michael J. Saporito, II**, First Vice President, Mountain Commerce Bank, Knoxville
- **Middle Tennessee—James J. Fuller**, Branch Manager/Lender, Southern Community Bank, Tullahoma
- **West Tennessee—Misty Sharp**, Vice President/Marketing Director/Internal Audit BSA, Centennial Bank, Medina
- Fulfilling one-year of a vacated term in **West Tennessee** is **Billie Jo Parker**, Managing Director, Metropolitan Bank, Memphis.

Bankers who completed their three-year terms and rotated off of the board were:

- **Middle Tennessee—Samuel L. Short**, Senior Vice President, Southern Bank of Tennessee, Mount Juliet
- **West Tennessee—Danielle Williams**, Financial Center President, First Citizens National Bank, Newbern

Directors continuing to serve out their terms on the board are:

- **Robert Bradley**, Executive Vice President/ Chief Risk Officer, Bank of Tennessee, Johnson City
- **Mark Bryan**, Vice President, Commercial Lending, SouthEast Bank, Farragut
- **Johnathan West**, Assistant Vice President/ Mortgage Originator, Macon Bank and Trust Company, Lafayette
- **Justin Nipper**, Assistant Vice President/ Risk Officer/Credit Analyst, The Farmers Bank, Portland
- **Derrick Whitten**, Vice President, The Hardin County Bank, Savannah

The Young Banker's Division was established in 1960 and is devoted to preparing Tennessee's young bank officers to become the industry's next generation of leaders.

The members of the division represent financial institutions across the state of Tennessee. Members of the division board serve as trustees for The Southeastern School of Banking, a two-year general banking school conducted annually by the TBA.

The division oversees the association's Personal Economics Program (PEP), a financial literacy effort by bankers to educate consumers about such topics as banking, personal money management, the wise use of credit, the importance of saving, and identity theft and other types of fraud.

In addition to the two-day professional development conference, *Leadership Convention*, the division hosts the Young Bankers *Day on the Hill*. This program reinforces the importance of involvement in the TBA's government relations activities. During this annual event, bankers spend a day at the Capitol in Nashville learning about how the General Assembly functions, meeting with government leaders and their own representatives, and attending committee meetings and hearings.

ABOVE: Members of the 2017-2018 board of directors are Josh Lane, Michelle Bing, Mark Bryan, Chris Schlueter, Michael Saporito, Sam Short, Justin Nipper, Billie Jo Parker, Misty Sharp, James Fuller, Johnathan West, Robert Bradley, and Derrick Whitten.

LEFT: Bankers rotating off the board are Bo Blanken, Danielle Williams, and Sam Short.

Q&A with Michelle Bing

2017-2018 Young Bankers Division Chairman, Senior Vice President/Commercial Banking, Bank3, Union City

Michelle Bing, a commercial lender at Bank3's Union City office, was recently elected as the new Young Bankers Division Chairman at the 2017 *Leadership Convention*. Bing started in banking in 1995 as a part-time teller at Reelfoot Bank and eventually worked her way up to become the bank's Senior Vice President. Born and raised in Obion County, Michelle and her husband, Eric, have an eight-year-old son, Luke. After taking the helm as the new chairman, she participated in a Q & A with *The Tennessee Banker*.

Tell us about why you became a banker.

When Reelfoot Bank was expanding, I was privileged enough to have the opportunity to apply for a part-time teller job at the same time I was beginning college. I thought it would be a great experience and look good on my resume when I graduated. It turned into more than a resume filler. I am thankful today for the many opportunities I was given to work my way through the channels.

What advice would you give to individuals entering the industry today?

My advice to those coming into the industry would be to always have the drive to do more and learn as much as you can. Be proactive in your career. Take advantage of any training opportunities. Be a good listener. Build relationships with both your customers and fellow bankers. Relationships help take you places.

Across the country, there is a lot of talk about succession planning and a talent gap in the industry to fill the shoes of retiring executives. Do you see that in the industry and how is the Young Bankers Division addressing that concern?

This is certainly a concern I feel the Young Bankers Division helps with by sponsoring banking schools and networking opportunities. *Day on the Hill* and TBA's legislative updates help young bankers understand the legislative process. *The Southeastern Schools*, *Leadership Convention*, and other networking events help grow the next generation so when the time comes, they will be ready to step up.

What is the best advice you've gotten, and how does it influence you today?

I have been fortunate enough to work with some great bankers who have provided me with lots of great advice. Some of my favorite pieces of advice are don't take life too serious, be respectful to everyone, and don't take anything for granted. We are fortunate to work in a great industry—enjoy the ride.

Michelle with her Bank3 coworkers Clay Billingsley, Paige Melton, and Tommy Gurley.

You joined Bank3 in 2016, one of the state's only new banking ventures since the recession. What stands out to you from that experience?

What an exciting time! I have truly been blessed with this opportunity to work with some great bankers and to have the opportunity of being on the ground floor and watching something grow. From raising capital to closing our first loan, it's a great journey that I am certainly excited to be a small part of. Being a part of this process is what captivated my interest. To have an opportunity to be a part of this type of venture in rural Northwest Tennessee in this day and time doesn't come along too often.

Michelle, husband Eric, and son Luke.

Established in 1960, the Young Bankers Division of the TBA is one of the most well-established divisions of its kind in the country. What role do you see the Young Bankers Division having as the industry evolves?

The Division has been a great resource for me since 2005. I have seen it evolve into what is needed in the industry over those years. I believe this is no exception. The Division will continue to expand and provide education and networking opportunities to meet the needs of our Young Bankers in the years to come.

Newly elected directors of the Young Bankers Division

TBA's Young Bankers Division elected new directors at *Leadership Convention* in April. To learn more about them, we asked:

1. How does involvement in the Young Bankers Division benefit Tennessee bankers and their institutions?
2. Who has served as a mentor during your career, and what is one thing they've taught you?

JAMES FULLER
Branch Manager/Lender
Southern Community Bank, Tullahoma

1. The Young Bankers Division is a wonderful program that allows every opportunity for individuals to network and become more involved with the state and federal legislature as well as glean useful information at events for growing their career. It has helped me cultivate a network of professional contacts and friends across Tennessee as well as to take training and classes to increase knowledge of policies, regulations, best practices, etc. From my 13 years in banking, I have seen exponential growth in the last couple of years, which I directly attribute to my involvement in Tennessee Bankers Association and the Young Bankers Division.

2. First off, I give God all the glory for His continued blessings on my career. From mowing yards, cooking fish, and selling jewelry, to later working my way up in banking, each position I have held had key people who took time to train and teach me some of the most important things about business and having a successful career. One manager told me in the first interview that all he could do was offer me an opportunity and what I did with it was up to me. I strive to always take every chance to learn, grow, and shine, so I am prepared to seize whatever opportunity may come my way.

BILLIE JO PARKER
Managing Director
Metropolitan Bank, Memphis

1. Participating in the Young Bankers Division has been of benefit to me as a Tennessee banker by giving me an outlet to share the importance of financial literacy with students in my community through the Personal Economics Program (PEP). This investment in our local market has had a positive impact on our bank as well by providing opportunities for many of our associates to get involved and by increasing our visibility as a socially responsible organization.

2. Pam Ware is the Chief Operations and Information Technology Officer for Metropolitan Bank. She has been a true inspiration to me as a banker and a mother of young children. Her ability to maintain work-life balance in the midst of her demanding role is reaffirming: women can be successful at home as well as in their career.

The new 2017–2018 Young Bankers Division directors: Michael Saporito, II, Billie Jo Parker, Misty Sharp, and James Fuller

MICHAEL J. SAPORITO, II
First Vice President & Relationship Manager
Mountain Commerce Bank, Knoxville

1. My involvement with the Young Bankers has given me a number of contacts who have proven to be very beneficial to the bank and me. I have been able to develop some very good participation partners and to discuss bank products and vendors with many of my colleagues.

2. My greatest mentor in the banking industry and in life has been my father. He worked in the industry for more than 40 years and taught me that if I take care of my job and my customer, everything will work out.

MISTY SHARP
Vice President/Marketing Director/Internal Audit BSA
Centennial Bank, Medina

1. The Young Bankers Division strives to keep bankers up-to-date on current state and federal legislation affecting the financial industry. The division also provides networking opportunities for young bankers to discuss safety and soundness issues challenging the state and national economy. Relationships formed through networking in the Young Bankers Division carry throughout a career, providing support and advice on day-to-day challenges.

2. Whether I am working with customers or co-workers, I always try to follow the core values of Centennial Bank: 1) Do the right thing; 2) Do more than is expected; 3) Make a difference; 4) Make time for people; 5) Improve someone's life; and 6) If something is wrong, make it right. While many have influenced me throughout my career in different ways, these core values summarize so much of what others have taught me.

Annual Meeting elections

Under the Tennessee Bankers Association bylaws, the TBA board of directors functions as the nomination committee in the process for electing officers and directors each year. In accordance with the bylaws, these nominees must be announced in advance of meeting via email to the member CEOs and published in *The Tennessee Banker.*

The TBA board has nominated the following bankers for election during the 2017 *Annual Meeting* in June 4-6:

VICE CHAIRMAN
R. MOLITOR FORD, JR.
Vice Chairman/CEO
Commercial Bank & Trust Co, Memphis

EAST TENNESSEE DIRECTOR
BRANDON HULL
President/CEO
Greeneville Federal Bank, FSB, Greeneville

MIDDLE TENNESSEE DIRECTOR
DEVAN ARD
President/CEO
Reliant Bank, Brentwood

WEST TENNESSEE DIRECTOR
ANDREA BROWNING
CEO
Centennial Bank, Trezevant

Elections will be held during the Tuesday, June 6, morning business session. Each member bank charter is entitled to one vote.

If you have questions about the nomination or election process, please contact TBA President Colin Barrett at *cbarrett@TNBankers.org.*

2016-2017 OFFICERS AND DIRECTORS

CHAIRMAN
GORDON MAJORS
President and CEO, The Hardin County Bank, Savannah

CHAIRMAN-ELECT
LEE M. MOSS
President, Franklin Synergy Bank, Murfreesboro

VICE CHAIRMAN
JOHN MUSE
Chairman, President and CEO, Farmers State Bank, Mountain City

PRESIDENT
COLIN BARRETT
Tennessee Bankers Association, Nashville

DIRECTORS

R. LYNN SHIPLEY, JR, President/CEO, HomeTrust Bank, Kingsport
PHILLIP L. CRAWFORD, President/CEO, First Farmers and Commercial Bank, Pikeville
MICHAEL E. CARY, President/CEO, Carroll Bank and Trust, Huntingdon
MICHAEL KRAMER, President/COO, Atlantic Capital Bank, N.A., Chattanooga
BETTY SUE HIBDON, President/CEO Emeritus, Citizens Bank, Hartsville
D. BRYAN JORDAN, President/CEO, First Tennessee Bank, N.A., Memphis
GEORGE SHIRLEY, Chairman/President/CEO, Citizens Bank and Trust Company of Grainger County, Rutledge
BILL NIGH, Regional CEO, The Bank of Nashville, a div. of Synovus Bank, Nashville
H. MCCALL WILSON, JR, President/CEO, The Bank of Fayette County, Rossville
CHRIS HOLMES, President/CEO, FirstBank, Nashville

PAST CHAIRMEN – EX-OFFICIO DIRECTORS

JEFF AGEE, President/CEO, First Citizens National Bank, Dyersburg
WILLIAM B. MARSH, Chairman/CEO, First Commerce Bank, Lewisburg
DAVID C. VERBLE, President/CEO, Citizens National Bank, Sevierville

DIVISION CHAIRMEN – EX-OFFICIO DIRECTORS

Independent Bankers Division
BILL YODER, President/CEO, Southern Community Bank, Tullahoma

Young Bankers Division
MICHELLE BING, Senior Vice President/Commercial Banking, Bank3, Union City

Correspondent Bank Division
RONALD G. SMITH, Mid-America Regional President, Regions Bank, Nashville

ABA State Chairman
JOHN JORDAN, Area President, The Community Bank of East Tennessee, a div. of Southern Bank of Tennessee, Clinton

ICBA State Chairman
THOMAS BATES, JR, President/COO, Legends Bank, Clarksville

Financial Products & Services Inc, Chairman
RADFORD WEST, President/CEO, Macon Bank and Trust Company, Lafayette

Government Relations Committee Chairman
R. MOLITOR FORD, JR, Vice Chairman/CEO, Commercial Bank & Trust Co, Memphis

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Human Resources Conference ignites inspiration in attendees

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The *Human Resources Conference*, which took place March 14 and 15 at the Embassy Suites & Conference Center, Murfreesboro, is an annual assembly attended by an array of bank professionals who are looking to advance their knowledge in human resources. The Human Resources Committee chairman, Amy Harrison, SPHR, Assistant Vice President/Human Resources, Greeneville Federal Bank, FSB, Greeneville, spearheaded this year's conference with an array of passionate speakers covering a multitude of backgrounds. This year's conference drew a crowd of approximately 100.

