

# Oklahoma Risk Forecaster

Volume 1, Issue 4  
October, 2015

## From Your Chapter President

### Upcoming Events:

- October 22, 2015 – Structuring Commercial Loans I
- October 29, 2015 – Economic Outlook (Tulsa)
- October 30, 2015 – Economic Outlook (OKC)
- November 4, 2015 – Investing For Women Seminar
- November 6, 2015 – Cash Flow Analysis I UCA Fundamentals
- November 16, 2015 – How is Your Bank Performing (OKC)
- November 20, 2015 – How is Your Bank Performing (Tulsa)

In the last couple of months, I have been working on creating new and updating existing procedures within the bank. If you have been involved in this task, you realize the challenge when certain procedures encompass multiple departments and require input from various users. Having written procedures is an important tool in communicating an organizations values, approaches, and culture. While policies and their accompanying procedures vary between workplaces, they share the same role in guiding your organization.

The most recent RMA Journal included several articles on the importance of communication and how it relates to RMA. In an interview with the new RMA Chair, Mr. Broome remarked that banks must communicate well, both internally and externally, in order to keep up with the many challenges facing the industry. RMA plays a key role in providing forums for communication through its various round table events and the member forum on the RMA Xchange. As a chapter board member, we take on the responsibility of communicating and advancing sound risk management practices in our local market. As we begin another fiscal year, we hope to offer a great lineup of excellent programs with great speakers, round tables, sponsored open enrollment classes and affinity groups where we focus on attracting new members and developing industry leaders. I look forward to serving another year as President of the chapter and working with the board to accomplish this goal.

Chapter President  
Sandy Cox

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## RMA Scholarship and Academic Program Go Live

By Frank Devlin for the November 2015 *RMA Journal*

This fall marks a milestone for The Risk Management Association Foundation and the start of the RMA Academic Program—important steps in RMA's continuing advancement of sound risk management principles for the benefit of its members and the industry as a whole.

Momentum for the RMA Foundation and Academic Program grew out of the Association's centennial celebration in 2013. Looking back on 100 years of advancing sound risk management principles, RMA leaders sought ways to continue the industry's leadership over the next century.

One way will be through developing talent to help guide banking through a changing and challenging landscape. An influx of qualified financial professionals is needed in the near and long terms as the industry copes with a steady flow of baby-boomer retirements. The RMA Foundation Scholarship Program is just one tool RMA is using to encourage students to pursue a career in the banking industry. Launched last year with a \$5 million commitment to help usher the best and brightest into financial services careers, the foundation—for the first time—is now accepting applications for college scholarships. Students majoring in accounting, business, finance, economics, banking, or a similar field are eligible for awards of \$2,000 to \$5,000. Up to \$200,000 a year will be awarded.

For this initial round of awards, The Risk Management Association Scholarship Foundation began accepting applications October 1 and will continue to do so through November 17.

RMA's Academic Program is a multipronged effort, with emphasis on raising student awareness of industry opportunities. College students are encouraged to join RMA as student members to take advantage of resources designed to help position them as strong candidates to potential employers. Resources include:

- Mentoring opportunities.
- Invitations to attend RMA chapter meetings and workshops.
- An online subscription to The RMA Journal.

- Access to eMentor and other components of RMA University Online.

- Access to the RMA Xchange online member community and its informative Member Forum.

RMA is also developing a Credit Essentials Certificate that students can earn to further enhance their resume and help banks attract stronger talent.

Available in 2016, the certificate will demonstrate proficiency in business and financial knowledge. Free online courses from RMA will be available to help students review and prepare.

Taking advantage of all RMA has to offer—from publications and courses, to relationships with established professionals that could lead to recommendation letters and mentoring—will give students a step up in the job market. Like all RMA members, students will know the advantages of living the Association's "Join.Engage.Lead." tagline.

