LEADERSHIP & ADVOCACY
Since 1904

MONTANA BANKERS ASSOCIATION

JANUARY 2020

Montana Banker News

Rich Bruner addresses Executive Development Program graduates

Rich Bruner, Farmers State Bank

The MBA is proud to announce our 2019 graduates of the highly acclaimed Executive Development Program (EDP). After intensive monthly workshops held throughout the year in various locations around the State, these banking professionals attended their last session Dec. 12 in Helena, and several had their bank mentors with them showing management support.

Pictured on Page 2, these 11 individuals gained knowledge in diverse areas of banking such as leadership and management, understanding financial statements, credit and risk review, audit and compliance, asset liability management, legislation and politics, negotiation and conflict resolution, credibility and ethics, and leadership communication. The overall goal of the EDP is to motivate and accelerate the development of Montana bankers.

MBA President/CEO Cary Hegreberg congratulated the class members for their commitment and dedication to completing the program and challenged them to take on leadership roles in their communities and their banks. He quoted Bruce Vincent from Libby, MT who counsels that, "the world is run by those who show up." Hegreberg encouraged EDP graduates to "step up" and get involved in community groups and in industry advocacy efforts through MBA and ABA.

Rich Bruner, a well-known and respected banker who now works for Farmers State Bank in the Bitterroot valley, delivered a powerful personal account of how he got into banking and how he views community banking. He said the classic Christmas movie, "It's a Wonderful Life," accurately reflects what it truly means to be a community banker, and he encouraged bankers to watch it with that in mind.

"It all comes down to leadership," Bruner said. "What makes you a community bank is the people within that bank, and the people must be engaged." He noted that he read a book years ago, "The Dream Manager," that changed the way he viewed his personal life and then his professional life. By understanding other people's dreams, you

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show compassion and leadership. "When you share your dreams, others will help you achieve them," Bruner said.

He provided several real-life examples of how his own family members and then employees/coworkers shared their dreams and saw them come to fruition once other people recognized they could help. He related that to the culture of community banking, where people are empowered to help each other, help the community and help customers. Bruner concluded, "I have had a wonderful life as a community banker," and he encouraged the EDP graduates to make banking as great a career for themselves as it has been for him.

Mark Armstrong, Glacier Bank

Brandon Dwyer, Stockman Bank

Jason Erickson,
First Security Bank of Missoula

Karene Faber, Independence Bank

Darrin Maas, Stockman Bank

ABA DELEGATES

ABA Foundation BOD:
Mike Grove, President
Bank of the Rockies.NA
White Sulphur Springs, MT

Community Bankers Council:
Scott Klein, Vice President
First State Bank of Forsyth
Forsyth, MT

Agricultural and Rural Bankers Committee:
Heather Malcolm, VP
Bank of the Rockies, N.A.
Livingston, MT

Government Relations Council
Rex Phipps, President
Garfield County Bank
Jordan, MT

Taxation Administrative Committee
William Schrock, Tax Director
First Interstate Bank
Billings, MT

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Matt Venturini,
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Seeing, Saying and Doing Something About Elder Fraud

Rob Nichols, President and CEO
American Bankers Association


Rob Nichols, President CEO

Odds are your bank has a story that illustrates a disturbing trend affecting older Americans today. Perhaps one of your tellers noticed a regular customer suddenly showing up at the bank with a new “best friend.” Or staff detected unusual activity in an elderly customer’s account, such as large withdrawals or unpaid bills.

These are two of several red flags that can signal elder financial abuse, and banks are increasingly noticing—and reporting—such cases. According to a FinCEN analysis released in December, suspicious activity reports related to elder financial exploitation have increased dramatically in recent years, jumping from 2,000 filings in October 2013 to nearly 7,500 filings in August 2019.

A Consumer Financial Protection Bureau Report issued in February 2019 offers similar statistics and adds that 80 percent of SARs related to elder financial exploitation involved a monetary loss to older adults and/or the institution that filed. The average loss for customers was $34,200, while the average loss to institutions filing was $16,700.

