Winter 2014 Newsletter (looking back and planning ahead)

www.RMANewEngland.org

Happy New Year from the RMA New England Chapter!!!

As it has become a tradition, we like to sum up the year that's just closed and plan ahead for what's to come (i.e. our humble attempt to look into a ubiquitous crystal ball and predict the future).

Many months if not years of uncertainty over the economic recovery (will we have a W recession or not?) are being gradually replaced by a notion that the U.S. economy is indeed improving. The most recent evidence is better jobs' growth, under control inflation, and the recent announcement of phasing out the QE bond repurchase programs by the Fed. While the economic data is still conflicting, we are on a better footing than in the beginning of 2013.

Although Main Street may not quite feel the full impact and benefit of the economic recovery, some markets certainly look stronger than others. Eastern MA with Greater Boston at its core is one of those areas. Since December 2007 out of 489 banks that failed nationally Butler Bank was the only failed bank in MA to date. In comparison, 87 or the largest number of banks failed during the same period in GA, with 70 in the runner up state of FL (source: FDIC).

The table below demonstrates that the asset base for MA banks grew from 12/31/07 to 09/30/13 while the

	12/31/2007			9/30/2013					
State	Assets (MM)	Employees	Banks	Assets (MM)	+ / -	Employees	+ / -	Banks	+ / -
MA	$261,349	47,375	181	$331,281	$69,932	46,544	-831	154	-27
GA	$284,714	54,540	352	$261,349	-$23,365	45,339	-9,201	224	-128
FL	$160,188	33,318	317	$145,135	-$15,053	26,527	-6,791	200	-117

number of banks and number of people employed declined. This underscores that the industry consolidation continues. The number of banks nationally declined from 8,534 as of 12/31/07 to 6,891 as of 9/30/13 and only some of the trend was due to bank failures. The rest is due to ongoing consolidation as well as the drive for efficiencies that are at least in part responsible for the reduction in the number of people employed.

The overall conclusion is that MA has done fairly well as compared to many other parts of the country. We have a relatively healthy economy with unemployment rate of 7.1%, in line with the National average of 7.0% (November 2013; source: BLS). Our commercial and residential real estate markets are on an upswing.

Looking into 2014, we should expect the same hypercompetitive environment but the interest rates are likely to move up modestly to benefit the NIM, something all banks are longing for. Regulatory pressures and costs will continue to rise but there is nothing new here. Let's just hope that the regulations will be practical and designed to serve their true purpose. As one CEO noted at a CEO Series event organized (annually) by our Young Professionals Group, it is pointless to complain over regulations. Just figure out what regulators need, why, and implement them efficiently and cost-effectively. That's what strong organizations do.

Talent wars will continue to escalate. A recent article in the RMA Journal "The Next Banking Crisis - Talent Risk?" further supports this statement. We are a service industry, and our strongest weapon is our employees. Technology is evolving and will allow us to be more efficient. Yet, technology only goes so far and needs to be implemented wisely, which goes back to the human talent. Ultimately, it is about having the right staffing mix, both junior and tenured.

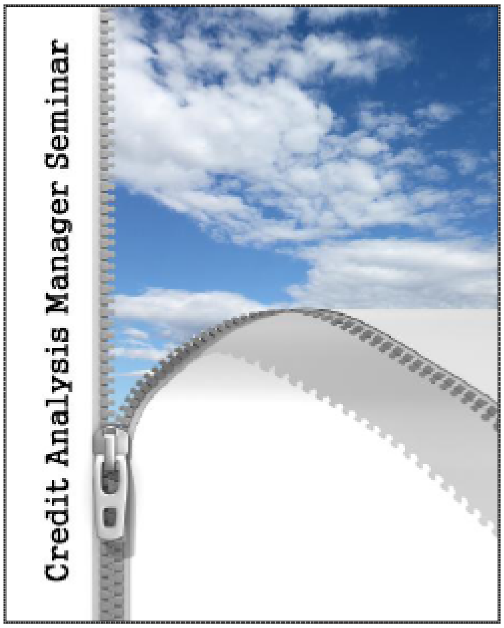
As an industry in general, we have to do a better job in attracting talent. Younger generations are familiar well with investment banking, private equity, venture capital, and consulting. When you ask them about what commercial banking is, most are still at a loss. Attracting talent is our challenge number one. Once the talent is here, we have to train, develop, nurture, and grow it. This is another skill set altogether, and we have a lot of learning and development to do on this front.