With the conference taking place as the same time as March Madness, this year's theme, "Ignite the Team: More than Just a Cheerleader," showcased how to establish a home court advantage as a human resources representative.

Dianne Barton discussed how it takes commitment in order to achieve sustainable growth for your organization. Stacie Caraway and M. Kim Vance showed the attendees how to coach their way through the madness and be on the offensive, armed with their legal update. Kayla Barrett exercised everyone's ability to interact and engage with others by applying their soft skills. Kara Shea and C. Eric Stevens conditioned the crowd to be aware of the pitfalls a human resources professional can find themselves in, and how to make sure the game plan is one built on equal footing.

Attendees had the option to attend two of six, break-out workshops. Sandra A. Lee, focused on the new human resources professionals with the blueprint to success. Barton, explored what it takes to build a team when not everyone can get a trophy. Caraway covered the accommodations an employer has to offer in various situations of injury, changes in health and pregnancy. Shea provided an overview of what paperwork was necessary so that your company can stay abreast of the ever-changing legal world. Martin Plumlee and Nick Thomas explained what to do to keep their star performers and why they should care. April Britt showed how to be a supportive member of the team without having to score the game shot.

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BELOW: Chairman Amy Harrison receives an engraved clock for her service from past chairman Sandra Phillips.

BOTTOM: Amy Harrison and Sandra Phillips recognize TBA's Susan Taylor for planning her last *Human Resources Conference* before retiring at the end of the year.

PHOTOS: **ANDREW YOUNG**

BSA/AML Compliance School attendees brush up on compliance knowledge

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A STEP AHEAD.

The 2017 *BSA/AML Compliance School*, held April 11 and 12 at The Sheraton Music City Hotel in Nashville, gave attendees an opportunity to brush up on their compliance knowledge and to interact with both the state and federal regulators.

Program facilitator Ken Golliher covered numerous topics, including the latest BSA/AML compliance developments, information about requirements to identify a legal entity's "beneficial owners" at account inception, and more. Timothy R. White discussed how to refresh a bank's OFAC risk assessment. Jimmie Lynn Ramsaur provided tips on how to make SARs reviews more effective. Representatives from each of the federal functional regulatory agencies and from the Tennessee Department of Banking reviewed their agencies' current philosophies and practices. Also, panelists offered their insights into engagement letters, transaction testing, work papers, expectations of regulators in their reports, and how to document your bank's responses and corrective action.

The human side of vendor management

How taking a page from human resources can improve vendor relationships—and results

MICHAEL BERMAN
CEO, Ncontracts

Can you imagine interviewing a new IT security employee and letting them know that you want to pay the lowest salary possible, you expect them to have leading knowledge on IT security and you need them to be available 24 hours a day and seven days a week?

Good luck finding someone who'll take that job!

But that's exactly what many financial institutions do when they go through the vendor selection process. Rather than view third-party vendors as strategic relationships that can help the organization achieve its goals, they view them in the same light as they do their office supplies: necessities that should be purchased at as low a cost as possible.

COMMON VENDOR MISPERCEPTIONS

This is a short-sighted approach. Service vendors aren't paperclips—they are valuable resources that should be carefully managed. In fact, vendor management and human resources have much in common. Successful financial institutions are finding that managing their vendors like their personnel leads to mutual success.

Vendors provide unique services that would be impractical or impossible for each community financial institution to provide on their own. Most financial institutions couldn't survive without their vendors.

Yet some financial institutions suspect that every vendor is there to rip them off, sell them something they don't need, charge them as much as possible, or provide as little service after the sale as possible. Those banks view vendors as a necessary evil.

It's true that there are vendors like that. There are predatory vendors, ones who overcharge and those who provide poor service. Sometimes, though, it is a self-fulfilling prophecy. The financial institution's personnel negotiated the lowest price. They are disrespectful in the sales process. Their personnel are demanding—and sometimes unreasonable—in working with their vendor. They then expect great service and follow through.

For the record, that doesn't make sense. Yet it happens all too frequently.

Then there are those financial institutions that realize they need vendors to survive. They realize that vendors offer a valuable source of information on competitors, new developments, and other vendors.

COMBINING BEST PRACTICES

Regulators have spelled out specific due diligence for high-risk vendors—not unlike the background check an institution performs on new personnel. But I recommend we take it one step further, combining best practices from human resource management with vendor management processes to create an area I like to call "Vendor Resource Management." Here's how to do it:

- **Be respectful**
  Treat vendors like a partner, customer or potential employee. With all the industry mergers and acquisitions, you may end up working with them even when you think you won't. Return calls or emails. A nice no is better than ignoring someone.

- **Disclose the process**
  Tell the vendor what you are trying to accomplish. Disclose the price and services of all the vendors being considered. An open kimono for all allows the free market to work best. Vendors will do a better job competing if the playing field is open for all to view.

- **Pick a long-term partner**
  I've seen many financial institutions get caught up in the "who's cheapest" game and forget the long-term game. You are picking a partner who will help your financial institution after the sale—a partner who will keep developing and improving your product and provide unbelievable service, not just be the cheapest provider. How many times has a manager picked the cheapest employee only to have serious problems arrive later?

- **Check references**
  Ask your peer groups and your state and national associations. Every vendor should have multiple customers. Talk to some of them. Make sure the references are similar to you in size and location—not all financial institutions are the same.

Most financial institutions can do a better job selecting and working with vendors. The effort of treating vendor selection like employee hiring is worth the time.

It's not always best to go with the cheapest when searching for third party vendors. Approach the process the way human resources selects employees—by being respectful, disclosing expectations, picking a partner for the long term, and checking references.

PHOTO: **SHUTTERSTOCK**

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How to retain your best people

DAVID SHOEMAKER
CPA/ PFS, CFP®, Principal, Equias Alliance

You have invested heavily in recruiting and developing key and emerging leaders within your bank. We hear regularly from CEOs about the difficulty and cost of hiring or replacing positions such as lenders, compliance officers, BSA officers, private bankers, trust officers, wealth managers, financial executives in IT, and treasury management. Your best people are being actively recruited by other organizations. Retention of these key employees is improved by having the right culture and by having the right compensation plans in place. While base salary and a bonus plan are a given, there are several other compensation strategies that should be considered.

For example, assume one of the key employees is a 35-year-old loan officer with children ages two and five. The bank could set up a bank-funded nonqualified deferred compensation plan (DCP) that pays $20,000 to $25,000 per child for four to five years when they reach age 18. The payments could be made contingent on the officer remaining with the bank throughout the distribution period. If the officer should die prematurely while in service, the bank could make payments to the beneficiary. If the officer's performance exceeds expectations, additional amounts could be credited to the deferred compensation balance.

Another alternative is to provide a supplemental executive retirement plan (SERP) or a DCP that provides supplemental retirement benefits. In some cases, it may be appropriate to do both a SERP and a DCP. For example, the SERP could establish a baseline supplemental retirement benefit of 20 percent of final compensation and the DCP may provide a performance-based element that would add 10 percent to 20 percent more. The DCP can be tied to individual performance, return on equity, or bank stock price. To protect shareholders, such plans often provide that no amounts will be credited to the executive's account balance if the bank incurs a net operating loss or does not meet regulatory capital requirements.

Nonqualified plans, whether SERPs or bank-funded DCPs, typically provide for forfeiture of benefits if the executive leaves and competes with the bank. If properly structured and presented, the plan can restrict the executive's ability to compete for a specified period after separation from service. The forfeiture and/or noncompete provisions can be powerful tools in retaining your key officers over the long term and in enhancing growth and profitability.

The goal of any institution is to keep the core team together and to supplement that team through hiring, training, and recruiting. Both the work environment and compensation arrangements are critical factors in achieving this goal. Nonqualified plans can and should be tailored to the person and the circumstances rather than using a cookie-cutter approach.

Such plans are typically financed with bank-owned life insurance (BOLI), which can help offset and recover a portion or all of the expense. Even if the bank is not able to purchase enough BOLI to accomplish that objective, the incremental cost should be weighed against the lost revenue or cost that may result if one or more of the key team members leaves.

This article was originally published on BankDirector.com.

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MORE FROM EQUIAS ALLIANCE

Equias Alliance consultants have assisted more than 800 banks in the design of nonqualified benefit plans, performance based compensation, and (BOLI). For more information about Equias Alliance, please contact David Shoemaker at *dshoemaker@equiasalliance.com* or James Taylor at *jtaylor@equiasalliance.com.*

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The next four years: What should mid-market businesses expect of the economy?

MARGARET REYNOLDS
*CEO,
Breakthrough
Masters Unlimited*

ABOUT THE AUTHOR

Margaret Reynolds, CEO of Breakthrough Masters Unlimited, a division of Reynolds Consulting, LLC, specializes in helping companies strategically engineer for transformative growth. Her work helps companies of all sizes and industries, from Fortune 500 to aspiring mid-market clients finds innovative ways to profitably grow their businesses. She is the author of *Reignite: How Everyday Companies Spark Next Stage Growth* and can be reached at *mreynolds@breakthroughmaster.com.*

Business leaders and financial officers have dramatically increased their optimism about the U.S. economy post-election up from 38 percent to 68 percent in one quarter according to a recent survey *The American Institute of Certifited Public Accountants.* That is the kind of jump rarely seen. Clients are reporting that within 30 days of the election, pent up demand began unleashing and orders were coming in at a stronger pace. While enthusiastic about this change, it is important to ask, "Will it last?"

Long-time Tennessee banker, Ron Samuels shared his perspective on that question. Samuels is the founder, chairman, and CEO of Avenue Bank since 2006, and now is vice chairman of Pinnacle Financial Partners after selling Avenue Bank to PFP in 2016.

THE TRUMP BUMP

According to Samuels, there are three primary reasons for what he calls the Trump Bump—the 25 percent increase he has observed in mid-cap banks trading levels since the election. The first reason is that there is wide spread belief that the regulatory environment will be stabilized. Given banks have already invested in increased compliance, their fixed cost can begin to be offset by growth driven by a higher GDP, aiding banks profitability which in turn will put more capital into the markets. In addition, capital can be invested into growth. "There is a phenomenal outlook," comments Samuels "due to the rising interest rates. Some economists predict four 25 basis point interest hikes in the next 24 months. This should encourage investment in banks as it increases the net interest margin. As a result, the industry should receive more capital investment. We should see more M&A activity."

The second reason for optimism according to Samuels is the expected reduction of the corporate tax rate. "Even though interest rates are predicted to be a bit higher, if there is a lower corporate tax rate there will be an increased availability of capital for long term investment."

Finally, Trump's platform calls for investment in infrastructure, which is capital spending at a high level across the nation. According to Samuels, this "puts more money in play, more people to work and fuels economic growth."

MITIGATING FACTORS

While there is reason for optimism, there are always unknowns. There are some mitigating factors that could have an impact on the sustainability of growth. "One factor that can't be overlooked is the international markets," Samuels said. "The European economy, trade relations and oil situation are in flux so they can have a negative bearing." He went on to point out, "The other notable fact is the pendulum has swung hard and fast and for sustainability, a more balanced approach may be better. It is possible the market is over-adjusting and that could right size in the next twelve to eighteen months."