As disheartening as this sounds, there’s actually some positive news amid all the data surrounding elder financial fraud.

The ABA Foundation has documented that good news in its 2019 Older Americans Benchmarking Report. The biennial report shows that banks are going well beyond the “see something, say something” threat mantra and are proactively working to educate and protect their older customers.

It found, for example, that the vast majority (90 percent) of respondent banks now require additional, specialized training for frontline staff. That’s up from 71 percent in 2017. It also found that more banks are reporting suspected elder abuse and fraud to Adult Protective Services, with 81 percent of survey respondents listing that as standard procedure, up from 62 percent in 2017. And more than 60 percent say they now have at least one employee specifically designated to lead efforts on elder financial abuse and fraud prevention.

Banks aren’t just focused on spotting and reporting fraud. They’re also increasingly preventing it by teaching seniors in their communities the art of self-defense. One banker shared how her institution created fraud packets with brief brochures and “scam cards” to educate older customers on schemes and how to report them. Another said his institution developed a brochure for caregivers to help guide conversations on sensitive topics like developing a will or sending duplicate account statements for review. And half of the banks surveyed said they offer in-branch training for older customers on new banking technologies, such as online or mobile banking.

In addition to protecting one of our country’s most vulnerable populations, these efforts demonstrate banks’ commitment to their customers and communities and reflects well on the industry. That’s why I’m making sure policymakers are aware of all banks are doing. It’s also why I’m encouraging more banks to join the fight.

With 10,000 Baby Boomers turning 65 every day (a trend that will last until 2030), and with older Americans holding 70 percent of deposit balances in the U.S., the elder financial fraud threat is bound to get worse before it gets better. But the more bankers are engaged in countermeasures, from educational efforts to fraud monitoring and partnerships with APS, the better off our customers and communities will be.

So for those banks that have room to start or grow their efforts in this area, I offer three simple steps:

1) Read the Older Americans Benchmarking Report. It tells you what banks in your asset range are doing and spotlights innovative programs.

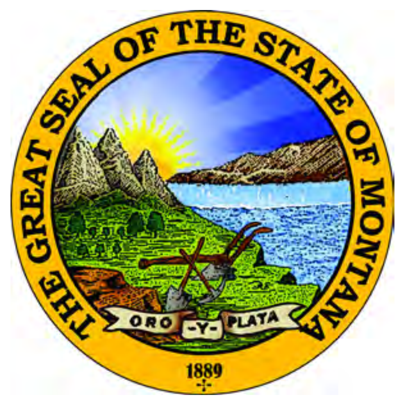
2) Sign up for Safe Banking for Seniors. This ABA Foundation program provides turnkey presentation materials and resources for bankers to use with seniors and caregivers.

3) Enroll in FinEdLink. This is a relatively new service from the foundation that allows us to pair banks with community groups or schools that are interested in having a banker present on age-appropriate personal finance topics, including senior fraud prevention.

All of these resources are free and available at aba.com/Seniors. (Undoubtedly your state association has even more, since state associations have been true pioneers in this field). Take advantage of these resources so that fewer crooks will take advantage of your customers.

As one banker in our survey said, the older generation wants so badly to leave a legacy and remain self-sufficient, but they also are so trusting they don't always see a scam for what it is. "That's where our role as bankers is so critical as we… help them navigate these difficult situations to ensure their legacies and livelihoods are protected."

State agency issues Q&A on MBA supported exploitation legislation

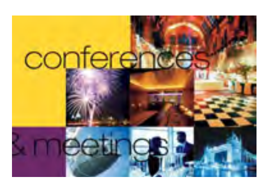


The Montana Dept. of Public Health and Human Services has issued a "Question and Answer" publication explaining SB 311, which was passed by the 2019 Legislature allowing financial institutions to report suspected financial exploitation of older persons and persons with developmental disabilities. MBA was heavily involved in drafting language and lobbying for the bill, which provides protections for banks and other financial institutions that report suspected exploitation.

