Risky Business

Volume 78.1 Spring/Summer 2017

From Your Chapter President

Greetings Fellow Empire Chapter members! We've shaken off the winter doldrums, so now it's time to charge into spring and summer. We had somewhat of a quiet winter from a program perspective but did manage to co-sponsor some events with Turnaround Management: a Senior Bankers Credit Officer Panel in Rochester back in February and a Lenders Panel discussion earlier this month in Albany. Both programs were quite informative and well attended (but RMA member participation could have been stronger). We appreciate TMA's willingness to work with our Chapter in co-hosting these and other events. AmeriSource (one of our annual sponsors) was the main sponsor of both events.

Our latest undertaking was the Chapter's Young Professional's affinity groups "College Student Lender Presentation" on May 2nd & 4th. This event was held on the campus of SUNY Oswego courtesy of Dr. Graig Arcuri, Board Member and Professor at SUNY Oswego and Syracuse University. This was the culmination of SUNY's adoption of the RMA's Credit Analyst class into their curriculum (more on page 4).

I am pleased to report that our Young Professionals affinity group was bolstered considerably with the acceptance of a Board position and Chair appointment by Trevor Bacon, Commercial Banking Officer with Community Bank in Dewitt. Trevor has a strong background both educationally and professionally, which will benefit the Chapter significantly. He'll be looking for a few YPs to add to his committee so if you have an interest in joining to help plan and facilitate events primarily for our younger members, email Trevor at: trevor.bacon@communitybankna.com.

Trevor will be joining our Treasurer Jennifer Lovell (Firley, Moran, Freer & Eassa CPAs) and Program Chair Bryan Green (NBT Bank, Norwich) to represent the Empire Chapter at the annual Chapters Leadership Conference (a great RMA Chapter networking and peer sharing event) June 22nd and 23rd. It'll be tough duty at a swank resort in Scottsdale Arizona. I'm sure all three will further their knowledge and bring back some exciting ideas that we can chew on at our next Board meeting. We also hope that the three of them will bring back a Chapter Excellence Award. The Empire Chapter was nominated and is one of three (out of 118 Chapters) finalists for an award in the category of "Programming/Educational Events" for our submission of the very successful ERM Fall Conference program we held last November.

We have a lunchtime brown bagger audio conference scheduled for June 22nd that will cover how non-GAAP disclosures can affect credit analysis. Seating is limited so if you haven't registered already, please do soon. There are several other programs in the final planning stages that you'll be getting more information on in the near future. On the subject of events; we are always interested in *hearing from our members* about suggestions for educational or networking events that you'd like to see happen. Please don't hesitate to contact any Board or committee member to submit your ideas. As always, THANKS for your support of our Chapter!

— Bob Ellis

Brown Bagger: Learn while you lunch!

Thursday, June 22, 2017 (12:30pm)

Join your fellow Empire Chapter Members
at Solvay Bank Community Room
Bring your own lunch at 12:30, Audio conference from 1:00 – 2:00 pm.

Learn How Non-GAAP Disclosures Affect Credit Analysis and Your Borrowers

Brown Bagger cont'd

Who will benefit?
Commercial lending officers.
Relationship managers.
Financial and credit analysts.
Branch managers with business loan responsibilities

Limited space, to reserve contact:
Danielle Quintus dquintus@solvaybank.com

Free to RMA Members!
Non-members $10.00 (pay at the door)

Credit Risk Management Audio Conference

June 13, 2017 – CECL Is Here – Don't Panic

Time: All audio conferences will be held at 1:00 p.m. Eastern Time (10:00 a.m. Pacific Time).
Fees*
RMA Associate members: $120 for each audio conference (per phone line).
RMA Professional members: $130 for each audio conference (per phone line).
Nonmembers at RMA member institutions: $130 for each audio conference (per phone line).
Nonmembers: $180 for each audio conference (per phone line).
*Additional listeners cost $0.

1. Visit www.rmahq.org for the complete list of upcoming Credit Risk Management, Enterprise Risk Management (ERM), Operational Risk, and Regulatory Audio Conferences.

