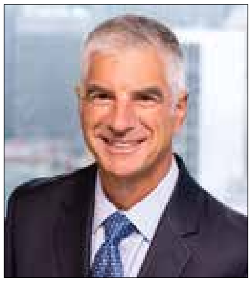
Issues & Answers

February 2022

Make Your Voice Heard



By Glen Simecek, President and CEO, Washington Bankers Association

When talking about government relations, we have a tendency to refer to the Legislature as a single entity. It's an efficient way to describe those elected to serve in Olympia, but it's also a simplification that can gloss over important complexities.

First, the Legislature is not a monolithic body. It's made up of 147 individuals who come to their offices with personal histories, perceptions, values, and even biases. What's more, the 147 members serving today won't be the same 147 members serving next year, much less a decade from now. Heading into this session and in its early weeks, several prominent lawmakers have already announced their intentions to move on from their current positions. Effective advocacy means productive engagement not with an audience but with a parade.

This turnover in elected officials can pose significant challenges for our lobbying team. In many cases, they have spent years developing solid working relationships and building credibility with the departing lawmakers, who may well be key committee chairs or serve in caucus leadership posts. Revolving doors can require starting that engagement process all over again.

The individuals on the other end of those conversations are more representative of the diversity of our state population, which is a good thing. But they are also less likely to understand business. There are fewer corporate managers, fewer small business owners, and fewer farmers than we saw in the Legislature years ago. Today, lawmakers are more likely to come to Olympia from social service agencies, environmental groups, or the ranks of local government.

Additionally, most of the growth in the state is occurring in the more progressive communities of the central Puget Sound region, a trend that tends to accelerate that transition.

These trends make it more difficult to identify, elect and retain lawmakers who understand and

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On the Cover

Fog shrouds parts of Cape Flattery during an early winter day.
Photo courtesy of Flickr by Doug Keer

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support the critical role banks play in supporting the state's employers, creating job opportunities for residents, and building more robust, vibrant communities.

Without this baseline understanding, lawmakers are more likely to propose legislation that could negatively impact our banks and impair our ability to serve our customers and communities. Unfortunately, the examples are plentiful. There's the push to create a state bank using taxpayer dollars, not because there's any recognized and documented need, but because it would give some borrowers another option to compete with the private sector. There's the discussion of new personal data privacy laws, with one legislative chamber committed to creating multiple enforcement mechanisms – including an extensive new private right of action that would be a boon to trial lawyers – while eliminating the right of an organization to fix even inadvertent errors before state action or a private lawsuit is launched. And, of course, there was the decision in the waning hours of the 2019 session to tax big banks because they seemed like an easy target to help fund lawmakers' aggressive spending plans.

The list goes on. And on.

I don't mean to paint a completely gloomy picture, nor do I think the situation is hopeless. There are steps that WBA members can take to help level the playing field. The first, of course, is to get involved in our government relations program by attending our pre-session briefings with lawmakers, reaching out to lawmakers during the session and after on issues that concern you, and building personal relationships with your elected representatives. As good as our lobbyists are, legislators often prefer to hear directly from their constituents.

The other crucial thing you can do is support the WashBankPAC, our political action committee. We can accept corporate contributions to our state PAC and, while many of our members have been loyal supporters, contributions are voluntary. If you haven't contributed, I encourage you to join your peers. We also have a federal PAC that many of you support personally, and we sincerely appreciate everyone who puts their money where their mouth is. We all know what happens both in Olympia and in "the other Washington" substantially impacts our business and ability to serve our communities. The start of a new year is a great time to announce a campaign to up your bank's engagement with the PAC.

PAC funds are allocated on a non-partisan basis to support incumbents and challengers who demonstrate an appropriate understanding of and support private enterprise and the unique role banks play in building a strong state economy.

The Olympia environment includes powerful stakeholder groups who argue that raising taxes isn't something to be avoided but instead something that should be seen as a badge of honor. Left to their own devices, they can influence the thinking of many legislators.

It's up to us to ensure that theirs is not the only perspective presented to lawmakers. We owe it to our banks, employees, customers, and communities to make ourselves heard.

Cryptocurrencies: Unlocking Banking's 'New Frontier'

By Rob Nichols, President & CEO, American Bankers Association

In case you haven't noticed, cryptocurrencies are an increasingly hot topic of conversation in this country.

According to a Pew Research Center survey fielded in November, 86% of Americans said they have heard about cryptocurrencies, and 16% said they have invested in, traded or used them. Cryptocurrency use is growing particularly rapidly among younger Americans, with 31% of Americans between ages 18 and 29 telling Pew they have participated in crypto transactions.

