

This Issue:

- 1-2 **Faster Payments -
A Case for Why You Should Wait**
- 3 **Giving Feedback Doesn't Need
to be Stressful for a Manager**
- 4 **Employee Spotlight:
Trey Moore**
- 5 **The OCC's New CRA Regulations:
Smaller Institutions Have Options**
- 6 **Keeping the Community
in Community Banking**
- 7 **Announcements**



Faster Payments – A Case for Why You Should Wait

By UBB Operations

The virtue of patience is not only good when applied to everyday life, but also when deciding to join a faster payments network. As a trusted partner of our community bank customers, we see many benefits to waiting and weighing your options instead of jumping into a real time payments network early.

Faster Payments – The immediate, instant or same-day delivery of payments and corresponding settlement of funds, provided 24 hours a day, 365 days a year.

Are other banks providing faster payments to their customers?

Many of our customers have expressed a pressure from their core processors to join existing faster payments networks, citing an abundance of community banks rushing to join. In actuality, less than 1% of all US banks are currently utilizing real time payments.



Are your customers asking for faster payments?

This may seem like a simple question, but if your commercial customers are not actively demanding that you provide a faster payments solution, then there is a cost-benefit of waiting. Findings contained in an Association for Financial

Dwight Larsen A note from the President



I think it goes without saying that the year 2020 has been unlike any other we've experienced....ever. While the year can be summed up with a litany of terms such as challenging, adaptive and several others not suitable for print, the silver lining to 2020 is how community bankers responded to the challenges posed by the pandemic. Community banks have provided much needed stability during a time of so much uncertainty. While working extra hours to process PPP loans, you continued to

organize community food & clothing drives and provide support to local restaurants and small businesses. A friendly and trusted voice on the other end of the line, you have been readily available to answer questions and provide guidance to customers who were unsure of what to do next. Going out of your way to support your customers and communities is nothing new to you but has never been more important. Thank you for everything you do!

With technology continuing to be a leading influencer throughout the banking industry, we know that increasing payment speed and efficiencies are viewed as potential competitive advantages. While faster payment technology is still in its early stages of development, it can be tempting to want to be an early adopter without fully knowing your options, costs and opportunities lost by waiting for the competitive market to materialize. While we understand this position, I urge you to take a look at our cover story where our Operations team lays out a compelling case for waiting and weighing your options before joining a faster payments network.

The OCC has released new CRA regulations and our Compliance Services team is right on top of keeping you in the know. On page 5, Vice President Jeff Thompson, CRCM, outlines everything you need to know about these new standards.

Feedback is such an important part in the growth of employees and an organization, and giving feedback, especially negative, isn't easy. Our Vice President of USource, Bob Greening, presents some helpful tips to provide feedback that will be well received.

In our employee spotlight on page 4, get to know our new Correspondent Banking Officer, Trey Moore. Then flip over to page 6 to find out how Endeavor Bank in Los Angeles, CA is *Keeping the Community in Community Banking*.

The community banking industry is truly a community, and we'll get through whatever challenges lie ahead of us together, and UBB will always be **First for Your Success**.



Professionals (AFP) survey reported that businesses were not interested in new faster payment methods due to the associated costs and resources needed to operate. The survey also found that commercial businesses do not want additional banking relationships, preferring to have their payments flow through the financial institution that services their business loans. This reduces the threat posed to community banks in the event that a competing institution were to offer a faster payments solution first.

Do the costs/benefits really add up?

The costs associated with joining a real time payments network are considerably high. Community banks could pay an assortment of fees, including: membership fees, monthly connection fees and transactional charges for the payments they originate. Community banks will also need to factor in the cost of 24/7 internal support and the need to pre-fund the account.

What is United Bankers' Bank doing for Faster Payments?

UBB is committed to providing an affordable, efficient and user-friendly solution designed to benefit our community bank customers and their customers. We are working with a group of other bankers' banks, Fintech companies, the Federal Reserve Bank and

payment associations to develop solutions that will be a complementary fit for the needs of community banks. Introducing this new solution will create market competition thereby providing an incentive for all real time payment services to keep operational costs and prices competitive while ensuring high levels of customer service. In addition, as other faster payment providers enter the market, community banks will be given more choices and more robust solution offerings.

