

BANKER UPDATE

"Banking that is building Iowa"

Strategic Plan Drives Staff Additions

In October, the CBI Board of Directors met to review CBI's biannual strategic plan and the feedback provided to members via our member survey. In response to the input provided by members and directors, two additional positions were created and filled as we go into 2011.

The position of membership development director, filled by Megan Hollinger (see details below) was driven by the members desire to be called on annually to review the benefits available to members. She will be calling on members throughout the year as well as prospective members across the state. Please feel free to let her know if there is someone you think should be a CBI member.

The second position of membership services director, filled by Jackie Haley (details below), will concentrate on the relationships we have with affiliate, associate, and endorsed members as well as the refinement of our communications to all members. Appropriate reductions in operating costs not related to member benefits were located to make these additional positions possible.

The existing staff of Information Specialist Pretty Patel, Vice President Cathy Kelly, and CEO Don Hole will continue their responsibilities, coordinating the objectives of the revised strategic plan.



Megan Hollinger

Megan Hollinger has joined CBI as the membership development director and will be focusing on developing new members for the association via face-to-face meetings to discuss the benefits of belonging to the Community Bankers of Iowa family.

Her other focus will be on ensuring that our current members are using all the association has to offer. "I am very excited to get out and meet all of our current members and find out how the association has been a benefit to their bank," Megan stated. "I am also looking forward to meeting with the community banks that have not joined CBI to show them just what it will mean to their organization."

Megan was born and raised in Iowa, living in Shenandoah and choosing to attend Simpson College in Indianola for her BA in Business Management. Megan began her 10-year career in business development with DES Staffing Services, a locally owned recruitment firm. Most recently she was the business consultant for a payroll processing firm working with companies large and small throughout the state of Iowa. Megan stated, "Through the payroll industry, I had a positive experience working with my banking partners. This led me to my interest in joining the CBI team."

Megan currently resides in Des Moines with her husband Andy and their daughter Alli.



Jackie Haley

Jackie Haley joined the CBI team as the membership services director. Originally from Fort Dodge, she is an Iowa State University graduate with a B.A. in Communications.

Working her way through college, she worked as a legislative aide for Representative Mike Cormack from 1998-2002. "It was a fantastic opportunity to meet key legislators from every corner of Iowa and be a part of our state government," Jackie stated

After working on a gubernatorial campaign in 2002, Haley had the opportunity to work as membership manager for the Nevada Chamber of Commerce and Nevada Economic Development Council. Eight months later, she was promoted to executive director of the Nevada Chamber of Commerce. "I really enjoyed living in Nevada," Haley stated. "The community is small to where everyone feels like part of a family." Haley met her husband Christian in Nevada and currently resides there with him and their sons Spencer and Jackson.

Most recently, she was the membership director for the Agribusiness Association of Iowa. "My goals include being a part of an association that can help members accomplish their own goals in business. CBI has a proven track record of delivering benefits vital to its members. I have enjoyed working with locally-owned banks in Iowa and look forward to getting more involved with this industry through CBI."

As membership services director for CBI, she will be working to help members understand and take advantage of the benefits and services offered through CBI as well as working closely with the endorsed partners and affiliate vendor members of the association to maximize the value of the association to the members.