More often than not, these trades are happening through financial intermediaries—and consumers are increasingly turning to banks to hold these digital assets. In fact, I've heard from a growing number of bank leaders that their customers want to buy, hold and use crypto—and they want to do it through their banks.

Banks have already begun making inroads into the crypto services business—offering a responsible pathway for consumers to adopt these novel financial products. Take for example Vast Bank, a community institution based in Oklahoma that recently launched a crypto custody account that bank customers can manage in their app alongside their FDIC-insured dollar account. Or Quontic Bank, which offers a checking product that provides rewards in bitcoin, offering consumers an opportunity to wade into the crypto space without buying it themselves. Large custody banks—like the Bank of New York Mellon and Northern Trust—are also developing custody services for crypto.

Bank customers know they can rely on their banks to steward their finances and keep their financial data safe. A recent Morning Consult poll highlighted that banks are the most trusted among all financial services providers. Given that, it's no surprise that consumers want to receive cryptocurrency services from their bank. But don't just take my word for it: a survey from NYDIG, a bitcoin services firm, confirmed that whopping 81% of bitcoin holders would shift their bitcoin to a bank if it offered secure bitcoin storage. Undoubtedly, this "new frontier" of cryptocurrency represents a huge opportunity for banks.

But in order for banks to successfully navigate this new frontier, the bank regulatory architecture needs to catch up—quickly. More clarity is needed from the banking agencies about how banks can offer these services in a safe and sound manner. Without this clarity, the unlevel playing field between banks and the rapidly growing cadre of firms seeking to operate as banks while evading the full scope of bank regulations, will continue.

There have been some positive developments, with the OCC issuing an interpretive letter clarifying its approach for approving crypto-related activities for national banks. Additionally, a report by the President's Working Group on Financial Markets highlighted the risks of stablecoins, recommending that they be issued by insured depository institutions that are subject to consolidated supervision, and that any providers of custodial wallets be subject to appropriate federal oversight as well.

For our part, ABA is taking a deep dive into what we can do to support banks' participation in crypto and other digital assets through both our advocacy and through technology partnerships. Additionally, in December, we made an investment in NYDIG, a leading provider of bitcoin services for banks. This investment will support banks' ability to meet customer demand in this rapidly evolving market, so that as we unlock this "new frontier" of cryptocurrencies and digital assets, consumers can continue to place their trust in America's banks to meet their financial needs.

We understand that expanding into cryptocurrency products and solutions won't be for every bank, and that's okay. We firmly stand with banks in their right to decide, according to their own judgment and market strategy, what products they will offer. However, even with mixed opinions on the value of cryptocurrency as an asset class or as a basis for a product set, ABA believes strongly that banks should have access to the tools, partners and regulatory frameworks that allow them to meet their customers' needs.

A Conversation With Marty Steele

Marty Steele is the President & CEO of First Sound Bank, headquartered in downtown Seattle. In November, the bank announced a strategic merger with BM Technologies, a Philadelphia-based digital banking platform, pending regulatory approval.

Tell us about First Sound Bank and how did this deal come about?
So the main theme of this should be that I'm trying to make something extraordinary happen here, however I need to be realistic about the regulatory approval challenge I am facing. Fintechs and banks merging together is a relatively new concept, and the regulatory approval process will be longer and more complicated than a traditional bank-to-bank merger.

We are a small community bank. We're one of the smallest banks in the state at about $150 million in assets with a single office. We do commercial banking and private banking. Most of our clients are high net worth individuals, small businesses, and we do a lot of SBA lending. Historically, this small bank business model used to be reasonably profitable because interest rates were higher. With interest rates so low right now, it's hard to make money in today's world. When I came to the bank three years ago, I had just done something else extraordinary. I had sold The Bank of Washington to a credit union. No bank in the state of Washington had ever merged with a credit union, so that was kind of unique and it was fun.Butfor a lot of people it was controversial given the historical tension between banks and credit unions.

When I came to First Sound Bank, the bank was not performing well. Capital was draining, the shareholders were unhappy and the board was fatigued. We turned it around by bringing in a new sales team, diversifying our sources of revenue, expanding our SBA lending and enhancing our board. We restructured the operation and eliminated a lot of overhead. We are now profitable with excellent credit quality.

