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FALL 2021

Chad and Nikki Mildren
2021 – 2022 WVBankers Chairman

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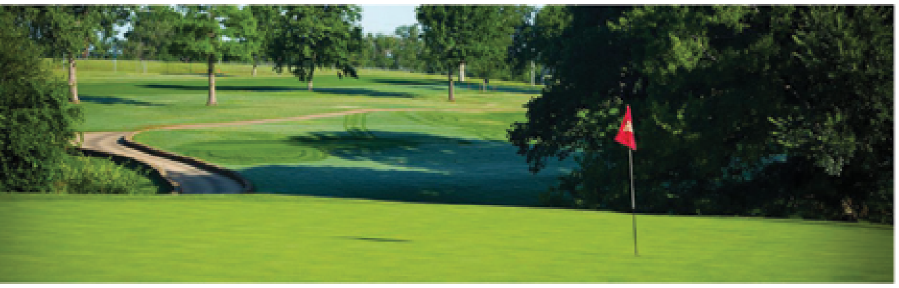
2021 Investment Strategy Conference



OCT

October 20-22, 2021
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- Economic Update: Post-Pandemic Policy and Market Conditions
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- Regulatory Hot Button Issues for 2021
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- Developing an Investment Strategy Process to Successfully Deploy Excess Liquidity
- Finding the Best Relative Value in Today's Bond Market
- Municipal Credit Risk and Recommendations: What to Buy and What to Avoid
- Mortgage Market Prepays and Cash Flow Analysis: The Good, the Bad, and the Ugly

Featured Speaker
Dr. Gary Shilling
President of A. Gary Shilling & Company, Inc.

Who Should Attend
Financial institutions' CEOs, CFOs, investment officers, board members, and those who are directly or indirectly responsible for financial management functions will benefit from this seminar. ***There is no cost for this seminar.***

For your convenience, register online at GoBaker.com/oklahoma. Call Skoshi Heron at 888.990.0010 for more information.

Agenda

Wednesday	Thursday	Friday
Golf (Twin Hills)	Breakfast Seminar Lunch Seminar Dinner	Breakfast Seminar Conclusion (Noon)

Hotel
You are responsible for your own hotel reservations. Deadline is September 20, 2021.

The Skirvin Hotel: Call 1-800-HILTONS and use Booking Code: BAKER. Hotel info: Deluxe $159 + tax.

Economics and Finance CPE credits will be earned for your attendance.

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The West Virginia Banker magazine was recognized with an Award of Distinction in the Overall Design Category.
The Communicator Awards are the leading international creative awards program honoring creative excellence for communication professionals. Founded over two decades ago, The Communicator Awards are an annual competition honoring the best in advertising, corporate communications, public relations and identity work for print, video, interactive and audio. The 24th Annual Communicator Awards received over 6,000 entries from top ad agencies, interactive agencies, production firms, in-house creative professionals, graphic designers, design firms, and public relations firms around the world.

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A MESSAGE FROM THE CHIEF EXECUTIVE

By Sally Cline

WVBankers Group Retirement Plan – A Value Proposition for Members

Individual employer-sponsored retirement plans can be complicated, risky, and costly to manage, particularly for small businesses. Because of this, WVBankers identified a need to provide member banks, predominantly small- to mid-sized banks, a "turn-key" group retirement solution that includes comprehensive administrative and investment support. With the assistance of Metro Benefits as our ERISA Section 3(16) third-party administrator and Graystone Consulting, a business of Morgan Stanley, as our ERISA Section 3(38) investment manager, the Association began marketing a multiple employer plan or MEP that would allow banks that desired to join under a single plan, the ability to offer high-value retirement benefits to their employees with less burden and worry.

Under a MEP structure, the plans of multiple banks would be combined under a single plan. The Association would make most of the fiduciary decisions and assume most of the risk as the plan sponsor, but the risk would be shared with our ERISA third-party service providers. Participating banks would join the MEP through participant or joiner agreements that can be tailored to fit their needs. As a single plan, the MEP would have one plan document, one 5500 filing, one plan-level audit, and one investment lineup.

Recognizing the need to assist small businesses and their employees, Congress passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which was signed into law on December 20, 2019. The SECURE Act includes several provisions that impact group retirement plans, including the creation of a new type — the Pooled Employer Plan, or PEP. A PEP is a type of MEP, but without the requirement of all businesses sharing a commonality.

When WVBankers launched the concept of a MEP a couple of years ago, we selected MassMutual as the recordkeeper. MassMutual was acquired by Empower Retirement earlier this year. As the second largest retirement service provider in the country, Empower continues to invest in technology and new capabilities that deliver state-of-the-art solutions and user-friendly experiences. Following the passage of the SECURE Act, Empower expanded its retirement plan solutions, which allows WVBankers to deliver a solution that best fits the needs of our member banks.

One of these solutions is a MEAP or a multiple employer aggregation plan. The key difference from a MEP is that the joining banks maintain their own single plan and are not grouped into one large plan with other participating banks. The adopters continue to sponsor their own plans and WVBankers acts as an endorser. Like the MEP, this solution aggregates services to create efficiencies and brings in Metro Benefits and Graystone Consulting as the administrative and investment fiduciaries to oversee many operational and fiduciary tasks of the program and its adopting plans. The MEAP solution would also have one investment lineup, but each individual plan would have its own plan document and complete its own 5500 filing and plan audit, if required, through our third-party administrator.

Both the MEP and MEAP solutions are beneficial for banks who want to take advantage of collective purchasing power, a reduction in administration time, and less fiduciary responsibility and risk. Additional benefits include:

- Individual retirement plan features that work best for your organization.
- Less time spent on retirement plan administration and more time focused on your organization's goals.
- A high-value, competitive benefits package that can help you attract and retain top talent.
- Access to leading retirement plan service providers to navigate an increasingly complex legal and regulatory environment.
- Expert investment selection and fiduciary protection from a leading independent firm.

In addition to offering tangible benefits to your bank, the WVBankers group retirement solution is in your employees' best interest. With our solution, your employees will receive a dedicated team of retirement advisors, who will make their retirement planning experience more personalized, more accessible, and easier to understand. Our tools and helpful resources will ensure your employees are more fully engaged in reaching their retirement goals.

Representatives are happy to meet with you to discuss how a group retirement solution is an effective way to manage your 401(k) duties and responsibilities, mitigate your fiduciary risk, and experience potentially favorable pricing. If you would like to learn more about our group retirement plan, please contact me directly at (304) 343-8838 or scline@wvbankers.org. ■

Meet Your Chairman:

Chad Mildren, Chief Consumer Banking Officer, United Bank

Chad Mildren (far left), 2020 Kids Golf tournament chairman, and tournament top-level sponsors present the event fundraising proceeds to the Boys & Girls Club of Parkersburg.

1. How did you start your banking career?

I come from a long line of bankers. I'm actually a fourth-generation banker, so it's almost as if banking is in my blood. I began my career in the banking industry working as a teller during the summers while in college. And in the summer prior to my senior year, I interned at Jackson State Bank in Jackson Hole, Wyoming. The internship provided me the opportunity to experience and gain insight into several areas of the industry, including new accounts and branch operations. It was at that point I decided to pursue a career in banking and upon my graduation from the University of Kentucky, I took a role as a credit analyst at that same bank in Jackson Hole.