So, let 2014 be the year of opportunities, doing business smarter and exploring new ways of being more competitive and serving customers better, the year of focus on talent development, figuring out the regulatory challenges, and not forgeting the lessons learned in 2007-2009. The RMA New England is here to support you in these goals. Our upcoming seminar and event line up in on the following pages. If you have a need or interest in a particular seminar or topic, please let us know!

RMA New England Chapter Board of Directors

Local events organized by RMA New England

Credit Analysis Manager Seminar - January 28



SOLD OUT!

RMA New England presents its newest program - **Credit Analysis Manager Seminar**.

This is a seminar for new as well as experienced commercial credit managers who would like to take their teams to the n xt level. Whether you seek incremental improvements, complete turr [illegible], building a brand new team, or learning new tips and best pra [illegible] minar is a wealth of knowledge.

One Boston-based lending execu [illegible] ou want to be successful in this (commercial banking) [illegible] ed to get three things right - 1) competitive pricing, [illegible] le commercial bankers, and 3) effective and efficier [illegible] groups and throughput".

While your credit tean [illegible] urces and budgets are commonly stretched and limited, you are at th center of it all. Your team is what can make your bank successful or set it below your competition. Yet, figuring out a good strategy and direction for building a high performing team is not easy.

This is how the idea for the Credit Analysis Manager Seminar was born. It is a one-day seminar that combines the knowledge of operations, general management, and competitive intelligence. You will look at real life problems faced by credit teams, practice to deal with these challenges in new ways, assess your underwriting capacity versus the real needs of your organization, understand how to be more effective as a credit manager in working with other bank's executives, learn to motivate your teams to increase production and quality of work, develop a quality platform for attracting and hiring talent, uncover tips for managing Millennials and other younger generations, and much more.

The Seminar will be offered on Tuesday, January 28, in Boston. To learn more or to register, please click here. If you have additional questions, please contact the RMA New England board member Dima Berdiev by email or by calling him at 617-233-1405.

Loan Officer Resident Seminar (LORS) - April 27

The seminar teaches fundamental credit skills and practical lending techniques using daily seminars in conjunction with related case studies. The week concludes with the popular "Mock Loan Committee," where students apply what they have learned to a presentation in front of seasoned credit and lending professionals. Each instructor during the week is either an experienced lender or credit professional from an RMA member bank or a recognized expert in their field. Based on feedback from previous classes and in recognition of changing trends in the industry, the program is constantly updated to fit the needs of the next generation of commercial lenders.

The Curriculum

The LORS curriculum has been organized around daily focus topics: "The Current Banking Environment," "Fundamental Credit Analysis," "Loan Documentation," "Credit Structuring," "Cash Flow and Breakeven Analysis," "Due Diligence and Early Warnings", and "Loan Committee Presentations" among others.

April 27 – May 2, 2014
The Exeter Inn, Exeter, NH

Visit RMA New England website for more information and to register (click Events - Local): www.RMANewEngland.org

We encourage you to register early, as this event is expected to sell out.

Meet our Board Member – Richard Labrecque

Richard J. Labrecque
Vice President / Credit Officer
Santander Bank, N.A.
Boston, MA

Richard (Rick) is currently a Credit Officer for Santander Bank supervising a commercial underwriting unit that spans the New England region. He has been with the institution for the past three years as a Credit Officer and has been engaged in the Business Banking, Middle Market and Franchise Groups.

With nearly 30 years of experience, Rick has worked in commercial credit and lending with a concentration in the C&I, CRE and small business disciplines. He began his commercial credit career at CitiBank in the late 1980's and later moved on to RECOLL Management Corp., a subsidiary of Fleet Financial, working on the disposition of the Bank of New England loan assets for the FDIC. Over the past decade or so, he has worked at smaller institutions developing and refining their commercial credit and lending programs.

A member of RMA for more than 20 years, Rick utilized RMA training, research and solutions at area Community Banks to successfully implement appropriate credit disciplines and enhance risk management programs while still serving the financial needs of the institution's target market.

Rick received his undergraduate degree in economics from Bridgewater State College and an MBA in Finance from Dallas Baptist University.

RMA New England Chapter Scholarship

The New England Chapter of RMA is pleased to offer a one-time, non-renewable $750 scholarship to be awarded on or before May 30, 2014. The scholarship will go to an individual based upon academic record, leadership, personal statement, and school and community activities. For more details on eligibility and how to apply, please visit www.RMANewEngland.org. The application deadline is March 28, 2014.