The new law allows a bank to notify authorities, and to delay a transaction suspected to be exploitive for up to 15 days, and it provides immunity to banks and their employees from criminal, civil, and administrative liability stemming from a report or delayed transaction made in good faith.

Banks are encouraged to share this Q&A (attached at the end of the newsletter) with all employees and to be alert to potential exploitation of older/developmentally disabled persons.

2019 MBA Conferences and Workshops



❑ 2020 Breaking Into Banking: Delta Marriott Colonial Hotel, Helena, February 26 - 27, 2020

❑ 2020 IRA Basics & Update: Hilton Garden Inn, Billings, March 3 - 4, 2020

❑2020 Ag Banker Conference: Best Western GranTree, Bozeman, March 19 - 20, 2020

Watch for upcoming Conferences and Workshops coming in 2019 at www.montanabankers.com or for more information contact Pam O'Reilly, Association Services Director, at 800/541-5126 or pam@montanabankers.com.

ABA offers scholarship to D.C. for Emerging Leaders

The MBA is pleased to announce an "essay contest" to select one of two scholarships ABA is offering each state association to send an emerging leader to Washington, D.C. Mar. 22-25 for the annual ABA Government Relations conference and congressional visits. Michael Grove, Bank of the Rockies, who is initiating MBA's Emerging Leaders program, will be attending under the other scholarship, and Arron Franzen, First Community Bank, is on the national steering committee and will also attend.

ABA's scholarship covers $750 of the cost for travel/lodging, and MBA will cover the balance of reasonable costs above that.

The only qualifications for applying through an essay are:

- Your employer must be a member of the Montana Bankers Association
- You should be an early-mid career banking professional
- Your management must agree to let you take the time to travel to D.C.
- You should be interested in getting involved in a Montana Emerging Leaders Program, and learning about the MBA/ABA's advocacy efforts and the State and National levels.

The submitted essays should be brief and relatively simple to prepare.

For information on the scholarship application process, contact cary@montanabankers.com.

Plan to attend ABA's Gov't Relations Conference Mar. 22-25

Participation in ABA's annual Government Relations Conference in Washington, D.C. is not limited to MBA directors and staff…you can join our important advocacy efforts and learn more about the "inner workings" of the federal government! The conference agenda is packed with interesting speakers, engaging topics and meetings with Montana's congressional delegation and staffs. Click here for the schedule and registration information.

MBA shares office space with Montana MLS

The real estate business is evolving and changing just as the banking industry is, leading local "multiple listing services (MLS) to merge for greater efficiency and better customer service. The new entity, Montana Regional MLS, is leasing two offices from BANCSERVE, and is headquartered in the same suite as MBA/BANCSERVE.

Webb Brown was hired as the CEO of the newly formed organization, and is leading Montana's real estate industry into new, innovative directions. We're glad to have such great "office mates!"

When is the last time your Board reviewed the contents of the board package? If you have not reviewed the information that your board reviews on a monthly basis in over 12 months, you may not be providing the information you should.

The reports in the board package have traditionally been somewhat non-specific, often based on guidelines provided by the Office of the Comptroller of the Currency or FDIC. Our community bank boards have traditionally been focused on the analysis of the bank's financial performance. This approach was based on the philosophy of "more is better", so the bank made sure it provided everything the board needed to carry out its responsibilities.

Darlia Forgarty, President, Compliance Alliance

A shift in the banking industry as well as the overall economy has complicated board reporting for banks of all sizes. Each required policy has its own reporting requirements, which may not necessarily be directly linked to board reporting, it does influence it and requires reporting standards. This is primarily because such documentation may be expected to serve as a partial record of the bank's processes and procedures for the benefit of regulators.