2. Are there any individuals who had a major impact on your career?

There have been several individuals that have really had a great impact on my career and life. The first two – my father William E. Mildren Jr. and grandfather William E. Mildren Sr. – they were both bank presidents at the former Commercial Bank in Parkersburg, running the community bank for more than 50 years. Their guidance, influence and knowledge, as well as the examples they set as positive role models, bankers and community members really helped me to forge my career. Additionally, Richard and Rick Adams have been lifelong family friends. They are both driven, dedicated leaders within United Bank, across our footprint and the industry. Throughout my 21 years with United, they have each served as role models and mentors as I've grown my career and worked across numerous areas of the bank. Many others have also touched my life and helped me along the way for which I am very grateful.

3. Best professional advice you have received:

I have received advice from many influential people throughout my career. While each has been helpful, I don't believe one piece stands out as the best, but rather, each bit of advice or guidance tended to build upon itself throughout the years. Working hard, having a good attitude, caring about others and focusing on making a positive impact all go hand-in-hand and continue to be guiding principles in my professional career and life.

4. What has been most rewarding part of your career?

Making a difference in my community and being a part of a winning team at United that works to make a positive difference in the lives of our employees and within the communities we serve. In my role at United, as well as my service as a past chair and current board member of the Wood County Economic Development Authority, I've been able to help attract new businesses to the local area and assist customers in growing their businesses by providing financing and other banking services. Helping to further United's commitment to the communities we serve through volunteerism and fundraising has also been very rewarding. For the past 12 years, I have served as chairman of the annual Kids Golf Classic to raise money for our local Boys & Girls Club. The Club plays such an important role within the community, shaping the lives of the youth across the Mid-Ohio Valley and contributing to their future successes. I am extremely proud of the partnership and how the local business community comes together to support the Club and our local youth.

5. What do you think will be some of the dominant trends within the banking industry in the next 5–10 years?

The rate of change will continue to increase, and I believe digital channels will continue to evolve and be adopted by our customers. I believe we will continue to see consolidation in the industry, less branches with smaller footprints, accelerated use of cloud computing and artificial intelligence, increased competition from financial technology companies, self-service channel expansion and an improved customer experience. But building and maintaining strong relationships within our communities will always be important within the banking industry, especially to us at United Bank. We remain committed to our customers and communities and to providing each relationship with an unmatched level of service as technology and banking products continue to evolve.

6. Why is being a WVBanker member important?

The association provides numerous benefits to its members, including first and foremost its advocacy efforts. The legislative committee, as well as the Bank PAC, give bankers a voice that promotes a healthy and free marketplace to do business. The educational components and the WV School of Banking are also very important to our banks and both new and seasoned bankers throughout the Mountain State.

7. How long have you been active in the West Virginia Bankers Association?

I first joined the board in July of 2013, but I became active with WVBankers many years earlier, attending and then graduating from the WV School of Banking in 1999. My grandfather was a past president of WVBankers, serving from 1956-1957. My father also served on the board of directors for WVBankers. As a child, I would occasionally visit the Greenbrier during the annual WVBankers

Chad's grandfather, William E. Mildren, Sr., West Virginia Bankers Association 1956-1957 Past Chairman, presenting at the WVBankers Annual Convention at the Greenbrier.

Convention, so I've been around the organization for quite a long time.

8. What are you looking forward to most as the WVBankers Chairman?

I look forward to working more closely with Sally Cline and the WVBankers staff this coming year. They do a wonderful job, and I have enjoyed my time on the board, learning about all the interworking of the organization and all the services they provide our members. It's also been great getting to know all the other bankers on the board who come from all across West Virginia, learning about their banks, institutional knowledge and local communities.

9. Advice you would give emerging leaders in the banking industry.

Embrace technology and dedicate yourself to a lifetime of learning and growing if you want to succeed in this dynamic industry. Don't be afraid of change, but rather, welcome it. Seek advice from successful leaders in your community and find a mentor. Look for and participate in leadership opportunities at your organization, in the industry and within your local community.

10. Favorite memory or experience of your career:

I have had many great experiences and memories that I continue to carry with me throughout my career. From working with and learning from my dad at Commercial Bank during the summers to the internship program and landing my first full-time role in Jackson Hole, Wyoming. From becoming a Market President in my hometown and leading a team of bankers to become the top market at United to volunteering and giving back to my community, raising $300,000 in 2010 to build a much-needed skate park in the Parkersburg area and a record-breaking $273,000 for the Boys & Girls Club of Parkersburg during the 2021 Kids Golf Classic. Each of these experiences were very rewarding and have helped to make my banking career very memorable.

11. Something about you that might surprise fellow bankers:

Last year, I purchased an outdoor pizza oven and have really enjoyed making authentic Neapolitan pizza for friends and family. It's been a lot of fun making my own fresh dough, finding other fresh ingredients, and mastering new recipes. Plus, the pizzas taste amazing!

12. About you: Family, Interests and Hobbies?

I've been married to my wife Nikki for 18 years, and we have two children, Annie, age 16, and Margaret, age 14. We spend a lot of weekends watching soccer as both of our girls play travel soccer and for Parkersburg High School. I am also an avid outdoorsman and enjoy bird and deer hunting, fly fishing, skiing, snowboarding, and spending time at my farm in Ohio. I also enjoy playing golf with friends and family.

13. What advice would you give someone considering entering the banking industry:

Banking really is a terrific, important, and dynamic industry with a lot of opportunities. It's a rewarding field to be part of, and as you enter banking, my advice is to learn and seek out information about the various areas and departments within banking. As you grow within your roles and organizations, you'll see how quickly the industry can change and evolve, which can be exciting, so always be prepared to adapt with a willingness and desire to innovate and tackle new challenges. ■

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How Will Your Bank Leverage Fintech?

By Amy J. Tawney and Sandra M. Murphy, Bowles Rice LLP

Financial technology, or fintech, refers to the broad set of financial innovations that apply new technologies to a financial service or product. Although potential competition from fintech companies initially raised concerns for the banking industry, banks quickly recognized and adapted to the changing market as consumer and regulatory demand for better technology increased. Today, banks have implemented fintech solutions for both back-end processes (monitoring of account activity) and consumer-facing products (applications to apply for loans and pay bills online). Many community banks now partner with fintech companies, often through their core processing service providers, to provide modern platforms and services to their customers, obtain data about their customers to offer individualized products and services, and increase security.

The COVID-19 pandemic also forced banks and customers to innovate, often changing how banking transactions were conducted. Banks rushed to provide solutions to open accounts and close loans remotely. These critical fintech solutions heightened banks' awareness of the need to analyze their fintech strategy, including the processes and products that need to be changed and the best model to pursue that change.