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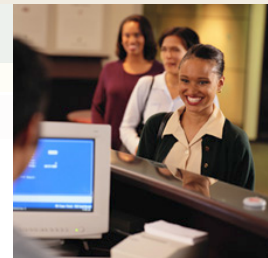
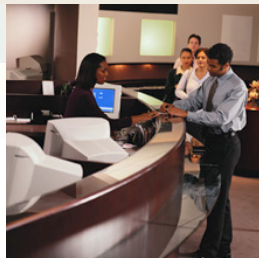
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ACC1100	Accounting: College	01/10/2011	Online	Basic Lending
ACC1100	Accounting: College	01/10/2011	Online	Branch Management
ACC1100	Accounting: College	01/10/2011	Online	Commercial Lending
ACC1100	Accounting: College	01/10/2011	Online	Operations
ACC6920	Analyzing Financial Statements	01/10/2011	Online	Commercial Lending
ACC6920	Analyzing Financial Statements	01/10/2011	Online	Basic Lending
ACC6920	Analyzing Financial Statements	01/10/2011	Online	Credit Analyst
BLPT4545 - Simulcast	Basic Loan Processing Training		Online	Basic Lending
ENC4020	Business Communications	02/07/2011	Online	General Banking
FIN4020	Business Math	01/10/2011	Online	Mortgage Lending
FIN4020	Business Math	01/10/2011	Online	Commercial Lending
FIN4020	Business Math	01/10/2011	Online	Retail Banking
FIN4020	Business Math	01/10/2011	Online	Consumer Lending
FIN6350	Commercial Lending	02/07/2011	Online	Commercial Lending
FIN6350	Commercial Lending	02/07/2011	Online	Consumer Lending
FIN6350	Commercial Lending	02/07/2011	Online	Basic Lending
FIN7008	Consumer Lending	01/18/2011	Online	Consumer Lending
FIN7008	Consumer Lending	01/18/2011	Online	Retail Banking
FIN7008	Consumer Lending	01/18/2011	Online	Basic Lending
FIN7008	Consumer Lending	01/18/2011	Online	Credit Analyst
1750-C	Customer Service Excellence	01/24/2011	Online	Professional Teller
1750-C	Customer Service Excellence	01/24/2011	Online	Retail Banking
1750-C	Customer Service Excellence	01/24/2011	Online	Customer Relations
1750-C	Customer Service Excellence	01/24/2011	Online	Customer Service
ECO2310	Economics	01/31/2011	Online	Consumer Lending
ECO2310	Economics	01/31/2011	Online	Mortgage Lending
ECO2310	Economics	01/31/2011	Online	Credit Analyst
ECO2310	Economics	01/31/2011	Online	Commercial Lending

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A-B-C-D-E-F-G-H-I-J-K-L-M-N-O-P-Q-R-S-T-U-V-W-X-Y-Z-All



January/February CBI Webinars

BANK MANAGEMENT AND OPERATIONS

- February 7, 2011** **Replacing Lost Fee Income:
Monday** **New Revenue Alternatives**
*Lee Wetherington, AAP, Strategic Insight
for ProfitStars®*
- February 8, 2011** **Dealing with Records/Document Retention
and Destruction**
Elizabeth Fast, Banker's Choice
- February 23, 2011** **Preparing for SAFE Mortgage Act
Registration and Compliance**
Ann Brode, Brode Consulting Services, Inc.

BSA

- January 21, 2011** **SPECIAL EDITION WEBINAR**
Friday morning **FinCEN New BSA Chapter X Rules
Simplification: Effective March 1, 2011**
Deborah Crawford, gettechnical, inc
- February 15, 2011** **Mandatory Compliance Training Series:
Job-Specific BSA Training for Frontline
Staff**
Deborah Crawford, gettechnical, inc

DEPOSIT OPERATIONS/COMPLIANCE

- January 13, 2011** **ACH for Frontline Staff**
Mary Gilmeister, president, WACHA
- January 27, 2011** **Deposit Operations Legal Update: A Look
Back at 2010; A Look Ahead to 2011**
Elizabeth Fast, Banker's Choice
- February 2, 2011** **ACH Rules Update**
Shelly Simpson, AAP, EPCOR

DIRECTORS

- January 20, 2011** **Director Series: Directors and Enterprise
Risk Management**
Gary J. Young CEO, Young & Assoc., Inc.