While financial performance analysis continues to play a significant part in reporting to the board, the inclusion of operational risk management and compliance management adds to the amount of information that bank officers are obligated to include in their presentation to bank directors. Considering that the data being reported to the Board comes under scrutiny from so many different avenues, and carries severe penalties for banks found not following a best practices; the importance of reporting has significantly increased. This can be quite challenging for smaller banks where senior management already finds themselves wearing more than one or even two hats.

Heightened risk and compliance considerations call for a more thorough, broader analysis. The reactive, approach is not considered adequate and must be replaced with pro-active monitoring and reporting. In a nutshell, the reports have to be comprehensive, but meaningful. There is an implied obligation to educate the bank's directors regarding the best practices employed by the bank, so they can effectively make decisions based on the information they are presented.

For these reasons alone, banks need to reassess their approach to board reporting, if they haven't already.

The two key overall areas to reevaluate are content and delivery.

Board packages should be delivered well in advance of the scheduled board meeting to allow ample time to review the information before time for discussion. Delivery encompasses more than just a timing factor.

An effective delivery incorporates the following:

- Easy-to-understand presentation
- Useful information
- Direct delivery from the data source, not a report that has been manually crafted by someone

It would be virtually impossible to meet all of the requirements for report delivery outlined above without the use of technology. The bank's IT system (platform) can produce timely and accurate information for reports to be included in the board package. Systems can accumulate data across business units, making it realistic to provide support data for ongoing risk assessments and for reporting at the business unit level. This technology can function not only as a comprehensive collection of financial information, but can also be used as the focal point for bank-wide risk management and control.

The use of technology-produced reports supplies not only accurate data, but it also accumulates data over time which provides an active, dynamic benchmark against which bank performance can be measured. All the information in a data warehouse produced by the IT platform ties back to the source—the financials and the general ledger—allowing the bank's management team to walk into a meeting with the information they need to support their position. If auditors request reports to assist them in their analysis, the bank can go to the data warehouse and recreate reports if there is any question of potential irregularities.

Once we have the delivery issues addressed, we can focus on the actual reporting and Best Practices.

Board members greatly appreciate a shift towards a more efficient and effective agenda, with a focus on committee reports and presentation of only meaningful information about the condition and operations of the bank. Most directors only visit the bank once or twice a month, which makes a full understanding of the bank's plans and status very difficult. There needs to be an educational element in board meetings. Most directors have an ongoing need and desire for growth and development in their understanding of the banking industry. With education, directors can become more effective in their recognition and understanding of the risks to be monitored, as well as the factors that most influence a bank's strength and performance.

Financial and operational presentations by management should focus on informing the board members on what time it is; not how the watch was built. This approach can result in more interesting and informative board meetings and will likely result in greater interaction and participation by the board members.

There are no regulatory requirements on information that must be included in the monthly board package, the only requirement is that the board should receive and review enough information to effectively manage and oversee the bank. That being said, there are a few Best Practices for assembling information for your board's review.

Best Practice #1 -- Provide the Board with Information, Not Data

Change the monthly financial report to something meaningful. Most boards need to know only about 20 – 30 key data points and ratios and how those numbers compare to budget, peer banks and prior year results to have a good handle on the condition of the bank.

The typical financial report at a bank board meeting is encompassed in a 25 – 30 page document that blurs into a very detailed, and often meaningless, presentation of pure data that is often difficult to follow.
Providing meaningful information in an understandable format is essential for the board members to identify and manage risk. Less is often more in effective board presentations.

Best Practice #2 – Encourage Board Participation

No board should have a Devil's Advocate who is in opposition to everything, but there should be an open enough relationship in the board room which allows for opposing views and occasional "no" votes. Many times there are meaningful questions that go unasked in the board room. Board members need to feel informed and comfortable enough to ask challenging questions, and also to say that they don't understand a proposal or a presentation.