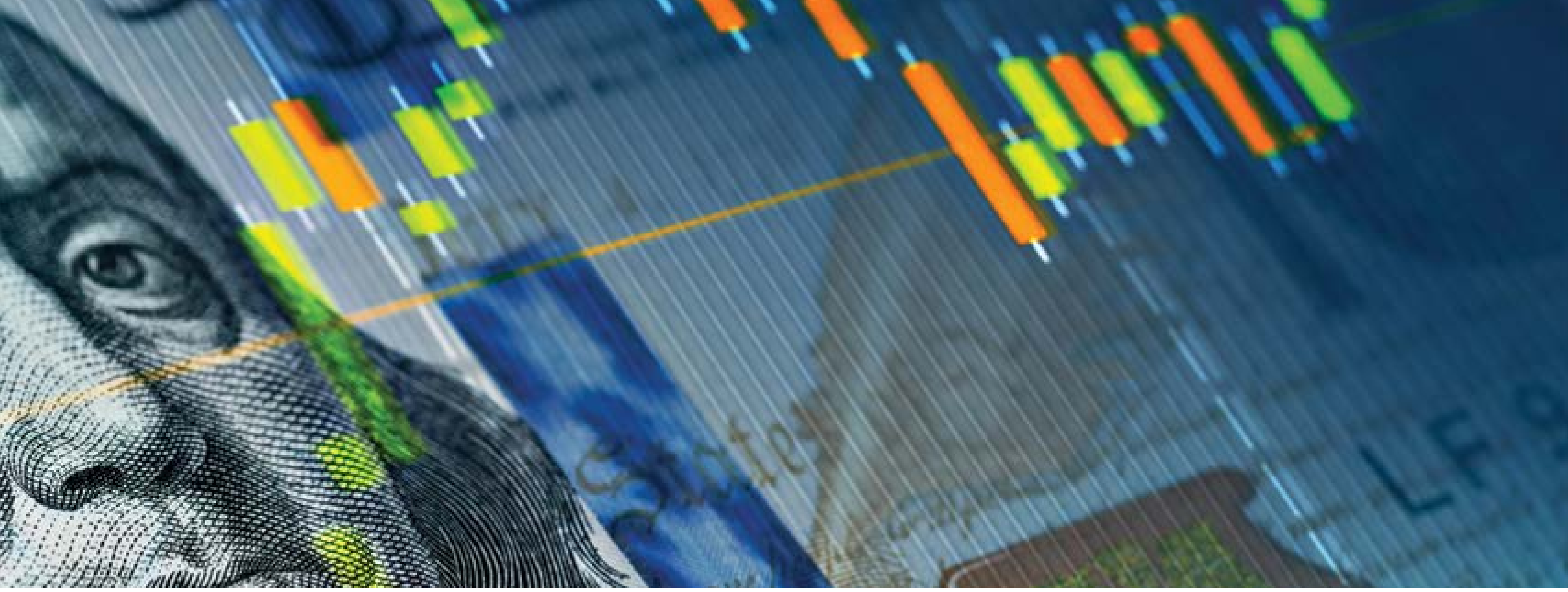
Community banks should consider the following two questions when reviewing their fintech strategy: (1) what are the bank's goals for using fintech, and (2) what is the best model to pursue those goals? There are various options available to banks looking to incorporate fintech more fully in their business. These options include:

- **Develop Products In-House:** develop fintech products and services by employees;
- **Partnerships/Collaboration:** enter into an arrangement with one or more fintech companies to provide new products or platforms;
- **Investment:** invest in a fintech company; and
- **Acquisition:** acquire a fintech company or an established product.

The most challenging strategy is to recruit the talent to develop new processes and services in-house. This model takes more time and funding than the other models and the talent may not be available. However, if this model is successful, the bank will attract new customers, obtain additional revenue, and sell or lease the technology to other financial institutions.

The model being pursued by most community banks is the partnership/collaboration model where banks enter into third-party arrangements with fintech companies to provide new products and services to the bank's customers. Community banks have certain advantages that are attractive to fintech companies, including a large customer base, access to the settlement system, regulatory compliance expertise, and funding. By leveraging these advantages and partnering or collaborating with a fintech company, community banks can provide safe and secure financial transactions for a wide range of products and services, often with high transaction volumes and low operating costs. By adopting this model, banks can provide fintech solutions and individualized products and services for their customers more quickly.

The last model is to invest in a fintech company or purchase an already established fintech product. This model elevates the



When considering each model, community banks should undertake the same risk assessment and due diligence procedures that apply to other products and services.

bank from a fintech user to fintech provider and, if done correctly, can be the fastest method of offering new services to customers. Banks taking this approach must be prepared to provide the infrastructure necessary to support the model. This model also requires banks to actively oversee the fintech program and provide compliance and regulatory support. Banks also need to be ready to scale up depending on the success of the model. This model may require prior regulatory approval depending on the level of control exercised by the bank.

When considering each model, community banks should undertake the same risk assessment and due diligence procedures that apply to other products and services. Banks will need to manage relationships with fintech companies and develop and implement systems to mitigate risk and address regulatory concerns.

Finally, banks may want to explore whether state-sponsored "regulatory sandboxes" offer a way to develop and test new fintech products and services. Many states, including West Virginia, have adopted laws designed to promote innovation in the financial sector and analyze the emerging risks. These "regulatory sandboxes" establish programs through which firms can experiment with new products while simultaneously allowing regulators to study the risks associated with the latest technologies.

The West Virginia Division of Financial Institutions has adopted a FinTech Sandbox. The West Virginia FinTech Sandbox enables entities that would typically require licensure in West Virginia to test an innovative financial product or service for a limited period of 24 months. After the end of the sandbox period, if the test of the product or service has been deemed successful, the entity would be able to continue operating in West Virginia subject to any licensure requirements at that time. The program is intended to encourage startup activities and entrepreneurship. The West Virginia Division of Financial Institutions is currently creating a process for accepting and reviewing applications on a secure platform. Until that process is fully operational, any individual or entity interested in discussing potential sandbox activities should contact the Division at fintech@wvdob.org or 304-558-2294 to schedule a pre-application meeting. ■

About the Authors:

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Let's Talk About Firewalls

By Trista Cline, Arnett Carbis Toothman LLP

Let's Talk about the Bank's Firewall. With the evolution of network security technology, there are more sophisticated firewalls available called next generation firewalls (NGFW). An NGFW is a network security device that provides more security than the traditional firewall appliance. The NGFW results from the increase over the years in cyber threats that have become more sophisticated in finding ways to breach traditional firewalls and ultimately gain access to company networks.

So, What Does a Traditional Firewall Do?

It allows or blocks traffic based on state, port, and protocol and filters traffic based on administrator-defined rules. The traditional device mainly controls the flow of traffic based on the rules that were set or configured. Depending on the type of protocol being run, these devices would accomplish the objective using a "stateless" or "stateful" method. A stateless method for traffic monitoring only focuses on individual packets, using preset rules to filter traffic. A stateful method for traffic monitoring will oversee and detect states of all traffic on a network to track and defend based on traffic patterns and flows. With traditional firewalls, the more effective version of the two types would be the stateful firewall. However, a traditional firewall still does not go as far as a next generation firewall in helping a bank with cyber threats. Here are some things to consider with cyber threats for 2021:

- Due to COVID-19, cyber threats are on the rise, according to PurpleSec.
- Remote work increased, which resulted in more security vulnerabilities, according to IBM.
- According to CPO Magazine, more than a half-million Zoom user accounts were compromised and sold on the dark web.

