Throughout the history of the Risk Management Association (RMA), the organization’s focus has been on helping members effectively and prudently manage risk by providing timely information and education on key industry topics. RMA promotes an enterprise approach to risk management that focuses on credit risk, market risk, operational risk, securities lending, and regulatory issues.

As we end the fourth quarter of 2016 and prepare for the new year, the themes for the banking industry seem to be change and uncertainty. When considering the implications of the recent US Presidential election, combined with regulatory updates, the ongoing battle with security and cyber risk, and the looming talent gap—it is apparent that the financial services industry will have several issues to tackle in the upcoming year.

One certainty on which we can rely is that RMA will continue to respond to industry needs and provide tools to help address and combat these industry challenges. For example, as financial institutions prepare to implement CECL measures, RMA has introduced a new resource: the CECL Loss History Database. The database was created for RMA Institutional members as a way to capture, store and report anonymously on loan loss experience, resulting in a database to assist banks in developing and managing loan loss models.

In addition, RMA is making several pointed efforts to bridge the talent gap within the industry. This year RMA introduced its own Academic Program, which provides scholarship opportunities to selected business school students and a portal for banking institutions to post internship opportunities. RMA has also introduced an Operational Risk Management Certification and a Credit Analysis Certification, both of which allow individuals to test
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Letter from Ian Worrell

and demonstrate their expertise in these fundamental areas of risk knowledge. On a local level, the Kansas Chapter of RMA is creating initiatives with local Universities to educate students and promote careers in banking and financial services.

The banking and financial services industry is constantly shifting and evolving as we adhere to regulatory change and respond to the changing needs and habits of our customers – making it more important than ever to remain vigilant in the effort to manage risk. Each of these new tools and resources has been developed in response to topics and issues identified by RMA members, demonstrating RMA’s continued commitment to being a member-driven organization.

As President of the RMA Kansas Chapter, I am committed to maintaining the standard of high quality offerings to our membership. I am confident in my peers who join me on the Kansas Chapter Board and extend my gratitude as they volunteer their time and talent for this organization.

We welcome feedback, active participation, and open dialogue with our membership and hope to provide you with opportunities to learn and grow.

Join RMA and take advantage of a wealth of knowledge. Engage with fellow members both locally and throughout the country and tap a broad spectrum of perspectives while developing a network of trusted peers. Lead within your RMA Kansas Chapter and take ownership of the efforts to provide quality programming, networking opportunities and education on the topics important to your success, the success of your company, and the success of our industry.

Upcoming Events

- Dec 16: IT Roundtable:
  Moderator – Chris Gilbert from Bankers’ Bank of KS.
  Location, AGH, 301 N. Main St, Wichita. Register at rma.kansas@yahoo.com

- Jan 26: Builders Plus – TOUR
  Presentation followed by social. More information soon.

- Feb 10: Relationship Management, Using Credit as a Sales Tool.
  All day class thru RMA National. Location, Fidelity Bank 100 E. English St, Wichita. Register at www.rmahq.org

- May 19: Lending to Medical and Dental Practices.
  All day class thru RMA National. Location, TBD. Register at www.rmahq.org

Other events being planned:

- Commercial Insurance: What Lenders need to know.
- Women in Banking
- Trusts, Succession Planning
- Wichita Festivals / Riverfest

RMA Credit Risk Certification (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.

CRC Exam Dates:
March 6, 2017—April 15, 2017
July 24, 2017—Aug 17, 2017
Oct 9, 2017—Nov 11, 2017

Applications Accepted:
Spring deadline, Jan 31, 2017
Summer deadline, June 12, 2017
Fall deadline, Aug 31, 2017
Multi-family Lending Bubble Yet to Burst
From the Credit Risk Council 2016 Industry Insights:

Since 2014, the headlines have told us a multi-family bubble is building. There is certainly no lack of data to support the assertion that multifamily construction has been growing in most urban centers. Whether or not the increase in construction has fueled a bubble that is about to burst depends on who you ask. Leasing agents will cite the fact that, to date, vacancy rates are steady to decreasing in most urban markets and rents have continued to climb. However, if you focus on the pipeline for delivery of new buildings in 2016 and 2017, it appears that the test of the sustainability of low vacancy levels and growing rents has only just begun.

One source which examines the dynamics of the multi-family markets in 62 MSAs puts 34 of them late in the expansion phase, signaling that increasing vacancy rates and stagnant or decreasing effective rents are on the horizon. Yet, not all multi-family properties are equal. The bulk of new construction consists of luxury urban buildings with high cost to build requiring ever high rents to support the debt. In the meantime, existing multi-family projects in urban neighborhoods and suburbs are becoming more attractive given the lower rents and larger space.

The picture becomes even more confused when you examine the drivers behind increased multi-family absorption nationwide. Most sources cite millennials’ desire for urban living with short commutes and lack of the responsibilities of home ownership as a primary force. But the ability of millennials to pay an ever larger portion of their salary in rent is questionable. Employment statistics tell a story of growth on the surface, but reports of decreases in labor participation rates and underemployment belie the statistics.

Without employment growth, the sustainability of multi-family absorption rates is suspect, as is the ability to maintain current rent levels. Finally, there is no consensus on when the pendulum will begin to swing from rent to buy. As renters with strong incomes are able to save for a down payment and mortgage rates remain low—with the threat of increases around the corner—will the pool of renters begin to flock to home ownership just as the bulge in the new multi-family construction pipeline hits the market?