Recap of local and national events

RMA CT / Western MA Women in Banking Fall Event

Finding the Silver Lining - Making the challenges of lending in today's environment work in your favor!

This luncheon event was held in October 2013 in Hartford, CT. This event is an example of various events organized by our Women in Banking group. The panel of senior executives involved in commercial lending discussed issues related to the current lending environment, including but not limited to credit standards, regulatory issues, and the local market. The panel consisted of Mary Murphy, SVP, Liberty Bank, Tony Joyce, SVP, Chelsea Groton Bank, and Lisa Maass, SVP, Citizens Bank (from left to right in this photo).

If you are interested in our Women in Banking group and would like to get involved or participate in future events, please contact Paula Zaiken at 617-723-7878 (for MA events) or Carol Brennan at 413-237-6648 (for CT events).

Recap of Local and National Events, con't

Enterprise Risk Management Roundtable at State Street Bank

Medaling in ERM - Go for the Gold!

The RMA New England Chapter's Enterprise Risk Management (ERM) group continues to facilitate sessions regarding risk management issues, challenges faced by financial institutions, and related best practices. In this regard, an ERM luncheon event was held in November 2013 in Boston, MA.

The panel consisted of Dan Roussell, SVP and Head of Operational Risk, State Street Corp. (left to right), Bob Davis, SVP and Chief Credit Officer, Cambridge Trust Co., and Mark Zmiewski, Director Enterprise Risk and Product Management, RMA. Mr. Roussell reviewed problem areas for practitioners as operational risk moves forward as a discipline; the discussion covered the integration of both qualitative and quantitative data types into a single focused information stream and explored the challenges in creating and implementing an effective challenge program. Mr. Zmiewski reviewed key findings from recently completed RMA surveys which provided practical insight into the makings of an effective risk management culture and the direction that leading practitioners are headed in terms of employing an integrated approach to risk management at the enterprise level. If you would like to become more involved in ERM group activities, please contact Michael Gallagher or Thomas Holbik or Diana Carito.

RMA Annual Conference

This past November, three of the RMA New England Board members, including David O'Brien, Thomas Holbik and Mike Gallagher, attended the RMA Annual Risk Management Conference held in Philadelphia, PA.

This conference was especially grand since it kicked off RMA's centennial anniversary celebration. The Conference welcomed over 800 participants from across the country and provided attendees with a number of sessions relating to risk management.

Speakers included James Rohr, Executive Chairman of PNC, Anthony Santomero, Former President of the Federal Reserve Bank of Philadelphia, and Mark Zandi, Chief Economist of Moody's Analytics. Attendees were also greeted by a sea of vendors who filled the Exhibit Hall and presented the latest and greatest advancements in risk management tools and consulting services.

Mike Gallagher, President of the RMA New England Board remarked: "You just can't beat the quality of the attendees at the RMA Annual Conference. The event gave me an excellent opportunity to interact with my peers from across the country. RMA also did an excellent job showcasing their commitment to the Banking Industry over the past 100 years, and stacked the agenda with quality speakers. It was well worth the trip."

Training Courses and Events

Save the date!

<u>"The Current State of Healthcare and Implications to Loan Underwriting"</u> on **Friday, March 14** *at the Conference Center at Bentley University in Waltham, MA*
Moderator: Lisa Davidson McKinnon, SVP and SCO, New England Healthcare Finance, TD Bank
Panelists:
John Auerbach, Prof. of Practice & Director, Institute on Urban Health Research and Practice, Northeastern University
Kate Walsh, President and CEO, Boston Medical Center
David G. Wenger, SVP and Senior Client Manager, Global Commercial Banking - Healthcare & Institutions, Bank of America

<u>RMA CT / Western MA Senior Executive Community Bank Roundtable</u> on **Wednesday, March 20**
<u>RMA CT / Western MA Women in Banking event</u> on **Wednesday, April 9**
Both events will be held at noon at Carbone's Restaurant in Hartford, CT.

More details will be available on our website and in our email communications in the coming weeks.

