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Leader in banking law helps TCF navigate risk

By Jacqueline Nasseff Hilgert

WHEN ATTORNEY KAREN Grandstrand was promoted to vice president and managing officer for the banking supervision department of the Federal Reserve Bank of Minneapolis in 1993, she assumed responsibility for consumer compliance examinations and became the community development officer responsible for CRA. Because the job required the former litigator to grasp the credit needs of a large swath of her adopted Twin Cities, she decided to join the board of Twin Cities Neighborhood Housing Services. Her work for the nonprofit directly contributed to her success at the Fed and set a precedent for how Grandstrand approaches board service. She ended up chair of that board and, later, chair of the board for the Minnesota Youth Symphony and chair of the board for the Minnesota Women's Economic Roundtable. Grandstrand also has served as a director for Thrivent Financial Bank and continues to serve as an advisory board member for the Center for Law and Business at Mitchell-Hamline School of Law. But it is her service to the board of TCF Bank, Wayzata, Minn., that prompts *NorthWestern Financial Review* to honor Grandstrand as an Amazing Outside Director for 2018, along with four other directors.

Grandstrand was invited to join the board of TCF in 2010 by its CEO Bill Cooper. Grandstrand had moved into private practice at Fredrikson & Byron by then, and Cooper, who had retired from TCF in 2005, returned to the bank in 2008 to guide it through the financial crisis.

Grandstrand and Cooper knew each other from her time working at the Fed. She admired his reputation in the industry; he was impressed with her regulatory experience. But she didn't say yes immediately. "Being on a board of directors of any institution isn't something anyone should take lightly," Grandstrand advised. Board service is an opportunity but also a huge responsibility, she said.

Grandstrand learned about responsibility as the oldest of seven children growing up on her parents' McVille, N.D., dairy farm. She milked cows twice a day, even on school days, and recalls her early days with fondness. "I was blessed with wonderful mentors," she said. Those mentors included her parents, who expected her to leave her tiny hometown to attend college, and her high school principal, who told her she could select from only three career paths: engineering, medicine or law. "I was too squeamish to become a doctor and though I was good at math and science, they didn't excite me."

After earning her undergraduate degree in political science and business administration from Concordia University in Moorhead, Minn., Grandstrand and her husband, David, moved to Chicago, where she pursued a law degree at Loyola University while he worked toward an MBA at the University of Chicago. After graduation, they both faced a tough employment market but within the span of one week, each fielded two job offers. His came from companies in Minneapolis; hers came from law firms in Chicago. For two-and-a-half years, they lived a commuter marriage. An opening in the law department at the Federal Reserve Bank of Minneapolis in 1985 allowed Grandstrand and her husband to establish joint residency in the Twin Cities.

Though she'd been a litigator in Chicago, there was enough diversity of opportunity at the Fed to keep Grandstrand busy. Expectedly, she reviewed vendor contracts and worked with human resources, but she also worked on banking supervision-related matters, opined on banking applications and helped with supervisory matters related to the ag crisis and the S&L debacle. She also was the attorney for the Fed system who wrote the first check truncation agreements.

Grandstrand moved from the law department to banking supervision in 1989, a transition that only makes sense after you learn one of the earliest cases she litigated after law school was a case involving a bank. Grandstrand was second chair during an eight-week lender liability case in which a small, Chicago community bank was being sued for failure to continue to fund a struggling business. After the business failed, the suit was filed. "I found it fascinating in terms of the issues," she recalled. "At what point can a bank quit funding a business that's going down the tubes?" was the central question being argued.

Those two months of courtroom time made a lasting impression. "We won; the bank won."

With that context and the fact that her husband was established in banking, Grandstrand felt the industry pulling her.

"I had a wonderful career at the Fed," she said. "But in the back of my mind, I always believed, if the opportunity arose, I'd like to circle back to private practice." Grandstrand spied that opportunity in 1999 when she learned two senior attorneys at Fredrikson & Byron were doing succession planning and the firm was looking to add to its Bank and Finance Group. "Getting back into a law firm when you don't have a book of business isn't the easiest thing," she explained, "but they took a chance that I'd be successful."

Her partners at the firm were the first people Grandstrand consulted when Cooper came calling; they fully supported her choice to join the TCF board. Grandstrand said yes to Cooper because she respected and trusted him, but also because she believed serving on the board of a mid-sized public bank would help her become a better advisor to her community bank clients. "I'd been a litigator; I'd been a regulator; I'd been part of senior management at the Fed," she recounted. The TCF opportunity provided something new. "I would be able to see the issues from another perspective — that of a bank director at a mid-size bank."

Her instincts were correct. At TCF, Grandstrand dove into enterprise risk management. She was the first chair of both the risk committee and the risk subcommittee. "All of that work, what I have learned and experienced about ERM, has really helped me advise my client base on those issues," she said.

"Karen has added immeasurable value to our board," said TCF Chairman and CEO Craig Dahl. "With her legal background and tenure at the Federal Reserve, she has the depth of experience to be a key advisor to any financial services company. I'm grateful she's chosen to invest her time on TCF's board."

Her initiation at TCF came the same year Congress, the public and regulators all wanted to punish banks. There were extensive new regulations thanks to Dodd-Frank, and an unprecedented number of enforcement actions. Through it all, TCF focused on its financials and managed its balance sheet. She said the board emphasized ERM, hired a chief risk officer, established those risk committees, which she chairs, and is subsequently well-positioned for whatever challenges may come. "All those moves served the bank well," she said.

Dahl concurs: "The evolving regulatory expectations in our industry and the constantly changing risk environment in which we operate make her the ideal choice to lead our risk committee and she has done an outstanding job of influencing the board and guiding management in these areas." ■