



BORROWED TIMES

Economic Panel



By Mollie Smith
On April 9th, RMA hosted over 68 area businessmen and women at the annual meeting and economic panel discussion at the Petroleum Club in downtown Wichita. RMA Kansas Chapter president Blake Yakel kept the dialogue moving with comment-provoking questions for the panel, which consisted of Jeremy Hill (Director at the Center for Economic Development and Business Research, WSU), Dr. Stan Longhofer (Chair of Real Estate and Finance for the Barton School of Business, WSU) and Steve Martens (CEO of the Martens Companies).

The panel addressed both positive and negative realities of Wichita's economic climate. As a community, we express the desire for growth and economic advancement that similar-sized cities are experiencing (think Omaha, NE, Kansas City, MO) although we are falling behind comparatively. Our immediate challenge is complacency—as a community we seem to be *just* comfortable enough with Wichita's size, accessibility and 'big-small town' feel—that we are slow to change.

Mr. Martens addressed the fact that many recent transactions in

this town, both commercial and residential, have net-net results. For example, in the NE sector, the announcement of an incoming Academy Sports is perceived as a sign of economic growth. Not to be ignored, however, is the closing of the Sports Authority store in New Market Square and the speculation that the 21st St. & Woodlawn store may not be far behind. In the residential sector, Mr. Martens commented that in many cases, a new home sold or lease signed means that another home or leasable space is left vacant. Again, a net-net result, rather than intrinsic growth.

In terms of downtown development, many revitalization efforts are currently underway. Several projects have addressed (and in some cases, resolved) traffic and parking issues, vacancy of class B/C properties, etc. As Mr. Martens briefly mentioned, the firms and businesses that have relocated to, say, the 13th and Webb Road area 'aren't coming back'. The creative conversion of downtown office space into residential units is a move in the right direction. Lease-up of these spaces, however, is a slightly different conversation. As more retail business and

dining concepts move into the downtown area, residential spaces will begin to fill.

Another buzz topic at the discussion was the development of WSU's innovation campus. All three gentlemen gave accolades to WSU and President Bardo for pioneering this progressive vision which aims to partner businesses with students to offer applied learning experiences at a fundamental level. Mr. Hill and Dr. Longhofer stressed the potential enduring impact of the project which exists in creating meaningful partnerships between student+campus+business+community. The hope is that these partnerships will harbor long-term incentive for businesses to locate in Wichita while graduating students who become active members of the community and set permanent roots in Wichita. (The result? *Real growth!*)

Although the panelists come from different professional backgrounds, skill sets and in some cases differing schools of thought, the discussion provided a platform to share honest opinion and expert commentary on the economic factors that affect our city. As for a major 'take-away' from the discussion, the overall message is that Wichita has potential. Wichita is poised for expansion and whether we remain stagnant or emerge as a viable competitor to similar-sized markets—is ours to decide. As one of the most well-attended and informative events that RMA hosts, this discussion is sure to generate future discussions and keep the economic conversation alive...which is where growth begins.

Inside this issue:

Women in Bank and "Bear Hugs"	2
Upcoming Events	2
CRC—Q&A by Steve Schoenecker, new CRC	3
Fundamentals of Asset-Based Lending	4
Andy Watkins— Board Member	4
Membership Benefits	5
Kansas Chapter Board Members—Directory	5

Special points of interest:

- Election of Board and Officers for 2015-2016 fiscal year.
- Collected 42 bears for League of Wichita "Bear Hugs" program.
- Steve Schoenecker earned CRC designation.

Editor:
Barbara Mize, Fidelity Bank

Women in Banking – President’s Panel and “Bear Hugs”



By Barbara Mize

March 5th was the third annual Teddy Bear collection conducted by RMA Kansas’ Women in Banking. The teddy bears are donated to the Assistance League of Wichita for their “Bear Hugs” program which provides teddy bears to Wichita hospitals to help children in crisis situations. This year we collected 42 bears.

In combination with the Bear Hugs, the Chapter hosted a breakfast program at the Petroleum Club that featured a panel of Women Bank Executives who shared information about their backgrounds, obstacles

that they encountered during their careers, the importance of having confidence in one’s abilities, and the need to stretch and learn.

The panelists were Trish Minard, President/CEO of Southwest National Bank, Marilyn Pauly, Vice Chairman of Commerce Bank, and Andrea Anderson Scarpelli, Regional Credit Executive of Simmons Bank. The panel discussion was moderated by Alissa Drake of Commerce Bank.