RMA is spreading the word about the scholarship and student membership through chapters and its existing relationships with institutions of higher learning. One promotional piece targeted to students makes a compelling case for pursuing a banking career. It notes the diverse paths a professional can take within banking, as well as the satisfaction and pride that come from helping businesses and communities thrive. The timing of RMA's Academic Program is advantageous in that colleges and universities are looking at ways to better prepare students for the workforce, and RMA's Academic Program provides students with these resources. We are focused on attracting talent to the industry," said Heidi Turley, RMA's CFO, who is leading the RMA Foundation's efforts. RMA's investment, she said, is "part of our commitment to help our members advance and succeed."

For more information or to apply for a scholarship, please visit <http://www.rmahq.org/scholarship>.

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## Defensive Banking 101

While growing a bank's portfolio requires us to be on the offense, focusing on gaining yardage with effective plays, it is vital to have a sturdy defense to ensure all those yards gained are not lost. The Oklahoma Chapter hosted the Defensive Banking general membership meeting giving members an opportunity to focus on the defense. Two events were held; one in Oklahoma City and one in Tulsa. Distinguished attorneys Gentner Drummond and Armando Rosell spoke to members sharing their expertise on the subject.

If we had no defaults and all borrowers and lenders were always in agreement we really wouldn't need to worry about staying on the defensive. Unfortunately, we all know there are those unfortunate times when a loan does not perform. In those cases, and sometimes even in performing loans, disputes arise regarding what we say and do prior to and after the all-important loan closing. Our guest speakers brought to the forefront some of the ways we can maintain that strong defense allowing us to confidently traverse the lending process with a strong defense.

Issuing a commitment letter to a prospective borrower has its consequences. An executed commitment letter has the potential to become a loan agreement and the lender is bound by the terms outlined in the document. Lenders are always cautious about issuing commitment letters because of the legal ramifications of the document. Changes in laws resulting from technological advances and the prevalence of email usage bring about new challenges to bankers. The presenters focused on the



*Be prepared to honor terms discussed in email – the email may be construed as a legal contract*

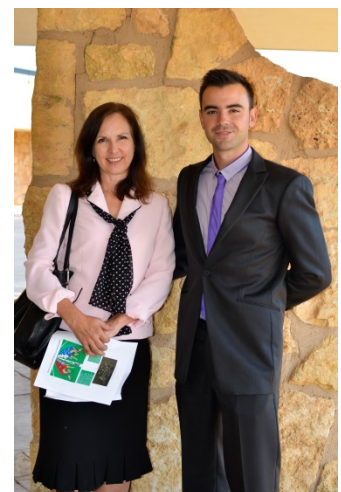
importance to refrain from using email to communicate potential terms of a prospective transaction.

Terms sent to borrowers via email and text can have the very same legal ramifications that those commitment letters that are so carefully drawn up by attorneys have. Banks may have to honor terms discussed in these communications, whether the terms were merely being discussed as potential terms rather than approved loan terms. The presenters provided practical advice for such communications. If a lender wants to communicate terms, the terms should be communicated in letter format with the same legal precautions taken for commitment letters and pre-approvals. These letters should be properly reviewed by legal and contain sufficient conditional language to ensure the bank is not bound by the terms before they are ready.

The Presenters also discussed the importance of collecting all the documents you want before the loan closes, not after. It's always easier to obtain documents before

a loan closes as borrower are less inclined to provide documents they perceive as unnecessary after a loan closes and the money is in their account. Obtaining bank statements and operating agreements, documents that aid in the collection process, should be obtained upfront as a safeguard to ensure the bank has the information they need to collect if the loan defaults.

Taking small thought out steps throughout the process will give strength to your defense allowing your quarterbacks to continue to throw those touchdown passes.





## Fiscal Year-in-Review

September marks the start of a new fiscal year for the Oklahoma Chapter of the Risk Management Association. It's a good time to look back at the past year and look forward to the year ahead. Last year proved to be another positive year for the Chapter. Our membership base continues to grow and, as such, we must continue to strive to meet the needs of our members. RMA's Mission Statement indicates, "[t]he sole purpose is to advance sound risk management principles in the financial services industry." We promote these sound principles through a number of avenues including instructor lead courses, speaker lead general membership meetings as well as more intimate "lunch and learns" and webinars.