REASONS TO BE OPTIMISTIC

"Comparatively speaking, we are in a much better situation than we have been in almost a decade," Samuels said. "The banking industry valuation since 2008 has been lower than it had been for the 30 years prior."

Proving that point is there has only been three de novo banking applications that received regulatory approval since 2010 compared to the hundreds of de novos granted between 1997 and 2007. That may now be changing as more applications are expected in the near future. Samuels continued, "Further, the birth of the 2,000 page Dodd Frank bill created pressure for community banks to add nonrevenue generating staff, which comes right off the bottom line. Combined with lower interest rate, banks have suffered a net interest margin squeeze during this period. Lower returns for the industry have made it difficult to attract capital. The real issue the last eight years has been capital access. With a tightened hand on the money, came a grim economic forecast, reduced inventories, and lost jobs."

It is not hard to see why there is a feeling of optimism in the air for business in general and banks in particular. According to Samuels, "When banks are strong, it fuels the manufacturing and service industries."

WHAT TO WATCH FOR

There are strong and potentially synergistic reasons for optimism in the economic outlook based on Samuels' comments. It boils down to a few key things. If they happen, then economic growth should be strong for the next four years. If not, prepare to adjust.

1. Better economic growth projections for the U.S. GDP. It is influenced by Trump's promise to put money into the country's infrastructure and negotiate more favorable trade deals.
2. Stabilized regulation and potentially a partial repeal of Dodd Frank, effectively will lower costs for regulation that in turn increases net income which appeals to investors. As banks attract more capital, they are able to grow their balance sheet that is invested in more loans to the community.
3. Lowered corporate tax rates will encourage more investment. We should see more construction, higher inventories, and more jobs.

Ron Samuels (second from left) is optimistic about the economy over the next four years. He's pictured with Jeff Agee, David Allen, and Johnny B. Moore, Jr., as they were honored for serving on the TBA Board of Directors in 2014.

Strategic Technology and Operations Conference

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The Strategic Technology & Operations Conference brought together C-level executives and IT directors to examine community bankers' technology planning needs.

The Conference, which took place April 4-5, 2017, at the Embassy Suites Hotel/Conference Center, Murfreesboro, featured experts in the areas of financial institution technology, as well as technology vendors to answer questions regarding the latest in financial services technology. The agenda included general sessions plus an afternoon of breakout workshops divided into two tracks—executive/operations and technical.


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BELOW: Chairman Kathy Perdue receives an engraved clock for her service from past chairman Aaron Tyler.

PHOTOS: **ANDREW YOUNG, TBA**

Day on the Hill offers young bankers opportunity to advocate for industry

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TBA's Young Bankers Division hosted its annual Day on the Hill March 8 at the State Capitol. One of the most well attended *Day on the Hill* events in history, 50 Tennessee bankers joined TBA's government relations team for a day of advocacy and observation of the state's legislative process. The success of the day is credited to Tennessee bank executives encouraging their younger leaders to become involved in the political process and the value the industry places in strong legislative relationships.

The day-long program began with breakfast in the Capitol and a group session in the House of Representatives chamber. Lt. Governor and Speaker of the Senate Randy McNally, Speaker of the House Beth Harwell, Senate Majority Leader Mark Norris, Chairman of the Senate Commerce and Labor Committee Jack Johnson, and Chairman of the House Insurance and Banking Committee Ron Travis each addressed the group, offering their unique prospective on the legislative process, what it means to govern the state, and priority issues for 2017.

Continuing the long-standing partnership for *Day on the Hill*, Bone McAllester Norton PLLC hosted a luncheon and legislative panel discussion at their offices across from Legislative Plaza. The panel provided a unique opportunity for bankers to hear an informative discussion on key issues in the general assembly, including healthcare, infrastructure, and access to broadband. Moderator Trace Blankenship, Bone McAllester member and general counsel, was joined by Representative Craig Fitzhugh, Democratic Leader (D-Ripley), Representative Pat Marsh, Chairman of the House Business and Utilities Committee (R-Shelbyville), Representative Cameron Sexton, Chairman of the House Health Committee (R-Crossville), and Amanda Martin, Special Projects Coordinator Economic & Community Development.

Early March is a great time to witness the legislature while it is at its peak of activity. Attendees had the opportunity to view numerous committee hearings and witness debate on some of the year's most high profile bills, and participate in group office visits with legislators to discuss local issues and reinforce constituent connections.

For more information about programs presented throughout the year by the Young Bankers Division, please contact Stacey Langford at *slangford@TNBankers.org.*


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AGRICULTURE


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Forty bankers graduate from *The Southeastern School of Consumer Credit*

Forty bankers recently completed requirements for graduation from the 2017 session of *The Southeastern School of Consumer Credit*[SM] (TSSCC) held at the TBA Barrett Training Center in Nashville. The program is one of four Southeastern Schools sponsored by the Tennessee Bankers Association.

TSSCC is an intensive one-week school that exposes students to the major issues consumer credit managers face on a daily basis.

In addition to bankers from Tennessee, this year's graduates included bankers from Mississippi.

Students finishing in the top 10 percent of the class are recognized through the school's honors program. Honor students are selected on the basis of scores on the mid-term exam, final exam, and faculty and staff evaluation.

Honor graduates for 2017 are:

- Johnny Hand, Citizens Tri-County Bank, Decherd
- Heath Johnson, Citizens Bank and Trust Company of Grainger County, Bean Station
- Katie Legge, The Farmers Bank, Portland
- John Prentice, The Hardin County Bank, Savannah

Established in 1987, *The Southeastern School of Consumer Credit* is designed to increase banker knowledge of consumer lending as a retail banking function and a source of income for the bank. It addresses the managerial aspect of consumer lending operations, especially how the bank's loan portfolio can increase profitability and improve competitive position. In addition, the program emphasizes the development of both administrative and human relations skills to equip students to manage bank assets and meet customers' financial needs.

The school's curriculum incorporates over 30 hours of classroom instruction in 14 courses arranged into five course clusters—Trends in Banking; Retail Credit Analysis and Underwriting: Direct Lending, Indirect Lending, and Open-End Credit; The Lending Process; Asset Management; and Managing Changes in Regulatory Compliance.

For more information about *The Southeastern School of Consumer Credit*, or any of the other Southeastern Schools conducted by the TBA, please visit the TBA website at *TNBankers.org/education/southeastern_schools* or contact Susan Taylor, CMP, at *staylor@TNBankers.org*.

2017 TSSCC students

2017 TSSCC GRADUATES

TONYA ATTERTON, Citizens Tri-County Bank, South Pittsburg
DAVID BRODY, Community National Bank, Dayton
RYAN CAREY, Community First Bank & Trust, Thompson's Station
WILLIAM CLANTON, Centennial Bank, Rutherford
HOUSTON COZART, INSOUTH Bank, Brownsville
JORDAN CRUZE, Citizens Bank and Trust Company of Grainger County, Bean Station
ANDREW DEASON, TriStar Bank, Dickson
KIMBERLY FRANK, Volunteer State Bank, Hendersonville
CAROL GARNER, Volunteer State Bank, Gallatin
MISTY GARREN, Wilson Bank & Trust, Smyrna
TREY GEISENHOFFER, Wilson Bank & Trust, Lebanon
DOUGLAS GORDON, Planters Bank & Trust Company, Greenville, Miss.
CHRISTINA GRIFFITH, Citizens Tri-County Bank, Dunlap
EMILY GUYTON, Renasant Bank, Nashville
CHRISTIE HAMMONS, First National Bank of Tennessee, Livingston
***JOHNNY HAND**, Citizens Tri-County Bank, Decherd
JODY HOLLOWAY, Planters Bank & Trust Company, Batesville, Miss.
KIM HOPKINS, The First National Bank of Manchester, Manchester
JAMES JOBE, First Advantage Bank, Clarksville
***HEATH JOHNSON**, Citizens Bank and Trust Company of Grainger County, Bean Station
DAVID KNIELING, First National Bank of Tennessee, Cookeville
***KATIE LEGGE**, The Farmers Bank, Portland
JUSTIN MARTIN, Wilson Bank & Trust, Lebanon
CHARLIE MOSLEY, Wayne County Bank, Waynesboro
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JASON NOGODULA, Peoples Bank & Trust Company, Manchester
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JOHN PRESLEY, Wilson Bank & Trust, Lebanon
SONIA RAMIREZ, Homeland Community Bank, McMinnville
DIANA REICH, Putnam 1st Mercantile Bank, Cookeville
DYLAN RICHARDS, First National Bank of Tennessee, Livingston
CAMERON ROBINSON, Renasant Bank, Nashville
MANDI RUSSELL, Guaranty Bank and Trust Company, Indianola, Miss.
TAYLOR SHULTZ, The Farmers Bank, Portland
COTY SMITH, Wayne County Bank, Clifton
MELISSA SMITH, Citizens Tri-County Bank, Pikeville
ANDREA SUBLETT, First Community Bank of Tennessee, Shelbyville
TESHUAH TERRY, The First National Bank of Oneida, Helenwood
CASSIE WOODARD, TriStar Bank, Spring Hill
SARAH YARBRO, FirstBank, Parsons
* Denotes Honor Graduate

2017 TSSCC STUDENT PROFILE

GENERAL PROFILE DATA

Tennessee Students	36
Out of State Students	4
Mississippi	4

EDUCATION (Highest Level Achieved)

Less than 1 Year	4
High School	10
Bachelors	24
Graduate	2

YEARS OF BANK EXPERIENCE

1 to 5 Years	11
6 to 10 Years	5
11 to 20 Years	4
20+ Years	2

CONSUMER CREDIT EXPERIENCE

Less than 1 year	5
1 to 5 Years	14
6 to 10 Years	16
11 to 20 Years	4
20+ Years	1

SIZE OF BANK'S ASSETS

Under 50 million	3
51 to 100 million	3
101 to 500 million	19
501 million to 1 billion	15

SIZE OF BANK'S LOAN PORTFOLIO

1 to 5 Million	3
11 to 50 Million	1
51 to 100 Million	6
Over 100 Million	30

FACULTY

RONNIE L. BOLING
Financial Services Consultant, Brentwood

MICHAEL G. COMER
Executive Vice President/Chief Operating Officer, Citizens National Bank, Sevierville

CONNIE EDWARDS, CRCM
President, Banc Compliance Group, LLC, Franklin

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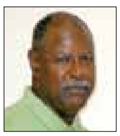
Williamson County President, First Farmers and Merchants Bank, Franklin, TN



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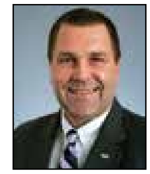

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NICOLE MINNIS, Senior Vice President/Branch Manager, The Farmers Bank, Portland
DAVID VAUGHN, Vice President, The Hardin County Bank, Savannah
BRENT PARSLEY, Manchester Community President/Loans, The First National Bank of Manchester, Manchester

RIGHT: Chairman Jeff Lewis receives a plaque for his service from TBA's Susan Taylor.

RIGHT: The 2017-2018 Board of Trustees. Nicole Minnis, David Vaughn, Jeff Lewis, Brent Parsley, Laura Blackburn, John Foster, and Keith Hatley.


BASEBALL


TENNESSEE

Coming and going

Supply of government agency debt remains low

JIM REBER
President and CEO, ICBA Securities

Answer: The last year before 2015 that aggregate outstanding debt of U.S. government agencies totaled less than $2 trillion.

Jeopardy question: What is 2000?

Yes indeed, the supply of debt issued by your favorite agencies has continued to dwindle in total. These bonds have for decades been a staple of well-structured community bank investment portfolios. As your industry's profitability continues to grow, along with your bank's footings, this may present some challenges for you portfolio managers out there.

Interestingly it's not a uniform retreat by all issuers. In fact, several of the more familiar names have been growing. But as supply/demand forces collide to help define fair value, it may be useful to review what was, and is, the market for these instruments so that an informed community banker can make some good decisions on the behalf of his or her financial institution.