Then I started thinking about strategic alternatives, which is a nice way of saying do we sell the bank or not. I talked to several banks andnumerous investment bankers, and what I learned was that the market right now for small bank M&A is not ideal for numerous reasons including low interest rates. I had dinner with an investment banker and he said you've got to learn about fintechs, which at that point I knew very little about. I have long admired Eric Sprink, the President & CEO of Coastal Community Bank, and how he jumped feet first into the fintech industry. What he's done is really cool. So I started studying what he did. That caused me to explore the industry; I began researching fintechs, what they do and how they work. Ten years ago, the fintech industry was on a mission to disrupt the banking industry. Well, it turns out, the opposite is kind of true; they are very compatible with banks. There are a lot of partnerships now. They have technology that we don't have and customers that we don't have, but we have FDIC insurance and a balance sheet to grow loans and deposits. So eventually I called the investment banker back and said, "I think we should partner with a fintech." The craziest thing was I just said, "yes, I'm interested," and a week later, I got a phone call from a company called BM Technologies.

What is BM Technologies, and what do they offer?
They have a digital deposit gathering platform and are one of the largest fintechs in the country. They have about two million customers and about $2 billion in deposits. They are the largest provider of accounts for college students. They work with different colleges across the country;it's a business to business to customer model, so they partner with the collegethat then offers the app to the students. This allows the students to connect their account with their financial aid, student loans and and receive from their parents. It makes life easy for these college kids. That's about half of BM Technologies' business. The other half is white-label banking serviceswith T-Mobile as their biggest customer. If you're a customer or employee of T-Mobile, there is a mobile banking app called T-Mobile Money, and BM Technologies is the engine behind it.

BM Technologies, or BMTX – their stock ticker – was started as an incubator project six years ago inside Customers Bank, a $20 billion regional bank in Philadelphia. Luvleen Sidhu was the founding CEO of BMTX at age 28. Luvleen's father, Jay Sidhu, was CEO of Customers Bank at the time. Luvleen and her team have done a fabulous job of developing the technology platform behind BMTX while establishing a nationwide customer base. As with most fintechs, there are two things missing: FDIC insurance, and a balance sheet to place the depositseventually grow loans to absorb the liquidity. In the beginning Customers Bank provided what is known in the fintech industry as a "partner bank" relationship. In early 2021 the decision was made to spin BM Technologies off of CustomersBank as a separate publicly traded company. For the first few months BMTX continued its partner bank relationship with Customers Bank, but from a long-term profitability standpoint the ultimate objective was to obtain a regulated bank charter. An interesting challenge for fintechs is they want

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Events Calendar

February 10-11 – NW Compliance Conference, DoubleTree Suites, Southcenter

March 2-3 – Virtual Senior Credit Conference

March 29 – Virtual Retail Sales & Leadership Conference

March 31 – Marketing Conference, DoubleTree Suites Seattle Airport

April 19 – Hybrid Management Development Program

April 20-21 – Virtual Fintech Conference

May 10 – NW Agriculture Conference, Three Rivers Conference Center, Kennewick

May 17-18 – Education/Human Resources Conference, Historic Davenport Hotel, Spokane

July 11-13 – 2022 IBA, NBA, OBA, WBA Annual Convention, Coeur d'Alene, ID

To register or to learn more about any of the listed events, please visit www.wabankers.com/calendar.

Target New Career Growth with Upcoming WBA Conferences and Events

Now that the calendar has turned to 2022, it's time to focus on new developments and career growth. If expanding skills has been on your goal list for the year, look no further than WBA upcoming events.

Bankers in the credit department are encouraged to join the **Virtual Senior Credit Conference** on March 2-3. This conference will include sessions on navigating hybrid and remote work, commercial real estate, and more.

The **Retail Sales and Leadership Conference** will now be a virtual-only event on March 29, given the continued challenges with staffing and COVID. Featured speakers include Cindy Solomon, who will host a session during the conference, a special afternoon workshop for in-person attendees, and Deanna Davis on thriving in the workplace.

WBA will close out March with the **2022 Marketing Conference** on March 31 at the DoubleTree Seattle Airport. Amber Farley, executive vice president of brand development at Financial Marketing Solutions, will headline the event with a session on the current media landscape and where banks should focus. She'll also host a workshop session in the afternoon focusing on ways banks can help lenders build and increase their presence on LinkedIn. Other speakers include Jim Pannos and Eric Cook.