In the 2014-15 fiscal year a wide variety of opportunities were presented to the members to expand each individual's knowledge and understanding of core principles and current issues. Members started the year participating in the Lending Academy® II, a core class for lending professionals. The RMA Lending Academy® II course teaches the analytical process and decision-making techniques needed to make sound credit decisions through the application of financial accounting, financial statement analysis, cash flow analysis, and transaction structuring. Participants reported gaining knowledge that will enable them to better understand how to make sound credit decisions.

A course offered that met with much enthusiasm was the

Construction Loan Management course. Members seemed to line up at the doorstep to gain access to the knowledge offered. The class ended fully booked and members were not disappointed. With such strong member participation the Board elected to offer this class again in the coming year moving it to Tulsa to ensure all reaches of this Chapter have the opportunity to learn how best to minimize the multitude of risks associated with the lengthy process associated with funding a construction loan. The dual courses of Analyzing Business Tax Returns and Analyzing Personal Financial Statements and Tax Returns provided members with a two-day study of some of the most crucial fundamentals in lending today. In order to understand the credit first we must understand the numbers. This course offered members a detailed look at tax concepts of various entities and individuals enabling them to better determine a Borrower's ability to service its debt. The course was so popular that desks had to be added to the site to accommodate last minute registrants. The instructor reported the class was eager to participate and clearly willing to learn. Attendees just as importantly reported an excellent instructor with enthusiasm who made the topic both enjoyable and informative.

Other classes were offered as well providing excellent opportunities for members to expand their knowledge and understanding of credit principles. But it wasn't just courses that filled the year. Members received updates on current lending affairs through

general membership meetings including the Oklahoma Chapter's annual Economic Update and the Regulatory Panel. The general membership meetings gave members the insight of some of the industry's top professionals into topics and risks of utmost importance. One major topic discussed in the Regulatory Panel that continues to hit home is the effects of lower oil prices on local Borrowers. Members were reminded that the lower oil prices present challenges not only to Borrowers directly involved in the oil and gas industry, but also to ancillary industries as well. The topic was a reminder to be ever vigilant with not only new loan underwriting, but also with portfolio management.

The activities described represent only a portion of what was offered in the previous fiscal year. It is clear the RMA mission statement is alive and well in the Oklahoma Chapter. This year should prove to be just as fruitful as last with many exciting membership meetings, excellent courses and intimate luncheons planned. Members have great options to improve credit risk and management skills. By expanding knowledge and skills to individuals the ultimate result will be stronger lending decisions for the State as a whole.

Thank you Members of the Oklahoma Chapter of the Risk Management Association for making it such a wonderful year!



## Forensic Accounting – Fraud

The Chapter hosted a “lunch and learn” recently discussing fraud with Brett Johnson imparting his knowledge on the subject. Brett A. Johnson is a Forensic Accounting Senior Manager at Eide Bailly, LLP. With more than 10 years of experience providing forensic accounting and investigative services to a variety of industries. He specializes in providing fraud detection, investigation and prevention consulting services to clients.

So what exactly is fraud? There are four components that must be present to constitute fraud:

- Intent to hide
- Violation of fiduciary duty
- A loss suffered
- A gain realized

As a forensic accountant, Brett identifies incidents of fraud and presents them in legal proceedings. According to Brett, the number one reason for fraud is a lack of effective internal controls. This may come from controls that are not sufficient, or simply controls that are not properly utilized or are

overlooked. With most fraud being committed by employees, the need for effective controls and the importance of utilizing these controls is ever important. Brett works with clients to determine deficiencies and help implement these controls.

Brett’s top recommendations to prevent fraud are:

- Employee education
- Segregation of duties
- Proper authorization
- Physical safeguards
- Anonymous reporting systems

In the realm of credit risk analysis, financial statement fraud is of top concern. Brett notes this type of fraud is actually not the most prevalent, but he gives us practical ways of identifying potential financial statement fraud. He suggests looking for overstatement of assets and revenue and be cautious of accounting techniques to understate expenses including capitalizing expenses. When reviewing financial statements he recommends utilizing horizontal

and vertical analysis to identify unusual aberrations. The horizontal analysis compares percentage changes in income and expense line items over time. For example, increases in sales should result in like incremental changes in COGS. While legitimate explanations certainly exist, significant variations should be questioned. The vertical analysis sets items as a percentage of sales or assets. Again, significant aberrations should be further analyzed. He advises, when in doubt, ask for the source documentation.

