



NEWSLETTER

PARTNERS IN BUSINESS - OUR APPROACH IS SIMPLE...PARTNERSHIP IN BUSINESS, QUALITY IN PRODUCT AND INTEGRITY IN PEOPLE

Are De Novos Back? By Ruth Razook and Mitch Razook

We are finally seeing De Novo Banks! The FDIC reports that they have received 5 deposit insurance applications so far this year. A far cry from the 1,637 applications that were received between 2000 and 2008, but it is a start! We have three (3) in California, with one that has received their approvals and are in organization.

We are hearing that the process might be a difficult one. First, the capital requirements are much higher than those in days of old. Second, we had one de novo bank tell us that their application was 1,500 pages long! Third, we also heard that the regulators were requiring a President/CEO have prior de novo bank experience. WOW!



Something we had not heard before. Maybe it is a good thing (unless you are preparing the application).

Of the 1,042 de novo banks that were chartered between 2000 and 2008, 133 failed for various reasons. We believe that the regulatory scrutiny might be a good thing and will help de novo banks succeed.

Before the financial crisis, RLR Management Consulting Inc. (RLR) assisted between 75 and 100 de novo banks successfully open their doors. It may be possible to get back to those numbers but it will take the financial services industry learning two essential things; the importance of resurrecting de novo banks and how to keep them in business once they are here.

The financial services industry is finally at a place where it is ready to accept de novo banks again, especially after purging the majority of poor performers over the past eight years. According to FDIC Chairman Martin Gruenberg, "We are very committed to

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working with and providing support to any group with an interest in starting a community bank. There is ample room for new community banks with sound funding and well-conceived business plans to serve their local markets.”

How does a de novo succeed? First, the bank must be focused on one or two key areas in which it can excel. Simply granting loans and gathering deposits is not enough to keep a de novo bank alive. It needs to be concentrated on a few core competencies such as SBA lending or wealth management. Based on the chosen core competencies, the bank must ensure it has developed comprehensive policies and procedures detailing exactly how it should be run. To take this a step further, it is vital that the bank has expert leadership at the board and executive levels to effectively navigate these core competencies and properly guide employees.

In addition, a de novo bank needs to have a viable technology plan that addresses internal and external concerns, risk and risk mitigation, speed and soundness of delivery channels and scalable technology solutions. The plan must be as detailed as possible because there is no loan portfolio to review, regulators turn instead to the technology strategy. Most de novo banks select outsourced technology solutions. These types of platforms are able to be maintained by newer banks while still remaining competitive with the larger, national banks.



Finally, de novo banks need a detailed enterprise risk management program upon inception. This program must include things like risk assessments, audits along with an audit schedule, vendor management and cyber security. Often, this type of program is difficult to get off the ground when working in a de novo environment. A good option for these banks is to engage with a third party to take care of all risk management matters. The right consultant can handle everything from audits to cybersecurity strategies to mobile banking guideline compliance, and ensure the safety of both the bank and its customers.

De novo banks once had a bright future in the financial industry, fortunately it looks like it could be that way again soon. In order to keep up the current momentum, industry experts must realize the necessity to bring back de novo banks and prepare themselves with the appropriate tools to keep them in business. With concentrated focus, a viable technology plan and a detailed risk management plan, the resurrection of de novo banks is right around the corner.

Press Releases & Thought Leadership

RLR has partnered with the William Mills Agency. We consistently look to Bank periodicals, newsletters and the like for industry news and activities. Many of you are aware of these publications, and all of these publications have recently contained varied articles either authored by RLR or quoting RLR.



Below are a couple of our press releases. To see all of our press release please visit our website at

www.rlrmgmt.com

Digital Banking: Three Ways to Know if Your Bank is Doing it Right | | May, 2016

CB Insight

Despite all the hype, digital banking can have its downsides. After reading this article, bank customers will be able to ensure that their bank is doing everything possible to protect them. [Read more.](#)

Ready for Review | | April, 2016

Independent Banker

One thing bank executives can always count on is the reoccurrence of compliance exams. This article offers tips on passing your next exam with flying colors. [Read more.](#)

A Snapshot of our Webinar!

RLR plans to develop a series of **complimentary** educational webinars for 2017. We will highlight a variety of topics and discuss hot button issues with our current and prospective clients. These webinars will provide insight as well as facilitate discussions among the attendees to encourage knowledge sharing. RLR recently hosted our first webinar on November 3, 2016.

Ruth Razook presented on the following topic:

- ➡ Mobile Financial Services Update to FFIEC IT Examination Handbook Updates

Overall, the webinar was a success. The attendees found the speaker, webinar topic and presentation to be very informative and would definitely attend another webinar.



RLR Technology Guidance Program

For the past twenty years, RLR Management Consulting has had a program that we call our **Technology Guidance Program**. This program was initiated to assist our clients with understanding the latest regulatory guidance updates that are periodically released. We review the guidance in detail and structure an easy to understand Toolkit that summarizes the guidance, what the impact on the bank will likely be, and defines the actions the bank needs to take, including risk mitigation activities, to adhere to the new guidance.

As part of our **Technology Guidance Program**, our Toolkits outline the following for each FIL released:



Our Toolkits may continue with discussing Contracts, On-going Oversight, Contingency, Event Planning, and Emerging Risks. This is a general format we publish for most newly published guidance. Our summaries are published within 30 days of the published guidance.

