COMMUNITY BANKING EXCELLENCE

Contact the Spilman Community Banking Group

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Conversation with a Community Banking Professional

By Timothy R. Moore
Executive Editor &
Community Banking Group Co-Chair

Ginger Salt

First Community Bank

Ginger Salt is Chief Marketing Officer of First Community Bank, a 138 year old comprehensive banking and financial services company with more than 50 financial centers in West Virginia, Virginia, North Carolina and Tennessee (as People's Community Bank).

Q: What are your responsibilities as a Chief Marketing Officer?
A: Being CMO at a community bank affords me the opportunity to work in many areas beyond traditional financial services marketing. In addition to branding and advertising, I oversee market research, public relations, product development and the customer experience.

Are You Using Your Holding Company?

by Hugh B. Wellons

Mr. Wellons is a member in the firm's Roanoke, Va. office. He co-chairs the Community Banking Practice Group and has extensive experience in regulatory and compliance law.

Many banks formed holding companies in the late 1980s and 1990s. They had various reasons for doing this. Some formed a holding company to hold subsidiaries providing nonbank activities. Some used the holding company to reduce state taxes in states where banks are taxed differently. Some were acquisitive, and holding companies gave them more options in acquiring banks. Some thought the holding company would help improve the marketability of the stock. Some intentionally submitted to regulation by the SEC, hoping that it would help with a new stock sale or marketability of current stock. Most community banks we talk with that have holding companies can barely remember why they formed them.

I know no community bank that uses its

Q: What is the most challenging or rewarding part of your job?
A: It's very rewarding to feel like you are making a difference in product/service delivery to your end client. I am always excited to experience success with a new product launch or new initiative that benefits our customers and consumers overall. The regulatory environment we operate in makes it very challenging for smaller banks, and for marketing in particular, but I benefit from being affiliated with a very strong community institution.

Q: First Community is in diverse markets - rural, small town and growing big cities. How do you portray the bank and its services differently in each market? Do you see a different role for the bank in these different types of markets?
A: First Community Bank does operate in diverse markets-that's for sure! But the overlying value proposition we offer resonates across all markets-we are a full-service financial services company and a community bank. You get all the benefits of the services large banks offer-consumer, commercial, wealth management, insurance--with the local personal service and decision making of a community bank. Our markets are managed by local executives who know their local communities and understand their customers' needs. We find those qualities are valued by all size markets.

Q: Last year in a FDIC assisted deal, First Community Bank acquired Waccamaw Bank in northeast North Carolina, which was a new market for the bank. So what did you see as your short term priorities following the acquisition? How did you go about accomplishing these goals?

A: First we wanted to reassure both staff and customers that First Community was committed to being in this market for the long term. Northeast North Carolina, and Coastal North Carolina/ South Carolina are vibrant markets, and First Community was excited to be operating in this area. We benefited from gaining experienced, professional staff from Waccamaw and the fact we shared similar cultures and values. First Community also brought an expanded product set to Waccamaw customers. We wanted to introduce First Community to this market, since we were unknown here. Being a 138-year-old bank with a regional decision-making model was important to communicate. We held some key events to meet folks and executed a name introduction

holding company to hold nonbank subsidiaries because it is too difficult to fund them. Keeping those subsidiaries under the bank makes them simpler to fund and manage. Only a few states, such as Virginia, tax banks in a significantly different way. Even in Virginia, most banks cannot take full advantage of the difference because it requires keeping capital at the holding company level. If a holding company acquires another bank, it can leave that bank as a separate entity, with its own name, management, etc. This also separates in part the risk of the two banks. A bank without a holding company does not have that ability. If a community bank without a holding company acquires another bank, it typically merges with that new bank, usually with the buyer being the "survivor." This can give the seller's market the impression that its bank no longer is "locally owned." However, most community banks are not acquiring other banks now. Even if they do, there are other ways to handle individual markets without needing multiple bank charters. It is not clear that a holding company ever helped sales of the stock, but it does not now. And regulation by the SEC has become so burdensome and expensive that few still believe the trade-off favors registration. But what do you gain if you already have a holding company and eliminate it?

Read the full article on our website.

Shifting Winds? Two N.C. Courts Uphold Fiduciary Duty Claims Against Banks

by Bryan G. Scott

Mr. Scott is a member in the firm's Winston-Salem, N.C. office. He is well-versed in representing and advising community and super regional banks in litigation matters.

For the first time ever, North Carolina's Business Court and Court of Appeals both upheld fiduciary duty claims against banks in late 2012. Debtors frequently employ such claims in an attempt to shift liability for failed projects to their lenders or to pressure lenders to settle problem loans in the wake of the financial downturn. Despite their ubiquity, breach advertising campaign. More importantly, the Waccamaw staff that became First Community staff has been key in assuring customers and communities of the benefits of the acquisition.

Q: What are the main challenges that the community industry faces today?
A: Without a doubt, the increasing regulations and economic conditions continue to present the biggest challenge to our industry. Like other small businesses, increased regulation means increased costs to our institutions to meet the demands of new rules-i.e. personnel, technology and many other resources. Continued high unemployment and flat growth in North Carolina has hampered many individuals and businesses from growing and thriving. I am thankful to work with such a strong community bank and feel we have a bright future.