In my experience, "why?" can be a very powerful question. I know several bank boards that have greatly benefited from a few independent thinking directors in the past years that lead up to the current economic downturn. Those directors had the insight and the courage to question the popular belief of the booming real estate market. More importantly, the culture of the boards on which they served allowed for real discussion of concerns expressed by directors.

Information to include in the board package:

Financial performance reports – These reports provide supporting information of the bank's health and profitability.

Risk management reports - Board reports should allow the bank's directors to assess the institution's ability to manage, monitor and control risks through the review of processes, policies, and practices.
Again, there are no regulatory requirements for these reports, and it is obviously different for each bank. Consider your bank's complexity and markets and require your management to provide information that will give you the ability to make informed and quality decisions.

Darlia Fogarty brings a wealth of knowledge and practical experience to Compliance Alliance banks and staff. Darlia served as a commissioned national bank examiner with the OCC for a large majority of her career, where she developed an expertise in compliance while administering examinations in banks of all sizes. She contributed as a member of the Retail Credit Team, with a strong knowledge of Compliance as well as all other areas of the banks operations and lending. Darlia also has many years of experience as a compliance officer/auditor and 4 years as a compliance/ audit consultant.

As a speaker, Darlia travels to several conventions, meetings and schools throughout the year, and can often be found speaking at compliance schools and conferences. Her articles can be found in State Banking Association magazines, Compliance Alliance newsletters and several other publications.

Be a leader of the PAC!

Political Action Committees, or "PACs" have become an integral part of elections at both the state and national levels, and are often maligned, cursed, misunderstood, but widely appreciated by political candidates seeking support from interest groups they support. We'll try to explain here how the banking industry engages in elections through PACs and how you can help.

Federal Elections

The American Bankers Association (ABA) administers a PAC that engages solely in elections for federal office—predominantly the U.S. House of Representatives and the U.S. Senate. By law, only personal funds, not corporate, can be contributed to the ABA PAC, which sets "goals" or "targets" for bankers in each state to reach. Montana's goal for 2020 is $18,000, which we are far short of at present.

Leaders of the ABA PAC work closely with State banking associations like MBA in coordinating campaign contributions to Senators and Congressmen to assure we are not working at cross purposes or sending mixed messages. In Montana, ABA's PAC has a long history of contributing far more to our congressional delegations than it receives from Montana bankers—something we would like change.

To authorize owners/employees/directors of any bank to contribute to the ABA PAC, that bank must by law sign a form which ABA keeps on file for compliance with the Federal Elections Commission. Forms can be valid for multiple years.

State/Local Elections

The Montana Bankers Association administers a separate PAC that is authorized by Montana law to engage in local, legislative, and statewide elections of state officials. It is precluded from engaging in contributions to federal campaigns for congressional races. Like the ABA PAC, the MBA PAC accepts only personal—not corporate—contributions from individuals involved in or supporting the banking industry.

With 100 people elected to the Montana House of Representatives every two years, and 25 of 50 Senators elected every two years, coupled with term limits, consistently maintaining a majority of pro-business, pro-banking legislators is an ongoing challenge. With strict limits, PACs in Montana can contribute directly to legislative candidates (or statewide offices like Governor, Attorney General), and they can launch "Independent Expenditures," which are efforts such as mailers/advertising in support of a specific candidate, but are not coordinated with the candidate. This has become a prevalent method for PACs to support candidates due to restrictive aggregate limits candidates can accept from PACs and the ability to make a significant difference in key races.

How do you get involved?

Democracy is not a spectator sport! If you're not at the table, you're on the menu! There are lots of clever sayings, but the serious reality is that your political critics and your business adversaries contribute to PACs, and often in a much bigger way. Think Credit Unions. Think Trial Lawyers. We are encouraging members to contribute to both the ABA and the MBA PACs. Click here to learn how to contribute to ABA PAC and contact Cary Hegreberg (cary@montanabankers.com) to learn more about the MBA PAC. As always, thank you for supporting the industry's advocacy efforts!