Statistics Regarding Data Breaches. While assessing the needs of the NGFW appliance, the Bank should consider the following statistics on data breaches:

- Based on the ID threat resource center, there are over 11,000 recorded breaches since 2005.
- In 2020, the average time to identify a breach was 207 days, according to IBM.
- Around 43% of cyberattacks target small businesses, according to Cyberint.
- The global average cost of a data breach, according to IBM, is $3.86 million.

Now Let's Talk about the Next Generation Firewalls

A next generation firewall does the same as a traditional firewall and so much more. NGFWs are the third-generation and current standard for firewall technology. An NGFW combines traditional firewall capabilities with outer network device filtering functions to help detect and prevent cyber threats. A next generation firewall is a more unified threat management system for a bank's network. The NGFW impacts three areas significantly: 1) consolidation of technology components; 2) deeper visibility and traffic controls; and 3) unified management.

When considering an NGFW appliance, the following standard and advanced features are available:

- Application and identity awareness within the NGFW appliance can identify, allow, block, and limit applications, regardless of port or protocol.
- Centralized Management, visibility, and auditing – Most NGFW appliances provide log analysis, policy management, and a management dashboard that provide ways to track security health, traffic patterns, and export rules.
- Stateful Inspection – Also known as dynamic packet filtering, traditional firewalls used stateful up to layer four, and NGFW appliances are built to track layers two through seven. This allows the NGFW to evaluate further between safe and unsafe packets.
- Deep Packet Inspection (DPI) – The DPI process goes a step further than the stateful inspection. DPI can locate, categorize, block, or reroute packets with problematic code or data not detected in a stateful inspection.
- Integrated Intrusion Prevention (IPS) – The IPS portion will inspect, alert, and even actively remove malware and intruders from the network.
- Network Sandboxing – A method of advanced malware protection that allows the appliance to send a potentially malicious program to a secure and isolated environment so it can be tested before entering the network.
- HTTPS, SSL/TLS, and encrypted traffic – This feature allows the appliance to encrypt/decrypt communication over the internet.
- Threat Intelligence and Dynamic Listing – NGFW appliances make threat hunting more automated.
- Integration Capacity – Integrating third-party products with the NGFW appliance allows for easy integration and less stress navigating between software.

In prior years, banks would have to have different solutions to achieve some of these objectives.

A Next Generation Firewall includes the Following Benefits:

1. Breach prevention and advanced security
2. Comprehensive network visibility
3. Flexible management and deployment options
4. Time detection capabilities
5. Automation and product integration

Assessing the Risk

As the bank evaluates and considers the firewall appliance in place, whether a traditional or next generation appliance is used, consider setting the risks associated with the current firewall(s). Consider the cyber threats that could impact the bank along with the mitigating controls in place. Ensure that the assessment is documented within your risk assessment and cyber risk assessment, if applicable.

As the bank reviews the firewall solution in place, keep in mind the vendor may have both traditional and next generation firewall solutions available for purchase, so the bank may have to evaluate the model type to determine if it is a traditional or next generation firewall. Also, the types of service appliances provided should be an indicator.

The bank should also evaluate the end of hardware and software dates associated with the firewall in place. While reviewing the future of software dates, consider the fate of software vulnerability dates in addition to the end of support dates.

In January 2021, the following firewalls were eSecurity Planet's selections for the top next generation firewalls:

1. CrowdStrike
2. Palo Alto
3. Check Point
4. Fortinet
5. Forcepoint
6. Cisco
7. WatchGuard

Conclusion

With the increasing cyber events and sophistication of those events and attacks, it is critical for organizations, including banks, to understand the difference between the traditional and next generation firewall appliances. The initial step is to consider reviewing the firewall solution in place and understanding what it is doing and, more importantly, what it is not doing. Assess the risk associated with the appliance. In addition, evaluate other solutions/services that the bank is utilizing (i.e., intrusion prevention solution, etc.) that a next generation firewall could achieve. ■

Trista Cline is a Manager of Arnett Carbis Toothman LLP, Certified Public Accountants, in the Charleston, West Virginia office. Ms. Cline has over 12 years of experience in information technology audit and security services in the financial institutions' industry. Additionally, Ms. Cline has extensive experience in database analysis and the use of database analysis tools.
Ms. Cline can be contacted at 800-642-3601 or trista.cline@actcpas.com.

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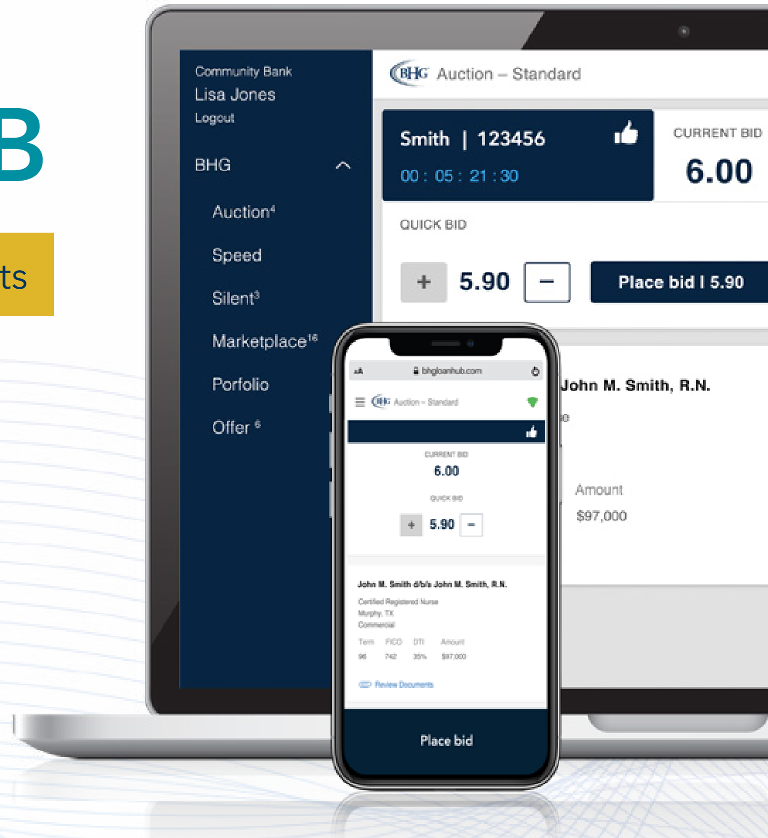

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Collateral Concerns:
Common Interest Ownership Communities

By Matthew Kingery, Lewis & Glasser PLLC

Taking collateral in a common interest community should involve heightened due diligence because of the relative complexities associated with common interest communities and how liens attach to units. As a lender, you want to ensure you obtain the lien priority you desire. Accordingly, special attention should be paid to the Uniform Common Interest Ownership Act (UCIOA) and how it treats liens. Lenders should utilize title attorneys who are experienced with UCIOA, which West Virginia adopted in 1986. UCIOA applies to all common interest communities created in West Virginia after the effective date of the Act. Pre-existing communities are also subject to certain provisions of UCIOA, including the lien for assessments under W.Va. Code § 36B-3-116. Of note, UCIOA does not apply to a planned community in which all units are restricted exclusively to nonresidential use unless the Declaration, described below, provides that UCIOA does apply (W.Va. Code § 36B-1-207).