SIGNIFICANT CONTRIBUTION

It is easy to understand why this investment sector is popular. Agency bonds are simple to analyze, highly liquid, readily pledgeable, and available in virtually any maturity and callable configuration. Did I mention 20 percent risk-weighted? Their yields will of course be higher than a comparable Treasury bond, with the spread being a function of their maturity and call features. At the moment, a five-year agency that can be called in two years has an incremental yield of about 20 basis points (.20 percent) over the curve.

Still, the supply issues coupled with community banks' growing familiarity with mortgage products and increased need for tax-free income have caused the average bank's allocation to agencies to shrink. Ten years ago, about 30 percent of a typical community bank portfolio was comprised of these agencies. Today, the number is around 10 percent. Nonetheless, 10 percent of anything is significant.

IN THE HEADLINES

What's old news at this point is the two housing government-sponsored enterprises' (GSEs') status in legal limbo. Technically both Fannie Mae and Freddie Mac are in a conservatorship, and their earnings are being swept into the Treasury coffers to compensate the taxpayers for the risk we assume as stewards. Accompanying the conservatorship is a requirement that both GSEs shrink their mortgage holdings to $250 billion apiece by the end of 2017.

As their mortgages owned have shrunk since 2008, so have their borrowing needs. Freddie Mac, for example, cut its outstanding securitized debt by over $200 billion between 2012 and 2016. Fannie Mae's debt dropped by almost $300 billion in that time. This is the major cause of the decline in the quantity of agency debt through 2016.

ON THE WAY UP

Other agencies' borrowing needs are increasing. The largest and most visible is the Federal Home Loan Bank (FHLB) System. This consortium of regional banks makes collateralized loans to "members," which are mostly FDIC-insured depositories. In large part, loan demand at the members' institutions determines the size of the advance book of a regional FHLB. The corollary to that is the FHLBs need to borrow most of the dollars required to match-fund the advances.

PROOF IN THE PRICES

Accompanying the shrinkage in the supply of securities was the financial crisis of 2008-2009. As we well know, interest rates were stuck at historic lows for the better part of the last 10 years. Usually, as interest rates decline, the yields on "spread product"—everything except Treasuries—will fall at a slower rate. Stated another way, spreads tend to widen.

That didn't happen on agencies between 2008 and 2016. And I must say that vindicated my faith in a free-market system in which informed buyers and sellers, and supply and demand, determine prices. The need for, and attractiveness of, these issues meant that prices rose with the benchmark Treasuries even through 500+ basis points of monetary easing.

Agency debt supply seems destined to be stable, but not grow, in the foreseeable future. As we engage a year in what appears to be in a rising rate scenario, it will be interesting to see if spreads tighten on agency debt. Since they are still at historic lows, there seems to be little room for further spread shrinkage. These are all arguments for your community bank maintaining a suitable allocation to the government agency sector.

> At the moment, a five-year agency that can be called in two years has an incremental yield of about 20 basis points (.20 percent) over the curve.

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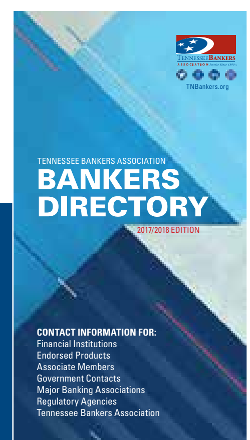

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Senior Risk Management Consultant, Sageworks

ABOUT THE AUTHOR

Robert Ashbaugh is responsible for assisting financial institutions with their risk management needs. He has more than 20 years of capital markets and commercial banking experience as both a portfolio manager and risk manager, with a primary focus on mortgage-backed securities, whole loan portfolios, and commercial lending.

In the current lending environment, many financial institutions are looking to commercial real estate to drive growth in their portfolios. As a result, competition to win deals is intense. It is critical, however, for banks growing their CRE portfolios to satisfy regulators' concerns over risk management of those loans.

THE CRE LENDING SURGE

Commercial real estate is the largest lending category for U.S. banks, and the category has experienced tremendous growth—especially since the financial crisis.

"Since the trough in CRE lending in mid-2012, CRE loans outstanding have increased to $3.6 trillion and now represent 19.8 percent of national GDP," according to researchers with the Federal Reserve Bank of Philadelphia. And over the past 20 years, the share of CRE loans in the portfolios of midsize and small banks has roughly doubled, the researchers said.

CRE loan growth, competitive pressures, and looser underwriting standards have prompted regulators to provide more scrutiny to CRE loan concentrations and to warn lenders of the importance of "identifying, measuring, monitoring, and managing concentration risk in CRE lending activities." As recently as July 2016, Comptroller of the Currency Thomas Curry said, "Our exams found looser underwriting standards with less-restrictive covenants, extended maturities, longer interest-only periods, limited guarantor requirements, and deficient-stress testing practices."

WHAT'S AT STAKE

Even so, financial institutions across the U.S. remain committed to expanding commercial real estate portfolios. At the 2016 *Sageworks Risk Management Summit*, 42 percent of respondents said CRE lending was their primary focus for loan portfolio growth. Among respondents at a recent Sageworks webinar, 48 percent said their banks are still working to expand the CRE portfolio.

I believe banks—especially community and regional banks—should expect regulators to focus on CRE during upcoming examinations. Regulators are really making sure that banks have identified and quantified their risk and understand that risk. They are scrutinizing the CRE portfolio.

Financial institutions planning additional increases in the CRE portfolio must balance growth, profitability, and risk management throughout the life of the loans in order to satisfy regulators and stakeholders. How do they do this?

BALANCING BEGINS WITH ORIGINATION

Of course, reviewing the borrower's cash flow—rather than the property value alone—is critical to understanding their ability to repay the loan. In addition to traditional metrics used to evaluate borrowers, many banks are using "debt yield" to evaluate how the borrower's cash flow might be able to repay the loan. Debt yield is calculated as (Net operating income/First mortgage debt) * 100. Unlike the debt-service coverage ratio, debt yield focuses on the ability to pay off the loan and doesn't allow loan-structure adjustments to mask potential weaknesses.

As regional accounting firm MCM CPAs & Advisors notes, using the debt yield helps the lender "focus on determining a proper loan amount that will provide the bank with a sufficient cash-on-cash return on its loan to mitigate the associated credit and collateral risk. Usually a debt yield of at least two times a loan's interest rate and 200 basis points above the property's cap rate provides a premium large enough to give the bank a solid comfort level." In other words, it protects profitability and provides risk management.

BALANCING THROUGH STRATEGIC MOVES

Developing and consistently applying loan-pricing strategies will help banks remain profitable. A pricing methodology can provide a strategic advantage over competitors when it accounts for both risk and profitability. Indeed, a recent webinar hosted by Sageworks found that only 35 percent of participants were confident they are correctly pricing loans across the institution, while nearly 1 in 4 acknowledged they are underpricing loans. At the end of the day, you're competing on price, but don't price to another bank's methodologies.

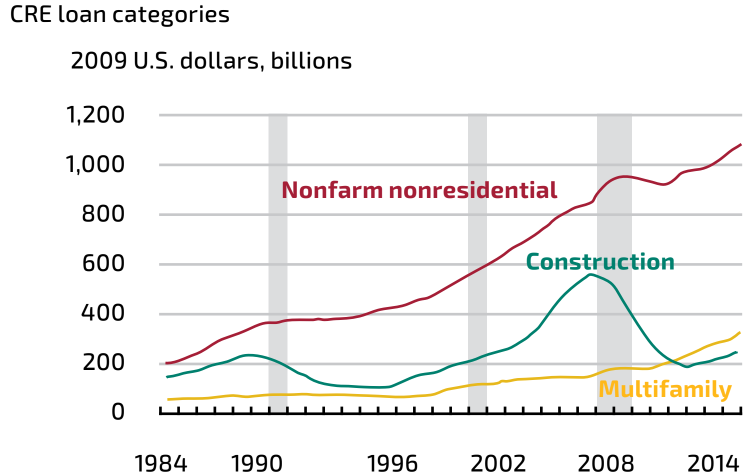
BALANCING VIA PORTFOLIO MANAGEMENT

Stress testing may seem like a reactive process, but there are benefits to doing it proactively; it can actually be a good portfolio management tool. Many institutions use stress testing to aid with capital planning and ALM.

Maybe your bank is already doing $500 million in CRE, but what if you want to go to $600 million? Are you sufficiently capitalized to do that? Stress testing will tell you if you can handle that. It also proves to examiners that you can manage and recognize risks in your portfolio.

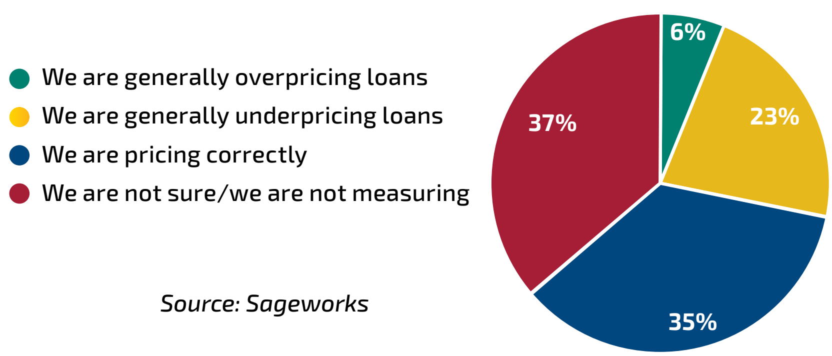
Managing the CRE portfolio long after origination is an important aspect of satisfying regulators and stakeholders that the financial institution is balancing growth opportunities, profitability and safety and soundness.

CRE GROWTH HAS BEEN STRONG RECENTLY



Source: Reprinted from "Banking Trends," Third Quarter 2016, Federal Reserve Bank of Philadelphia Research Department

HOW DO YOU FEEL ABOUT YOUR GENERAL LOAN PRICING PROCESSES?



Source: Sageworks

The password is dead; long live the password

ERIC CHASE
Information Security Consultant, SBS CyberSecurity, LLC

MORE FROM SBS CYBERSECURITY

For additional information security updates or assistance with anything information security related, please visit *sbscyber.com.*

One morning, your computer screen greets you with the dreaded "your password will expire soon, please change it" notification as you enter your credentials. A battle ensues to conjure up a new password in an attempt to meet password length and complexity requirements… without creating a password that can be easily guessed, reused, or is already used elsewhere. Passwords that are easy to remember, such as Spring17, or a favorite sports team, may meet certain length requirements but are often the go-to words an attacker will try first during any attempt aimed at compromising your online presence. Changing passwords seems like a fight that is destined to repeat itself every couple of months for all eternity. Or is it?

WHY PASSWORDS?

Passwords are an important layer of security designed to protect your digital identity both in a professional and personal world. When combined with a username, a password uniquely identifies "you" and has been the most used mechanism for authenticating to networks, applications, and devices. Passwords have grown in both length and complexity since they were first implemented. Advances in computing technology allow passwords previously thought complex to be broken within a shorter timeframe. To counter the onslaught of computing power available to attackers, we must discuss the evolution of the password as a reliable authentication method and what we can do to reduce the risk of unauthorized access to our systems.

THE CURRENT STATE OF PASSWORDS

Generally accepted password standards today include:

- Be unique from other business or nonbusiness accounts
- Consist of at least eight characters
- Be composed of each of the following:
  - –Lower case letters
  - –Upper case letters
  - –Numbers
  - –Special characters

Avoid using the following:

- Common dictionary words
- Repeating characters
- User information (i.e.: username, first name, last name, phone number, family, towns, state, or institution name)

THE NEXT EVOLUTION OF PASSWORDS

In the fall of 2016, the National Institute of Standards and Technology (NIST) released a draft of Special Publication 800-63B – Digital Identity Guidelines, which was designed to provide increased authentication security from today's advanced password-cracking attacks. Key messages from this publication include:

- Organizations should set a minimum eight character password standard, with scaling based on account sensitivity.
  - –A 14 character password would provide significantly more protection against password cracking tools.
- Organizations should allow a maximum password length of 64 characters with no restrictions on length over eight characters.
- Regular checks should be run against new/existing passwords and should include scanning passwords against dictionary words, passwords obtained from previous breaches, repetitive or sequential characters, and context specific words.
- Organizations should incorporate Multi-Factor Authentication where possible, especially for VPN or remote access connectivity.

