

Compliance Strategy Cuts Costs

Wisconsin's Spring Bank shares compliance officer with other banks

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Banks market all kinds of products and services, but \$190 million-assets Spring Bank markets something beyond the usual: the expertise of Judy Etta, its compliance officer.

As a result, the young bank defrays much of its own costs of adding a dedicated compliance officer and helps other institutions that don't want to hire a full-time compliance person.

How unusual sharing began

President and CEO David Schuelke was among the founders who opened Spring Bank, Brookfield, Wis., in August 2008. Schuelke recalls that on the one hand starting after the crisis gave the bank a clean beginning. On the other hand, of course, the de novo bank had to start everything from scratch. Every way it turned, for instance, it needed to devise and adopt a policy

Enter Judy Etta, who began as a consultant to the bank, before becoming, a Spring Bank vice-president in 2012. Etta, who has been in banking for 50 years, started her career at a community bank while she was still in school, and served in a variety of positions. Along the way she built up an expertise in compliance.

Spring Bank engaged Etta to help set up the many compliance processes it needed. Policy writing was a critical need, as regulators are always expecting one for this or for that.

Schuelke came from a big bank background, working for many years in Wisconsin for J.P. Morgan Chase, and found that Etta was a fount of community bank compliance best practices. Between staff work and consulting, she had seen and addressed many situations, he explained.

"It all goes into her mental Rolodex," says Schuelke. Often when the bank had a need for a policy or a document, she had a template right at hand.

At a time when compliance officers risk work burnout, Schuelke says he has also noted that Etta seems inexhaustible.

"She's got energy," says Schuelke, "I'm just glad she's on our side."

What also pleased Schuelke was examiners' periodic comment, when they delved into bank files, that Spring Bank's management seemed to have its act together in compliance.

But there came a point where Etta still working as a consultant, wanted a change. Among other things she wanted to work four days a week. Two developments followed.

First, Schuelke leaped at the chance to hire Etta, promising at the same time that she could keep her other consulting clients.

Second, Schuelke, who labors to control FTE growth and staffing costs, realized that other banks could avail themselves of Etta's expertise. Soon, Spring Bank began to promote her expertise in a wide variety of compliance tasks, for hire.

Growing into usage

Spring Bank concentrates on commercial real estate and C&I lending, and didn't do any mortgage lending other than periodic accommodation loans for business customers. Schuelke says that the advent of the Dodd-Frank mortgage regimen put an end even to that. The bank's efforts to date would have fallen outside of QM protection and management decided the game wasn't worth the candle.

Even without significant mortgage or consumer lending roles, Schuelke says the bank has had plenty of work to occupy Etta, and as it grows, he expects to use more of her time. For now, the blended staff-for hire arrangement gives the bank considerable flexibility, and client banks have full confidentiality when Etta works for them.

"We don't make enough from the consulting role to completely pay for Judy," says Schuelke, "but she's very good at what she does. And by sharing her expertise with other banks, we're putting a dent in the impact on the cost of compliance for Spring Bank. We're thrilled with how this has worked out."

Having ultimate control of Etta's expertise is a comfort to management, as opposed to a traditional consulting role, says Schuelke. And, as time goes on, with an eye towards "compliance succession," Schuelke says that Etta will be training other bank employees on various compliance tasks.

Keeping other costs down

Spring Bank was in the black in 2010, and staff cost control is part of its story. Schuelke expects the bank's staff, currently 20 FTE, to grow by 2 FTE annually for a time. But where he can he tries to curb support staff expense.

A portion of the bank's training for both staff and board members comes from an online learning provider, for example. The bank also outsources such functions as Loan Review and Internal Audit.

In addition, Spring Bank outsources Human Resources.

The solution here was engagement of a "PEO"—a **professional employment organization**. The bank's contractor actually takes on Spring Bank's employees as its own "employees." The PEO handles numerous chores in relation to these dual employees—including Schuelke himself. These roles include both the onboarding process and even handling the aftermath of dismissals, and the many administrative details of HR.

"We don't need a full-time HR person," says Schuelke. He adds that he's quite busy with banking duties and lacks time to address employee questions and oversight of compensation and benefits.