Scholarship Winners Announced!

The RMA Foundation has awarded college scholarships to three of our Empire Chapter Student members!

Congratulations to :

Alexandra M. Paulin, Le Moyne College

Daniel Palladino, Colgate University

Nina T. Dennis, University of Rochester

Risk Management Corner

by Paul Ward, Chief Risk Officer, Community Bank, NA

ERM – A How-To Guide – The Focus List

Last quarter we provided an overview article for Enterprise Risk Management or ERM and declared that YOU are a critical element of the ERM Program at your bank because Risk Management is Everyone's Responsibility! Through this and future articles, I will walk through several elements of an effective ERM program that banks both large and small can deploy.

One of the items in your Bank's ERM tool belt should be an Emerging Issues or Focus List Report. This report is intended to summarize for common understanding, acknowledgment, and awareness, the most significant and critical risks facing your entity. The report will emphasize emerging, evolving and forward looking risks and exposures, in addition to significant examples of the more traditional, standard or existing risks. This is among the "simplest" but most powerful elements of your program as it gets right to the meat of it – your Board and Examiners will Love it! To get started, obtain Senior Management buy-in and then announce the initiative. From there it will probably be best to form a small working group to put together a first draft of the document and to have this group solicit feedback from other areas of the bank. Once you have a good working document, circle back with senior management at your bank and/or your Management Committee. Once finalized, develop a process for quarterly updates that involves getting the document in front of key players and ideally arranging a brief dialogue at one of your committees. Present the document quarterly to the Board or an appropriate Board Committee. As your bank or ERM Program grows, you can move from an entity-level Focus List, to line of business or even department level Focus Lists. Viola – you have just completed the first cornerstone of your ERM Program! For a sanitized example Focus List Report please e-mail Paul.Ward@CommunityBankNA.com.

RMA Writing Contest Winners

The Empire Chapter board is pleased that we were able to bring back the RMA Writing Contest to our Chapter. This contest is a great way for members of our chapter to share their knowledge of commercial lending and risk management. Of the articles submitted the writing sub-committee selected 2 articles as the winners. Congratulations to **Paul Mereness** of NBT Bank for winning First Place! Paul's article was titled: *SBA Purchase: Repair, Denial or Payment*. Paul won $200 for being first place. Our 2nd place winner was **Deborah Bruschetti** also of NBT Bank – Congratulations to Deborah. Her article was: *Concerns of Regulators About Elevated CRE*. Deborah won $100 for her 2nd place finish.

Both articles have been submitted to RMA HQ for entry into the national competition and possible entry into The RMA Journal.

Thank you to all the entrants. If you were not able to submit an article this year, be on the look-out in the Fall for information on the next competition.
A special thanks to Aaron Fehnel of Genesee Regional Bank and Stephanie Leonard of Solvay Bank who worked with me as the sub-committee to review all the articles submitted.
Andy Allaire, Amerisource Funding, Chair RMA Empire Chapter Writing Contest

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Appraisal Review Compliance

By Eric J. Roeder, MAI, CCIM– Lender Consulting Services (LCS), Valuation Department SVP

An appraisal of real property provides a value opinion on which a lending institution will base certain decisions. As with many things, an appraisal can be good or bad. The appraiser may have been supplied the wrong information, may have made a critical math error, an incorrect assumption, or the report may not meet minimum standards. None of this can be known without a review process in place. Knowing the strengths and weaknesses of the report provides the institution with a platform from which they can make reasonable underwriting decisions that reflect the institution's risk appetite.

The Interagency Appraisal and Evaluation Guidelines (IAEG) published December 2, 2010, state, "an institution should review appraisals and evaluations to ensure that they comply with the Agencies' appraisal regulations and are consistent with supervisory guidance and its own internal policies."
The review process is in place to verify a credible opinion of value has been provided, in addition to verifying compliance with regulations and policy. The appraisal needs to have enough data and analysis to support the value conclusion.