FRONTLINE STAFF

- January 13, 2011** **ACH for Frontline Staff**
Mary Gilmeister, president, WACHA
- February 15, 2011** **Mandatory Compliance Training Series:
Job-Specific BSA Training for Frontline
Staff**
Deborah Crawford, gettechnical, inc

INFORMATION TECHNOLOGY

- January 19, 2011** **Performing Your Social Media Risk
Assessment**
Dr. Kevin Streff, Secure Banking Solutions

- February 16, 2011** **Network Security Compliance:
What the Regulators Want**
Dr. Kevin Streff, Secure Banking Solutions

IRAs

- January 6, 2011** **IRA and HSA Annual Review and
Update: 2010 Tax Year**
Deborah Crawford, gettechnical, inc

LOANS/COMPLIANCE

- January 4, 2011** **Terminating or Modifying HELOCs:
Special Regulation Z Requirements**
Elizabeth Fast, Banker's Choice
- February 3, 2011** **Denied Loan Requirements: Consumer,
Commercial and Residential**
Ann Brode, Brode Consulting Services, Inc.
- February 10, 2011** **New SBA Lending Requirements**
*Ethan Smith & Kimberly Rayer,
Starfield & Smith PC*
- February 17, 2011** **Interpreting the Four Most-Misunderstood
Tax Forms: D, E, 4797 and 6252**
Tim Harrington, TEAM Resources
- February 23, 2011** **Preparing for SAFE Mortgage Act
Registration and Compliance**
Ann Brode, Brode Consulting Services, Inc.
- February 24, 2011** **Regulators and Impaired Loans**
S. Wayne Linder, Young & Assoc., Inc.

REGULATORS

- January 11, 2011** **Business Continuity Planning
Including IT Issues**
Ann Brode, Brode Consulting Services, Inc.
- January 21, 2011** **SPECIAL EDITION WEBINAR**
Friday morning **FinCEN New Chapter X - BSA Rules
Simplification: Effective March 1, 2011**
Deborah Crawford, gettechnical, inc
- January 25, 2011** **Mandatory Compliance Training Series:
Red Flags for Identity Theft**
Ann Brode, Brode Consulting Services, Inc.

SECURITY

- January 11, 2011** **Business Continuity Planning Including
IT Issues**
Ann Brode, Brode Consulting Services, Inc.

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A Compliant Overdraft Program Addresses Regulatory Requirements and Customer Needs

On November 24, the FDIC ended speculation regarding the level of oversight it would require for automated overdraft programs from the institutions it supervises by announcing its final guidance on such programs. This directive cautions that institution management remain especially vigilant with respect to product overuse that may harm consumers, rather than providing them the protection against occasional errors or funds shortfalls for which the programs were intended.

About the same time – just as the 2010 holiday season began – results from the latest survey gauging consumer reaction to Regulation E’s opt-in requirement for overdraft coverage reported that 75 percent of respondents have signed up to receive protection for their accounts. While some in the industry were surprised by the high opt-in levels, others argue that although overdraft programs have been the subject of on-going regulatory and consumer advocate scrutiny for sometime, these programs were originally created as the result of consumer interest in a safety net to protect their purchases should they face an emergency or make an error on their checking account.

Given the renewed interest in overdraft coverage by consumers in today’s highly regulated environment, the question for financial institutions now becomes, how do we meet the financial needs of our customers and maintain compliance without the added expense of compliance personnel and resources?

While Long on Detail, Guidelines Do Not Have to Derail Performance

As financial institutions address the challenges of maintaining compliance in 2011, they are already anticipating potential increases in the cost due to any new oversight by the Consumer Financial Protection Bureau (CFPB). In addition, they face possible losses to interchange income and ongoing concerns about decreased loan activity. And while the final FDIC guidance on overdraft programs establishes strict guidelines to address any risks to consumers, banks that maintain a compliant, transparent overdraft program will benefit from the opportunity to increase revenue based on informed account holder activity.

Take a look at how your overdraft program addresses the FDIC’s final guidance to determine whether or not your bank is in compliance and maintaining a program that is in the best interest of your customers and your bottom line. Does your program:

- Provide ongoing management oversight regarding program features and options, consistent with their ultimate responsibility for overall compliance?
- Include an ongoing review of marketing, disclosures and implementation to minimize potential customer confusion and promote responsible use?
- Provide staff training to make sure employees understand the details of your overdraft program to confidently explain its benefits and costs to customers?