UCIOA is outlined in Chapter 36B of the West Virginia Code. Common interest communities are real estate for which a person, by virtue of their ownership of a unit, described below, is obligated to pay for real estate taxes, insurance premiums, maintenance or improvement of other real estate described in a Declaration (W.Va. Code § 36B-1-103(7)). A Declaration is an instrument that creates the common interest community and can be found of record in the county clerk's office of the county in which the real estate is located (W.Va. Code § 36B-1-103(13)). Importantly, the Declaration may require that all or a specified number or percentage of the lenders who hold security interests encumbering the units approve specified actions of the unit owners or the association as a condition to the effectiveness of those actions (W.Va. Code § 36B-2-119). Lender approvals are often associated with larger condominiums developed for commercial and residential use, with the intent to lease units.

Under UCIOA, almost every common interest community in West Virginia is required to have a homeowners association. The membership of the association, at all times, consists exclusively of all unit owners (W.Va. Code § 36B-3-101). The association is responsible for paying expenses associated with the common elements, described below, through assessments levied against each unit. The assessments are based on the allocated interest attributed to each unit. Units are a physical portion of the common interest community designated for separate ownership or occupancy (W.Va. Code § 36B-1-103(33). Lots in a planned community, for instance, are units. The common elements are generally portions of the common interest community other than units. Each unit and its allocated interests are separately taxed and assessed (W.Va. Code § 36B-1-105(b)(2)).

So why should a lender be concerned with taking a unit as collateral for payment of a loan obligation? Because, in part, much like a mechanic's lien, an assessment lien may take priority over a Deed of Trust lien. The association has a lien on a unit for any assessment levied against that unit or fines imposed against its unit owner from the time the assessment or fine becomes due. Of particular note, if an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due (W.Va. Code § 36B-3-116(a)).

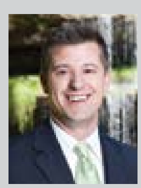
An assessment lien is prior to all other liens and encumbrances on a unit except (i) liens and encumbrances recorded before the recordation of the declaration and, in a cooperative, liens and encumbrances which the association creates, assumes or takes subject to, (ii) a first security interest on the unit recorded before the date on which the assessment sought to be enforced became delinquent or in a cooperative, the first security interest encumbering only the unit owner's interest and perfected before the date on which the assessment sought to be enforced became delinquent, and (iii) liens for real estate taxes and other governmental assessments or charges against the unit or cooperative. Of particular note to lenders, the lien is also prior to all security interests described in clause (ii) above to the extent of the common expense assessments based on the periodic budget adopted by the association which would have become due in the absence of acceleration during the six months immediately preceding institution of an action to enforce the lien (W.Va. Code § 36B-3-116(b)). In other words, the association has a six-month super-priority lien which could trump the lien of a deed of trust.

To perfect and preserve the assessment lien, the association is required to provide notice to the unit owner. The lien is discharged as to subsequent purchasers for value without notice unless the association records a notice of the lien in the county clerk's office. A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three years after the total amount of the assessments becomes due (W.Va. Code § 36B-3-116(d)). Upon payment of the assessment, the association must execute a written release which must be recorded in the clerk's office in which the notice was filed (W.Va. § 36B-3-116(h)). If your title attorney finds one of these liens of record but does not find a release, it would be wise for them to visit the Circuit Court Clerk's office to determine if litigation to enforce the lien has been instituted. W.Va. Code § 36B-4-109 allows for resale certificates provided by current unit owners, obtained from the HOA, to purchasers, including statements regarding assessments. If your borrower is purchasing a unit, they should obtain a resale certificate.

To perfect and preserve the assessment lien, the association is required to provide notice to the unit owner. The lien is discharged as to subsequent purchasers for value without notice unless the association records a notice of the lien in the county clerk's office.

Lenders should also be aware that in lending to an association, the association is restricted in its ability to "assign its right to future income, including the right to receive common expense assessments" as collateral unless the declaration expressly allows for such assignment. W.Va. Code § 36B-3-102(a)(14). Lenders should work with counsel to review the declaration and come up with appropriate collateral structures.

Lenders should also be aware of liens against condominiums or a planned community that benefit third parties. Specifically, a recorded judgment for money against an association is a lien in favor of the judgment lien holder against all of the units in the common interest community, pursuant to their allocated interest, at the time the judgment was entered (W.Va. Code § 36B-1-117(a)(1). However, each unit owner is permitted to discharge their share of the judgment. Judgment liens against the association must be indexed in the name of the common interest community and the association and, when so indexed, is notice of the lien against the units (W.Va. Code § 36B-3-117(a)(4)). Accordingly, a lender's title attorney should examine the title for liens against the association that may affect the lender's lien position against a unit, the purchase of which has been financed by the lender. ■



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Bond Market Behavior:
Trusting the Fed on Inflation

By Jeffrey F. Caughron, The Baker Group

The narrative for the U.S. economy has shifted as we move into the second half of this year. Not long ago, financial markets were saturated with talk about inflation and rising interest rates. However, after an initial economic reopening and rebooting surge, the bond market is now telegraphing expectations for weaker growth, lessened inflation fears, and perhaps a more diligent Federal Reserve. The 10-year U.S. Treasury yield, which had jumped sharply from the August 2020 low-point of .50% up to 1.75% through the end of the first quarter, reversed and steadily traded lower into mid-year, ending the second quarter below 1.50%. The slope of the yield curve, which had previously steepened to the widest in six years, is now much flatter, reflecting clarity from policymakers and diminishing expectations for sharply higher yields.

Whereas fear of sustained inflation was a continuous theme for much of the first two quarters, concerns about growth constraints and adjustments to monetary policy are now prevalent. The jump in inflation seen so far this year has been tagged "transitory" by the Fed. And though they get a lot of things wrong, they seem to have a reasonably good handle on this as market measures of inflation expectations fell 25-30 basis points during the second quarter. The dampening of inflation fears is partly due to the continued reopening of global trade flows and access to low-cost resources, along with repaired supply chains and cost-saving efficiencies that accelerated during the pandemic shutdown.

But a key reason for the shift in market sentiment is belief in the Fed's commitment to stamp out any inflation fire should one occur. Though they recently adopted a more flexible "average inflation targeting" policy stance, recent changes to the FOMC's "dot plot" indicate a willingness to move more quickly on tapering asset purchases and a liftoff date for the Fed funds target. In his press conference, Fed Chair Jerome Powell emphasized that policymakers were fully prepared to deal with sustained inflation or self-fulfilling expectations of higher inflation. "We wouldn't hesitate to use our tools to address that risk. Price stability is half of our mandate." That should give comfort to those who worry that the recent eye-popping inflation rates might not fade so readily.

Make no mistake. The economy has been hot as it recovers and the recent jump in reported inflation numbers has been noticeably and uncomfortably high. Consumer prices rose in June by the most since 2008. But we expected that to be the case for a few months partly due to the "baseline" effect from the bounce off dreadfully low inflation rates early in the pandemic. As the initial snapback from reopening fades, growth and inflation should both moderate. As for output and employment, we have likely seen peak performance for the cycle as the initial massive injection of federal stimulus dollars into the economy begins to disappear. Likely, payrolls' growth, trade volumes, and consumption patterns will gradually revert to the mean as we move through the second half of the year. The recovery is very much intact, but we already see a pace of growth that is considerably less rapid than in prior months. That may turn out to be the best case if the economy experiences moderate growth and low inflation, as opposed to breakneck growth, shortages, and rising prices.