Who can review an appraisal? - The IAEG allow the reviewer to be an appraiser or an individual with the necessary experience and knowledge to judge whether the report provides a credible opinion of value.
The IAEG's minimum requirements for an institution's valuation policies and procedures are:

1. Address the independence, educational and training qualifications, and role of the reviewer
2. Reflect a risk-focused approach for determining the depth of the review
3. Establish a process for resolving any deficiencies in appraisals or evaluations
4. Set forth documentation standards for the review and the resolution of noted deficiencies

There is no required format for a review of an appraisal or evaluation, as long as the review contains and clearly communicates the necessary information required by the interagency guidelines.

Scope of work – The content and depth of review is based on the scope of work for the review assignment, which, like many tasks in banking; is risk based. The review of an appraisal of a non-complex property by an appraiser known to do good work, related to a low dollar loan, could likely have a limited scope of work. Conversely, an appraisal of an unusual or complex property might require a more in-depth review.

Identifying and correcting any issues related to the value conclusion should be given primary emphasis when reviewing an appraisal. Almost always there are minor issues within an appraisal which do not impact the value conclusion but could be identified and corrected if desired by the reviewer.

Helpful Hint:
- I like to end my appraisal reviews using language directly from Advisory Opinion 20 from the Appraisal Standards Board. The language I use depends on whether I am expressing my own opinion of value or not. The concluding sentence of my review is taken word-for-word from AO 20, so if a regulator or auditor is reading my review, there is no mistake about whether I am providing my own opinion, and I can point to AO 20 for support.

Whether internal or external, reviewing appraisals and evaluations is a task required by banking regulators. Make sure your appraisal review policy is based on the Interagency Appraisal and Evaluation Guidelines, as well as any specific guidance from your primary regulator. Lastly, always follow your valuation policy to ensure regulatory compliance.

For more information contact eroeder@lenderconsulting.com or visit www.lenderconsulting.com

Membership

JOIN.ENGAGE.LEAD: RMA Membership – INVEST IN YOURSELF!

As a member-driven professional association for financial professionals in the area of risk management, RMA provides exceptional resources to help you perform your job better and advance in your career. As a member, you are able to enjoy RMA's many benefits, including the newly enhanced Members Only section of our website, http://www.rmahq.org/RMA/membersonly/default.htm, where you can find these valuable resources and more such as the RMA Xchange and RMA Journal.

The Talent Gap

The major issue facing our industry today, more than regulatory demands or earnings pressure, is a talent gap. As the industry has consolidated over the last thirty years, those that were already employed in the business quickly filled any new jobs that were created. There was little need to attract new talent and banking, as an industry, did not.

While working well at the time by allowing the industry to be more cost efficient, it has led us to the dilemma we face today. We are an industry with an aging workforce with stagnant skills, and we do not have the human capital in our industry required to lead banking organizations into the future.

This is a problem. The primary differentiator and determinate of success of any organization compared to its peers and competitors is its people. Those industries and organizations that attract, educate, engage, empower, and retain the best people will always be better poised to not only survive, but to prosper in the coming years.

To excel in the talent game, an organization must first excel in its corporate culture. Culture encompasses values and behaviors that "contribute to the unique social and psychological environment of an organization." A positive culture is one that allows top performers to prosper and poor performers to select out. The good news is that culture can be measured and, if weak, it can be improved. If an organization has a culture with issues that will frustrate top people, it must be fixed or improving the talent level will prove impossible.

"Recruiting is kind of like shaving. If you don't do it every day, you look like a bum." Will Muschamp, Head Football Coach, University of South Carolina.

Where are the good people and how do we find them? Gone are the old days when filling open positions was as simple as poring over the stack of resumes that were mailed into the bank over the last month. Now recruitment must be deliberately planned with a targeted execution. An organization must know what the top prospect should look like to prosper in their organization. After the profile of these individuals is well defined and known, they must be relentlessly pursued.

The organization must allow multiple points of entry including paid internships, part-time employment, and flexible work schedules. All members of the bank's team must understand the importance of recruiting and always be looking for that next "difference maker."