The Federal Reserve Bank is on track to introduce a Faster Payments exchange, FedNow, in 2024. When the Federal Reserve's exchange goes online, it will dramatically lower the costs associated with bringing faster payment products to market and breed more competition in the market place.

Faster Payments for Community Banks

Faster Payments presents an opportunity for community banks to serve their customers and position their institution on the forefront of the digital payment landscape. UBB's motivating factor for providing a competitive faster payment alternative is not profit. Our top priority is ensuring community banks are at the forefront of the ongoing product development process, resulting in a quality, functional, efficient and affordable solution that will enable them to be successful and remain competitive in the communities they serve.

Giving Feedback Doesn't Need to be Stressful for a Manager

By Bob Greening, Vice President, USource

An important element of employee development is receiving relevant and timely feedback. Giving feedback is not easy for many managers and can actually be downright stressful to the point where it is even avoided, leading to much more stress down the road! Listed below are some helpful tips on how to provide effective feedback while reducing stress and anxiety for both the manager and the employee.

Establish Trust

A work environment where everyone feels respected and has a sense of self-worth enhances job motivation and commitment. Employees that feel valued are more willing to learn from feedback rather than discount it. Before providing feedback, it is important to develop a positive relationship with your employee. An employee that has experienced multiple positive moments with their manager will grow to trust that manager and be more receptive to constructive feedback.

Provide out of kindness and concern

Do you give feedback for the purpose of justifying your own behavior, appeasing another person, or elevating your self-importance? Or, do you have a genuine concern and sense of responsibility for the employee, desiring to guide and mentor? Feedback should be given from a place of caring for your employee's learning and growth.

Keep anger out of it

Often feedback is given out of frustration and anger. If this is the case, take a step back and reflect again on the purpose of the feedback before providing it. Confirm the feedback is based on data and insight rather than negative feelings. Remember, feedback should be about *helping someone to succeed*.

Pay attention to their reaction

Listening is key to facilitate trust and improve communication. Observe body language, tone, and emotions while being flexible and ready to adjust based on the other person's response. The most effective feedback is a two-way conversation.

Be Specific

The more the individual can recall the specific event, the more likely they are to learn from the feedback, so clarify

the actions and behaviors as well as the impact to other individuals and the overall organization. Always try to provide feedback as close to when the incident occurred as possible. Giving feedback about a specific event months after it happens can be less accurate as well as confusing to the employee.

Focus on the behavior, not the person

Focusing feedback on just the situation rather than the individual separates the problem from the person. When the receiver is less likely to feel personally confronted, they are more likely to accept the constructive feedback.

Give feedback from your perspective as the manager

Try not to give feedback on behalf of others. If you have not observed or noticed the behavior, it becomes difficult to explain what is and is not working. Saying that you heard about a specific situation, moves the focus from the issue to "who told you" which can cause the opportunity for the feedback to be genuinely heard to be lost.



Draw parallels to your own experiences

Providing feedback is more effective when you can relate it back to your own experience and growth. If you can convey that you were once in a similar position, you create a sense of emotional connection to the conversation. It also starts to build a mentor-mentee relationship, causing the feedback to be viewed as advice.

Limit your focus

Ideally, a feedback session should focus on no more than two issues in order to reduce the risk of the person feeling attacked and demoralized. Focus on how behaviors and actions can be changed.

Most of us are familiar with how good it feels to receive the kind of feedback that really helps us grow or acknowledges the growth we've already achieved. As the manager giving feedback, remember those times when you received positive, motivating feedback. Reflecting on your own experiences will ensure your feedback comes from a place of kindness and positive intent. As a manager, you want your employees to excel to the best of their abilities which is accomplished through proper feedback in the right form!