Microsoft, the Center for Internet Security, and other organizations provide additional guidelines stressing the importance of both length and complexity. Both are needed to ensure the most sufficient protection available. Password lengths of 14 characters or more with additional complexity requirements can be maintained and managed through passphrases and password managers.

PASSPHRASES

Passphrases are an excellent way to fulfill both the length and complexity requirements to decrease the probability that a password can be compromised. Passphrases get their strength from creating a lengthy word that does not appear in any dictionary and substituting complex characters. For example; April showers could be combined into something like @prilShow3rs!!. Each passphrase should be unique to the system or application.

PASSWORD MANAGERS

A password manager is a software application or hardware that helps a user store and organize passwords. Password managers usually store passwords with strong encryption protocols, requiring the user to create a master password: a single, ideally very strong password which allows the user to access their password database. Password managers frequently offer features such as form-fill and password generation. Examples include LastPass, KeyPass, and Norton Vault.

For a more secure password, try using a passphrase instead. Passphrases get their strength from creating a lengthy word that does not appear in any dictionary and substituting complex characters. For example; April showers could be combined into something like @prilShow3rs!!.

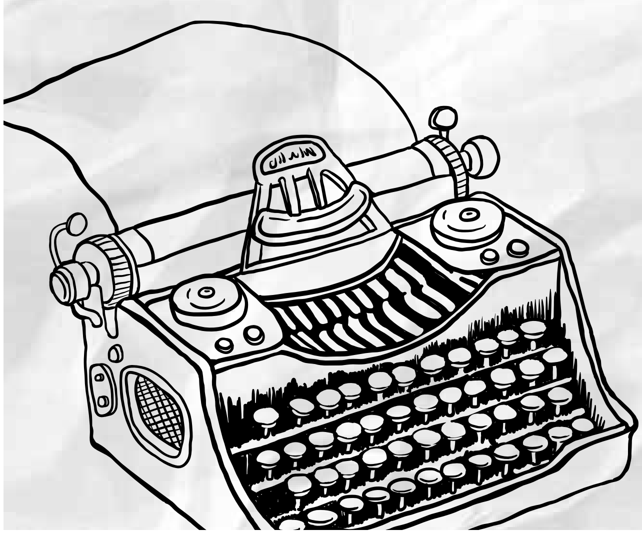
PHOTO: **SHUTTERSTOCK**

STEPS TO VICTORY

When it comes to security, a proactive approach is often rewarded. Attackers are focusing on the human aspect of security, including passwords, to circumvent other more complex security controls. In the meantime, implementing stronger security methodologies such as password best practices, multifactor authentication, passphrases, and password managers will add additional layers of security that attackers can only combat by spending more time and resources to crack passwords and access your secure systems or devices.

Share your knowledge and opinions with the Tennessee banking community

Contribute to The Tennessee Banker Magazine



*Have an article or column idea? We'd love to hear it. To learn more, email Tyler Nelson at **tnelson@TNBankers.org** or view our Editorial Guidelines by visiting **TNBankers.org/news/tennessee_banker***

Aligning performance management with career 'pathing'

MARK ANGOTT
President,
Angott Search Group

JOHN RADEBAUGH
Director of the Financial Services Division,
Angott Search Group

Often employees leave their jobs because there is no clear path for them to advance, or they are not sure how to rise to the position they desire. Career "pathing" is a great way to increase employee retention and grow talent organically, because it provides both employees and employers with a clear road map, outlining what it takes for workers to move from their current position to where they want to be. It also empowers employees to take ownership of their career performance within the company and aligns their career goals with the strategic goals of the organization.

This not only helps the organization achieve its goals, but also helps the organization in the following ways:

DIFFERENTIATE THE COMPANY FROM COMPETITORS

Organizations that do not invest in training and development of their human capital lose valuable candidates to their competition. Employers can effectively differentiate themselves from competitors by investing in their employees' career development. Even a relatively small employer investment, such as implementing a mentoring program or boosting training opportunities have a positive impact on loyalty. Career "pathing" has great potential as a marketing and branding tool to attract future top talent. When companies are able to share real examples with candidates about how their best employees advanced within the company and how career pathing is a part of the organization's culture, it provides one more competitive advantage.

RETAIN KEY WORKERS

Many employers in the U.S. are confronting shortages in areas where they most need to attract and retain experienced workers. As a result, they are increasingly concerned about losing high-potential talent. The cost of voluntary turnover can be significant—loss of productivity, lost institutional knowledge and relationships, and added burdens on employees who must pick up the slack.

To prevent this, organizations have to identify workers who are central to the execution of business strategy and then develop or update retention plans to meet the needs and expectations of these employees, particularly those who drive a disproportionate share of key business outcomes or are in short supply in the labor market. Providing identifiable career paths is an important aspect of retention plans, along with coaching and mentoring employees with high potential and moving proven performers into new roles that fit skills developed over time.

KEEP YOUNGER WORKERS ENGAGED

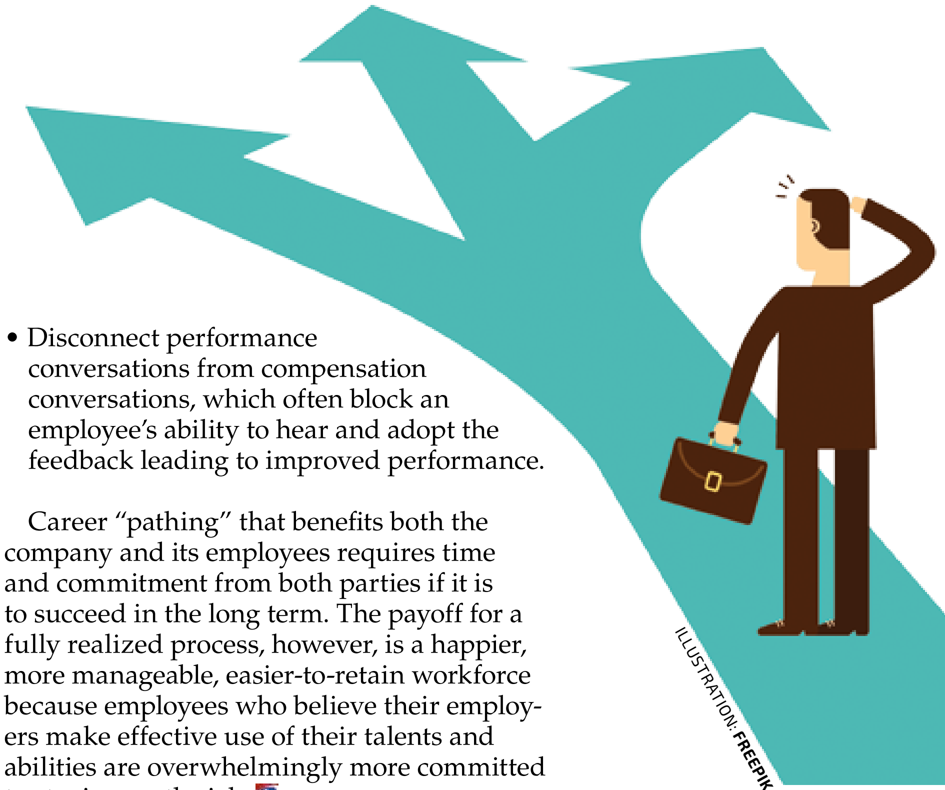
Employees' views of work and growth opportunities vary by generation. Millennial workers, for example, value career pathing more than any other generation. In a recent study, more than half of millennials (53 percent) said that career pathways has the most impact on their decision to stay with their employer. This process is not driven by the manager, but with the employee taking charge of their performance review and setting their desired career path. Once goals are set with the manager, successful completion now rests in the employee's hands. The path is now clear for what they need to do, in order to be promoted or receive a pay increase.

REVITALIZE THE PERFORMANCE MANAGEMENT PROCESS

As part of the career "pathing" strategy, the annual review is reinvented to serve as an efficient, business-focused process that improves employee engagement and drives results. Goals are still agreed upon by employees and managers, but it is incumbent on employees to propel their careers, and manage their performance, not solely the manager. Achieving this alignment requires companies to make changes in their performance management process. Getting started requires you to:

- Simplify—get rid of unnecessary, time-consuming, paper-filled steps.
- Ensure that your company's strategic goals match your performance management philosophy.
- Build a new performance management culture that encourages ongoing feedback and continuous development.
- Empower managers to recognize and reward employee performance throughout the year.
- Disconnect performance conversations from compensation conversations, which often block an employee's ability to hear and adopt the feedback leading to improved performance.

Career "pathing" that benefits both the company and its employees requires time and commitment from both parties if it is to succeed in the long term. The payoff for a fully realized process, however, is a happier, more manageable, easier-to-retain workforce because employees who believe their employers make effective use of their talents and abilities are overwhelmingly more committed to staying on the job.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You want to grow? It's the little things that matter!

ACHIM GRIESEL
President, Haberfeld Associates

Many bankers believe: "We're uniquely positioned to serve the affluent customer. Our service is second to none."

But remember, your prospects haven't experienced your service. And, few community financial institutions can uniquely serve the affluent class better than regional and national banks.

Real growth requires much more than the false perception that customers are privileged to bring their relationships to you. It takes many factors—like brand, product, policies, marketing, employees, and execution. When you try to maintain growth of your customer base, focus is often mistakenly only one factor. But each activity impacts expansion. Some are more important than others and real growth isn't assured by any one of them. Real growth requires a coordinated system of activities—all connected to each other.

I'll illustrate this idea using the airline industry. All airlines have planes, pilots, flight attendants, and luggage handlers. All transport people and many fly the same routes. So why does Southwest Airlines have a much better reputation than other airlines? Are Southwest planes better or are their people more professional? No. **What Southwest has is a much better activity system.**

Michael Porter, in his *Harvard Business Review* article years ago, defined the activity set of Southwest Airlines. Little things competitors could not or would not copy were the difference. Its fleet uses only one type of plane, so maintenance is easier, faster, and cheaper. The airline's unique boarding system allows flights to turn around quicker. All its activity points—reliable and frequent departures, low ticket prices, high aircraft utilization—make Southwest Airlines more profitable than its competitors.

Let's take this idea to community banking. Like airlines, financial institutions are all relatively the same. All have checking and savings accounts and all use banking systems recognizable from one FI to another. So how can your activity system give your financial institution an edge over competitors?

Key component—Your people

Engage your staff, train them, and allow them to have fun. While working with several hundred community-based FIs, I've seen what a difference the right branch personnel can make.

- Without changes to marketing or product it's common to see dramatic customer growth after a branch leadership change.
- Same-market branches, using identical marketing and products, grow at dramatically different rates.

The people component of your activity system probably has the most subcomponents that crucially help or hurt your organization's growth. Especially in branches, the right people are extremely important. But if staffs are not well trained, branches may not achieve their growth goals.

Be there when customers decide to switch

It's almost impossible for financial institutions to create the customer need to buy their products. With basic requirements for food and clothing, the need is already there. Bankers can't create similar needs. However, we can identify people who are likely to need new core relationships or those seeking a new primary financial institution (PFI).

Banking customers become better prospects for your institution when they go through life-changing events—when they move, get married, or change jobs—but it's difficult to be in front of them at the right time. You can purchase highly-targeted contact lists for these events, but once prospects are on a list it's usually too late. An even larger prospect group consists of individuals who are dis-

MORE FROM HABERFELD ASSOCIATES

Haberfeld Associates is a customer acquisition, marketing, and profitability consultant for community-based financial institutions. For more information, contact Achim Griesel at *achim@haberfeld.com*.