Here are some comments that I found of particular interest and value.

*Never pretend to know what you don’t know.

*You need to know how your job impacts others and other departments. (Cross training.)

*Don’t look at yourself as “the Woman in the room.” You are part of the team.

*Women sometimes have a trait to be reluctant to speak up. Don’t apologize when you have something to contribute.

*Take the assignments that stretch you and learn from them.

*But realize that you don’t have to say “Yes” to everything.

*Don’t gossip.

*Don’t be afraid to self-promote.

*Do things for the right reasons, and REMEMBER....

“You won’t always love everything you have to do, but you always have an opportunity to do a good job.”



- Never pretend to know what you don’t know.
- Don’t be afraid to self promote.
- Do things for the right reasons.

Upcoming Events

RMA Kansas Chapter Events

- **Eisenhower Airport Terminal Tour**, includes social at Spring Hill Suites following the tour. April 23, 3:00-6:00.
- **Audioconference– Small Business Loans**, May 12, 11:45-1:00 at Intrust Bank, 105 N. Main St, Wichita. 1 CP
- **Bank Operations, Information Security and Technology Roundtable**, June 12, 10:00-1:00 at Legacy Bank, 3711 N Ridge Road, Wichita. 2 CPE
- **Cash Flow - by Marlon King**, 1/2 day class. Date and location to be determined. Watch for flyer.

Register at rma.kansas@yahoo.com

Upcoming RMA Classes for Next Fiscal Year

Specific dates will be published in a few months. RMA has announced that prices will be reduced by \$100 for the fiscal year that begins Sept 1, 2015.

- Oct 2015: Analyzing the Commercial Borrower’s Industry, Market, and Competitive Risk.
- Feb 2016: Construction Loan Management: Administering the Construction Loan Process.
- May 2016: Business Writing for Bankers.
- July 2016: Understanding and Interpreting Real Estate Appraisals.

Register at www.rmahq.org.



CRC — Q&A with Steve Schoenecker, Recently Certified

Steve Schoenecker has been a member of the Kansas Chapter of the RMA since 2012 and is currently employed at Central National Bank in the role of Credit Analyst II. In early April of this year, Steve sat for the Credit Risk Certification (CRC) exam. Steve passed the exam, which means that makes him the fifth commercial banking professional to currently hold the CRC designation in the State of Kansas. Steve was recently elected as the President of the Kansas Chapter RMA Board, beginning in September of this year.



Q: Steve, please explain what the CRC is all about and why it is important in the commercial banking industry.

A: The CRC is the only recognized professional designation for credit and lending professionals, and earning it gives you added credibility among both colleges and clients. As a certified risk professional through RMA, you demonstrate a commitment to the credit risk industry and a level of industry knowledge that has been recognized and certified by an objective, national outside organization.

Q: What does passing the CRC exam prove to the banking industry that you know?

A: The CRC program measures your grasp of both fundamental and advanced credit analysis concepts and the “real world” practical application of those concepts. Many of the questions covered in the exam are very lengthy, complex “case study” type questions. Many of these questions involved commercial loan requests in specific industries very similar to those I have been required to analyze over the years in my career, including commercial real estate, manufacturers, retailers, health-care related industries, energy related industries, and lending to professionals such as attorneys, accountants, and doctors.

Q: What is the format of the CRC exam?

A: To become a CRC holder, you must pass a timed (6 hour) intense multiple-choice exam containing 150 questions, approximately half of which are the long and complex case-study format. This is not an exam that contains any “obviously incorrect” choices among the answers provided. In many cases, of the four possible answers provided, the distinctions between the one correct answer and the three incorrect answers were extremely slight.

Q: What steps did you take to prepare to take the CRC exam?

A: Having many years of practical credit analysis (and/or commercial lending) experience is key to successfully passing the exam. My personal preparation for the exam in-

involved a combination of studying the RMA Body of Knowledge, using the practice CRC exams, and taking the RMA Lending Decision Process (or LDP) on-line series of courses. I strongly believe that each of these three steps were key to my success in passing the exam the first time that I sat for it. I began my exam study preparations one full year prior to sitting for the actual test. Preparing for the CRC exam is definitely a commitment of personal time, and each banker has to determine at what point in their professional careers they want to dedicate the time to prepare for the exam. For me personally, I decided to commit the time to study and prepare for the CRC exam in lieu of pursuing my MBA at this time.

