he seasoned directors of the Community Bank of Raymore, Mo., and the new directors from the nearby just-opened Community Bank of Pleasant Hill recently found themselves together in the classroom.

The boards, whose banks have some common ownership, both needed training, whether a refresher course or an overview of the basics, says Jack D. Hopkins, president of the $101 million Raymore bank.

“We were looking for a common basis of knowledge,” Hopkins says.

A one-day training session met this goal, he says. As part of its proactive approach to supervision, staff from the Federal Reserve Bank of Kansas City presented its on-site course designed to meet bank directors’ supervisory needs.

Attendees left the session with a common understanding of their duties, further knowledge of the banking industry and a heightened comfort level with their roles, Hopkins says.

This, in turn, helps individual banks as well as the industry as a whole, says Forest Myers, a policy economist in the Supervision and Risk Management Division of the Federal Reserve Bank of Kansas City.

“When directors are active and effective in their oversight role,” Myers says, “banking problems are often avoided or spotted early—when they are easier to resolve.”

**Lesson plans**

Myers writes materials and leads the development of online and on-site courses for directors to help them better understand banking and identify problems at their institutions.

The courses replicate a bank board meeting. The goal is to prepare directors for
discussion, prompt them to ask questions as well as walk them through fundamentals that nonbankers may not know.

• “Insights for Bank Directors” is an online course primarily for new directors. It offers tools and reference materials for improved management oversight, and includes information about basic financial analysis as well as the control and monitoring of credit, liquidity and market risks. Exercises and quizzes reinforce these points. Myers recently led an update of the course to emphasize the roles and responsibilities of directors.

• “Basic Training for Bank Directors” is a six-hour, on-site version of the “Insights for Bank Directors” online course. It provides bank directors with basic tools to better identify problems and ask questions about the management of their bank. This is the course the Raymore and Pleasant Hill boards attended.

• The “Basics for Bank Directors” book acquaints directors with banks and their supervision. It details the purpose of regulation while highlighting compliance pitfalls. It discusses and shows red flags in bank capital, asset quality, management, earnings, liquidity and sensitivity to market risk. The book is the basis for the online and on-site courses.

Because information is changing and evolving, Myers periodically updates these materials to include changes in regulations and supervisory policy, for example. Additionally, a website portal will be launched in the spring that will serve as a doorway to information useful for management oversight. It includes descriptions of available information. This type of assistance makes the portal somewhat unique.

“The portal is engaging and not intimidating,” Myers says. “It’s a way to help directors be better at their job.”

Meeting banks’ needs

The information is free, and Myers and his colleagues facilitate on-site education throughout the Tenth Federal Reserve District, which includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico.

Several directors and staff members at Main Bank, a $40 million bank in Albuquerque, N.M., recently invited Myers to present materials during a one-day seminar.

Bob Croft, Main Bank senior vice president and chief credit officer, thought it would be valuable to board members, many of whom are area business leaders but new to the banking industry. Others had no prior bank board service experience.

“We were quite pleased with the presentation,” Croft says.

Most beneficial, he says, was the reinforcement of the need for directors to ask questions and be more involved.
“It already has affected the bank,” Croft says. “We would anticipate further training opportunities, and look forward to them.”

Recently, Myers and his colleagues also presented a one-day seminar at Community Bank, a $160 million bank in Santa Fe, N.M.

Board members attended a refresher course with a focus on judging risk and assessing the effectiveness of risk management. Directors were able to relate the information to their bank, and more specifically to the banking needs in a tourism area, says Sharon James, senior vice president of operations and human resources director.

“That’s what we were trying to accomplish,” James says. “It was extremely informative.”

Award-winning work
Myers’ development of director training materials earned him national recognition in the fall when he received the William Taylor Award for Excellence in Bank Supervision.

Myers was one of four Federal Reserve employees recognized at a ceremony in Boston, where he was presented the award. He was honored again shortly thereafter among his colleagues at a reception in Kansas City.

During the latter, Bank President Tom Hoenig congratulated Myers on what he called an “extraordinary accomplishment.”

The William Taylor Award is given annually to only a few of the nominees who work in the bank supervision and regulation area of the Federal Reserve.

It is the System’s highest and most prestigious honor in bank supervision, in memory of a man who dedicated his life’s work to financial regulation, first as an examiner at the Federal Reserve Bank of Chicago and ultimately as the chairman of the FDIC.

“Forest Myers’ work not only exemplifies the precedent Taylor’s past efforts have established,” Hoenig says, “but also meets the needs of community bankers today.”

DIRECTORS FROM TWO BANKS in western Missouri attended a one-day course, developed and administered by the Federal Reserve Bank of Kansas City as a proactive approach to bank supervision.

FURTHER RESOURCES

“INSIGHTS FOR BANK DIRECTORS”
“BASIC TRAINING FOR BANK DIRECTORS”
“BASICS FOR BANK DIRECTORS”
By Forest E. Myers
www.KansasCityFed.org/TEN

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.