Financial markets see extended stimulus as an unnecessary distortion and crave clarity from policymakers about how and when they will pivot. It is often the case that the Fed is "behind the market" and reactive rather than anticipatory in their policymaking. Time will tell, but maybe they got this one right. ■

Jeffrey F. Caughron is a Managing Director with The Baker Group, where he serves as President and Chief Executive Officer. Caughron has worked in financial markets and the securities industry since 1985, always with an emphasis on banking, investments, and interest rate risk management. For more information, contact him at 800-937-2257, or jcaughron@GoBaker.com.

Whereas fear of sustained inflation was a continuous theme for much of the first two quarters, concerns about growth constraints and adjustments to monetary policy are now prevalent.

Three Issues – and Opportunities – Facing Banks in the Post-Pandemic World

By Nicholas P. Mooney II, Spilman Thomas & Battle PLLC

As the world (hopefully) comes out of the COVID-19 pandemic later this year, the way we conduct business is changing. The banking industry, described by one commentator as "the most old-school of the old-school professions," is criticized as resistant to change. As one article described it, "the fundamental ways that financial institutions function has not changed with the times."

These observations do not consider the changes happening in the banking industry for years and those accelerated by the pandemic. Several of those changes present both hurdles and opportunities. The banks embracing these opportunities may be the long-term winners. Below, we highlight three opportunities in the banking industry:

1. Sustainable Banking/ Environmental, Social, and Governance (ESG)

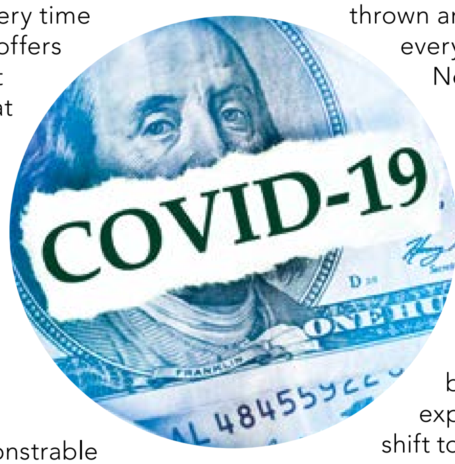
Sustainable banking or "banking with a purpose" refers to banking in a way that considers the economic, social, and environmental effects of the bank's products and services. Sometimes called Environmental, Social, and Governance (ESG), this type of banking is becoming a requirement for financial institutions as customers become interested in doing business with companies – including banks – that "do good."

This issue is politically charged, and we leave that debate to its proper time and place. Regardless of one's politics, there's no denying that sustainable banking is a hot issue banks are facing.

Although U.S. banks have been criticized as slow to adopt sustainable banking compared to their European counterparts, they are now stepping into this realm in a big way. JPMorgan Chase's commercial banking arm has created a "Green Economy" team that provides companies producing environmentally friendly goods and services. Wells Fargo has been entering into multiple agreements to purchase renewable energy from producers in many states. Bank of America has developed an Environmental Business Initiative to deploy $1 trillion by 2030 to aid in the transition to a low-carbon, sustainable economy. Fifth Third has joined the Partnership for Carbon Accounting Financials, a worldwide group that addresses standards for financial institutions to assess and disclose greenhouse gas emissions associated with their products.

The move to embrace sustainable banking is not limited to the big names in banking. Aspiration Financial makes sustainable banking its core focus. It operates entirely on a digital platform, and its website (aspiration.com) opens with the announcement "You can change Climate Change," "Leave your bank, save the planet," and "Aspiration is 100% committed to Clean Money." It offers its Zero credit card "that rewards you for erasing your carbon footprint." It promises to plant a tree every time a customer swipes their debit card and offers its "Conscience Coalition" program that provides up to 10% back for purchases at "mission-focused merchants."

Both the big names in banking and the up-and-comers are incorporating sustainable banking into their operations. Banks that have not yet done this should consider the benefit of trying it.



2. The Shift to Digital

One area where the pandemic had demonstrable effects is the rise of digital or contactless payments. VISA's Back to Business Survey interviewed small businesses and consumers in eight countries regarding their payment habits and preferences. The study showed that, almost overnight, consumers made COVID-19 safety measures their top priority. That translated into digital and contactless payments being a preferred option. Two-thirds of consumers in the survey stated they would prefer to use contactless payments more than they currently do. Nearly half of consumers stated they would not shop at a business that does not offer a contactless way to pay.

These attitudes may be here to stay. Only 16% of consumers said they would revert to their old methods of payments after the pandemic is over. The small businesses surveyed are working to meet the consumer's changed attitudes. Over four-fifths of small businesses "had embraced new forms of digital technology to meet changing consumer behavior."

The Back to Business Survey is a lesson for banks, and EY's Future Consumer Index confirms that lesson. The Index tracks consumer behavior toward banking and, not surprisingly, reports that the pandemic has changed consumers' banking behavior. Forty-three percent of people surveyed for the Index stated that the pandemic altered the way they bank. While the Index suggests that most people haven't yet committed to digital banking long-term, it revealed that approximately one-fourth stated they expect banks to operate more digitally in the future.

Another lesson from the Index relates to the future of cash. "The end of cash has never been closer," according to the Index. Consumers have switched to online shopping. Apple Pay reports more than 380 million users, and WeChat Pay has more than 800 million.

Add the push to create a digital U.S. dollar and the projects worldwide by over 80 countries to create Central Bank Digital Currencies. Apart from central banks and official currencies, the slow march of companies starting to accept bitcoin and other cryptocurrencies as payment options adds to the cash alternatives and the appetite for bank customers to operate only on a digital platform.

The digital push is not limited to just payment options. For the past few years, the word "blockchain" has been thrown around cavalierly as a catch-all elixir to every perceived operational shortcoming. Nonetheless, the possibility of implementing distributed ledger technology in traditional banking operations holds a promise that cannot be dismissed. Big names like JPMorgan Chase, HSBC, and Goldman Sachs have joined blockchain consortiums or have announced they are working to develop their own blockchain initiatives.

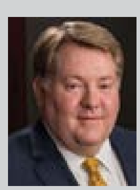
The above drives home the point that banks should evaluate their digital customer experience and other ways to incorporate the shift to digital into their operations.

3. Cybersecurity

The instances of cybercrimes against banks are continuing to increase. Last year, 80% of financial institutions reported seeing a rise in these crimes, with card cloning being a top issue. A recent report on cybercrime warned that cyberattacks on U.S. financial institutions are increasing in frequency and severity. In fact, a study by the Federal Reserve Bank of New York found that cyberattacks happen against financial institutions 300 more times per year than against other businesses.

The increase in digital operations discussed above brings increased points susceptible to cybercrimes. The pandemic forced people online and made more people vulnerable to these crimes. The Merchant Risk Council sounded an alarm that was nothing short of shocking: "[O]ver 80% of credit cards currently in people's wallets have already been compromised."