Q: Can you summarize the key areas of knowledge that the CRC exam tests on?

A: There are 7 key areas that the CRC exam tests an individual’s knowledge of:

1. Evaluating the client’s industry, markets, and competitors.
2. Assessing the clients’ management ability.
3. Financial analysis of the client in an accurate, ongoing, and timely manner.
4. Cash flow analysis of the client to determine accuracy, strength, and quality level.
5. Evaluating collateral values accurately and conservatively, including collateral inspections.
6. Identifying proper repayment sources, including structuring and documenting the request.
7. Identifying problem

loans in a timely manner, and taking proper steps to minimize the bank’s amount of credit exposure / loss as much as possible.

Q: After you have passed the exam, what do you have to do to keep your CRC designation in place? Do you have to retake the exam at some point in the future?

A: The holders of CRCs are required to maintain and expand their risk management expertise by earning continuing education credits (45 credits over a 3-year period). The RMA recommends that CRC holders complete 15 credits per year in order to avoid scrambling in year 3 and risk letting their certification lapse. If a CRC holder successfully completes a minimum of 45 credits every 3 years, then they do not have to retake the CRC exam.

Q: Who are the other four individuals who currently hold the CRC designation in the state of Kansas?

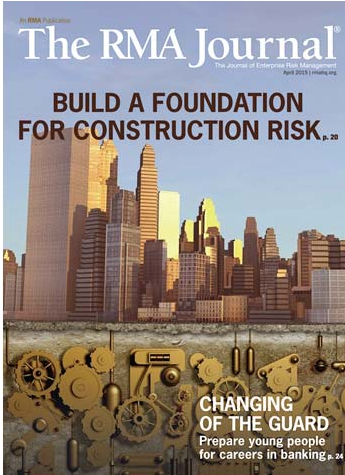
A: They are: Barbara Mize, VP at Fidelity Bank, Susan Downey, SVP at Carson Bank in Wichita, Justin Pike, VP at Intrust Bank, and Jeanie Shackelford of the FDIC. I am very proud to join this club, and very proud to serve on the Kansas Chapter RMA Board along with Barbara and Susan.

Upcoming Exam Dates:

- Oct 12—Nov 14, 2015
- Mar 7—Apr 16, 2016

Applications Accepted:

- Deadline for Fall 2015 exams- Aug 31, 2015



“It was obvious that there was a permanent working capital need, so banks would introduce companies to the bank ABL product and help support the companies’ growth, primarily using their working capital assets.”

-Jim Cooper, Suntrust Bank

Fundamentals of Asset-Based Lending

The RMA Journal, April 2015

Fundamentals of Asset-Based Lending

by Stephen Krasowski

Asset-based lending (ABL) has always been a great solution for businesses that have needs outside of what traditional banks can offer. Whether it’s greater leverage, softer covenants, or more flexibility, asset-based lending can be customized to meet the needs of a company. And more banks continue to join the deluge in offering the product.

RMA recently hosted an audio conference called “Back to Basics: Understanding True ABL Structure and Processes.” During the discussion, Jim Cooper, managing director of risk management at SunTrust Bank, provided an overview of the history of ABL and offered three basic concepts of true ABL. Barry Fife, senior credit officer at Associated Bank, N.A., discussed ways ABL shops manage and monitor relationships and how they

differ from practices at traditional financial institutions.

Looking Back at ABL

In the 1980s and 1990s, ABL was called “commercial finance” and “last-chance finance.”

The profiles of ABL lenders at that time were “slicked-back air, gold chains, and open-collared shirts,” said Cooper.

Lenders were detail-oriented, they looked at all invoices, and documents were sometimes demand notes with one-page agreements of what the lenders were thinking about doing for the borrower. ABL was mainly a product for companies with no cash flow or with cash too volatile for any other style of lending.

Cooper said banks eventually decided to expand into the commercial finance product. The ABL by the banks at that time was done primarily for high-growth companies.

“Companies were growing so fast that banks could not do the

annual payout of their line of credit,” noted Cooper. “It was obvious that there was a permanent working capital need, so banks would introduce companies to the bank ABL product and help support the companies’ growth, primarily using their working capital assets,” he said.

The image of ABL was also upgraded. It wasn’t just hard-money lending, but more of a product for growing businesses.

The next big change in the ABL product was consolidation of banks in the late 1980s and early 1990s. That change allowed banks to have additional capital and make bigger loans.

