



BORROWED TIMES

Kansas Chapter of RMA Board Members



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Special points of interest:

- RMA Founded 1914
- Kansas Chapter earns Platinum Award
- Credit Risk Council: Multi-family bubble?
- Wichita visitors spend \$1B annually

Editor:
Barbara Mize, Fidelity Bank

Letter from Chapter President, Ian Worrell

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 up-

dates, 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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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 op-

portunities 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—August 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 be-

coming 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-



“Without employment growth, the sustainability of multi-family absorption rates is suspect, ...”

About the Risk Management Assoc (RMA)

The Risk Management Association (RMA) is a not-for-profit, member-driven professional association serving the financial services industry.

Today, RMA has approximately 2,500 institutional members. These include banks of all sizes as well as nonbank financial institutions. Relationship manag-

ers, credit officers, risk managers, and other financial services professionals in these organizations with responsibilities related to the risk management function represent these institutions within RMA. Known as RMA Associates, these 18,000 individuals are located throughout North America and financial centers in

Europe, Australia and Asia.

Chapters within RMA are run by RMA Associates on a volunteer basis.

RMA welcomes all personnel involved in lending and risk management in member organizations to become RMA associates.

RMA has approximately 2,500 institutional members and 18,000 Associate members.



Helga Houston, RMA Chair, Chief Risk Officer for Huntington National Bank; Steve Schoenecker, CRC, Past President RMA Kansas Chapter; and Bill Githens, CRC, President and CEO of RMA.

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 programing 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 Kan-

sas 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.



Susie Santo, President & CEO of Visit Wichita

RMA Young Professionals—Tales from the L.A.B.

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 Em-

erson; Mark Schmelzle, Senior VP of Assurance Services with Allen, Gibbs & Houlik; and Calvin Coady, 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 compli-

ance, 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.



Ty Patton, McCurdy Auction

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.



John Trowbridge, Sunflower Bank



RMA Kansas Board Members Volunteered at United Way GIV

Email:
RMA.Kansas@yahoo.com

JOIN. ENGAGE. LEAD.



John Trowbridge, Sunflower Bank; Ian Worrell, Intrust Bank; Courtney Chambers, Bankers' Bank; Mazie Mobley, Intrust Bank; Mollie Smith, Intrust Bank; Alison Dowell, Rose Hill Bank; Barbara Mize, Fidelity Bank; Jimmy Black, Union State Bank; & Andy Watkins, Intrust Bank.

"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.



Kansas Chapter Board Members—Directory

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, contact one of our Board members.

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