Like other businesses and industries, banks aren't going to eradicate their vulnerability to these attacks. However, regular cyber resilience audits and routinely evaluating potential threats will help banks combat the likelihood that these attacks will be successful. Banks should ensure they are making cybercrime prevention and response a focus going forward. ■



Nicholas P. Mooney II is a Member attorney in Spilman Thomas & Battle's Charleston, West Virginia office. His primary area of practice is consumer financial services litigation in federal and state courts. He has devoted all of his time for more than 20 years to that practice area. Nicholas can be reached at 304.340.3860 or nmooney@spilmanlaw.com.

Opportunities in Partnership:

Ways Community Banks Can Benefit from Today's FinTechs

By Brian Mullet, Bankers Healthcare Group

There's no question that the pandemic caused devastating loss throughout the country. But as the world begins to open back up, companies are evaluating what their "new normal" looks like and identifying ways to drive more revenue into their business.

The pandemic forced us to find new ways to interact with customers. As a result, expectations for engagement have significantly increased. Apps like GrubHub and Instacart have become wildly successful because of their convenience factor. Now, consumers expect that from the companies they do business with, alongside providing a digital experience, ease of communication, and more.

These expectations transcend all industries — including financial services. Many of today's banks have recognized this shift and are looking for new ways to attract, engage, and retain their customers, all while providing a great experience.

The increasing role of technology

The proof of the shift to digital is in the data. As a result of COVID-19, 50% of consumers now interact with their bank through mobile apps or websites weekly — up from 32% two years ago. Additionally, a recent survey by FIS shows that 37% of consumers began a new banking relationship with a major national or global bank that had a well-established online portal in the past 12 months, and 18% of these consumers opened an account with an online-only direct bank.

For community banks who are known for offering a high-quality customer experience and putting their customers first, this could be an area of concern. However, data from PwC shows that community banks are keeping their finger on the pulse by finding complementary partnerships that will evolve their operations and the service they provide customers. Over the next three to five years, 82% of financial institutions expect to increase their partnerships with FinTechs, with an average return on investment of 20%.

While others might be waiting years to build or launch partnerships, now is the perfect time for you to benefit from what other companies can offer your institution.

Benefits of partnering with FinTechs

Here are some of the advantages of embracing outside partnerships:

- **Creating additional channels for engagement –** Consider a partner who can help expand your communication channels and build a digital presence: from updating your website to launching a mobile app or online portal to implementing more frequent email or text message communications.

- **Diversifying your portfolio –** Go beyond your local borrower base and ensure your excess cash strengthens your bottom line, with a partner that can originate a variety of high-quality loans.

- **Protecting your business and customer base –** Investing in a partner with a strong focus on risk, compliance, and identity fraud prevention can give you peace of mind that your Know Your Customer (KYC) procedures are compliant, along with other regulatory guidelines.

- **Generating supplemental income –** Tap into new sources of revenue for your bank, including referral opportunities and loan sources that drive fee income.

How to choose the right FinTech partner

Not all partners are created equal. To make sure that you're protecting your customer experience and driving your bottom line, look for these key characteristics when vetting potential FinTech partners.

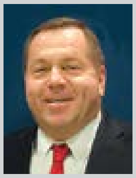
- A track record of success, including being able to navigate economic downturns

- A strong focus on data and quality, with the ability to determine which loans will perform best in your portfolio

- A streamlined process, making it easy to implement new solutions and not slow down your business

- A commitment to providing best-in-class service, with quality solutions that will enhance your customer's experience

With consumer expectations and the benefits of partnership rising in equal proportion, now is the perfect time to review your operations, identify areas of improvement for your bank, and see FinTechs as a partner you can collaborate with to strengthen your business. ■



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State Privacy Legislation:
A Trend Worth Watching for Banks

By Matthew Chase and Mark Mangano, Jackson Kelly PLLC

States are showing increasing interest in supplementing federal protection of consumer data privacy rights. Since 2018, three states have enacted consumer data privacy statutes. The current statutes appear to be of limited concern for community banks, but bankers should be vigilant as statutes are proposed in the states where they do business. This article will briefly discuss the state privacy trend, application, bank exemptions, and what to watch for in emerging legislation.

The Growing Trend of State Consumer Privacy Regulation

In 2018, California adopted the California Consumer Privacy Act (CCPA) to extend substantial data privacy protections to California consumers and impose significant compliance obligations on certain businesses collecting, processing, or selling consumer data. There appears to be growing interest in other states to follow California's lead. The CCPA was supplemented by the California Privacy Rights Act (CPRA) in 2020.

Recently, Virginia and Colorado enacted privacy laws that broadly protect their citizens. Other state legislatures have proposed similar laws, including House Bill 3159 introduced in the West Virginia House of Delegates during the 2021 legislative session. These new state privacy laws expand the rights of consumers concerning their data and personal information, including: the right to know whether an entity is processing their personal information; the right to access, correct, delete, and transfer this personal information; and the right to opt-out of targeted advertising and the sale of personal data. The new state privacy laws are generally based on a common set of international fair information practices.

Many of the new and proposed state privacy laws appear to be patterned after the CCPA. They provide protections for data beyond the types of personal nonpublic information covered by the Gramm-Leach-Bliley Act (GLBA). The additional customer information that the GLBA does not cover includes personal information collected for non-financial products or services like publications and from web cookies when a potential customer visits a financial institution's website.

Application

The CCPA and CPRA only apply to businesses that do business in California. Virginia's Consumer Data Protection Act (the VCDPA) and Colorado's Colorado Privacy Act (the CPA) expand this in-state conduct to also include persons that produce commercial products or services that are targeted to their respective residents.

Each statute sets minimum activity requirements that need to be met for it to apply to a business, including annual gross revenues (the CCPA and CPRA), the number of consumers whose data is processed (the CCPA, CPRA, VCDPA, and CPA), or the number of consumers whose data is processed in conjunction with deriving revenue or receiving a discount from the sale of that data (the CCPA, CPRA, VCDPA, and CPA). The four existing state data

Bankers should pay attention to state data privacy initiatives. Do not assume that GLBA compliance and preemption will provide protection. Work to ensure that any new legislation includes the broadest possible exemption for financial institutions.

privacy acts appear to be targeted at relatively large data firms. Because of these multiple requirements, each state's privacy law should be analyzed to determine whether a non-exempt financial institution is subject to it.

Exemptions for Financial Institutions

Federally insured financial institutions have long been charged with protecting customer privacy rights under regulations relating to the Gramm-Leach-Bliley Act. While the GLBA provides limited preemption of state laws, it does not preempt state laws that provide greater privacy protections than provided under the GLBA.

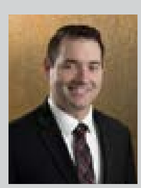
All of the currently enacted statutes have included some exemption for insured financial institutions. The VCDPA and the CPA appear to broadly exempt both financial institutions and data subject to the GLBA. However, the CCPA and the CPRA appear to only exempt data subject to the GLBA, not financial institutions subject to the GLBA. Thus, under the CCPA, banks could be subject to state regulatory requirements for personal information separate from the information covered by the GLBA. Interestingly, House Bill 3159 did not contain any exemptions for financial institutions or data subject to the GLBA.

What to Watch For

Most community banks should not be significantly impacted by the currently enacted state consumer data privacy laws. Community banks have proven trustworthy stewards of their customers' information. The time to limit the risk of substantial additional and unnecessary regulatory burdens is before the bank is impacted by new legislative initiatives.