Training is defined as "the action of teaching a person or animal a particular skill or type of behavior." This is not an activity that will result in an organization developing talent that will differentiate its goods and services from others in the economy. Rather than training, top companies will facilitate education.

Education is a better term. It describes a process of acquiring knowledge, skills values, beliefs, and habits. Those that train assume the responsibility of what skill is needed. Those that educate lead the learner in their own quest to acquire needed skills. The employee drives the process with the organization's assistance. The firm provides the awareness of needs, educational resources, and feedback while the employee assumes the responsibility and does the learning.

All relationships in life have people that come and go. This is true in everyone's personal life and in the life of all organizations. The goal must be in keeping those that are most important to success and allowing others to select other opportunities. While compensation is most often the primary focus of banks and must be competitive, it is not the main reason that good people leave. Good people leave when they do not understand the compelling vision that every successful company must have, or if they do not see a role for them in contributing to that higher calling. Those that do are truly engaged and act as volunteers.

Solving the talent gap problem will ultimately decide who wins and who goes away. It will not be easy for many firms and will require a new skill set for some. In the end, the old adage will prove true. Those that have the best people always win.

(From the Credit Risk Council 2016 Industry Insights)

A warm welcome to some of our newest members!

Zachary A. Myers	Eric Grillis
Kevin J. Berkley	Stephen Hislop
Christopher J. Giammichele	Christine Meiners
Alexander Lai	Alex Vickery
Connor J. Flaherty	Louis C. DiFabio
Marcus McFee-Walters	Devin Durner
Corey Michael Dennison	Justin Hagag
Zachary Leo	John P. Haran Jr.
Justin J. Sinisi	Dylan Jordan Morgia
Gregory O. Lattimore	Nicolas Retzkin
John DeMarco	Matt Peters
John Hart	Mark Prezioso
Joseph Noce	Colton Price
Jordan Kent Peterson	Nicholas Schneller
Christine Durfee	Connor James Stumpf
Robert Caswell	Nina T. Dennis
Nilushika W. Cooray	Andrew J. Song
Ugonna Duru	Amy L. O'Shea
Chris Evans	Lizhi Fei
Alex Willem George	Alexandra M. Paulin
Emily L. Thuja	Anna Mulhearn
Jacob Urban	Ridvan Bruss

For all Membership information, please contact Stephanie J. Leonard, Empire Chapter Membership Chair at 315-671-3492 or **sleonard@solvaybank.com**

First RMA Credit Analysis Course

Completed at SUNY Oswego

The RMA Empire Chapter was successful with coordinating the premier of the RMA Credit Analysis Course, offered through the State University of New York at Oswego in their 2017 Spring semester. The course was offered to college juniors and seniors in a fully accredited college class, as well as an RMA credited course designed to position the student for employment in a bank's financial credit analysis department. For banks seeking talent for their credit departments, this program creates an excellent resource for them to draw from as they recruit for future leadership.

Two Credit Analysis students presenting their (practice) loan applications at SUNY Oswego

This past semester, 42 students were enrolled in the course and received free membership to RMA with full privileges including e-mentor. During the semester, several senior bank officers served as loan committee members while critiquing the student loan presentations. In addition, guest bankers were brought in during the semester to add additional perspective on certain banking topics. Several students have been successful in securing positions in local banks and other financial institutions. SUNY Oswego is considering offering two RMA classes next year and discussions are underway with Syracuse University and LeMoyne College to offer the program at those institutions.

For more information contact:

Empire Chapter Academic Committee member:

Graig Arcuri, PhD graigarcuri@gmail.com or

John Carpenter rma.empirenychapter@gmail.com

Credit Risk Certification (CRC)

Why CRC?

In today's rapidly changing financial services industry, you need practical, day-to-day knowledge that will help you excel in your profession. You need the demonstrated ability to serve a diverse base of clients. A CRC validates your knowledge, skills, and abilities.

For more information, visit http://www.rmahq.org/crc.

Meet Our Empire Chapter Board

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Chair, Membership

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If you would like to volunteer for a committee, or have suggestions for an event, class or special topic you would like to see presented, contact a board member.

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