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THE RISK MANAGEMENT ASSOCIATION
Vermont Chapter

THE CREDIT COURIER

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

SCHOLARSHIP PROGRAM

Are you currently enrolled in an undergraduate or technical degree program with a financial focus? If yes, read on!

The RMA Vermont Chapter Inc. will award one five hundred dollar ($500) scholarship in 2017. Desired candidates will exhibit a commitment to professional development within the Vermont banking industry as well as a desire to take an active leadership role in the future of this industry. This is a scholarship, not a loan, and no future repayment is required.

Eligibility Requirements

Applicants must:

- Be employed by an institutional member of the RMA Vermont Chapter
- Be enrolled in a technical or undergraduate course with an area of study relevant to the banking industry
- Have an out of pocket cost of $500 or more for their education. The cost cannot be fully covered by financial aid and/or employer reimbursement
- Not have been awarded this scholarship for the preceding school year and cannot receive it more than twice.

Application Process

An application may be obtained by contacting Judy Ribolini at vtbanker@sover.net. Applicants should provide a completed application to RMA Vermont Chapter, PO Box 587, Montpelier, VT 05601 as well as the following enclosures:

- Brief essay outlining (1) the applicant's aspirations within the Vermont banking industry and how their education and this scholarship will assist in achievement of these aspirations. (2) The applicant's experience with RMA thus far in their career and the impact that it has had. If no experiences with RMA how do they foresee RMA contributing to their future advancement?

Review Process

Applications will be reviewed by a committee consisting of RMA Vermont Chapter board members. Major consideration will be placed on the applicant's current and future impact on the Vermont banking industry and how the scholarship will expedite and enhance this impact.

Conditions

Winners from an RMA member institution must become an RMA associate member prior to receiving their scholarship.

Important Dates

- Applications are due by 4pm on May 1, 2017.
- Scholarship will be awarded at the RMA Vermont Chapter Inc.'s annual meeting on May 19.

PRESIDENT'S COLUMN: BENEFITS OF RMA

Having served on the VT Chapter's Board for the past 6 years, I have the pleasure and opportunity to serve as its current President. My goal as President is to promote Banking careers to students getting ready to join the workforce and prove that careers in Banking are productive, fulfilling, and have lots of room for growth and opportunity.

Our Young Professionals Group has been busy planning college visits by coordinating job fairs and speakers, which provides opportunities for college students to ask questions and learn about the many different career options in Banking.
The Board has been busy creating and promoting a scholarship program to reach out to students who are interested in the Banking industry. The RMA National Foundation proudly awarded a scholarship

to a St. Michael's College student in 2016 and continues to offer this program as well as an online Student Resource Center where students can research what RMA membership has to offer.

The VT Chapter has offered a diversified set of educational offerings this year as an incentive to get other professionals involved in RMA. We offered Business Writing in October and Lending to Municipalities in January, which were both very well attended. Other classes that will be offered throughout the year include Analyzing Business Tax Returns in February, Advanced Real Estate Cash Flow in April and Lending to Non-Profits in June.

RMA is an essential resource for banks, not only for its abundant knowledge of credit, operational and market risks, but for its educational offerings, which includes professional accreditation such as the RMA Credit Risk Certification. Finding employees with knowledge and drive and the necessary skills needed to understand the risks associated with banking, mainly in lending and underwriting, has been an endless challenge in today's banking world. Once hired, most individuals employed in these positions require extensive training, which can be timely and expensive. Individuals in these positions are often moved into Lender positions, which can also require intensive training, and then their prior positions must be refilled. RMA has a wealth of resources that can help provide much needed knowledge, training opportunities and training tools that will aid financial institutions in ensuring their employees are well-trained and familiar with a variety of risks. The offerings of RMA are not just for new people entering the banking world but also for seasoned professionals and higher level management as RMA can keep them abreast of industry volatility, regulatory issues, and provide networking opportunities.

RMA offers many benefits to its members that can be applied to all aspects of banking and other professional careers. RMA provides the tools to help manage credit, operations and market risks. The networking opportunities and educational offerings are also great benefits to being an RMA Member. Our goal is to remind all financial institutions that RMA is as an essential tool for our VT banks and that participation continues to be strong with continued success of our educational offerings.

Jennifer Daigle
President, VT RMA Chapter, Inc.

VERMONT CHAPTER HONORED!

The RMA National office has a method of reporting for all of its chapters. The reporting guide changed in 2013-2014 to a new document entitled the Chapter Planning Guide. For the past several years, Vermont has received the highest award possible: the Platinum Award. This is based on Chapter planning, programming, membership, education and communication. Once again the Vermont Chapter achieved Platinum status based on its accomplishments. Sarah Cowan & Terrie McQuillen both Past Chapter Presidents accepted the award on behalf of the Chapter. Many thanks to the Board of Directors and members for your continued support of the things we do in Vermont!