United Bankers' Bank
Call Report (unaudited)
9/30/2020

Balance Sheet (000's)

Assets:

Cash and Due from Banks	\$ 223,929
Investments	\$ 136,887
Fed Funds Sold & Securities Purchased Under Agreement to Resell	\$ 10,912
Loans	
Outstanding	\$ 634,038
Loss Reserve	\$ (11,244)
Other Assets	\$ 34,242
TOTAL ASSETS	\$1,028,764

Liabilities and Capital:

Deposits	\$ 852,276
Fed Funds Purchased	\$ 58,036
Other Liabilities	\$ 7,745
Equity Capital	\$ 110,707
TOTAL LIABILITIES & CAPITAL	\$1,028,764

INCOME STATEMENT (YTD)

Interest Income	\$ 22,257
Interest Expense	\$ 4,494
Net Interest Income	\$ 17,763
Loss Provision	\$ 2,286
Net Interest Income (After Provision)	\$ 15,477
Other Income	\$ 13,548
Total Income	\$ 29,025
Operating Expenses	\$ 21,893
Securities Gains (Losses)	\$ -
Net Income Before Taxes	\$ 7,132
Tax	\$ 1,779
NET INCOME	\$ 5,353



Family Members: Spouse – Jan / Daughters – Logan (20) and Ella (17).

Pets: Evee (7 month old 3 lb. Yorkie).

What do you listen to on your drive to work: Sports/News talk radio.

Interests: Fitness/weight training, boating.

If I could live anywhere in the world, I would live in: Malibu.

If I could have one super power (besides flying) it would be: Super human intelligence.

Many people don't know that: I used to be a recreational pilot.

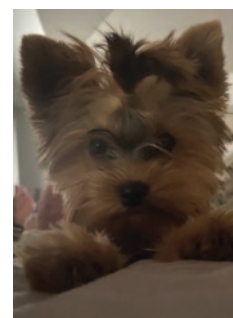
If I was not working in banking I would: Build custom furniture.

I started working at UBB in: 2020.

My favorite part of working for UBB is: Their focus on banking relationships and culture of putting their clients first.

The best advice I ever got was: From my late dad. "If you don't have a dime to your name, but you have character & integrity, you are rich. Treat people the way you want to be treated. Bad times don't build character, they reveal character!"

First For Your Success means: Always putting the client first, and focus on serving them. When community banks win, we all win.



Evee, Trey's 7 month old Yorkie



Trey, Ella, Logan and Jan in Malibu



Trey, Ella, Logan and Jan in Santa Monica

The OCC's New CRA Regulation: *Smaller Institutions Have Options*

By Jeff Thompson, CRCM

The OCC's new CRA regulation (12 CFR 25) took effect on October 1, 2020. Many banks have until 2024 to fully integrate these new rules which set forth a new framework for reporting and analyzing bank CRA performance data. It also creates new assessment area delineation rules that allow for the newer ways that banks provide products and services, such as internet and mobile banking.

Generally applicable to all banks, the rules are referred to in the new regulation as the general performance standards. Those standards require the collection and maintenance of the bank's retail lending distribution test ratios, CRA evaluation measure and each assessment-area CRA evaluation measure, Community

Development (CD) minimum and each assessment-area level CD minimum, and presumptive ratings. There are several other recordkeeping and reporting requirements, but for many smaller institutions, they might as well be Greek. The value of each retail domestic deposit account and physical address of each depositor is a recordkeeping requirement for all banks regardless of size. Banks operating under the general performance standards will report their average deposit information geographically on a quarterly basis.

The new rules define a small bank as having \$600 million or less in total assets, and an intermediate bank (they've removed the word "small" from the middle classification for clarity) as having total assets between \$600 million and \$2.5 billion (adjusted annually for inflation). Collectively, the OCC defines both groups as "community banks." All community banks have the option of operating under the former performance context but must delineate their assessment areas in the manner set forth in the new regulation and collect the deposit data as previously noted. The assessment areas likely will not change substantially for smaller institutions which can generally demonstrate that more than 50% of their deposits are gathered from the areas around their physical branches.

If a community bank decides they like the preciseness of the new general performance standards, they may choose to adopt the new standards for their examination. If a community bank opts to not follow the general performance standards, then most of the rules they would follow will be found in the older version of the CRA regulations which now appear in the new regulation as Appendix C.

The requirement for lobby notices is one of the more confusing aspects of the general performance and pre-existing standards. Appendix B of both the new and older regulations houses the model language for use in a bank's lobby and website. Currently in Appendix B, you will see only one notice,

rather than the separated main office and branch notices in the older regulation. However, if a community bank elects to be examined and evaluated under the older standards, they must follow all of Appendix C, subtitled "Alternative Compliance." If you are a community bank and do not opt-in to the general performance standards, Appendix C has its own version of Appendix B and includes notices for main offices and branches, that are unchanged.