CLIENT CUSTOMER ACQUISITION ACTIVITY SYSTEM

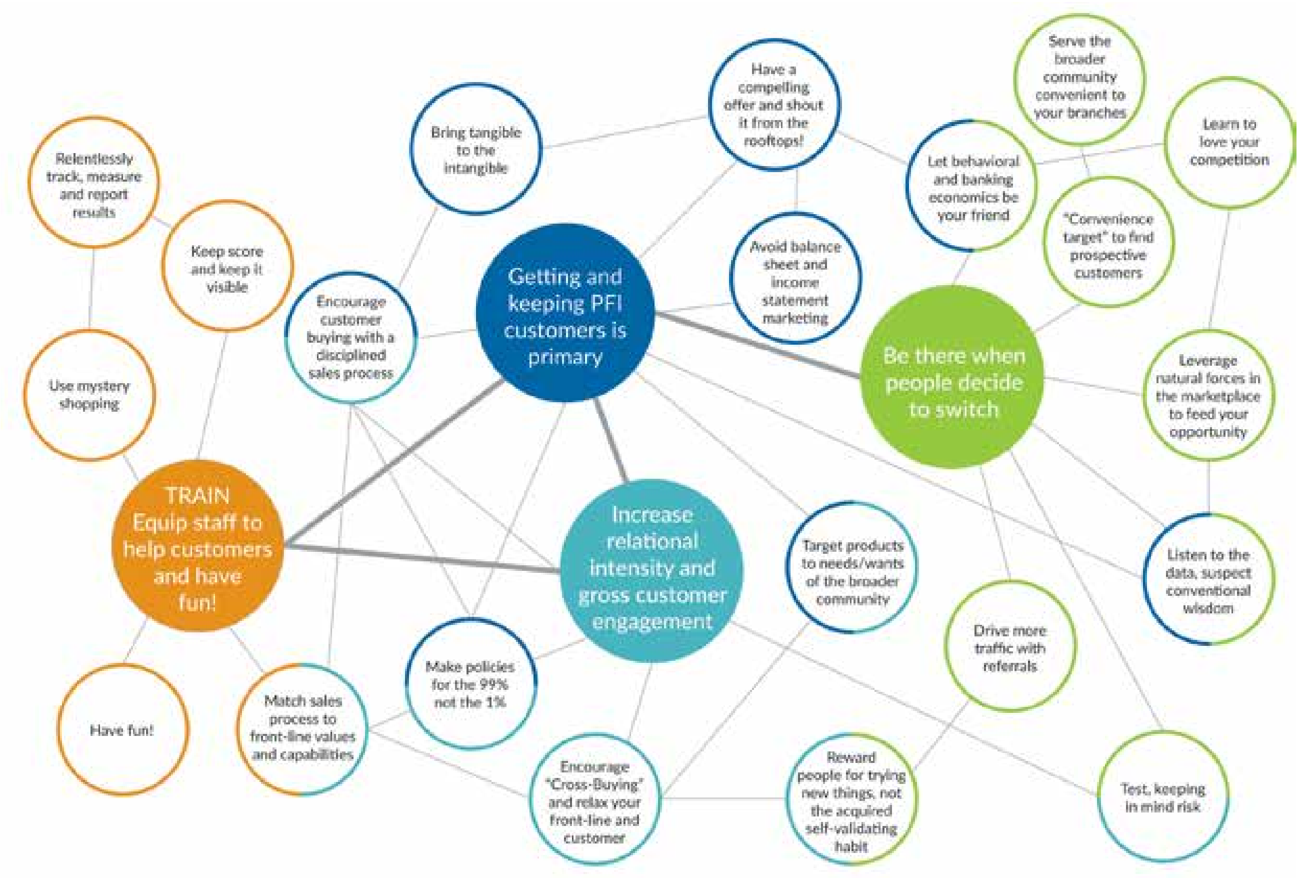


ILLUSTRATION SUBMITTED
HABERFELD ASSOCIATES

satisfied with their current PFI. Yet how can you find those prospects who would consider your financial institution convenient?

The simple answer: **The right type of data**. Begin by modeling your current customers as a starting point for your branch-convenience footprint. If the prospect group is too large, fine-tune by adding characteristics of current customers to the targeting model. Most current-customer attributes are more reliable than purchased demographics. Add more (big) data to enhance your best-prospect model.

Suppose you could determine which of your branches is convenient for prospects by overlaying their cell phone usage and GPS data? With the prevalence of mobile devices, this has become a very predictive indicator and a great real-world example of big data applications.

Lastly, don't wait until after the prospect's life event has happened. Limit your prospect audience by fine-tuning the model while you increase your contacts with these quality prospects. Then you're likely in front of them PRIOR to a trigger event that prompts them to seek a new primary financial institution.

Product isn't marketing's silver bullet

For core customer acquisition we seek the single product that answers our growth goals. There isn't one. While your product is important, it's only a single component of your entire activity system. With product, you must consider characteristics like simplicity, customer advantages, ease of sale, profitability, and many others. Ignore any of these factors and growth becomes more difficult or even impossible. A good product may have a variety of different looks if it follows the activity system components outlined above.

Bottom line—consider the little things that make growth happen. They are the important glue that hold your activity system together and make it successful.

People on the Move

Bank of Ripley, Ripley, has promoted four team members: **Jonathan Nason** to executive vice president and chief operating officer; **Cheryl Harvard** to compliance officer, BSA officer, and information security officer; **Beverly Sanders** to deposit operations officer; and **Rachel Grear** to marketing director.


PHILLIPS


GLASGOW


WILSON


A. SMITH


PANNELL

BankTennessee, Collierville, has welcomed: **Jason Phillips** as a vice president and commercial loan officer; **Curtis Glasgow** as desktop support technician; **Chameka Wilson** and **Janice Smith** as loan processors; **Austin Smith** as a credit analyst; and **Brad Pannell** as deposit operations manager.

Bradley Arant Boult Cummings LLP, Nashville, has welcomed **Frank W. Hunger** as counsel in the litigation practice group. Hunger once served as assistant attorney general over the civil division of the DOJ from 1993-1999.

CBBC Bank, Maryville, has welcomed **Brent Musick** as an assistant vice president and Townsend branch officer.


MUSICK

Community First Bank & Trust, Columbia, has promoted **Linda Groves** to vice president, senior accounting officer, and CRA officer; and **Ryan Carey** was named as branch manager.

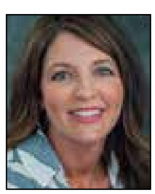
Diversified Trust, Memphis, has welcomed **S. Morrow Bailey, Jr**. as a senior vice president.

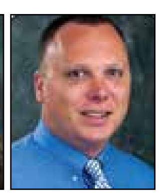
Evolve Bank & Trust, Memphis, has promoted **Mark Mosteller, Sr**. to executive vice president and CFO. Mosteller is in charge of the finance and accounting group.

F & M Bank, Clarksville, has named **Jarrod Duncan** as commercial lender.

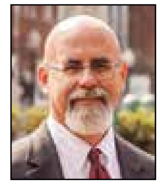
Dixon Hughes Goodman LLP, Memphis, has named **John Brock** and **Paul Hopkins** as partners.

FirstBank, Nashville, added 12 new faces to its bank team throughout its branch system: **Jessica Acred**, Lexington; **Jessica Day**, Fairview; **Vivian Huggler**, Murfreesboro-Salem Cove; **Kristen Robbins**, Crossville; **Mary Atkinson**, Crossville; **Cassidy Moore**, Nashville-West End; **Paula Davidson**, Memphis-Poplar; **Travis Thomas**, Memphis-Colonnade; **Savanna Reed**, Lexington-East Church; **Morgan Crawford**, Lexington-East Church; **Jan Duggin**, Murfreesboro-Memorial Boulevard; **Megan Newgent**, Fayetteville


GIRARD


SMITH

First Century Bank, Tazewell, has promoted **Denise Girard** to first vice president and **Jay Smith** to first vice president.


ISAACS


MALLARD

First Farmers and Merchants Bank, Franklin, has promoted career banker **Chuck Isaacs** to Franklin president while continuing to serve as a commercial relationship manager at the downtown Franklin branch. First Farmers has promoted **Rory Mallard** to senior commercial banking officer who will lead commercial teams in Davidson and Williamson counties. The bank welcomed **Zane Martin** as business banking/private banking relationship manager to the team at the downtown Franklin branch; and welcomed **John Hollingsworth** as senior commercial relationship manager who will work at the Cool Springs branch office. In addition, the firm has named **Jim Gardner** to serve as the bank's Nashville president while continuing to serve as a commercial lender at First Farmers' Green Hills office.



FERRELL PILLOW MORRIS


POSS WATTENBARGER


HAWKINS VANCE

First Freedom Bank, Lebanon, has promoted **Shelia Ferrell** to first vice president and managerial lender at the FFB Lebanon office. The bank has promoted **Matt Pillow** to vice president who serves as office manager in Providence; **Laura Morris** to operations officer and loan operations manager; **Sarah Poss** and **Kaitlin Wattenbarger** to personal bankers at Providence office in Mount Juliet. In addition, **John Hawkins** and **Phillip Vance** were promoted to assistant vice president at the Lebanon office.

BENNETT

First National Bank of Middle Tennessee, McMinnville, has welcomed career banker **Katie Bennett** as vice president and commercial lender in the Middle Tennessee market.



HUGGINS KOLESARIC KNIGHT

Franklin Synergy Bank, Murfreesboro, has welcomed **Brian Huggins** to the risk management department. **Amanda Kolesaric** was added as a credit analyst to the banking team at the downtown Franklin headquarters. In addition, **Kim Knight** has joined the FSB team and will serve as treasury management sales manager.

Gullett Sanford Robinson & Martin PLLC, Nashville, has promoted **Phillip Welty** to managing partner.

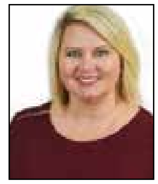

COOPER GOOLSBY

Heritage Bank & Trust, Columbia, has added **Brian Cooper** as vice president charged with overseeing Northside branch's operations and **Carrie Goolsby** as commercial bank officer.

Landmark Community Bank, Collierville, has promoted **Will DePierri** to CSR supervisor.

COLDIRON

Legends Bank, Clarksville, has welcomed **Dave Coldiron** as director of mortgage lending at the Green Hills office in Nashville.



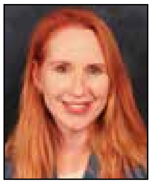
ELLIOTT GROSS WAMPLER


MILLER HARRIS


HALE COLE

Mountain Commerce Bank, Knoxville, has promoted two long-tenured team members: **Vestal V. "V.V." Elliott** to first vice president and director of loan operations and **Kristie Gross** to assistant vice president and senior loan coordinator continuing as team lead and supervisor of the mortgage group. Both will work at MCB's operations center in Johnson City. In addition, the bank has welcomed **Phillip G. Wampler** as first vice president and senior compliance officer at the MCB operations center; **Gloria J. Miller** as vice president and branch manager with oversight responsibilities for all Knoxville locations; **Kelli Harris** as vice president and BSA office at the Cedar Bluff office; **Ashley Hale** as a document review specialist and **Amiee Cole** as a loan operations specialist.

People on the Move, *continued*




CARR WELLS

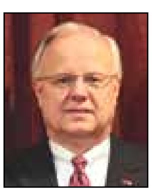
Paragon Bank, Memphis, has named **Lea Carr** assistant vice president, private banking; and **Nancy Wells** was named assistant vice president and community development officer.

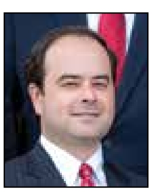
Pinnacle Financial Partners, Nashville, has welcomed **Angie Brasfield** as senior vice president and office leader. PFP has added **Joe Bass** as communications strategist and **Grace Clark** as risk management advisor.

Reliant Bank, Brentwood, has named **Kim York** as executive vice president and chief strategy officer.

Reynolds, Bone & Griesbeck, PLC, Memphis, has added **Lindsey Barnes, Madeline Morgan,** and **Will Landry** as audit interns.