One thing that is clear about the multi-family market is the need for lenders (and developers and investors) to be disciplined and maintain sound underwriting standards. Understanding the underlying economic and demographic drivers in the MSA and the submarket where a property is located and the pipeline of new projects, both rental and for-sale, is even more critical in this stage of the cycle. Lenders must be cautious not to over-leverage projects by underwriting to trended rents and abnormally low vacancies. Underwriting must focus on sustainable NOI and amortizing debt service coverage rather than a low loan to value that can be attributed to a low cap rate. Loan structures need to include leasing and debt service covenants that track to a normalized absorption projection, supported by interest and operating reserves that are in sync with those assumptions.

Multi-family bubble? Yes, some sectors of the market are a cause for concern. Continue to make new multi-family loans? Yes and no; some sectors of the market display strong demand dynamics at a relative value that support multi-family investment, but it is challenging to make new construction work in many mar-
Platinum Awarded to Kansas Chapter

The Kansas Chapter received the Platinum Award, again. This was the 9th time the Chapter has achieved Platinum status out of the last ten years. Only those chapters with the highest level of member engagement receive this status. Accomplishing this goal is dependent on strong leadership and involvement from all of the Board members who helped to bring top quality programming and educational events to the Chapter.

Steve Schoenecker, Past President for the fiscal year that ended August 31, 2016, attended the Annual Risk Management Conference in Dallas to accept the award for the Chapter.

Helga Houston, RMA Chair, Chief Risk Officer for Huntington National Bank and Bill Githens, CRC, President and CEO of RMA presented the award November 15 on stage at the Conference.

During this past year the Kansas Chapter held 4 RMA Open Enrollment Classes, 2 self-developed classes, 3 roundtable discussions, a Women in Banking event, multiple other programs that provided valuable information for those who attended, and offered a tour of McConnell Air Force Base.

It’s through events like these, along with other RMA services, that our members receive the great benefits of belonging to and participating with RMA.

Visit Wichita: RMA Kansas kick-off event

RMA-Kansas Chapter President, Ian Worrell, hosted twenty-five RMA members at the annual kick-off event held on September 22nd. Attendees were treated to refreshments and a presentation from Susie Santo, President & CEO of Visit Wichita. One of the Kansas Chapter’s goals is to promote and incorporate civic-minded efforts and bring awareness to community issues. This event provided insight into tourism trends and the broad initiatives of VisitWichita, as they work to foster a positive image of our community.
We have an active Young Professionals group within RMA Kansas Chapter.

YP Chair, Mollie Smith, and the YP committee recently hosted a panel event and social: **TALES FROM THE L.A.B.!!** at Lou’s Charcuteria in downtown Wichita. The YP group put a fresh spin on the Lending Horror Stories event of years’ past, by adding the particularly scary perspectives of a lawyer and an accountant to the mix.; hence the event name of L.A.B. (Lawyer, Accountant, Banker). Panelists included Jeff Emerson, attorney and partner at Conlee, Schmidt and Emerson; Mark Schmelzle, Senior VP of Assurance Services with Allen, Gibbs & Houlik; and Calvin Cody, President & CEO Bankers’ Bank of Kansas. The 40+ attendees to the event enjoyed scary stories of fraudulent activity, cyber-security nightmares and financial mishaps.

**Meet 2 new Kansas Chapter Board Members**

**New RMA Board Member & Secretary: Ty Patton**

Ty Patton joined the board for the RMA Kansas Chapter in September and accepted the position of Secretary. For the past two years he has been employed as General Counsel and Auctioneer for McCurdy Auction, LLC and has been practicing law for nearly 6 years. Ty brings a new knowledge base to the Board with his background in compliance, property titles, and complex work-out issues.

Some of things that he really likes about his job is the variety of things he works on everyday and the satisfaction of handling the tough and unexpected issues that come his way. Being able to work in a “sometimes chaotic environment,” he explained is a necessary skill.

Ty and his wife, Chelsea, have one toddler which keeps them busy.

In his leisure time Ty enjoys playing golf, even though he admits it isn’t one of his strong accomplishments. Camping and hiking are activities that Ty enjoys, especially when he is on vacation in the mountains. And he is always ready to cheer on the Royals and the Chiefs.

**New RMA Board Member: John Trowbridge**

John Trowbridge, SVP Commercial Relationship Manager at Sunflower Bank, also joined the board in September. After 30 years as a CPA and tax accountant, John recently joined Sunflower Bank.

He attended the RMA class on Detecting Problem Loans that was held September 30. John reported that the class was very beneficial and one that he would recommend to others.

John and his wife Stacie have four children; ages 28, 25, and 16-year old twins.

He proclaims himself a lifelong Shocker, KC Royals and KC Chiefs fan.

He enjoys playing golf and basketball. When asked about his choice of vacations he responded, “Give me the mountains over the beach and cities, especially regions with interesting history, particularly American Civil War historical sites.”
“Give Items of Value” is a United Way program that accepts items from companies and offers them to nonprofits throughout Kansas.

December 7, nine members of the RMA Kansas Chapter Board and the YP Board volunteered at the United Way Give Items of Value Program (GIV). They unloaded 5 large pallets of miscellaneous household items (toilet paper, paper towels, cleaning supplies, plastic wrap, etc.). GIV receives slightly damaged items from stores and businesses; most items just have torn packaging. Once the items are sorted they are available for nonprofits throughout Kansas, which then distribute the items to individuals and families in need.