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 latest skills—skills that are current and complete. And you need the demonstrated ability to serve a diverse base of clients. Plus, you need all of your knowledge, skills, and abilities to be validated by a respected organization like RMA.

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

YOUNG PROFESSIONALS CORNER

Careers in Banking
Credit Analyst Roundtable
Craft Brewing

CAREERS IN BANKING

The YP Group has successfully co-sponsored two of these College events: St. Michael's College and Norwich University. Plans are now underway to host two more events at Johnson/Lyndon State College and Bennington College.

These events are a gathering of students at these colleges with bankers speaking about how they became employed at a financial institution as well as discussing the various positions they represent.

CREDIT ANALYST ROUNDTABLE

The YP Group is planning a credit analyst roundtable potentially in May. This session will be geared to analysts, lenders and other interested credit professionals.

The focus of the session will be developed from topics submitted by attendees prior to the event. Past topics have included:

- The role of a credit analyst
- Credit policies and underwriting standards
- Credit department and approval process structures
- Exceptions to policies
- Role of the lender/relationship manager in the credit memorandum
- Global cash flow: when and why?

CRAFT BREWING

Have you ever wondered how to go about financing breweries? With so many micro-brew establishments popping up in Vermont, the RMA Young Professionals offered this session in 2015 and it's time to do it again.

Topics for this training will include understanding a successful brewery business model, unique financing considerations, permitting and time for questions and answers.

This will be a full day course from 9:30 a.m. to 3:00 p.m. in May or June. Final details are yet to be confirmed.

If you would be interested in participating in or receiving the registration materials for any of these three programs, please email Judy Ribolini at vtbanker@sover.net.

EDUCATION CORNER!

COMMERCIAL LENDING SCHOOL

Mark your calendar for the 2017 Commercial Lending School which will be May 9, 10, 16, 17, 23 & 24 at Mascoma Savings Bank in White River Junction. This School is co-sponsored by RMA Vermont Chapter, Vermont Bankers Association, Inc. and New Hampshire Bankers Association.

This comprehensive lending school is designed to serve the fundamental commercial credit analysis training needs of community bankers. The course consists of a review of ***basic*** financial accounting concepts and the presentation of ***basic*** financial statement credit analysis theory rooted in industry adopted "best practices".

The course begins with needed background in financial accounting for those individuals who have had no previous financial accounting classroom training, or as a refresher for those who have had previous financial accounting training. That is followed by a curriculum which focuses on interpreting information typically contained in accountant prepared financial statements, personal financial statements, and more particularly, U.S. federal income tax returns.

Who Should Attend?

- Junior Commercial Credit Analysts
- Junior Commercial Lenders
- Small Business Development Officers
- Loan Review Staff
- Commercial Loan Administrative Assistants
- Branch Managers
- Mortgage Lenders
- Consumer Lenders

- Other Credit Staff who face the underwriting challenges associated with self-employed individuals and closely held companies

More information and registration materials may be found at this link: http://www.vtbanker.com/calendar/15/8-Commercial-Lending-School.html

ANALYZING BUSINESS TAX RETURNS

This course is being hosted by Peoples Trust Company in St. Albans on Thursday, February 16 and is designed for commercial loan officers as well as bankers who need to increase their understanding of income tax returns and cash flow.

By attending this course you will:

- be able to identify differences between financial statements & tax returns;
- be able to identify characteristics, advantages and disadvantages of C and S corporations, partnerships and LLCs;
- Identify steps in the cash flow estimation process;
- Identify key content in tax forms relevant to credit and cash flow analysis;
- Identify fundamental tax principles;
- Estimate cash flow from business activities;
- Calculate debt service coverage;
- Apply appropriate adjustments to estimate future cash flow.

ADVANCED REAL ESTATE CASH FLOW

This course is being hosted by Mascoma Savings Bank in White River Junction on April 3rd. Explore the more complex issues encountered in commercial real estate lending specifically for income-producing or investment properties. Learn about the lease review process, extraordinary rental arrangements, ground leases, advanced documentation issues, valuation using discounted cash flow models, and more complex projects.

This course is designed for practicing commercial loan officers and other lending or credit professionals who need to understand the more advanced concepts of real estate lending.

By attending this course you will:

- Recognize when discounted cash flow should be applied to property valuation;
- Quantify different property performance assumptions and calculate the changed property value;
- Reconcile commercial lease terms to the property appraisal and assess the value repercussions upon possible bank foreclosure;
- Quantify how changes in lease terms can affect property value and when to order a new appraisal;
- Employ techniques to structure a real estate loan to protect cash flow and value.