- Follow opt-in requirements for all electronic transactions and honor customer requests to opt out of coverage for non-electronic transactions?
- Prominently distinguish account balances from any available overdraft coverage amounts?
- Monitor excessive or chronic use, and if a customer overdraws his or her account on more than six occasions where a fee is charged in a rolling 12-month period, undertake meaningful and effective follow-up action, including,
 - contacting the customer (e.g., in person or via telephone) to discuss less costly alternatives to the automated overdraft payment program; and
 - giving the customer a reasonable opportunity to decide whether to continue fee-based overdraft coverage or choose another available alternative?
- Institute appropriate daily limits on customer costs by, for example, limiting the number of transactions that will be subject to a fee or providing a dollar limit on the total fees that will be imposed per day?
- Eliminate overdraft fees for transactions that overdraw an account by a de minimis amount?
- Employ cost-effective, existing technology, as appropriate, to alert customers when their account balance is at risk of generating a fee for nonsufficient funds?
- Provide information to customers about how to access free or low-cost financial education programs?
- Review check-clearing procedures and any third-party vendor agreements to ensure they operate in a manner that avoids maximizing overdrafts and related fees through the clearing order?

Maintaining Compliance is Easier with an Expert on Your Side

As the July 1, 2011, deadline for implementing any efforts to mitigate risk to consumers nears, make sure you have procedures in place to ensure that your overdraft program is compliant with all regulations, Interagency Guidance and best practices.

While this may sound overwhelming, consumers have spoken loud and clear – they are willing to pay for a service that helps them maintain financial stability. A compliance expert can assist you in implementing and managing a completely transparent overdraft program that is not only 100 percent compliant, but one that also provides a valuable service to your account holders and improves your bank’s performance.

To learn more about JMFA, please contact Ron Goffman, JMFA regional director, at Ron.Goffman@JMFA.com or (877) 843-8611.

One Vendor – Does One Size Fit All?

Ten years ago, electronic funds transfer (EFT) meant a financial institution issued ATM and signature-debit cards, as well as supported various types of automated clearing house (ACH) services. The different companies providing these products and services were essentially the same and differentiated themselves by other business drivers, such as price, service, acceptance, convenience, and reliability. During that time, financial institutions required vendors to cooperate, which provided them a choice of the products and services offered to their customers.

Today, we have witnessed a massive consolidation of the financial industry. Its suppliers, processors, networks, and card associations went from member ownership to public stock companies. The industry has consolidated with the majority of solution providers being owned by very large public companies. It is amazing to look back on those early days and see how far the EFT and core banking vendor's landscape has changed, for the good and bad. The ramifications of the consolidation, however, are beginning to show. Ten years ago, there was a variety of core banking and EFT networks with which to partner. Today, there are relatively few to choose from. It seems community financial institutions are quickly losing their ability to use the products and services of their choice.

As a customer, it is always nice to have a single resource to contact when there is a problem. In reality, having only one person to call is nearly impossible and, when all of your business is with one vendor, it is difficult to get them to resolve your problem when you need them most. Even when you do business with a single company, the reality is the products and services provided are segmented and nonintegrated solutions by separate companies that have been acquired and are now owned by one corporate umbrella. For example, there may be a pricing difference between different billpay providers, home banking solutions, check imaging solutions, or EFT services, but because all of your services are provided by one vendor, you will not be able to take advantage of the pricing opportunities. When this occurs, the corporate umbrella begins to influence, if not demand, how and with whom you do business.

As these companies begin to look for ways of increasing stock and shareholder performance, they often find ways to penalize community financial institutions that use best-of-breed solutions instead of the solutions the conglomerate owns. They might choose to drag out an important product implementation a community financial institution wants, or they may charge an inflated price to support an alternative solution provider. Regardless of the tactics these large companies deploy, it means one thing for community financial institutions – lack of choice.