PACs are an important part of getting our banking message out . . . please support the MBA and ABA PACs!!

Breaking into Banking
February 26 - 27, 2020, Delta Marriott Colonial Hotel, Helena

MONTANA BANKERS ASSOCIATION
Leadership & Advocacy Since 1904

Outline Course Objective: To introduce commercial bankers to the key concepts, terminology, and processes involved in credit and lending.

Course Summary: New credit analysts, lenders, and underwriters, as well as banking employees who don't do credit analysis but need a working knowledge of the process. This course doesn't assume much prior knowledge of the topic, so it's ideal for those in their first 12 months in the industry. Bankers who attend will walk away with a clear understanding of how commercial banks make money, focusing on how banks decide which companies to lend money to, and what the characteristics of those loans look like. They will also learn how the approval process for commercial loans is different from consumer loans, and how banks grade and track commercial loans once they're made. Learners will see how their specific role fits into the bank's overall goals as they learn about twelve key groups in the commercial bank that work together in the lending process. The final portion walks learners through potential career paths beyond Credit and offers tips for long-term success in the industry.

Who Should Attend: Newer credit analysts, lenders, and underwriters, as well as banking employees who don't do credit analysis but need a working knowledge of the process. This last category might include commercial loan closers, loan operations specialists, credit support specialists, Branch Managers who are making small business loans, Treasury Management associates, IT / Digital team members who create platforms for Credit and Lending, and even Administrative Assistants who support Credit Officers and Lending Officers.

Pricing: Member Attendee $375, additional attendee(s) $350; Non-Member $750, additional attendee(s) $700

Our Mission Statement:
Enriching the lives of all Montanans through strong community-focused banks.

Montana Bankers Association Spotlights an Endorsed Product

For more information contact Pam O'Reilly, Association Services Director
800/541-5126
or
pam@montanabankers.com.

Upcoming Events

AMERICAN BANKERS ASSOCIATION

Insurance Risk Management Forum
January 26 -29, 2020
Carlsbad, CA

Conference for Community Bankers
February 9 - 12, 2020
Minneapolis, MN

Wealth Management and Trust Conference
February 23 - 25, 2020
Orlando, FL

Upcoming Events

Breaking into Banking
February 26-27, 2020
Colonial Delta Marriott, Helena

2020 IRA Basics & Update
March 3 - 4, 2020
Hilton Garden Inn, Billings

2020 Ag Banker Conference
March 19 - 20, 2020
Best Western GranTree, Bozeman

2020 New Accounts - Billings
April 27 - 28, 2020
Hilton Garden Inn, Billings

2020 New Accounts - Missoula
April 29 - 30, 2020
Best Western Grant Creek, Missoula

MONTANA BANKERS ASSOCIATION
Leadership & Advocacy Since 1904

Compliance Alliance Questions of the Month

Question:
We send disclosures electronically and can be notified when the borrower has not accessed them by the Loan Estimate (LE) due date. Are we required to mail the disclosures on that day if the borrower hasn't accessed the electronic docs? They are telling us they are having a problem once we are past the LE due date so we are mailing them then but it is past the due date. If our system logs that we sent it by the due date and the borrower had e-consented, are we okay?

Answer:
The customer is considered to have received the LE three business days after the bank sends it, even if the customer has not opened it. There is not a regulatory requirement to then send the disclosures in paper form as well. However, doing so may be required under the bank's internal policy, or an investor's guidelines (if applicable).

2. Electronic delivery. The three-business-day period provided in § 1026.19(e)(1)(iv) applies to methods of electronic delivery, such as email. For example, if a creditor sends the disclosures required under § 1026.19(e) via email on Monday, pursuant to § 1026.19(e)(1)(iv) the consumer is considered to have received the disclosures on Thursday, three business days later.
https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1026/19/#19-e-1-iv-Interp-2

Question:
Is an "assumed" loan HMDA reportable? There was only one borrower when the loan was originated (not this year) and the loan was reported in that year. The Bank has now allowed another borrower to assume the note from the original borrower.