The RMA New England Chapter is cosponsoring the following open enrollment seminars:

The RMA New England Chapter is cosponsoring the following open enrollment seminars:

<u>Financial Statement Analysis</u>
January 27, 2014
Boston, MA

<u>Lending to Nonprofit Organizations</u>
January 30, 2014
Boston, MA

<u>360° Negotiation Skills for Bankers</u>
January 30, 2014
Barre, VT

You can also register through <u>www.RMANewEngland.org</u>

RMA National events

For listing of national events, training seminars, conferences and a lot more, please visit www.rmahq.org.

RMA was founded in 1914 to help commercial bankers make better lending decisions through the exchange of credit information. Today, RMA is the only association that specializes in promoting effective and prudent risk management practices for institutions of all sizes, across the entire financial services industry. Headquartered in Philadelphia, Pennsylvania, RMA has approximately 2,500 institutional members that include banks of all sizes as well as nonbank financial institutions. They are represented in the association by 16,000 risk management professionals who are chapter members in financial centers throughout North America, Europe, and Asia/Pacific.
Note: As a not-for-profit, professional association, RMA does not lobby on behalf of the industry.

The Next Banking Crisis: Talent Risk?

A talent shortage is already bedeviling banks. And unless financial institutions take action, it will only get worse when experienced baby boomers retire in droves.

In 1997, the McKinsey & Company consulting firm proclaimed that "the war for talent" would separate winners from losers in the years ahead. Sixteen years later, the banking industry is on the cusp of losing the war.

To understand the issue, consider a talent management planning session conducted by a community bank a few years before the financial crisis hit. Like many community bankers, the CEO of this bank started his career in the credit department of a bigger bank in the 1970s. Confident in his own background, over the years he had hired commercial bankers with similar training and experience.

As the CEO evaluated his bank's talent, he discovered good and bad news. The good: He had a solid team. The bad: No one was under the age of 40. Concerned, he instructed his HR manager to build the bench of commercial bankers. To his surprise, HR came back and said it could not find one well-trained, experienced commercial banker under 40 in the marketplace.

By Richard J. Parsons

To read the full article, please visit www.rmahq.org.

Client Calls are That Important? What Every Credit Analyst Manager Must Know.

If you have managed a team of credit analysts or underwriters you are familiar with the numerous challenges that make the job of a team leader in commercial banking trickier than ever. Some challenges are:

- The lack of credit training programs;
- Increased mobility of bankers, especially those of younger generations;
- The job of a credit analyst is regarded as a stepping stone resulting in high turnover and low tenures;
- Ever-shrinking budgets with almost no money for training;
- High competition for scarce talent and constant poaching by competitors; and
- Growing emphasis on production and operational efficiencies.

Key components that a successful leader of a team of credit analysts has to do well are shown in the chart to the left.

While the list may seem daunting, that's what it takes to lead a successful credit analysis or underwriting operation. This highlights yet another opportunity: we have virtually no management development frameworks, and managers are left to

What Every Credit Analyst Manager Must Know, con't

figure things out on their own. Some succeed but a number fail, especially if a management job is the next, unavoidable, and the only stepping stone in climbing the corporate ladder. Moreover, managing younger generations is a unique skill set many tenured managers do not possess; a skill that requires connecting with people and staying current while driving performance.

Credit analysts interviewed and surveyed prior to writing this article cite one area where banks fail again and again: the lack of interaction with clients. They are not exposed to the bigger picture and the final product of their labor as analysts. This leads to significant frustrations and contributes to inferior morale, engagement, and a significant learning opportunity is missed.

Below are suggestions on how to improve your team's drive by focusing on one element that motivates credit analysts and on what they expect.

Offer a different view than the one from the trenches

The job of a credit analyst tends to revolve around specific and often rudimentary "chunks" such as financial statement spreads, completion of exhibits from cash flow to collateral and others, sensitivity analysis and financial modeling, industry and market analysis, business model and management assessment, background research, and due diligence. This work can be repetitive and monotonous in nature, especially when done over a period of months and years.

Being included in client meetings, conference calls and email exchanges; interactions with various business partners; and an opportunity to be a part of the deal process from beginning to end allows an analyst to see that her or his work makes a difference. Such participation in combination with special projects helps break up the routine of the job. It is especially vital for the morale and commitment of younger generations who are recently out of college. Younger people tend to have tremendous drive and inspiration to make a difference in the world. Getting stuck in a "rut" will kill their commitment to your institution.