So, instead of being able to price out different services and integrate your products to add wanted functionality or save money, creating what you want, you end up signing multiple contracts for many different products and services with one vendor. The vendor then can turn around and charge higher fees – sometimes potentially significantly higher fees – to support a product or service by having a separate contract for each one. Having separate contracts with end dates that are not coterminous also increases the difficulty of changing vendors without paying contract-breakage fees and additional charges to integrate with

another vendor for a best-of-breed product or service. This quickly becomes a no-win situation for community financial institutions.

As a financial institution executive, you must ask yourself some important questions when working with your vendors. Do I want flexibility with whom I do business, or do I want a vendor telling me with whom I can do business? Do I have a vendor that has a vested interest in helping a community financial institution grow their business, or do I have a vendor that is really just interested in getting as much revenue as they can from me? Do I have a vendor that works with me, or do I have a vendor that is always “out of the office” when I call or e-mail?

SHAZAM focuses on working with many different solutions in the industry and develops products and services that can be used by all community financial institutions regardless of the core banking or EFT provider they choose.

For us, that is what it means to provide exceptional service. We believe every community financial institution is entitled to this level of service, regardless of your core or EFT processor.
by Terry Dooley, SHAZAM senior vice president of information technology and chief information officer (CIO)





Mainstreet Economic Survey

Rural Mainstreet Index at Highest Level in Almost Three Years: Bursting Farmland Price Bubble is Top Risk



Ernie Goss

December Survey Results at a Glance:

- Rural Mainstreet index expands to highest level since January 2008
- Farmland price index soars to its highest level since March 2008
- Approximately 35 percent of bank CEOs see the bursting of farmland price bubble as biggest 2011 threat
- Approximately 62 percent of bankers expect Federal Reserve rate hike in 2011
- Farm equipment sales bounce to highest level ever

The overall index for the Rural Mainstreet economy moved above growth neutral 50.0 for a second straight month advancing to its highest level since January 2008, according to the December survey of bank CEOs in a 10-state region.

Overall: The Rural Mainstreet Index (RMI), which ranges between 0 and 100, increased to 55.4 from 53.3 in November. This compares to a reading of 40.9 for December 2009.

Creighton University Economist Ernie Goss said, "Very healthy farm income is rippling across the Rural Mainstreet economy. Businesses heavily dependent on the farm economy continue to experience very strong economic conditions." Goss and Bill McQuillan, CEO of CNB Community Bank of Greeley, Nebraska, created the monthly economic survey in 2005.

Farming: The farmland price index soared for the month with the index moving above growth neutral for an eleventh straight month to 76.9, its highest level since March 2008, up significantly from 68.1 in November. The farm equipment sales index likewise bounced higher with a December reading of 77.8, a record high, from November's 68.1.

Michael Johnson, CEO of Swedish American State Bank in Courtland Kansas, attested to the rapid price growth in farmland, "A land auction was held two weeks ago and land that would have brought \$2,500 an acre two years ago sold for \$5,000 to \$5,500 an acre."

"This month bankers were asked to name the biggest threat to the Rural Mainstreet economy for 2011. Over one-third or 35 percent indicated that a bursting of the farmland price bubble was the number one threat to the economy for next year. More than one in four or 27 percent of the bankers named low agricultural commodity prices as the number one risk for the Rural Mainstreet economy," said Goss, the Jack A. MacAllister Chair in Regional Economics at Creighton.

Jeffrey Gerhart, CEO of Bank of Newman Grove, in Nebraska echoed words of caution, "While the agricultural economy has been doing well, ag bankers and farmers need to be cautious as they look ahead to 2011 and beyond.

Steven Lane, CEO of Security Savings Bank in Farnhamville, Iowa, said, "There is some concern over the sharp increase in land prices in the last three months." He indicated that a large share of buying was coming from nonlocal investors. **Banking:** Expansions in farm activity, including land and equipment buying, pushed loan volumes higher with a December reading of 52.3, up significantly from November's 35.3 and October's 48.4.