One major misconception was noted. An audited financial statement may still evidence fraud. Brett points out that the primary purpose of an audit is not to identify fraud, although fraud will be addressed when discovered. The purpose of an audit is to confirm compliance with GAAP. Lenders must always remain vigilant when performing financial analysis on prospective Borrowers.



## Oklahoma Chapter Reaches Platinum

Throughout the fiscal year each RMA chapter has the opportunity to achieve an award level – Bronze, Silver, Gold, or Platinum status. Only those chapters with the highest level of member engagement are eligible for Platinum status. We are pleased to announce that for the 2014-2015 year, the chapter was awarded the Platinum award. This is an outstanding accomplishment and signifies the enormous contribution of the chapter board members. Congratulations to the Oklahoma RMA Chapter and the board members who worked to accomplish this goal! The chapter will be recognized at the upcoming RMA Annual Risk Management Conference during the general session on Tuesday, November 3.



## Women in Banking Investing For Women Seminar

### How much do I need for Retirement?

Join the WIB Group in Tulsa and learn how to plan for a successful retirement. It's the age-old question with many wondering if they will have enough money to live comfortably through retirement. This session will illustrate the different categories of saving as well as ideas on how to invest for the future.

#### Speakers:

**Kelcy Flores** is an Investment Associate at the Private Bank for Bank of Oklahoma. Kelcy graduated from the University of Notre Dame and has an MBA from the University of Tulsa

**Fenny Jie** is also an Investment Associate at the Private Bank of Oklahoma. Fenny has a BBA and MPA from the University of Texas at Austin. She is a Certified Public Accountant and a CFA Level III Candidate.

#### Details

BOK Place at Southern Hills  
8th Floor-Conference Room 8A  
5727 S Lewis Ave  
Tulsa, OK

Wednesday, November 4, 2015  
11:30 a.m. to 1:00 p.m.

Price: \$15

*Lunch will be provided.*

## 2015–2016 Oklahoma Chapter Officers

Sandy Cox  
Josh Merry

*Bank SNB, President  
YNB, 1<sup>st</sup> Vice President,  
Communications*

Bill Glover  
Chris White

*Bank SNB, Programming  
InterBank, Programming*

Cindy Tipton  
Aaron Williams  
Nicholas Davis  
Alex Gifford

*MidFirst, Secretary  
BOKF, Education Chair  
MidFirst, Education Chair, Newsletter  
Spirit Bank, Young Professionals  
Chair*

Emily Buchanan  
Fawn Sachleban  
Kevin Paul

*MidFirst, Programming  
Bank SNB, Programming  
First Oklahoma Bank,  
Programming*

Ashley Colston  
Danny Williams  
James Finch  
Caleb Dupuis

*Arvest, Young Professionals Chair  
Spirit Bank, Membership  
First Fidelity, Membership  
First United Bank & Trust ERM  
Committee*

David Martin  
Caitlin Lierly

*Security Bank, Education  
Mabrey Bank, Young  
Professionals*

Jennifer Pietila  
Yvonne Kinsey  
Connor Lankford  
Trevor Montgomery

*BOKF, Women in Banking  
Arvest, Women in Banking  
MidFirst, DFP  
Grand Bank, Treasurer*



## Economic Update and Outlook – Fall Event

**How will the Oklahoma economy fair in 2015 and for the next few years?** What considerations should your firm make based on local, state, U.S. and global economies? Join the RMA Oklahoma Chapter at our Annual Economic Update and Outlook luncheon to hear Chad Wilkerson discuss the future of Oklahoma business, employment, interest rates, energy and real estate. This event has become a favorite for our members.