Q: What do you think the community banking industry will be like in the next ten years?
A: Consolidated. I believe there will be far less community institutions. I expect it will either be a result of ceasing to operate or merging to avoid the demands/costs of the increased regulation or simply closing when margins become too compressed to feasibly operate.

Q: You recently attended the North Carolina Banker's Association Washington Caucus. What was your primary take away from it?
A: We need to continue to bring our real life stories to Washington to share with our congressmen/women. We need to help them understand what our customers are facing, how we can help them and how some of this regulation hampers us from serving their constituents. We need to remind Washington of the real world that exists beyond its borders.

Q: What are the best opportunities for growth of community banks?
A: Stay true to your values as a community bank and a small business. Keep it simple, don't get exotic; focus on the needs of your customers and communities. What will make them successful will make your bank successful. Make smart customer-centric investments in technology and products.

Q: What should be the focus of community banking?
A: To serve our communities by being engaged with them and providing financial services,

of fiduciary duty claims had proven elusive for borrowers before October 2012. With two victories notched in their belt, however, it is likely that borrowers and their counsel will approach these claims with renewed vigor in 2013 and for the foreseeable future.

Read the full article on our website.

Participations, Assignments, Intercreditor Agreements and Syndications: These Terms Are Not Synonymous

by Timothy R. Moore

Mr. Moore's practice focuses on counseling and serving the needs of banks and other financial institutions with an emphasis on the "workout" of distressed assets, financing, and regulatory issues, including consumer protection rules.

It appears that the industry is starting to "enjoy" a modest increase in activity as to participations, assignments and syndications. This "enjoyment" is not without more than a fair share of trepidation and reluctance, but the allure of increased revenue is difficult to withstand. Regardless of this trepidation, participations, assignments, syndications and intercreditor agreements can be done safely and profitably. However, one should not enter into these without knowing exactly what is encompassed. They are fraught with potential minefields.

This is the first article of a several part series on participations, assignments and syndications. We hope that by the end of the series, if you decide to do such a deal, you will be better prepared and will go into it with your eyes wide open.

Read the full article on our website.

Editor's Notes

by Timothy R. Moore

CFPB Loses in United States Supreme Court

On February 26, 2013 the Supreme Court in Marx v. General Revenue Corp.

trusted advice and products to our citizens and businesses.

Q: Bankers and banks (regardless of the size of the institution) are being demonized by politicians and the news media. I think you would agree that this is unfair but what can and should community bankers do to rehabilitate their image?
A: We need to publicly emphasize that first and foremost we are small businesses-we operate and support the communities that we are in. We donate time, money, resources to local charities; we serve in volunteer capacities and with other business leaders to improve our cities and counties. We want to help consumers and businesses responsibly achieve their financial goals. We should not be lumped in with the bad players; we didn't dabble in exotic products or try to make loans to consumers who could not pay them back. We are a linchpin in a capitalist society along with other small businesses.

First Community Bancshares, Inc., headquartered in Bluefield, Virginia, is a $2.81 billion financial holding company and the parent company of First Community Bank. First Community Bank operates seventy-four banking locations throughout Virginia, West Virginia, North Carolina, South Carolina, and Tennessee.

THE DRIVE-THRU

Never ***require*** a spousal guaranty - borrower needs to volunteer it - and always make sure the guarantee is signed in your (or your attorney's) office.

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affirmed that a debt collector, who won the court case, can recover its legal fees in a FDCPA suit even without a finding by the trial judge of the suit being brought by the plaintiff in bad faith or to harass the defendant. Not only is this a strong case that may lessen FDCPA lawsuits but is another rebuke for the CFPB in the federal courts. The CFPB, along with the Department of Justice and the FTC, filed briefs in support of the plaintiff (i.e. the borrower) stating that she should not be responsible for the debt collector's attorney fees, even though she lost her case. We continue to wait for the CFPB to advocate for banks and against a consumer's position in the courts.

Symposium on the Future of Community Banking
May 1, 2013

MARK YOUR CALENDARS for May 1, 2013 to be at the Greensboro, N.C. Airport Marriott hotel. Spilman Thomas & Battle, PLLC and the North Carolina Bankers Association will hold a symposium on the current state of and future of community banking. Congresswoman Shelley Moore Capito (R-WV) will be our keynote speaker. Congresswoman Capito is an outspoken and influential advocate for community banks and chairs the House Subcommittee on Financial Institutions and Consumer Credit. In addition to Congresswoman Capito, there are plans for a CEO panel and other panels discussing 1) Accessing Capital Markets, 2) Media Relations/Staying Relevant, 3) IT Risks, and 4) Plotting Business Strategy and Being Innovative. I am excited about this event and the good that can come from it. We would love to see you there and have your input on these important industry topics. Tickets will soon be available through the NCBA.

professional advice on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use.

Responsible Attorney: Michael J. Basile