On April 20-21, those in IT and technology are encouraged to attend the **Virtual Fintech Conference**. Registration options include individual or bringing a team from the bank. JP Nicols, cofounder of Fintech Forge and Alloy Labs Alliance, will headline the event, discussing what he sees in the industry. The conference also includes the popular Buzz Sessions, where attendees join roundtables with subject matter experts for a discussion.

WBA is pleased to announce we are a co-sponsor of the **American Mortgage Conference** with the American Bankers Association and North Carolina Bankers Association on April 25-27. The event will take place at Pinehurst Resort in North Carolina and features a wide variety of mortgage-related topics and sessions.

On May 10, the **Northwest Agriculture Conference** will return to the Three Rivers Convention Center in Kennewick, followed by a day-long training session specifically for ag lenders on May 11. This conference features Curt Covington, senior director of institution credit at AgAmerica Lending, and Shawn Hackett, who will discuss how weather cycles, sunspots, and the pandemic influence ag markets.

The **2022 Education/Human Resources Conference** will be held at the Historic Davenport Hotel in Spokane on May 17-18. Cynthia Clay, CEO of NetSpeed Learning, will speak at the event on leading successful teams in a hybrid environment.

The **2022 Bankers Convention** will be held July 11-13 at Coeur d'Alene Resort with the Idaho, Nevada, and Oregon Bankers Association.

The event includes Mark Calabria, former director of the Federal Housing Finance Agency, economic advisor to Vice President Pence, and current senior advisor at The Cato Institute. Learn more at www.bankersconference.com/convention.

In April, the **Hybrid Management Development Program** will begin. This program, which includes six sessions, focuses on building managers' skills and is often used as the precursor to the Executive Development Program.

Visit the WBA website at www.wabankers.com for more information about registration for any of our upcoming programs.

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to buy the smallest bank possible and then recapitalize it post-merger. The obvious reason is the upfront dilution caused by the premium over-book value associated with the bank acquisition; whereas in the recapitalization you are putting the new capital to work dollar for dollar. Luvleen Sidhu was looking for the smallest bank she could find, but she needed a bank CEO who was not only open to doing a fintech merger but who could execute their long-term strategic plan andrun a much larger enterprise. They were also looking for someone ideally in Seattle because their biggest customer is right here in T-Mobile.

I received a phone call saying, well, you're one of the smallest banks and a CEO who understands what we're doing, plus you're right down the road from our biggest customer
T- Mobile. So I flew out to Philadelphia, then they flew here, and it was love at first sight. We signed a letter of intent in September 2021 and entered into a definitive agreement in November. Now we are in the process of applying for FDIC approval. During this process I have gained tremendous respect and admiration for Luvleen and her team at BMTX, and I am humbled by the fact that I guess I was in the right spot at the right time.

What about BM Technologies' business model made this so intriguing?
They've got $2 billion in deposits, and I need deposits. Fintechs can raise capital much more quickly and easily than a bank can. I will grow my earning assets and increase the bank's profitability; my management team will be strengthened because they have some great people. Even my sensitivity to interest rate risk will go down because most of the BMTX deposits are checking accounts while at the same time I will be growing loans in a presumably rising interest rate environment. But I have to convince the regulators. There have been a small handful of deals like this approved so far. It's not that the regulators don't want this to happen, but this is relatively new to them. They want the fintech industry to be regulated, and one of the best ways for that to happen is to merge banks and fintechs together. Philosophically, the regulators are very interested in this, and my initial discussions with them have been very positive. So it's going to take a while. On the other hand, it's kind of new, right?

Describe some of the benefits for clients once the merger has been finalized?
The business model states that we take their low-cost deposits, put them on the bank's balance sheet, raise substantial capital to support those deposits, then the bank has to grow assets. I will have $2 billion in deposits burning a hole in my pocket, so I have to carefully and conservatively grow the loan portfolio to absorb those deposits. We have a very detailed business plan, over 200 pages, which maps it out although it will take some time to execute.

The other great thing is that BMTX also provides a way to help people build their banking relationships. Users of the app don't have to have a background in finance or understand everything about banking; the app is simple to use with easy access. People who are underserved or wouldn't otherwise have access to banking accounts can use this and build credit. For the college student portion of the business, when they're out of college, they already have this great banking history built up and ready to go.

What happens if/when the regulators approve the deal?
If you're already a customer of First Sound Bank or BMTX, nothing changes on that end. But for the bank side, we get the chance to grow. We'll change our name to BMTX Bank. My job will be somewhat different in that I'll have two jobs because I'll have to continue to run the community bank as it is. So if you're a customer of First Sound Bank, you'll continue to be a customer of BMTX Bank. We will continue to grow the local portfolio, but we'll have a bigger lending limit because we'll have more capital. We'll be able to grow organically faster. My other job is to build on the $2 billion in deposits, so I will have to increase my geographic scope.