Bankers should pay attention to state data privacy initiatives. Do not assume that GLBA compliance and preemption will provide protection. Work to ensure that any new legislation includes the broadest possible exemption for financial institutions. Evaluate the level of data collection and activity by the bank, its affiliates, and its vendors. Work to ensure that legislation applies only to businesses engaging in activity levels far exceeding those of the bank.

Given the constantly evolving privacy landscape, all businesses, including financial institutions, need to be on alert for state privacy legislation in their jurisdictions to determine what privacy obligations, if any, apply to them. ■



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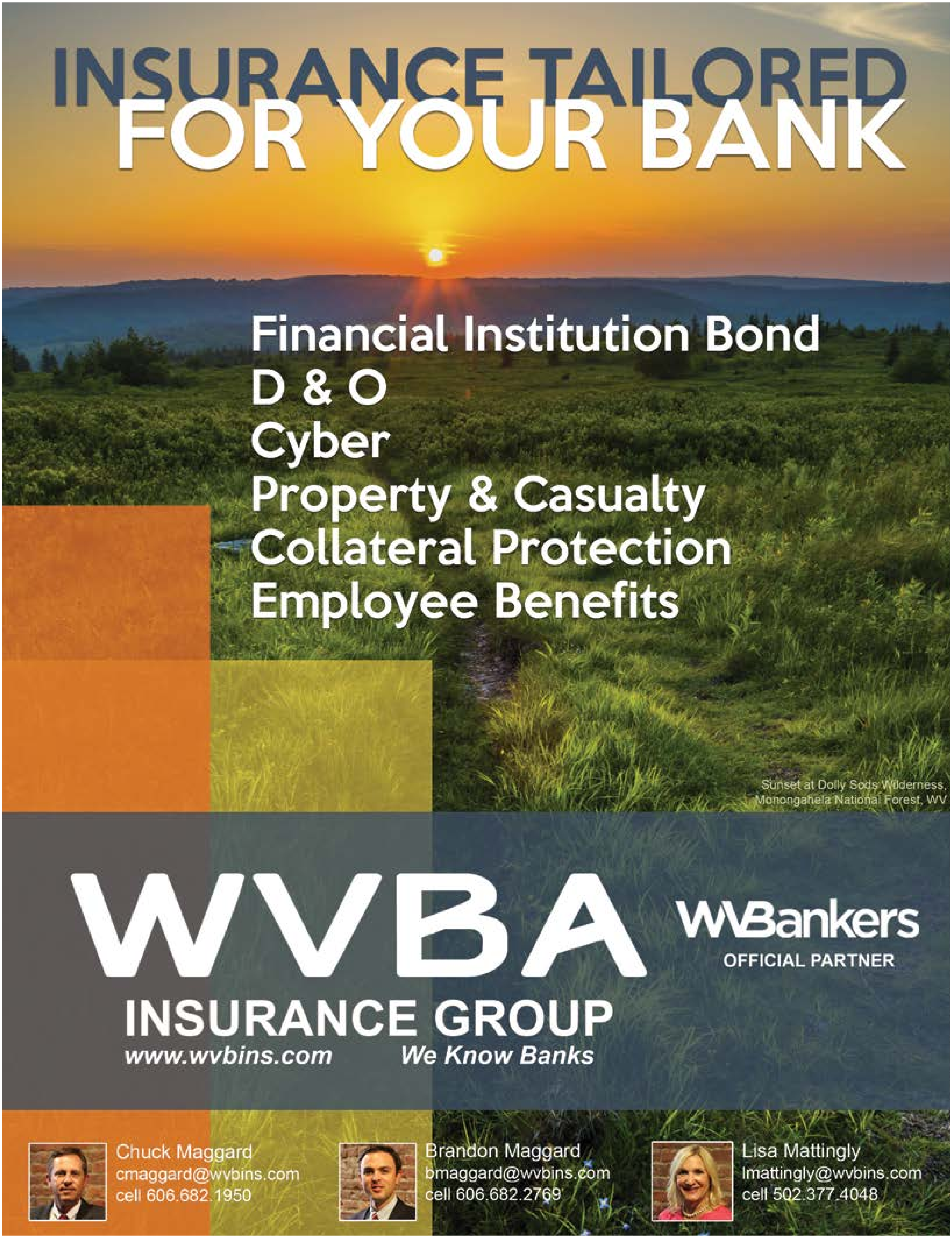

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2021 Calendar of Events

(All events scheduled are live and have a recorded backup online)

September

16	Human Resource Management for Bankers (Sam Bowling)
21	Asset Liability Management (Sam Bowling)

October

4 & 5	BSA/AML School	Fundamentals (Stonewall)
6 & 7	BSA/AML School	Advanced (Stonewall)

November

2	Business Continuity & Vendor Management (Zoom)
7 - 9	CEO Conference (Renaissance Baltimore Harbour Place Hotel)
9	New Accounts (Sam Bowling)
15 & 16	Consumer Lending Conference (Beginner) (Four Points)
17	Consumer Lending Conference (Advanced) (Four Points)

December

8 – 10	CFO Conference (The Greenbrier)

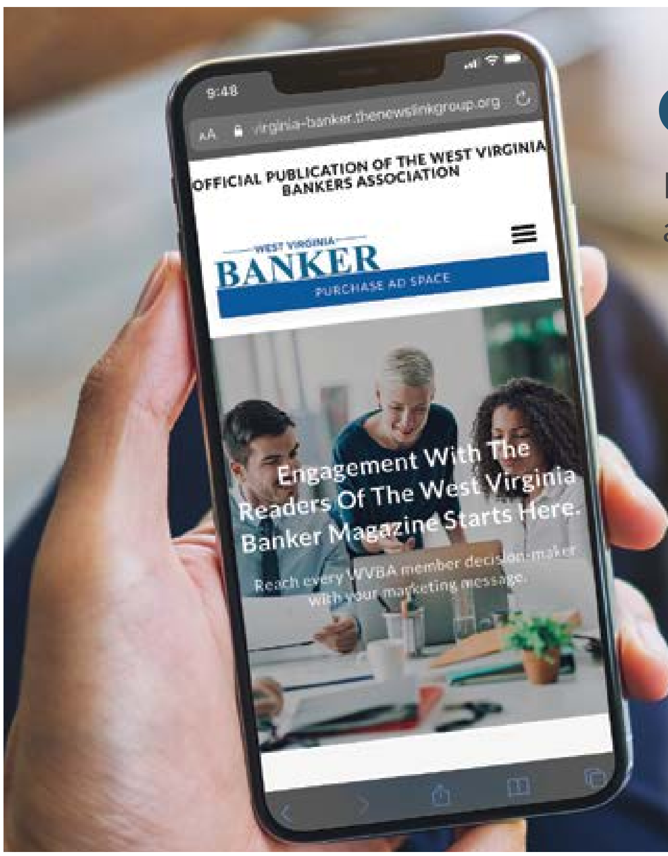
Webinars — Live and Recorded

Visit our website for specific dates and topics.

www.wvbankers.org

Graduate School of Banking Online Senior Management Seminars

Visit **www.gsb.org** or our website as updates are added.



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