Sevier County Bank, Sevierville, has promoted senior commercial lender **Christopher Plemons** to senior vice president; human resources director **Stacy Hogg** was promoted to senior vice president; and **Keion Rad** was promoted to junior lender.





DUBARRY TAYLOR WALKER

Wilson Bank & Trust, Lebanon, has promoted director of technology **Mark duBarry** to senior vice president; **Wes Taylor** to regional president to oversee WB&T operations in DeKalb, Smith, and Putnam and eastern Wilson counties; and **Taylor Walker** was promoted to regional president to oversee WB&T in Sumner and Trousdale counties.

Bank Notes

American Patriot Bank, **Greeneville,** merged with Apex Bank, Camden, and has changed its name to **Apex Bank**. The merger was finalized on 2/21/17.

In **Ripley, Bank of Ripley and Bank of Tipton** board of directors has recognized and honored Senior Chairman **James R. Fitzhugh,** for his 70 years of service by awarding him the title of Chairman Emeritus, a perpetual title to acknowledge his contribution to the bank and the banking industry.

Bank of Tennessee, Kingsport, has opened a branch in the Providence Station area (1982 Providence Parkway, Ste 103), Mount Juliet. Jason Loggins is Wilson County market president and commercial banking relationship manager.

CapStar Financial Holdings and **CapStar Bank**, **Nashville**, are in their new headquarters on the seventh floor of the Eakin Partners' 1201 Demonbreun office tower with a new CapStar branch at street level in the Gulch neighborhood.

Claire W. Tucker, president, CEO of **CapStar Financial Holdings Inc,** parent company **of CapStar Bank, Nashville,** was named to the Federal Reserve Bank of Atlanta's Nashville Branch and began her term January 1 and will sit on the board through the end of 2019.

Scottsboro, Ala.-based **FNS Bancshares Inc.** plans to acquire **Commerce Bancshares Inc., Nolensville.** Following the deal completion, Peoples State Bank of Commerce will merge with and into FNB Bank, and its branches will operate under FNB Bank. Expected to close third quarter, FNB Bank will add three branches—in Nolensville and Ardmore, and Grant, Ala.—to its existing nine branches in Alabama. Peoples State Bank reported total assets of $156.7 million, while FNB Bank reported total assets of $373.1 million, for the period ended Dec. 31, 2016.

Brentwood-based **Commerce Union Bancshares Inc.**, the parent company of **Reliant Bank**, has opened an office in the Republic Centre (633 Chestnut Street) in downtown Chattanooga with Terry Todd as market president.

Judy Long, president and chief of operations of **First Citizens National Bank, Dyersburg**, was recognized as one of the *20 Most Influential Women of West Tennessee* by the Jackson Area Business and Professional Women and *The Jackson Sun*. Long was honored and awarded the 2017 Sterlings Award at a ceremony and reception in Jackson April 4.

Khandra R. Smalley, senior vice president of marketing research of **F&M Bank, Clarksville**, was appointed to the Certified Financial Marketing Professionals (CFMP) Advisory Board of Directors for the American Bankers Association's Institute of Certified Bankers (ICB).

SMALLEY

First Farmers and Merchants Bank, Columbia, hosted the grand opening of its new downtown Franklin office located at 121 First Avenue South.

Tammy LoCascio, executive vice president of consumer banking, **First Tennessee Bank, N. A. Memphis,** was recognized and received FTB's top company award from National Association for Female Executives (NAFE) in New York City.

Mountain Commerce Bancorp, Inc. (OTCQX: MCBI), a bank holding company and the parent of **Mountain Commerce Bank, Knoxville,** began trading March 1 on the OTCQX® Best Market under the ticker symbol "MCBI."

Pinnacle Financial Partners, Nashville, was named one of the best financial services firms to work for nationwide by *Fortune* magazine and earned a spot in *Fortune*'s list of the 100 Best Companies to Work For. The firm also earned a place on *People* magazine's inaugural "50 Companies That Care" list, jointly chosen by *People* and Great Place to Work®.

Southern Heritage Bank, Cleveland, began operating as **First Citizens National Bank** in March.

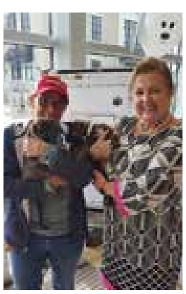
TriSummit Bank, Kingsport, officially changed its name to **HomeTrust Bank** March 1.

Mary Ann Jackson, a shareholder in **Baker Donelson's Memphis** office, was named chairman of the firm's Corporate Finance & Securities Group.

Douglas Halijan, a partner at **Burch, Porter & Johnson PLLC, Memphis**, was appointed by the Tennessee Supreme Court to a three-year term on the Advisory Commission for the Tennessee Rules of Practice and Procedure.

Community Corner

In March, **FirstBank, Nashville,** partnered with The Nashville Sign and *Nashville Arts* magazine to showcase 36 x 38 foot billboard painting by Nashville Artist of the Week David Arms along West End Avenue. **FirstBank, Memphis**, chose 13 Memphis nonprofits agencies to receive to $2,500 grants from the bank. Several nonprofits in the area were invited to apply and an independent three-person selection panel made the final decision.

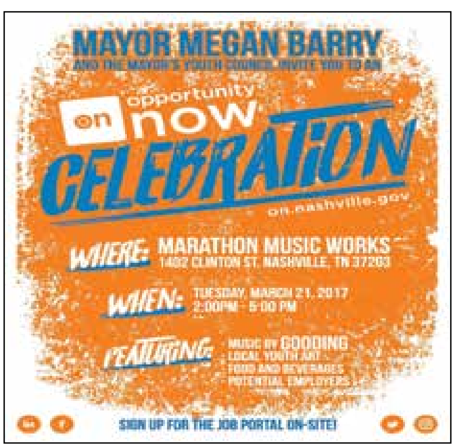


Pinnacle Bank, Brentwood, celebrated National Puppy Day March 22-23 by collecting dog food—a carload— and hosting an adoption drive for Nashville Humane Association in the lobby of the bank.

Peoples Bank of East Tennessee, Madisonville, had an opportunity to donate computers to Restoration Place Ministries, an organization that strives to help men become restored and transition them back into society after experiencing homelessness, drug-related problems, or incarceration. On hand for the presentation L-R: Peoples Bank employees Teresa Stonecipher, Sharon Boone, Rosemary Mills Clint Melton, Peoples Bank of East Tennessee First Vice President Dustin Atkins, and RPM Communications Director Tonya Frerichs.

Peoples Bank of East Tennessee, Madisonville, partnered with the Homeless Management of Monroe County (HMMC), providing food and shelter to those in need, and the funds collected from customer donations and those collected from the promotional offer that included Peoples Bank donating $100 for every small business checking account opened in the month of December with a balance of more than $2,500.

Employees of **First Peoples Bank of Tennessee**, **Jefferson City,** each donated $5 to have the privilege of wearing jeans and crazy socks on selected days and all proceeds raised go to First Peoples Cares—their employee-funded charitable account. They recently donated $1,000 to The Dollywood Foundation's My People Fund.



First Tennessee Bank, N. A., the Nashville office has joined "Mayor Megan Barry's Opportunity Now Nashville" initiative to provide jobs for 10,000 youth this summer.

Wilson Bank & Trust, Lebanon, recently concluded its most successful penny drive to date to help hungry neighbors, exceeding $15,000 in money raised and donated to benefit Second Harvest Food Bank of Middle Tennessee. The total contribution, equating to more than 62,000 Second Harvest meals, included donations from customers at all Wilson Bank & Trust branches; change collected by employees and customers on their own; and a $3,500 corporate matching donation connected to a social media contest; and was gathered during a three-month campaign that was part of Ms. Cheap's penny drive, which wrapped up in January.

On hand for the presentation were (L to R) Amelia Vance, Wilson Bank & Trust; Destiney Patton, Second Harvest Food Bank of Middle Tennessee; *The Tennessean's* Mary Hance (Ms Cheap); Wilson Bank & Trust CEO Randall Clemons.

Employment Opportunities

1704-4 REGULATORY COMPLIANCE CONSULTANT
Position Location: Knoxville, TN | Nashville, TN | Atlanta, GA | Tampa, FL | Kansas City, KS; Position Description; PYA is a dynamic public accounting and management consulting firm. Our banking practice is growing and we are seeking qualified professionals to join our team as a Regulatory Compliance Consultant. The successful candidate will serve as a cohesive team member who consistently demonstrates high integrity and reliability within a professional environment. Responsibilities: Manages and participates in the performance of regulatory compliance audits for external clients; ensures responsibility for all phases of an audit engagement from planning to issuance of reports; Demonstrates excellent project management skills and inspires teamwork and responsibility with engagement team members; Uses knowledge, experience, and current technology and tools to enhance the effectiveness of deliverables and service; Identifies and effectively communicates recommendations to Senior Managers and Owners; Mentors and develops staff members and participates in team administrative functions, including scheduling, staff mentoring and training, and billing and collections; Actively participates in business development and client retention. Requirements: CRCM certifications required; CPA, CIA designations a plus.; Bachelor's degree required; Master's degree preferred; 5+ years of regulatory compliance experience in banking industry; Strong client relationship skills and strong accounting and analytical skills preferred; Detail oriented with excellent project management and organizational skills; Superb written and verbal communication skills; Client-oriented work ethic, delivering high quality results; Dedication to teamwork and leadership; Person of sound judgment, that can manage risks effectively and efficiently, Willingness and ability to travel: Mostly day travel almost exclusively via car (very limited overnight travel). Why PYA? Entrepreneurial and dynamic advisory firm. Privately owned; High growth potential with opportunities for upward advancement; Offers quality of life; National presence, clients in all 50 states, one of the largest healthcare valuation practices in the nation; About PYA: For over three decades, PYA (Pershing Yoakley & Associates, P.C.), a national professional services firm providing management consulting and accounting, has helped its clients navigate and derive value amid complex challenges related to regulatory compliance, mergers and acquisitions, governance, business valuations and fair market value assessments, multi-unit business and clinical integrations, best practices, tax and assurance, business analysis, and operations optimization. PYA's steadfast commitment to an unwavering client-centric culture has served the Firm's clients well. PYA consistently is ranked among the Top 20 healthcare consulting firms in the U.S. by Modern Healthcare. PYA is also ranked 91st by INSIDE Public Accounting's "Top 100" Largest Accounting Firms. PYA affiliate companies offer clients world-class data analytics, professional real estate development and advisory resources, comprehensive claims audits for self-insured Fortune 500 companies, wealth management and retirement plan administration, and business transitions consulting. PYA assists clients in all 50 states from offices in Atlanta, Kansas City, Knoxville, Nashville, and Tampa. To apply for this position, please visit *www.pyapc.com/careers*. For more information, please visit *http://www.pyapc.com*.