What was the reaction from within your organization?
The employees are fired up for so many reasons. We're going to hire more people, probably double the staff. With most mergers, that's not how it works; typically there are redundancies and overlap and therefore "cost saves" which is a nice way of saying laying people off. With this merger, it is not about cost saves but rather it's about growth. Also, unlike most bank mergers, we are preserving the charter of the smaller bank.

Do you think the industry will continue to see these types of partnerships happen?
I can only imagine that we're going to see more of it. I'm sure we won't be having this conversation ten years from now. Ten years ago, we weren't used to PayPal or Venmo, but now it's common. It feels like I'm this crazy trailblazer, but actually, I think this is going to be the future for the entire banking industry.

Industry News

New Hires

Shawn Carlson
Vice President, Community and Business Banking Officer at 1st Security Bank of Washington

Michelle Hohlbein
Human Resources Business Partner at First Financial Northwest Bank

Robert Boswell
Commercial Banking Team Leader at Columbia Bank

Jocelyn Stockton
Senior Vice President and Commercial Relationship Manager at Columbia Bank

Riley Gaffney
Senior Vice President and Commercial Banking Relationship Manager at Columbia Bank

Anna DeCaterina
Vice President and Commercial Relationship Manager at Columbia Bank

Miranda Jones
Vice President and Portfolio Manager at Columbia Bank

Shannon Luetke
Vice President and Relationship Banking Officer at Heritage Bank

Promotions

Katy Wagnon
Vice President, Corporate Communications and Public Relations at Washington Trust Bank

Kristina Ware
Senior Vice President and Chief Financial Officer at Olympia Federal Savings

Brian Bruggeman
Chief Innovation Officer at Baker Boyer Bank

Cindy Purcell
Executive Vice President, Chief Strategy and Administration Officer at Banner Bank

Dana Evans
Vice President and Chief Administration Officer at Baker Boyer Bank

Jessie Ilaoa
Senior Vice President and Director of Audit and Risk at Baker Boyer Bank

Rosendo Guizar
Senior Vice President and Chief Credit Officer at Baker Boyer Bank

Laurel Bishop
Assistant Vice President and Branch Manager at Yakima Federal Savings

Tina Naasz
Assistant Vice President and Branch Manager at Yakima Federal Savings

Tony Mayorga
Assistant Secretary and Branch Manager at Yakima Federal Savings

Have Industry News to share with WBA? Email megan@wabankers.com or call (206) 344-3472.

WBA Member News

Sound Community Bank Volunteers During Seattle Children's Radiothon

In mid-December 2021, the Sound Community Bank team members volunteered to answer phones as part of the One Big Give for Seattle Children's Radiothon.

Hosted annually by radio personality Bender, the event raises money for the Children's uncompensated care fund, which helps families in need of access to health care.

Pacific Crest Savings Bank Donates to Marine Toys for Tots Foundation

During the holidays, members of the Pacific Crest Savings Bank family donated toys to the Marine Toys for Tots Foundation.

Employees and customers donated items for children in need during the holidays.

U.S. Bank East Sound Team Volunteers at Food Lifeline

Members of the East Sound U.S. Bank leadership team volunteered at Food Lifeline.

The group packed 3,796 meals to be distributed to community food banks to help those in need.

First Fed Bank Employees Join Club 100

In late 2021, First Fed Bank announced that Michele Deo joined the organization's Club 100, having volunteered more than 100 hours during the year.

Deo volunteered at the local food bank in Sequim and with Bags of Hope, distributing groceries to those who needed them.

Luxmi Love also joined Club 100 in late 2021 after volunteering with organizations like the Port Townsend Kiwanis, Christmas for Children, and Quilcene Booster Club.

Coastal Community Bank Annual Food Drive Gathers 3,000 Pounds of Food

Coastal Community Bank announced that its annual food drive collected more than 3,000 pounds of food for local communities at the end of the year.

All 14 of the Coastal branches participated in the drive-in November and December, supporting 11 food banks throughout the bank's footprint.

The Snohomish branch won the annual Battle of the Banks food drive by collecting 1,120 pounds of food and donations worth $1,020.

Washington Trust Bank Participates in Housing Hope's Shoebox Santa Annual Event

The Washington Trust Bank Smokey Point team members participated in Housing Hope's annual Shoebox Santa event.