**Chad Wilkerson** is Branch Executive of the Kansas City Fed's Oklahoma City Branch office. In this role, he serves as the Bank's lead officer and regional economist in the state of Oklahoma. Wilkerson is responsible for recruiting and working with the Branch's board of directors and for briefing the Kansas City Fed's president – a member of the Federal Open Market Committee – on economic activity in the state. His research focuses on trends in the industrial structure and labor markets of the Tenth Federal Reserve District. He also supervises several business surveys for the Kansas City Fed.

### Details

#### Oklahoma City

October 30, 2015

11:30 – 1:00

Quail Creek Country Club

#### Tulsa

October 29, 2015

11:30 – 1:00

Tulsa Country Club

### Price:

Member Price \$20

Nonmember price \$30

## How is “Your” Bank Performing?

Learn from an experienced CFO as he provides an overview of tools and techniques to analyze a bank's financial performance using the Uniform Bank Performance Report. Data will be provided that compares the performance characteristics of small banks versus large banks and differentiates between high and low performers. Key ratios will also be identified to signify the degree of credit risk, liquidity risk, interest rate risk and capital risk assumed by a bank.

**Kevin Lawrence (OKC)** is Chief Financial Officer, Executive Vice President, Treasurer of Bancfirst Corporation. and since June 2013 has served as Senior Financial Officer of BancFirst Corporation. In that role he managed the accounting and financial reporting functions. Mr. Lawrence holds a Bachelor of Business Administration degree in Accounting from Oklahoma Christian University and is a Certified Public Accountant.

**Steven Nell (Tulsa)** is executive vice president and chief financial officer for BOK Financial Corporation. With 23 years of experience in the banking industry, Nell is responsible for all accounting and financial reporting, tax, capital markets, mergers and acquisitions, and investor and community relations. A certified public accountant, Nell graduated from the University of Oklahoma with honors, where he obtained a BBA in accounting. Nell joined BOK Financial in 1992 as manager of management accounting. He was named controller of management accounting in 1996 and corporate controller in 1999. He became Chief Financial Officer in 2001.

### Details

#### Oklahoma City

November 16, 2015, 11:30 – 1:00

MidFirst Bank

OK Learning Center 15 2 Grand

5701 N Shartel Ave, Suite 101

Oklahoma City, OK

#### Tulsa:

November 20, 2015, 11:30 – 1:00

SpiritBank

1800 South Baltimore Ave

Tulsa, OK

Cost: \$15.00

## Credit Risk Management Audio Conference Series

**November 10, 2015:** Managing Portfolio Limits – The Benefits and Necessities of Managing Portfolio Limits

**December 8, 2015:** Making the Transition from ALLL to CECL: What Does This Mean for Your Institution?

**Time:** All audio conferences will be held at 1:00 p.m. Eastern Time (10:00 a.m. Pacific Time).

### Fees\*

**RMA Associate members:** \$120 for each audio conference (per phone line).

**RMA Professional members:** \$130 for each audio conference (per phone line).

**Nonmembers at RMA member institutions:** \$130 for each audio conference (per phone line).

**Nonmembers:** \$180 for each audio conference (per phone line).

\*Additional listeners cost \$0.

## RMA Credit Risk Certification

### Why RMA-CRC?

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.

For more information, visit <http://www.rmahq.org/crc>.

## Board Member Announcement

The RMA family grew by two this season. We are pleased to announce two new arrivals. Board Member Emily Buchanan and her husband brought baby Grace to the world on September 1, 2015. Just a few days later Alex Gifford and his wife brought their son Lucas into the world. Congratulations to both our Board Members!

## Get Involved & Stay Connected

Our chapter presents opportunities for individuals to get involved. Chapters rely on the talents of volunteers to stage many of their programs, conduct membership development efforts, and promote the ideals of the Association. To find out more about how you can get involved in our chapter, email us at [rmaoklahoma@gmail.com](mailto:rmaoklahoma@gmail.com)

To stay updated on upcoming classes and audio conferences you can find more information on our chapter website and the chapters LinkedIn page.



[RMA Oklahoma Chapter Website](#)



[RMA Oklahoma Chapter LinkedIn](#)

Celebrating **100** Years  
**rma**