Action Items for Community Banks Regulated by the OCC

- Determine by which performance context you wish to be evaluated. If you choose to continue as is, you should inform your regulators. You can also opt to construct and maintain a CRA Strategic Plan. Banks under \$600 million currently operating under the "small intermediate" rules may switch to a straight small bank evaluation, but will be encouraged to continue Community Development activities and the monitoring that accompanies those loans. You can only opt-in to be evaluated under the general performance standards once and cannot go back to the alternative compliance rules after switching.



OCC continued pg 7



Keeping the Community in Community Banking

Endeavor Bank • San Diego, California

On the Pacific coast of California, San Diego is known for its warm climate and miles upon miles of white-sand beaches. The second largest city in California and the eighth largest in the US, San Diego is often referred to as “America’s Finest City.” It might be difficult to think of community banking in such a widely populated area, but Endeavor Bank isn’t a traditional bank. Endeavor continues to grow and differentiate itself from the competition by utilizing a truly consultative banking approach to helping their customers overcome obstacles and succeed. To learn more, we sat down with Danna Murphy, EVP and Chief Financial Officer to see how Endeavor Bank is *Keeping the Community in Community Banking*.

What is your community most known for?

Along with its warm climate and beautiful beaches, San Diego is renowned for its world-class family attractions, including the San Diego Zoo, SeaWorld, Legoland, and Balboa Park. With its many museums, art galleries, and extraordinary gardens, San Diego offers an expansive variety of activities appealing to guests of all ages. Swimmers, kayak and paddle boarders, scuba divers, surfers, fishermen, and boating and sailing enthusiasts enjoy 70 miles of Pacific Ocean coastline.

San Diego is greatly influenced by Tijuana, Mexico just to its south. The close proximity to Mexico contributes to the diversity that flows throughout the region. San Diego also prides itself on its rich military history and strong support of the US military families.

How is your bank involved in the community?

Endeavor Bank is a sponsor of the Chairman’s RoundTable, a group of highly accomplished executives who devote their time to helping select San Diego companies navigate business challenges and opportunities.

Endeavor’s commitment to creating our Shareholder Club reflects our investment in San Diego and our shareholders. The networking and educational events we provide are a great way to connect with other business owners who are facing similar challenges and opportunities.

Our CEO, Dan Yates, regularly speaks to business and entrepreneurship students at San Diego State University, Miramar College, and California State University San Marcos. Dan also serves on the boards of Western Bankers Association and Conrad Prebys Foundation. In addition, our President, Steve Sefton, serves on the boards for The San Diego Foundation and The Salvation Army.

Do you have any goals or programs in place to encourage bank employees to be active in the community?

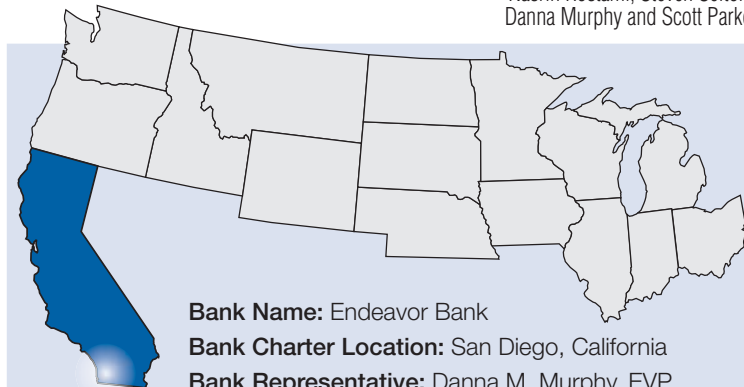
The bank has a training program that provides job opportunities to young college students and graduates wanting to learn more about banking.