ABL then went upstream to corporate America. “There were changes to the ABL process and it became accepted as a financing alternative for almost every CFO in corporate America,” said Cooper.

—This is a partial version of the article. Read the entire article in The RMA Journal.—

Andy Watkins—Up and Coming Board Member

By Barbara Mize

Andy Watkins joined the Board for the RMA Kansas Chapter in 2014. For the next fiscal year, which begins September 1, he will serve as the 2nd VP for the Chapter.

In March of 2015 he was hired by Intrust Bank as a commercial relationship manager. He has a finance degree from K-State, MBA from Pittsburg State University, and completed Graduate School of Banking in Madison, WI.

He grew up in the Kingman, KS area and married his high

school sweetheart, Jayme. They have 3 young children.

Andy enjoys playing outside, going for walks, and spending quality time with his family. One of their favorite restaurants is Los Cocos in Derby.

Recently Read: *The Warren Buffett Way (3rd Edition)* by Robert G Hagstrom, which gives insight into Mr. Buffet’s background and also some of his strategies.

One of the areas that Andy found interesting was the fact that Mr. Buffet’s investing strategy goes somewhat against what is taught in most finance

classes. Instead of diversifying in many different stocks, Mr. Buffet is a proponent of finding companies with excellent value and management, and truly understanding each of those businesses. He prefers to own fewer quality stocks that he fully understands rather than to diversify into many stocks which he knows little about. In fact, he believes that with each investment, you should understand it as if it was your company. There were a lot of ideas in the book that could be applied to banking and how we look at companies that we do business with.

Recently Read: *The Warren Buffett Way (3rd Edition)* by Robert G Hagstrom.

RMA Membership Benefits

RMA Xchange- An exclusive online community where RMA members can engage in real-time discussions and share information with other members.

The RMA Journal- Hard copy subscription to RMA's award-winning publication written by risk professionals for risk professionals, published ten times a year.

Preferred pricing for associate members- Discounts on all RMA events, training, products, and services.

Free downloads of RMA's Enterprise Risk Management Workbook Series including:

- Risk Appetite Workbook
- Scenario Analysis & Stress Testing Workbook for Community Banks.
- Governance & Policies Workbook.

Free downloads of the following:

- The RMA Journal digital version and downloadable articles.
- Study Packs – Highly focused compilations addressing criti-

cal issues in credit risk, operational risk, and market risk.

- Member Roster Online – Access to over 16,000 Associate Members.
- RMA's Bylaws.
- RMA's Annual Reports.

Free recorded Web Seminars – on a variety of topics.

Free Board Briefings Recorded Web seminars- Designed specifically for directors to get up to speed with enterprise risk management.

RMA's Professional Member Directory- Proprietary listings of RMA Professional Members who provide services such as accounting, legal, and real estate.

Surveys and Studies- RMA undertakes several timely and thought leading studies and surveys, such as the Risk Appetite Survey.

Regulatory Update- Periodic e-newsletter offering the latest regulatory updates.

Basel Response- Guidance on managing the impact and implications of Basel III.

Regulatory Bulletin- Updated with timely information issued by regulators; consisting of the following sections:

- Washington Wrap-up: Commentary and analysis on current regulatory and legislative initiatives.
- The Dodd-Frank Resource Center: Full text of the Dodd-Frank Act, an Executive Summary of the Dodd-Frank Act, a list of NPRs implementing the provisions of the Dodd-Frank Act, as well as white papers, analysis, comment letters, and other information.
- The Consumer Affairs Center: Information relating to CFPB rulemaking and enforcement.
- The Regulatory Environment: Policy statements, regulations, and guidance issued by the Treasury Department, Federal Reserve Board, OCC, FDIC, OFR, and FSOC, as well as information relating to the Basel Regulatory framework.

Online Credit and Lending Dictionary- Definitions of commonly used words and terms including Federal Reserve regulations and relevant legal and documentation concepts.



JOIN. ENGAGE. LEAD.

"RMA has always done a good job of focusing on the basics, making things simple and easy to understand. Our chapters are a part of our success story. People like to get together with other professionals in their market area to compare notes about what's happening in their markets and in those industries."
- Michael J. Loughlin, RMA chair 2013-14, chief risk officer, Wells Fargo.

Kansas Chapter Board Members, thru Aug 31

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2015-2016 Slate of Officers

- **President**
Steve Schoenecker
- **Vice President**
Ian Worrell
- **2nd VP & Secretary**
Andy Watkins
- **Treasurer**
Barbara Mize