The team purchased gifts from local children's wish lists and filled boxes of toys, treats, and other requested items.

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Housing Hope works to promote and provide affordable housing and tailored services to reduce homelessness and poverty for Snohomish County and Camano Island residents.

Olympia Federal Savings Donates $2,800 to North Mason Food Bank

As part of the bank's monthly Two-Cent program, Olympia Federal Savings announced a $2,826 to North Mason Food Bank in December.

OlyFed's Two Cents campaign partners with a new community partner each money. Two cents from each debit card transaction by customers are donated to that months partner.

1st Security Bank of Washington Donates to Legion of Mercy in Thurston County

In late December, members of the 1st Security Bank of Washington team donated $1,000 to Legion of Mercy.

With a mission to help the homeless in Thurston County, Legion of Mercy is working to fund the first homeless shelter in Lacey, which the donation supported.

Columbia Bank Raises Over $350,000 Through Warm Hearts Winter Drive

Columbia Bank announced the bank's annual Warm Hearts Winter Drive in late 2021 raised $351,611 in donations for shelters in the greater Northwest.

In its seventh year, the program has amassed over $1.8 million in donations. Customers, employees, business partners, and community members also donated thousands of warm winter wear and supplies to benefit more than 65 homeless and relief shelters.

KeyBank Announces $150,000 Grant for YouthCare Seattle For Workforce Development Program

In early 2022, KeyBank announced making a $150,000 grant to YouthCare Seattle.

The grant will support the organization's Workforce Development Program.

Sound Community Bank Participates in Community Clean-Up in Port Angeles

Over the Martin Luther King Jr. holiday weekend, the Sound Community Bank Port Angeles team members participate in a community clean-up.

The team cleared garbage and cleaned community spaces around town.

If you have WBA member news to share, please email Megan Managan at megan@wabankers.com. Submissions are run on a space available basis.

Defend Against Scammers Who Target Social Security Benefits

Scammers constantly find new ways to steal money and personal information by exploiting fears. The most effective way to help your customers defeat scammers is to share ways to identify scams and ignore suspicious calls and emails.

One common tactic scammers use is posing as federal agents or other law enforcement. They may claim your Social Security number is linked to a crime. They may even threaten to arrest you if you do not comply with their instructions. Here are three things to do:

- Hang up right away or do not reply to the email.
- Never give personal information or payment of any kind.
- Report the scam at oig.ssa.gov to immediately notify the law enforcement team in our Office of the Inspector General.

Remain vigilant of phone calls when someone says there's a problem with your Social Security number or your benefits. If someone owes money to the government or Social Security, they will mail you a letter explaining your rights, payment options, and information about appealing.

There are a few ways you can identify a scam call or email. Remember that SSA will never:

- Threaten you with benefit suspension, arrest, or other legal action unless you pay a fine or fee.
- Promise a benefit increase or other assistance in exchange for payment.
- Require payment by retail gift card, cash, wire transfer, internet currency, or prepaid debit card.
- Demand secrecy from you in handling a Social Security-related problem.
- Send official letters or reports containing personally identifiable information via email.

If a customer does not have ongoing business with the agency, it is unlikely they will be in contact. Again, if there is a suspicious call claiming to be from SSA or law enforcement about Social Security, hang up and report it right away to the Office of the Inspector General at oig.ssa.gov.

WBA Endorsed Vendor: Vericast

Believe the Hype: What Bankers Can Learn from Retailers' Success

By Lauren Kirkley, Group President, Print, Payment & Engagement Solutions, Vericast

Silos are for farmers. Good for protecting. Bad for connecting.

Assessing consumer satisfaction and expectations in the vacuum of a single-industry view is a recipe for CX failure. It takes a 360-degree vision strategy — adopting successful practices and methodologies from other retail sectors, such as e-commerce, travel and entertainment — to have a true impact on the product and service needs and expectations of today's consumer.

Consumer perception doesn't exist in a silo. Their satisfaction with your brand is directly connected to day-to-day experiences involving numerous other brands, multiple channels and various messages. Today's consumers demand consistent, personalized, human experiences through every stage of their buying journey.

To truly empathize with consumers, you must first understand who they are and how their behavior has changed. Lockdowns transformed pre-pandemic disconnected consumers, numbed by low service expectations, into health- and wealth-conscious, highly perceptive, environmentally aware, technologically savvy shoppers loyal to businesses located in their communities.

