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Superintendent Guidance
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Remote Bank Employees

TO: STATE CHARTERED BANKS

The Covid-19 pandemic accelerated pre-existing trends of adopting and integrating technology, in banking and other sectors, that enable remote work. As banks in Iowa and across the country adapted to the reality of the pandemic, they have also discovered that many of these technological tools may have useful applications going forward. This development has led Iowa banks to explore hiring or transitioning to fully remote positions, including loan officers and potentially executive officers. As Superintendent, I appreciate the appeal and potential benefits of remote employment but remain mindful of the need for banks and regulators to evaluate and monitor the risks remote employees may pose.

Remote Loan Officers

A remote loan officer is one who works for an Iowa bank but is based in a market where the bank has no physical presence in the form of an office or Loan Production Office (LPO). This is typically an individual who works from home, calling on prospective clients to originate new loans for the bank. Iowa banks that are considering hiring remote loan officers are reminded to review internal procedures for accepting loan applications, loan underwriting, loan decisions, closing processes, collateral inspections, and disbursement of funds. It is also important to maintain a clear separation of duties so no one person controls all these functions. The Superintendent Guidance on LPOs (SG-2015-01) specifies the activities that are permissible at an LPO and those that are impermissible, and the same restrictions would apply to the activities of a remote loan officer. Neither loan closings nor meetings with bank customers should ever occur at the residence of a remote loan officer, and a loan officer may not perform any core banking functions at a location other than a bank office.

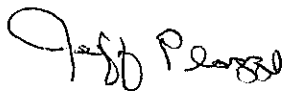
Iowa banks should keep the Board of Directors informed when considering hiring remote loan officers and may wish to obtain board approval for remote loan officers, as these employees would likely be located in new markets. It would be prudent for the Board of Directors to address how the remote loan officer position fits into the bank's strategic plan, discuss how the new market was targeted, and to update the bank's Loan Policy as appropriate to reflect the new market. Management should also consider how originating loans in a new market may implicate other regulatory considerations like the impact of a new loan market on the bank's assessment area under the Community Reinvestment Act, in addition to the Bank Secrecy Act, compliance, liquidity, capital, and earnings. Finally, management should consider the steps necessary to ensure that employees working from remote locations access bank systems in a secure manner (e.g., using VPN), that security patches and updates are installed and maintained for all devices used remotely, and that the bank retains the ability to remotely lock bank-related content on remote devices or remotely limit access to the bank's systems.

Remote Executive Officers

Iowa banks are also beginning to explore the option of arranging for executive officers who fill senior level management positions to perform those duties remotely. Such arrangements may be beneficial for banks, particularly with the emerging trends in Banking-as-a-Service and fintech partnerships, as they expand the pool of potential candidates to fill these important positions. However, remote management may present new challenges if the bank does not ensure that proper risk management practices are established. Regulators will likely discuss and assess the adequacy of those risk management practice changes at a future examination, and the Iowa Division of Banking (IDOB) reserves the right to assess remote executive officer arrangements more closely, and to assess them differently, in conjunction with de novo applications and applications for change of control to new ownership.

In summary, banking is a risk management business and employing a remote workforce poses both benefits and drawbacks. Iowa banks may wish to pursue these opportunities and such decisions are ultimately business decisions for a bank and their Board of Directors to reach. I encourage banks to account for the regulatory considerations and risk management practices discussed above when weighing potential remote employment decisions. I would also encourage bank executives to proactively reach out to their IDOB Bank Analyst at any time to discuss remote hiring considerations, and you may want to do the same with your federal regulator.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Plagge". The signature is fluid and cursive, with the first name "Jeff" being more prominent than the last name "Plagge".

Jeff Plagge
Iowa Superintendent of Banking