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## THE GERRISH MAILBAG: ANSWERS TO SOME QUESTIONS FROM DIRECTORS

Queries touch on officer honesty, the board packet, and the future of the branch

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I recently received several inquiries from a couple of directors on topics I thought might be of interest to a broader audience.

Concerns about the other 50% of the partnership

The first issue was: "How do you know that your senior executive officers are being honest with the board?"

In other words, even though they are within their lending authority, for example, have they been making bad loans or fictitious loans or whatever that might result in significant write-offs?

The rest of the question was, "How does the board provide oversight in this regard?"

In large part, the board is going to have to depend on the honesty and integrity of its senior executive officers. This should be tested, however, by an independent third party. This might take the form of outside loan review, internal audit, or some other function that reports directly to the Audit Committee, and the like.

This is the basic Ronald Reagan theory: "Trust but verify."

Wading through the weeds? Reconsider the weeds

A second issue raised by this particular director was: "What about the multitude (pages wise) of information the directors receive every month?"

His concern was there was absolutely no way to absorb all that. Many managers and board members have probably shared such thoughts.

My suggestion is that every community bank should review its board packet. What's in there? What still needs to be there? What can be left out or, at least, dealt with differently in the board meeting proper?

Your board packet is probably contains the information it does because it "always has."

More than ever, the board needs digestible information delivered in a manner directors and trustees can understand. My general recommendation, and I have seen a number of our clients do it, is to supply your board with iPads and use an internet-based, secure board portal to deliver the information.

Also, use a consent agenda that the board can understand. The consent agenda, in brief, consists of all those items that can best be presented on paper, and, in today's conditions, aren't worth spending precious meeting time on. All those routine items can be dispensed with quickly, in this way.

That does not solve the problem of what management is giving the board, however. Direction on that can come from the board itself.

The board needs to tell management what it wants, with which to do its job.

"We want a dashboard of loan information," or something similar.

It is an obligation of the board to determine what the members want in the package.

By the way, management should avoid the "drown &lsquo;em in data" approach. For management to simply pile information on the board, hoping directors will not pick out the critical items, is a bad practice.

RIP, traditional branch?

The third question involved whether the brick-and-mortar branch is dead.

Actually, the brick-and-mortar branch appears to be alive and well based on my recent interaction in planning sessions with a number of bank boards.

While capital conservation had been the byword for the last three years, banks are beginning to contemplate expansion geographically.

I was recently with a \$400 million bank that was contemplating expanding. The first step, of course, is to determine the bank's footprint. This particular board and management group made an interesting distinction. Their number-one choice was to expand into areas in which they had a "premade reputation." These are basically areas where the bank was already known; it had good brand recognition; and, even though it did not have a location there, it had an excellent reputation, and once it expanded, it felt it could attract business because of its "premade reputation."

About the Author

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