Hands-on professional development

Participation in and contribution to the entire deal process from prospecting to underwriting, approval and portfolio management is essential to comprehensive training and development of credit analysts. There is a tendency among more tenured colleagues, under the pressure of business goals, to forget that some of the most meaningful and impactful experiences they gained were from client calls and work with business partners such as accountants, attorneys, deal sponsors, member of the bank group, and many others. No matter how much training we may offer, the close-to-real-life scenarios will never fully replace the experience, the pace, and the unpredictability of a live deal. We should be prepared to offer similar opportunities that were afforded to us.

Being an integral part of the team

The best performing teams have analysts closely integrated into the fabric of the deal making. The teams on the opposite end of the spectrum have their analysts siloed to disjointed, often most routine tasks. We can learn a lot from other financial services firms such as those in investment banking, consulting, private equity, and venture capital. You may have experienced that their analysts are almost always a part of client meetings and included in their communications. They do not worry about "overcrowding" a room or that there is too much work to be done in the office – an excuse you may have heard from some commercial banking RMs and team leaders. They realize that the sooner they bring an analyst up to speed on all aspects of a deal, the faster they will have a cross-trained, fully-operational team member who can help out in a variety of ways and who is more effective due to deep understanding of deal workflow.

Experiences of other banking institutions and best practices

The experiences of banking institutions across the U.S. vary in how they integrate their credit analysts into deal workflow. Yet, there are common threads and best practices, if institutions understand

What Every Credit Analyst Manager Must Know, con't

the importance of credit analysts' full team integration. Several interviews and surveys revealed that few banking institutions can boast having analysts participate in client calls as part of their business culture. However, individual teams and their team leaders in many instances do try to have their analysts exposed to every element of client interaction. This is accomplished through a variety of ways. In some instances, a measure of analyst participation in deals and client calls is part of RM and RM team leader performance reviews. In others, it is the analyst and his/her team leader's responsibility to monitor and push for their participation in meetings and conference calls (and also included in their performance reviews).

In a number of responses cited, individual RMs are well aware of how involvement in all facets of the deal including client calls helps develop better analysts and was an important part of their own development. The greatest challenges seem to be a) the lack of time and resources, especially on the part of analysts, and b) RMs being aware of the need to better engage analysts but not motivated enough to make it happen. These challenges can be easily overcome by analysts putting in a few extra hours to make up for the time lost while on calls and by creating a corporate culture where analysts' engagement is part of a lending operation.

Improved efficiencies and productivity

One of the most important benefits of being a part of the team is improved efficiencies and productivity. The more individuals "touch" information from the borrower and transfer it from person to person, the more there is a chance to lose important data and details, distort information, and waste valuable time. In addition, how many times those of us in the RM shoes have been to deal meetings, have taken copious notes, and then never had time to retype and integrate valuable client details into client records? These notes become buried in the piles of our business artifacts, never to be recovered again. Another side of this problem is not asking questions (or at least not all of them) that are the most relevant to underwriting and ensuring that our credit partners have what they need to get comfortable with the deal.

This is where credit analysts come into play. They can help you prepare for your meetings, analyze data ahead of time, prepare relevant questions, take notes or minutes and transfer them into bank systems, and capture information that will ultimately help the deal team get a deal done faster and more effectively. Some bankers even use their analysts in the project management capacity in helping set up meetings or coordinate closing schedules. Imagine hours of time saved and deals done faster because we found the time to take full advantage of our analysts. Imagine someone being able to ask questions on the spot rather than unproductive and endless email exchanges, reduced aggravation for clients who do not need to worry about never ending follow-ups because we were not organized enough, and just the ability to track relevant information quickly.

You roadmap to more effective and committed credit analyst teams

- Make it part of RM and credit analyst annual reviews for analysts to go on calls and fully participate in deals.
- Measure the number of client calls (in-person or on the phone) each analyst attends. The goal should be a minimum of one a month for those teams who do not do it currently.
- Measure your analysts' satisfaction with being involved in all aspects of deal-making (and of course act on this information).
- Educate your RMs on the importance of better engaging more junior colleagues such as credit analysts. List the various benefits to them from time-savings in deal approval and better understanding of the client to more effective underwriting process and targeted, non-excessive client contacts. Ultimately, the benefit is better developed and retained credit analysts, which is something hard to argue with.
- Outline for every credit analyst best practices and expectations for joining client calls and for their involvement in other deals components. This is your opportunity to spell out how you want things done and educate more junior colleagues to improve their performance in client and business partner facing situations.