1702-10 COMMERCIAL BANKER I
Position: Commercial Banker I. Location: Columbia, TN. Position Purpose: You're a Commercial Banker, a staple in the growth of your community. You are driven by the fact that your individual performance directly affects the profitability of the bank and the economic stability of the place you call home. Developing and managing your own portfolio takes dedication, an attribute of your personality business owners never have to question. They trust that you will guide them through the borrowing process with your knowledge of lending programs, banking policy, and Federal and State regulatory requirements. You're known for both exceptional customer service and your reputation for ethical practices. Does this describe you? Do you want to be with a bank that values the impact you've made in your community? If yes, let's talk because the only thing stronger than the community we live in is the individual that helped make it that way! Essential Duties and Responsibilities: Develops new and retain existing Agriculture and Commercial relationships while maintaining asset quality standards; Interviews loan applicants; analyze financial and related data to determine the general credit worthiness of the prospect and the merits of the specific loan request; Establishes and negotiates the terms under which credit will be extended including cost, risk, and profitability determining the method, schedule and collateral requirements; Monitors loan repayment activities, the collection of past due accounts, and credit and collateral deficiencies; Adheres to loan policies and procedures with complete documented files to ensure satisfactory reviews from internal and external audits; Maintains continuing contact with assigned customer accounts, including, but not limited to, handling credit requests, review of annual lines, including analysis of financial statement changes and solicitation of additional business from active account relationships; Market and cross-sell other products and services that will be beneficial to existing and potential prospects, including, but not limited to, Investments, Trust , Cash Management, and Merchant Services; Participates in community affairs to increase the bank's visibility and to enhance new business opportunities; Ensures all departmental documents and activities are performed in compliance with applicable laws, regulations, policies and procedures as applicable to this position, including completion of required compliance training; Performs other duties and responsibilities as assigned. Qualifications: Exceptional customer service and communication skills; Attention to detail – you maintain accurate credit and loan files and follow through in all aspects of the job; Sales ability – you know how to market and promote loan products by utilizing a variety of tools and techniques; Proven track record of ethical behavior. Required and Desired Skills & Experience: Bachelor's degree from an accredited university; 2-4 years of experience in Commercial Lending. About Simmons Bank: For 113 years, we've been dedicated to helping people and businesses achieve their financial goals. Today, Simmons First National Corporation is a publicly traded company with $7.6 Billion in assets. We have more than 175 branch and ATM locations in 96 communities throughout Arkansas, Kansas, Missouri, and Tennessee. Although our portfolio of services can compete with those of larger banks, the people of Simmons Bank are deeply committed to providing customers with the warm welcome, friendly service and one-on-one relationship that neighborhood banks are known for. This culture of customer service extends into the community as well. Our employees are dedicated to supporting, developing and energizing educational, civic and charitable programs in the communities we call home. We are proud to serve more customers and communities than ever before—and we are especially proud and honored that you are growing along with us. Simmons Bank is an Equal Opportunity Employer. Please apply at: *www.simmonsbank.com/careers*. If questions, email *jobs@simmonsbank.com*.

1702-3 REGULATORY COMPLIANCE SPECIALIST
Job Description: The Compliance Specialist audits and reviews the audit selections for each Client Bank. Our company is comprised of passionate people who strive for excellence while demonstrating servant leadership in everything we do! Here are the basics: we work hard, we have fun, and we make a difference! Due to growth, we are seeking a Regulatory Compliance Specialist. What You Need To Know: Conducting compliance audits to ensure compliance with federal and state laws, etc., determining the adequacy of internal controls; Generating audit/management reports; Assistance with Scheduling of Compliance Audits of all Client Banks; Responsible for researching,

analyzing, and drawing conclusions related to all significant federal and state legal and regulatory requirements (i.e., Regulations B, C, D, E, AA, BB, CC, DD, O, X, Z, HOEPA, Fair Housing Act, Fair Credit Reporting Act, FACT Act, MDIA and HPML Provisions of Regulation Z) and their applicability to Client Bank's products, services and systems; Serve as a compliance resource to our Client Banks and assist President with maintaining a cutting edge awareness of regulatory compliance and legislative developments and industry trends; Additional responsibilities as assigned by President; Provide training in compliance matters and regulations to Client Bank Personnel as assigned and directed by President; Provide Consulting Assistance to Client Banks regarding updating policies and procedures, as necessary; and other duties that may be assigned by President. What We Are Looking For: Commitment to the highest level of integrity, ethical behavior and professional character; Ability to communicate both written and verbally with regards to audit findings; Strong team player, able to manage multiple projects at once; Bachelor's degree in related field preferred; 1+ years of regulatory compliance experience preferred; CRCM Certification preferred, but not required; Awareness of regulatory rules such as HMDA, ECOA, RESPA, TILA and TRID; Proficient in Word, Excel, and PowerPoint; Highly motivated and driven with desire to learn and be challenged. Self-starter and conscientious; Travel required to Client Bank Locations within Tennessee and Alabama. Benefit Package: Competitive pay; Medical and dental insurance; Excellent career growth opportunity; Fun, team-focused working environment. Qualified candidates may send their resumes to *ppowlas@tnbankers.org*.

1702-2 POST CLOSING QUALITY CONTROL ANALYST

Job Description: The Post-Closing Quality Control Analyst audits and reviews the monthly audit selections for each Client Bank. Our company is comprised of passionate people who strive for excellence while demonstrating servant leadership in everything we do! Here are the basics: we work hard, we have fun, and we make a difference! Due to growth, we are seeking a Post-Closing Quality Control Analyst. What You Need To Know: Completes full audit process in a timely manner; Reviews audit files in their entirety for any errors from origination to closing; Assists in auditing routine audit selections, including early payment default selections; Analyzes and compares all pertinent quality control items and disclosures; Accurately answers all audit questions, while providing ample clarification on findings within the audit. What We Are Looking For: Commitment to the highest level of integrity, ethical behavior and professional character; Ability to communicate both written and verbally with regards to audit findings; Strong team player, able to manage multiple projects at once; Bachelor's degree in related field preferred; 1+ years of mortgage loan processor experience preferred; Knowledge of agency and investor QC requirements (FNMA, FHLMC, FHA); Awareness of regulatory rules such as HMDA, ECOA, RESPA, TILA and TRID; Aptitude for analyzing and validating credit, capacity, assets, and collateral; Proficient in Word, Excel, and PowerPoint; Highly motivated and driven with desire to learn and be challenged; BytePro and Encompass Experience a plus. Benefit Package: Competitive pay; Medical and dental insurance; Excellent career growth opportunity; Fun, team-focused working environment. Qualified candidates may send their resumes to *ppowlas@tnbankers.org*.

Tennessee banks and associate members may list positions free-of-charge as a benefit of their membership in the Tennessee Bankers Association. Those interested in placing an ad or replying to position openings (refer to position number) should direct their inquiries to Penny Powlas at *ppowlas@TNBankers.org*, or 800-964-5525 or 615-244-4871. View more positions at *TNBankers.org/products/jobbank*.

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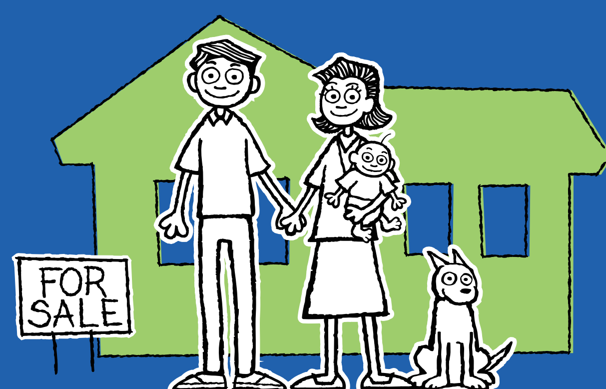

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Robber caught "bear-handed"

On March 1, 1974, police caught a would-be robber "bear-handed" at The Bank of Cookeville. Per *The Tennessean*, a 350-pound black bear was first spotted at night by two Tennessee Tech students in downtown Cookeville. After they alerted the authorities, a city policeman and a state trooper used their squad cars to hem in the bear in front of the bank. The bear broke through a glass door and wandered into the facility's community room while police called the Game and Fish Commission. Officer Mike Foster tracked down a tranquilizer gun from the rabies control unit in nearby Smithville.

The bear had "pretty well calmed down" by the time he got to the bank, Foster said, but the bear became alarmed when Foster walked into the room with the tranquilizer gun. "He reared up on this plate glass window and we shot him in the right fore flank with a dart," Foster said.

After the bear passed out, officers loaded the stunned animal into a U-Haul trailer borrowed from a local service station. "They will either send him to some zoo or carry him up to East Tennessee and release him," Foster said.

The Game and Fish officer said bears are not native to the Cookeville area; neither he nor the police had any idea where the animal came from.

Originally featured in *The Tennessee Banker,* March 1974

Featured Events

For more information or to register for these events, visit *TNBankers.org/calendar*.

JUNE 20 & 21

SBS INSTITUTE, ONSITE CERTIFIED BANKING: SECURITY MANAGER

TBA Gilliam Board Room, Nashville

Registration Deadline: June 8

TBA Member/Associate Member Registration: $1,395

Annual Renewal: $295

TBA Contact: Debbie Brickles, *dbrickles@TNBankers.org*

SBS institute

Presented by SBS Institute in conjunction with TBA, this onsite certification covers U.S. information security laws and regulations, social engineering, running effective IT and audit committees, and more. With this certification, you will:

- Develop an entire information security program framework to take back to your institution.
- Understand how to successfully implement and manage each component of the information security program.
- Boost your knowledge of layered security programs.
- Gain confidence in your decision making with comprehensive cybersecurity knowledge.

JULY 16–21

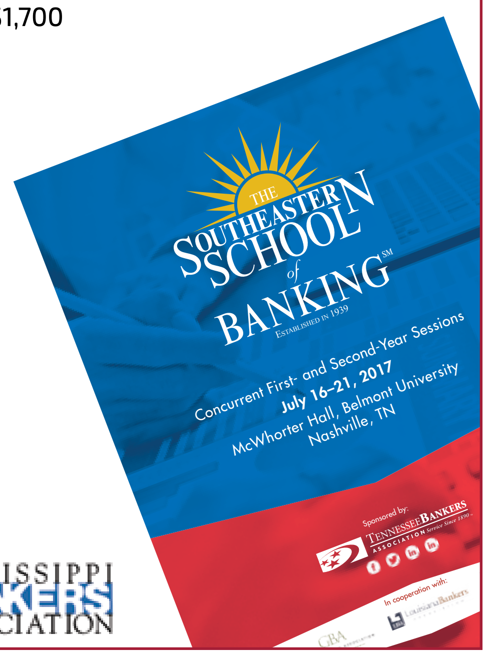
THE SOUTHEASTERN SCHOOL OF BANKING I & II

Belmont University, Nashville

Early Registration Deadline: June 12

TBA Member/Associate Member Early Registration: $1,700

TBA Contact: Susan Taylor, *staylor@TNBankers.org*



The Southeastern School of Banking is a must for career bankers. Serving Tennessee financial institutions since 1939, the two-year school incorporates lectures and home study assignments. Some of the topics covered in the first year are bank financial analysis, macroeconomics, asset/liability management, investments, lending, strategic planning, and HR management. The newest version of the Stanford Bank Simulation Game is a tool for learning about financial institution management. The second-year general banking classes include employee skills, fraud and ethics, technology, changing bank environment, bank security, management, and completion of the Stanford Bank Simulation Game.

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Professional Development Calendar

May 16
Branch Management School – Session 2 of 4
TBA Barrett Training Center, Nashville

May 17
Information Security Officer (ISO) Education
TBA Barrett Training Center, Nashville

May 17, 18, 19
2016-2017 Senior Lender Forums – Session 3 of 3
TBA Gilliam Board Room, Nashville

May 18
2016–2017 Senior Compliance Officer Forums – Session 3 of 4
TBA Barrett Training Center, Nashville

May 21–26
The Southeastern School of Commercial Lending℠
TBA Barrett Training Center, Nashville

May 23
Loan Assistant and Loan Processor Workshop
TBA Barrett Training Center, Nashville

May 25
NEW WEBCAST Military Lending Act Essentials
Online

May 30, May 31, June 1
CEO Forums – Session 2 of 3
TBA Gilliam Board Room, Nashville

June 4–6
127th TBA Annual Meeting
Ritz-Carlton, Naples, FL

June 20 & 21
SBS Security Manager Institute
TBA Barrett Training Center, Nashville

June 27
2016–2017 Senior Human Resources Forums – Session 2 of 3
TBA Barrett Training Center, Nashville

June 28, 29, 30
CFO/Controller Forums – Session 2 of 3
TBA Gilliam Board Room, Nashville

July 14
IT/Operations/Information Security Officer Forum – Session 2 of 3
TBA Barrett Training Center, Nashville

July 16–21
The Southeastern School of Banking℠ I & II
Belmont University, Nashville

August 7, 9
TRID Essentials
Knoxville, Nashville

August 8, 10
HMDA Essentials
TBA Barrett Training Center, Knoxville, Nashville

NOTE: All programs and dates listed are subject to change. Occasionally other timely programs are added to the calendar throughout the year. We encourage you to visit *www.TNBankers.org/calendar* for the most current information about TBA events.

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Contact: Charles Kown
Reaves Crabtree
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