LENDING TO NONPROFIT ORGANIZATIONS

This course is also being hosted by Mascoma Savings Bank in White River Junction on June 19th. The course covers the appropriate methods of analyzing and lending to entities such as churches, charities, colleges and universities, and hospitals. It includes an overview and history of nonprofits; changes in financial statement analysis and presentation; review of tax returns (990); underwriting policies and standards; a list of resources; a nonprofits vocabulary; and case studies to help reinforce concepts learned.

The course will provide you with the confidence and skills you need to make informed decisions about lending ton nonprofit organizations.

By attending this course you will:

- Have the information and skills needed to work effectively with many nonprofit organizations, both as customer and as prospects;
- Be able to identify the credit needs of nonprofit organizations and make sound credit decisions.
- Review the basics of accounting for nonprofit organizations.
- Evaluate the risks involved in lending to a nonprofit and how to mitigate those risks.

To register for any of these open enrollments, please go to this url and scroll 2/3 down the page: http://community.rmahq.org/vermont/home?ssopc=1 or contact Judy Ribolini at vtbanker@sover.net for more information.

REGISTRATION FOR ANY RMA COURSE:

Web: www.rmahq.org
Phone: 800-677-7621 OR Fax: 215-446-4100
Email: registrar@rmahq.org
Mail: RMA, Lbx 1140-P.O. Box 8500, Philadelphia, PA 19178-1140

AUDIO-CONFERENCE SERIES

Bring Banking's Best Discussions Right into Your Own Bank Conference Room!

February 14, 2017 - Understanding your Strategic Risks with new Product Development
March 14, 2017 - Data Quality/Integrity
April 11, 2017 - What have Alternative Lenders Taught Banks?
May 9, 2017 - Construction Lending Update
June 13, 2017 - CECL Is Here - Don't Panic

All audio conferences are 60-90 minutes and more information may be found by clicking on the appropriate titles above. All audioconferences will be held at 1:00 p.m. Eastern Time (10:00 a.m. Pacific Time). Multiple listeners permitted free on the same line (include as many as can fit around your speakerphone).

PLAN AHEAD FOR VERMONT CHAPTER EVENTS

2/16	Analyzing Business Tax Returns, Peoples Trust Company, St. Albans
	YP Monthly Call
3/9	Board Meeting via conference call
	YP Monthly Call
	RMA Northeast Regional Call
3/22	Senior Lender Roundtable – VBA Office, Montpelier
4/3	Advanced Real Estate Cash Flow and Evaluation, Community National Bank, Barre
4/13	Board Meeting via phone
	YP Monthly call
5/4	Credit Analyst Roundtable, Location TBD
May	9, 10, 16, 17, 23, 24 Commercial Lending School – White River Jct., VT
5/19	Annual Meeting – Capitol Plaza Hotel and Conference Center, Montpelier, VT
6/19	Lending to Nonprofit Organizations, Mascoma Savings Bank, White River, Jct., VT
6/21-6/23	Chapter Leaders Conference, Scottsdale, Arizona
9/12	Golf Tournament – Country Club of Vermont, Waterbury, VT

2016-2017 Vermont Chapter Officers & Board Members

President: Jennifer Daigle, Community National Bank
First Vice President: Sarah Desrochers, Passumpsic Savings Bank
Second Vice President: ***Vacant***
Treasurer: Jason MacArthur, People's United Bank
Secretary: Judith H. Ribolini, VBA
Immediate Past President: Michael Corbett, People's United Bank

Board of Directors with terms expiring in 2017:
Dennis Driscoll, Lake Sunapee Bank
William Kidder, Ledyard National Bank
Michelle LeClair, Mascoma Savings Bank
Marsha Wimble, Northfield Savings Bank

Board of Directors with terms expiring in 2018:
Emily Cabral, NBT Bank
Scott D. Horne, Woodsville Guaranty Savings Bank
Rhonda Pearce, The Bank of Bennington
Edgar Roy, Merchants Bank

MISSION: *RMA is a member-driven professional association whose sole purpose is to advance sound risk principles in the financial services industry. RMA helps our members use sound risk principles to improve institutional performance and financial stability and enhance the risk competency of individuals through information, education, peer sharing and networking.*

THE CREDIT COURIER is a publication of the Vermont RMA Chapter, Inc. and is published on a periodic basis to inform lending and credit professionals in Vermont and New Hampshire of issues, news and opportunities relating to their profession.
Editor: Judith H. Ribolini