What Every Credit Analyst Manager Must Know, con't

- Conduct debriefs and coaching sessions post client / prospect meetings so that you can further coach your credit analysts on what was done well and what needs improvement.
- Engage your team leaders and senior management to help foster an integrative credit culture.
- Consider the seating arrangements that place credit analysts among more senior colleagues. Do not forget, however, to "pair" them with individuals who have strong credit backbone to ensure that the analysts do not pick up bad habits before they have a chance to develop a strong credit foundation.
- Form deal discussion groups or, if you already have them, ensure that credit analysts are included so that they can experience working on deals beyond crunching numbers.
- Remember that younger generations want to see the bigger picture and want to be included in all aspects of deal structuring, need it, and expects it. Your competitors will use an integrative credit culture as one of several selling points to attract away your analysts. It is an essential part of credit analysts' development and learning, breeds the sense of team work, which in turn instigates more effective and collaborative work across banking teams.
- Finally, broader implications of these recommendations are that you can take this knowledge beyond your pools of credit analysts. It has applications everywhere, especially with junior colleagues.

If you want to attract newer generations, you must create a talent fostering culture that is based on the pillars of formal training, rich and frequent coaching and feedback, and on-going mentoring.

By D. Neil Berdiev

RMA Credit Risk Certification

For more information, visit www.RMAHQ.org

In today's rapidly changing financial services industry, you need practical, day-to-day knowledge that will help you excel in your profession. You need the latest skills - skills that are current and complete. And you need the demonstrated ability to serve a diverse base of clients. Plus, you need all of your knowledge, skills, and abilities to be validated by a respected organization like RMA.

There are seven skill sets you need to build on when preparing for the RMA-CRC examination.

This is in addition to the knowledge acquired through the application of concepts as a hands-on lender, analyst, credit officer, or loan services officer.

1. Evaluate the client's industry, markets, and competitors.
2. Assess management's ability to formulate business and financial strategies and to execute them.
3. Complete accurate, ongoing, and timely financial assessments of the client and its other credit sponsors.
4. Assess strengths and quality of client/sponsor cash flow.
5. Evaluate collateral values and conduct periodic inspections of collateral.
6. Identify repayment sources and appropriately structure and document credit exposures for the intended purpose.
7. Learn to recognize problem loans and the actions needed.

For more information, check out our website: **www.rmahq.org**

Meet the RMA New England Chapter Board

OFFICERS

President:
Mike Gallagher
Enterprise Bank

1st Vice President
Richard Labrecque
Sovereign Bank

Secretary
Katerina Papp
Eastern Bank

Treasurer
David O'Brien
Rockland Trust

DIRECTORS

Dima Berdiev
Marketing, Communications
RBS Citizens

Carol Brennan
Community Banking, Membership
BDC Capital

Diana Carito
Programming, ERM
Salem Five Cents Savings Bank

Lana Delic-Lalic
RBS Citizens

Joanne Franco
Eastern MA and RI Open Enrollment
National Grand Bank

Kama Giedra
Western MA and CT Programming
RBS Citizens

Joseph Herzog
Young Professionals Committee
BDC Capital

Thomas Holbik
ERM
Blue Hills Bank

Lisa Krywucki
Eastern MA Programming
Fidelity Cooperative Bank

Andy Mahoney
Audit, By-laws
Cambridge Trust

Dale Makowski
Eastern MA Women in Banking
Eastern Bank

Meghan Morris
RI Programming, LORS
RBS Citizens

Tom Piemontese
Greater Boston Ambassador
Century Bank

Marilyn Tressel
Boston Private Bank

Paula Zaiken
Eastern MA Programming
The Property & Casualty Initiative

PAST PRESIDENTS' COUNCIL

Don Bedard (2010-12), Immediate Past President, LORS
Dennis Stratton (2009-10), Long Range Planning, LORS
Bruce Lemieux (2008-09), LORS
Andrew Mahoney, Strategic Planning Committee, Audit, Bylaws
Paul Butler (2002-03)
Robert Skurka (2000-2001) Strategic Planning Committee
Richard L. Archambault

Interested in getting involved in the RMA New England?

We want to hear from you!

We are a group of high energy banking professionals who put together educational, networking, panels and various other events and products. We work within our business community to bring value to our peers through a wide range of services.

RMA New England Chapter
10 Back River Rd.
Amesbury, MA 01913
Julie Conroy, Administrator
Contact Us