Salvation Army Toy Drive



Senior Mgmt, Left to Right; Dan Yates, Nasrin Rostami, Steven Sefton, Danna Murphy and Scott Parker



Bank Name: Endeavor Bank

Bank Charter Location: San Diego, California

Bank Representative: Danna M. Murphy, EVP,
Chief Financial Officer

Asset Size: \$360 million

Number of Locations: 1 branch and 1 administrative/LPO office

Number of Employees: 34

Year Bank was Incorporated: Opened for business January 22, 2018

City Population: 1.4 million

This year, the CARES Act and PPP created the need for an entire team of college interns to join the team to focus exclusively on processing these loans. Several of these temporary employees were offered permanent positions.

What makes community involvement important to you and your bank?

A major tenet of our business strategy is providing consultative guidance to locally owned and operated businesses so they grow and thrive. When this happens many times over, the local economy flourishes which causes new, energetic, innovative entrepreneurial activity to increase and thereby perpetuates the economic cycle. Our unique consultative method cultivates vast networks of business owners and operators, as well as local influencers in various circles which connect local businesses to one another. Our CEO, our President, and our Relationship Managers participate in many local business and charitable organizations to continuously enrich and develop connections and opportunities.

What do you like best about your community?

Our population might be small but the people who make up our communities are astonishing. It never fails; our communities always pull together and make things happen. Whether it’s a person or family in the community experiencing hardships, a storm that has caused damage, or setting our minds to creating economic development, there is always strong community support to lend a hand.

What do you like best about being a community banker?

The opportunity to make connections between members of our networks to solve problems, work through issues, plan for the future, achieve goals, and experience success strengthens not only the individuals, but their businesses, families, and ultimately the entire regional economy.

Ensure you are able to collect and maintain information on retail domestic deposits, including the depositor's physical address. Though fairly straight forward for most banks, very small banks may need to enhance their ability to maintain this data in machine-readable format. This data will be used to evaluate the appropriateness of your CRA assessment area(s).

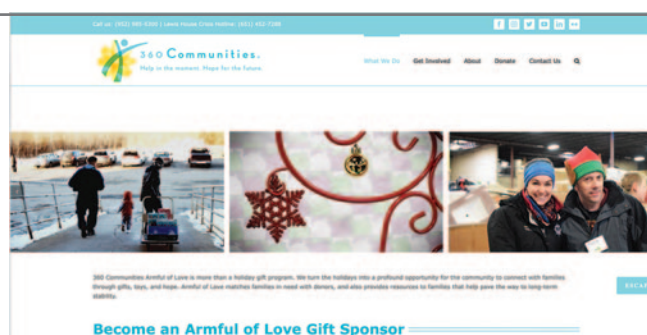
- Confirm your public file and lobby notices are correct and data collection is maintained.

Communicate with your EIC regarding your decisions. You may even want to discuss your options with your OCC examiners in advance of your next CRA examination.

For those who are regulated by the Fed or FDIC, changes will come, and how they affect your bank remains unseen. The Fed recently put their own proposal out, and while the FDIC was in on the OCC's initial proposal, they opted out of the final rule.

Announcements

Throughout the month of October, UBB employees made donations to Armful of Love, a 360 Communities Program where families are provided gift cards to help with their holiday meal and gift needs. Through donations and company match, \$5,636 was raised which will be used to help families experiencing financial insecurity this holiday season.



Is Your Operations Team NCP Certified?

UBB's National Check Professional (NCP) exam prep will help your bank's operations staff earn their certification by educating them on the following check processing trends & topics:

- **Rules, Laws and Regulations**
- **Fraud and Risk Mitigation**
- **Products**
- **Operations**

UBB's exam prep courses will help them reach the NCP finish line! Learn more at www.ubb.com/events





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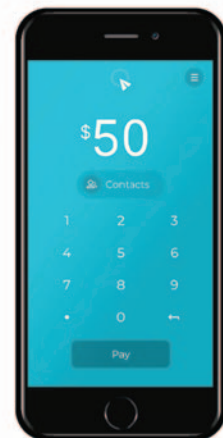
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If you have questions about our
products and services, please
call us at 1-800-752-8140.
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The Safe and Affordable P2P Alternative.

ExcheQ[®]

Now Enrolling Community Banks

ExcheQ is a smartphone app-based payment service that allows your community bank customers to send personal payments to their friends and family members. ExcheQ effortlessly moves money from one bank account to another, often on the same day with no fees. Best of all, the app works with all ACH processing systems.



For more information:
Visit: www.ubbp2p.com