Answer:
Yes, it would be when the bank enters into a written agreement accepting a new borrower in place of an existing borrower, even if the bank does not create a new obligation.

i. Assumptions. For purposes of Regulation C, an assumption is a transaction in which an institution enters into a written agreement accepting a new borrower in place of an existing borrower as the obligor on an existing debt obligation. For purposes of Regulation C, assumptions include successor-in-interest transactions, in which an individual succeeds the prior owner as the property owner and then assumes the existing debt secured by the property. Under § 1003.2(d), assumptions are extensions of credit even if the new borrower merely assumes the existing debt obligation and no new debt obligation is created. See also comment 2(j)-5.
Comment 2 to §1003.2(d)(2)(i): https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1003/Interp-2/#2-d-Interp-2-i

Banks and Personnel

Billings

- **Heather Schlehuber** was promoted to mortgage loan officer at **First Interstate Bank**. Schlehuber has been with FIB for nearly four years as a mortgage assistant and processor.
- **Greg Wamsley** was named director of mortgage lending at **First Interstate Bank.** In his position, Wamsley will bring together the entire line of business for FIB home loans department acorss its six-state footprint. Wamsley is a graduate of Montana State University and holds advanced degrees in physics and business management. He is also a Chartered Financial Analyst and a third-year student at PCBS.
- **Rachel Turitto** was named **First Interstate Bank's** executive team as chief human resources officer, after serving as interim human resources executive for the past seven months. Turitto is a graduate of University of Mary, a board member of the Associated Employers Group and volunteers with Yellowstone County 4-H.
- **Ryan Combs** was name eBanking manager at **Western Security Bank**. Combs began his banking career in 2006 as a teller. Since then he has gained a wide range of banking including positions as a call center representative, new accounts rep, consumer loan officer, real estate loan processor and most recently customer service manager.

Bozeman

- **First Interstate Bank** recently awarded a $200,000 donation to **MSU Bozeman**. First Interstate's donation will help the Universit build a new Conference - Group Study Room in the Bobcat Academic Center.

Lewistown

- **First Bank of Montana, a division of Glacier Bancorp,** donates $10K to Lewistown Soccer Club for new fields. "First Bank of Montana has a long history of supporting youth in Montana," said Dean Comes, president.

Manhattan

- **Melinda Flikkema** has been promoted to Inforamtion Security Officer at **Manhattan Bank**. Melinda has been employed by Manhattan Bank since 1997. Her 22 years of banking experience includes IT, project management, operations, bookkeeping, and marketing for the Bank. She is a graudate of Frace Christian University (AA) and Dordt University (BA).
- **Manhattan Bank** has elected **Jeff Mortensen** to its Board of Directors. Mortensen joined the bank in 2007 and currently serves as Branch President at the Manhattan Bank Bozeman Office. Mortensen has worked in community banking in Montana for 42 years, the past 23 years in Gallatin County. He is a graduate of the Univeristy of Montana with a degree in Finance.

Missoula

- **Bill Johnston** of **First Security Bank of Missoula** won the Missoula Chamber of Commerce George Award.

Polson

- **Jennifer McGinnis** has been appointed to the **Montana State Banking Board.** McGinnis is a Partner with McGinnis Real Estate Appraisal Group, LLC.

Valier

- **Doug Parker** has retired from **Stockman Bank**. Thank you, Doug, for your service to Stockman Bnak, and our most sincere wishes for a wonderful retirement.

Contact Pam O'Reilly at MBA with your bank's community involvement success stories!
pam@montanabankers.com

FINANCIAL INSTITUTION'S ABILITY TO PREVENT FINANCIAL EXPLOITATION

Q: What is SB0311?

A: SB0311 is a new Montana law which allows financial institutions to report suspected financial exploitation of "older persons" and "persons with developmental disabilities" and delay transactions in certain circumstances.