Our Tech guidance program is offered to our clients on an annual subscription basis. Cost of the annual subscription is \$1,500, payable in January of each year. For more information or to enroll in the program [CLICK HERE!](#)

Major Business Tech Trends to Watch for in 2017



Cyber Security

The importance and relevance of cyber security isn't something that's going to diminish in 2017. If anything, it's going to come to the forefront of focus for most businesses, and will also be increasingly important to even very small organizations...
...Some of the specifics related to cyber security that may be

particularly relevant in 2017 include... (To read the full article [click here](#))

Technology Corner

What questions do today's financial services executives need to ask about the cloud?

If you are involved in Information Technology (IT), and even if you're not, you have been hearing about "The Cloud" for the past five years. Cloud means different things to different organizations, often implying that it is a solution for all your IT ailments. Unfortunately, the cloud is not a panacea; it merely represents another choice that can either be the right investment for an organization or end up providing limited value.

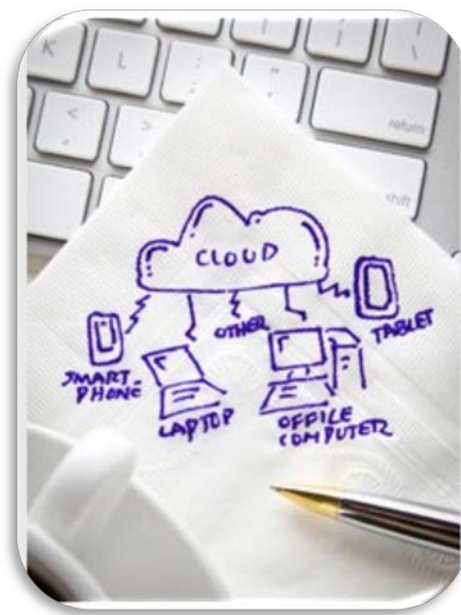
This article takes a specific look at the requirements a leader and/or steering committee in the banking industry should request when considering cloud computing. The result banks need to achieve by moving to a cloud computing environment may be similar to other industries; however, the questions to ask and the methods for evaluating solutions are quite different.

The first requirement is knowing the clear definition of "cloud." The Cloud can be divided into two different solution types.

- "Point Cloud Solution" - The point cloud solution represents picking up an application and moving its management to a service provider which occurs anytime you place or move a single application off of your equipment into the cloud. Examples include Office 365, Dropbox, Box.net or any "webified" software that does not run on your own servers.
- "Private Cloud Solution" - A private cloud solution is like a building block that provides just as much flexibility in design and implementation of the computing environment as a traditional model. Essentially, a hosted solution where the organizations' servers get moved from running on infrastructure owned by the organization to the hosting provider's secure private cloud environment. This makes private clouds more flexible to meet an organization's specific requirements. Anything possible with a traditional model is now possible with private clouds.

Both point cloud solutions and private cloud solutions are valid options for financial institutions (FI's); however, point cloud solutions tend to require more planning, as they need to fit into the entire IT ecosystem. Private cloud computing lets the FI define the ecosystem.

The following list of questions should be asked by any FI seeking clarity in selecting either a point cloud or private cloud solution:



1. What about Hybrid and Onsite Options?
2. How Effective Are Application Support Lines?
3. What is the Extent of Service Provider Controls?
4. How can you determine the services providers Risk Management Culture?
5. How Risky Are File Sharing Solutions?
6. Choosing the right IT provider for your specific Cloud-based needs.

CIO Solutions is specifically dedicated to supporting the unique IT needs of the financial services industry.



Eric Egolf, CEO & Deborah Scott, Financial Services Solutions CIO

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Consultant Spotlight

DONNA TEAGUE



RLR is pleased to introduce our newest consultant to our clients and associates, Donna Teague.

Donna has over 20 years of experience in financial institution management and consulting including leadership and best practices development, driving organizational change and process improvement in growing organizations.

Donna possesses the following core competencies:

- Six Sigma structure designed to implement process improvement strategies ensuring stakeholder engagement and success in the execution of companywide projects
- Extensive vendor management experience, creating a collaborative partnership while ensuring that the bank's requirements and contractual obligations are met
- Management of integration and transition activities associated with large scale projects such as mergers and acquisitions and core banking conversions. This includes integrating technology and culture, while ensuring compliance and achieving operational standards and efficiencies
- Very strong communication skills at all levels from the front line to the board
- Portfolio Management
- Regulatory compliance expertise

Donna is located in Katy, Texas. Please join us in welcoming Donna to RLR. She can be reached at

donna.teague@rlrmgmt.com

Upcoming Events

- ➔ Dec 4-6, 2016 WBA Northwest Bank Executive Conference Seattle, WA
- ➔ Mar 19-21 2017 AFT Spring Summit Amelia Island, FL

Did you know?

RLR delivers solutions through hands-on, personalized service. We offer our clients support and solutions to complex issues. We believe in partnering with our clients every step of the way to provide them with the evaluation, planning, design, and implementation of high quality, cost-effective solutions. Below are some of the projects RLR Management Consulting Inc. is currently working on. **How can RLR help you?**

- ➔ Operational Services
- ➔ Technology Services
- ➔ Regulatory Compliance
- ➔ Mergers & Acquisitions
- ➔ Due Diligence
- ➔ Staffing Services
- ➔ Audits and Related Services
- ➔ De Novo Services

RLR can also help with these HOT topics:

- ➔ Cybersecurity
- ➔ TRID – TILA-RESPA Integrated Disclosure
- ➔ NDIP – Non Deposit Investment Products
- ➔ UDAAP – Unfair, Deceptive, or Abusive Acts or Practices

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