That's a whole lot of change in a very short time.

Successful retailers from multiple sectors have taken a keen interest in the new trends, attitudes and changes to consumer behavior and adjusted accordingly. E-commerce and emerging tech have not replaced their ability to deliver personalized, human-to human experiences. It has enhanced it.

Retailers have access to groundbreaking technology and tons of new data. They've used it to explore opportunities to rebuild broken customer relationships, strengthen new ones, and bolster their brand through increased personalization, more empathy and consistent, relevant messaging.

It's no different for retail banking.

Financial institutions are no longer competing only against each other to win over consumers. They are contending with every other experience, across every other retail sector.

To stay relevant and compete, financial institutions must take a page out of the retailer playbook to deliver in these four key areas.

1. Making An Emotional Connection

Empathy-based marketing is seeing through the eyes of consumers. Consumers want to talk to real people who care. Although technology and innovation continually transform how consumers and companies engage and interact, the need — and desire — for human connection remains strong. With many Americans working from home full-time, they crave more human connection. It lets them know there's a living, breathing person — not a digital bot or algorithm — helping them make important decisions that affect their everyday lives.

The mandate for banks and credit unions is to balance digital transformation with human connection. To optimize the convenience of digital banking while finding new ways to provide value — and personalized service — to the consumer via video, phone call or chat.

2. Delivering Value

Experience is the new value. Studies show consumers are willing to spend more on products and services in exchange for superior experiences.

What's the payoff for delivering value? According to McKinsey, top banks that adopt consumer experience strategies pioneered by other sectors, such as e-commerce, travel and entertainment, have a higher deposit growth.

3. Be Environmentally Responsible and Socially Conscious

Recent political and social events have caused consumers to be more discerning of what they buy and who they buy from. They want to support local shops and

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How to Establish Quality Fintech Partnerships

By Kylee Wooten, Media Relations Manager, Abrigo

As the saying goes, "the only constant in life is change," which is certain for the banking industry. It's been nearly two years since the coronavirus pandemic began, and many banks and credit unions have undergone a significant digital transformation in response. Many financial institutions that were already on the path of digitalization have continued expanding their digital offerings to meet the needs of their customers and members. Meanwhile, the pandemic all but forced financial institutions that were hesitant or had not yet begun implementing new technology to kickstart the adoption process. While digitalization is critical to scaling business, keeping customers and members happy and maintaining a competitive edge, it can quickly become challenging to manage each fintech partnership to maximize the investment.

It's great that more financial institutions are welcoming technological innovations, but banks and credit unions must consider the long-term impact of their partnerships.

According to recent insights compiled by the Federal Reserve and published in Community Bank Access to Innovation through Partnerships, fintech partnerships are most effective when three core elements are present:

- Commitment to innovation across the community bank
- Alignment of priorities and objectives of the community bank and its fintech partner
- A thoughtful approach to establishing technical connections among key parties including bank, fintech, and the bank's core services provider

If leveraging new technology is on your financial institution's New Year's Resolution list for 2022, be sure to consider how each element is reflected in your bank.

Build a culture of innovation

New technology is not a silver bullet. It doesn't matter how much or how little you spend; if the end-users aren't using the technology, the financial institution will not see a return on the investment. One of the most integral pieces to the success of new technology is garnering buy-in across the institution. This may be an easier task for institutions with a culture of innovation – rewarding and supporting new ideas and creative strategies. However, many financial institutions and employees are content with the status quo.

How can you build a desire for innovation for those that don't see the need to make any changes? The foundation of a solid culture of innovation should begin with the financial institution's senior management. Having a cohesive vision from the top down is critical to a culture of innovation. In fact, corporate culture is more important to an innovative culture than the institution's size, level of investment, location, or regulatory environment, according to a recent study by the Digital Banking Report.

Executives must center their communication on the vision for the technology and what employees will gain from it. For the employees resistant to change or who feel that there is no reason to change their processes, management must explain the benefits of implementing new software. Will it make their jobs easier? Will they be more successful? Will they spend less time on low-value tasks?

"Change is hard for everybody, but if you can explain why change has to occur and how that change can eventually benefit the group overall, it may not be easy, but it becomes easier," said Rich Hoban, Director of Corporate Development at Frandsen Bank & Trust, in a recent description of how his financial institution successfully implemented technology.

As an executive, consider asking questions like:

- What analytics and insights are missing in our reports?
- What customer service feature could we add to get an edge over other banks or credit unions?
- How could we make our lenders' jobs easier?
- What current pain points could we eliminate with the right vendor?
- What processes could be automated?