Q: Why is SB0311 necessary?

A: Financial institutions are in a unique position to discover and prevent financial exploitation of their customers. The Montana Legislature wanted to encourage financial institutions to take appropriate steps to prevent financial exploitation, while making sure they are protected in doing so.

Q: Which financial institutions are protected by SB0311?

A: SB0311 protects banks, credit unions, savings banks, savings and loan associations, and trust companies operating in Montana.

Q: Who is protected by SB0311?

A: Older people and people with a developmental disability. "Older person" means a person who is at least 60 years of age. "Person with a developmental disability" means a person 18 years of age or older who has a substantial intellectual disability.

Q: When should I delay a transaction and/or report suspected financial exploitation for an older person or a person with a developmental disability?

A: You can delay or report if you have reason to believe that the transaction may result in the financial exploitation of an older adult or a person with developmental disabilities. Of course, it is important to respect the independence of your customers. This law is not meant to make everyday banking harder for older adults or people with developmental disabilities. Many people in these groups have limited income; a wrongfully delayed transaction could make it difficult for the person to pay for basic necessities. It is intended to protect older adults/developmentally disabled adults and bankers alike when evidence and/or observation leads the banker to suspect financial exploitation.

Here are some red flags of financial exploitation to help you know when to delay or report a transaction. When in doubt, always consult with your supervisor or another colleague.

1. <u>Unusual activity in an account</u>
   a. Large deposits or withdrawals where the person is on a fixed income.
   b. Cashing or depositing checks where the person does not know who sent the check.
   c. Foreign wire transfers. Especially if for "taxes," "fees," or due to "overpayments."
   d. Inquiring about loans for unusual purchases. Especially if to pay for "taxes," "fees," or due to "overpayments."
   e. Marked increase in card use. Opening multiple accounts seemingly unnecessary for the customer's income.

2. <u>Unusual behavior by customers</u>
    a. New caretakers, relatives, or friends who do not let the person speak for themselves.
    b. Person cannot explain why they want to complete the transaction.
    c. Person is making the transaction on instructions of someone else. “The nice lady on the phone told me to get a cashier’s check.”
    d. Person seems desperate to complete transaction quickly.
    e. Sudden interest in an ATM or debit card where none existed previously.

Q: Am I required to report or delay potential exploitation?

A: No. You are not required to report or delay potential financial exploitation. SB0311 encourages financial institutions to act by providing immunity for certain financial institutions from liability for harm caused by a report or delay of a potentially exploitative transaction.

Q: Who should I notify if I suspect financial exploitation?

A: You can notify any federal, state, or local law enforcement agency; the department of public health and human services (“DPHHS”) or any local affiliate of DPHHS. This includes your local Adult Protective Services Office. You can also notify the person’s family member; close associate; authorized contact; co-owner, authorized signatory, or beneficiary of the account; attorney in fact; guardian; etc. You should not notify the associated third party if you believe the person to be involved in the financial exploitation.

Q: How long may I delay a potentially exploitative transaction?

A: You can delay a transaction suspected to be exploitative for 15 days. At the request of DPHHS or a law enforcement agency, the financial institution may delay the transaction for an additional 10 days (25 days total).

Q: Is there anything I am obligated to do if I choose to delay a transaction?

A: Yes. Within 2 business days of effecting the delay, you must give notice of the delay, including the reason for the delay, to all parties authorized to use the account for whom it has contact information, unless the person is reasonably believed to have engaged in financial exploitation of the older person or person with a developmental disability. You are encouraged to notify law enforcement, DPHHS, and/or any reasonably associated third party.

Q: What protections does SB0311 provide for financial institutions?

A: SB0311 provides immunity to financial institutions, including their employees and other representatives, from all criminal, civil, and administrative liability stemming from a report or delayed transaction made in good faith and meeting the aforementioned criteria.