Ensure alignment with the fintech

The Federal Reserve found that most bankers preferred to work with fintechs that understand what it means to be a fiduciary and a financial services partner. For banks and credit unions, this often means a deep understanding of regulations and compliance and adhering to the institution's risk management standards. When assessing the strength of a potential fintech partnership, consider how the technology can be configured to meet the institution's appetite for risk and how (or if) that technology will provide ongoing changes to meet the ever-changing regulatory environment. Having a technology that will continue to grow with the bank or credit union is essential to the longevity of a fintech partnership.

Customer support is another fundamental piece to fostering alignment with a fintech vendor. When assessing a potential fintech partnership, explore how the vendor will help with integration, training, and ongoing post-implementation success. Are there added fees involved for training? How easy is it to access assistance from the vendor?

Alignment with the fintech partnership doesn't end when the institution implements the technology. A good fintech vendor will continue to have the financial institution's best interests in mind, providing ongoing assistance throughout the partnership.

Following a successful partnership with Abrigo the Pay-

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check Protection Program and seeing the benefits of digitalization, Capital City Bank expanded its relationship with Abrigo to transform its lending process processes with the Abrigo Loan Origination System (LOS). A key reason for the expanded partnership came down to these alignment factors.

"It's cloud-based, so it's easy to make changes on the fly," said Daniel Fowler, a Credit

Administrator at Capital City Bank. And while the digital touch is a big advantage, Abrigo's implementation and support teams have been an integral resource to

the bank. "The support we get from Abrigo is a huge factor. Abrigo is more like a

partner to us than a vendor or software provider."

Take a thoughtful approach to connectivity

The fintech market is growing exponentially, and it can feel overwhelming trying to decide which vendor would be the best partner for the financial institution. Price is often a significant factor when deciding on a fintech vendor. While many financial institutions will price-compare vendors, they may neglect to consider potential hidden costs, especially when managing multiple vendors. In the Federal Reserve report, bankers emphasized the importance of eliminating siloed processes and ensuring that information can flow seamlessly across systems. Financial institutions should be cautious about taking a "Frankenstein" approach, which piecemeals systems and lacks cohesion.

Financial institutions should take a forward-looking approach to fintech relationships. In the report, bankers noted that it may be helpful to envision "an end-to-end automated process, where an output of one system serves as an input to another without manual interference." Rather than purchasing individual products to solve problems ad-hoc, consider the bigger picture and how a different vendor may be able to consolidate the systems the institution is using, enabling greater transparency and data insights. This thoughtful approach to connectivity could vastly improve efficiency and save your institution money in the long run.

Fintech partnerships can be complex and intimidating, but they will play an integral role in financial institutions' ability to compete and grow in this evolving landscape. Financial institutions should strive to master these three elements to build a solid foundation for successful fintech partnerships in 2022 and beyond.

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buy from brands that demonstrate socially responsible behavior.

According to Vericast's 2021 Consumer Intel Report, "The Cautious Return to a New World" 54 percent of consumers are more likely to be loyal to a brand or store that shares its efforts to be environmentally responsible or has sustainable/ethical business practices.

A great example of this is seen in financial institutions that offer consumers credit and debit cards made from recovered ocean- bound plastic waste. Ninety-three percent of consumers would switch to a recovered ocean-bound plastic card if offered by their current issuer, according to CPI Card Group®.

If financial institutions don't think deeper than just marketing campaigns (taking a genuine and public stance on social issues) and embrace consumer empathy, they will be left behind. Because consumers just don't prefer socially responsible companies, they look for them.

4. Gaining Trust

Trust, confidence and credibility are best built through local, targeted community investment. This applies to large financial institutions, too. You can be big and still think locally. Listen to your frontline managers, who live, work and play where your customers and members bank, to identify ways to be present in your local communities.

Remember, trust is earned. Be authentic. Think value over profit. Be approachable and accessible. Back up your promises. These are all the key qualities of successful retail businesses that share a vision of building strong consumer relationships that grow and last.

Nothing grows in a silo. Vericast believes that CX and silos are diametrically opposed:

where silos exist, CX (and business) suffers. We practice what we preach. Our lines of business analyze and interpret data across several different industries and multiple consumer touchpoints to help clients reimagine marketing, one business-to-human connection at a time.

Lauren Kirkley brings more than a decade of financial service experience with expertise in operational performance management, chance management, business transformation and risk assessment.

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