For the tenth straight month, the other two banking indicators stood above growth neutral. However, the checking deposit index sank to 66.7 from 76.3 in November. The index for certificates of deposit and other savings instruments slumped to 50.1 from November's 55.8.

This month, bankers were asked when they expected a Federal Reserve interest rate hike. Approximately 62 percent anticipate a 2011 increase. The remaining 38 percent expect a rate increase in 2012.

Jobs: The Rural Mainstreet economy has begun to add jobs with a December jobs index of 50.1, up from November's 46.8 and October's 46.0. "While many metropolitan areas continue to shed jobs, agriculturally dependent small towns have begun to see improving job prospects," said Goss.

Confidence: The economic confidence index, which reflects expectations for the economy six months out, dipped slightly to 62.2 from 63.8 in November. The confidence index has been trending higher over the past year and is well above last December's reading of 53.7.

Home and retail sales: Home sales remained weak with a December reading of 43.9, which was down from November's 45.1. This is the sixth straight month the reading was below growth neutral 50.0. Surprisingly, the retail sales index moved above growth neutral for a second straight month with a December reading of 57.1, up significantly from November's 50.1. "Home sales have been on the decline since the end of the tax credit for first-time home buyers last April," said Goss.

Bankers were asked how much residential housing prices in their areas have changed over the past year. Only 12 percent reported an upturn in prices while 52 percent indicated that housing prices had declined over the past year. One in four or 25 percent said housing prices had declined more than 5 percent over the past 12 months.

Each month, community bank presidents and CEOs in nonurban, agriculturally and energy-dependent portions of the 10-state area are surveyed regarding current economic conditions in their communities and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wyoming are included.

This survey represents an early snapshot of the economy of rural, agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 10 regional states, focusing on approximately 200 rural communities

with an average population of 1,300. It gives the most current real-time analysis of the rural economy.

Illinois: For an eighth straight month, Illinois' RMI advanced above growth neutral. The December reading stood at 65.2, a regional high, up from November's 62.7. For an eleventh straight month, farmland prices advanced above growth neutral with a December reading of 81.8, up from 69.3 in November. Farm equipment sales for December expanded to 82.6 from 67.5 in November. The rate of job **gains** for Rural Mainstreet Illinois over the past 12 months was 5.2 percent.

Iowa: The state's RMI rose above growth neutral for the month with December reading of 55.8 which was higher than November's 54.3. The farmland price index jumped to 77.1 from 68.6 in November. The state's farm equipment sales index grew to 78.0 from November's 69.2. The rate of job **losses** for Rural Mainstreet Iowa over the past 12 months was 0.9 percent.

Minnesota: The December RMI for Minnesota climbed to 61.5 from 60.7 in November. Minnesota's farmland price index climbed to 80.0 from November's 71.8. The agricultural equipment sales index stood at 80.8 from 72.4 in November. The rate of job **gains** for Rural

Mainstreet Minnesota over the past 12 months was 2.8 percent.

Missouri: The RMI for Missouri increased to 47.8 from 45.8 in November. The farmland price index for Missouri climbed to 73.1 from 64.4 in November and 56.6 in October. The December farm equipment sales index advanced to 73.9 from 65.0 in November. The rate of job **losses** for Rural Mainstreet Missouri over the past 12 months was 4.4 percent.

Nebraska: The December RMI for Nebraska moved higher to 58.6 from November's 56.7 and October's 52.0. The farmland price index climbed to 78.5 from 69.8 in November. The farm equipment sales index grew to 79.3 from November's 70.4. The rate of job **gains** for Rural Mainstreet Nebraska over the past 12 months was 1.8 percent.

South Dakota: For a second straight month, the RMI for South Dakota climbed above growth neutral. The index for December advanced to 56.8 from 54.8 in November. The farmland price index climbed to 77.6 from November's 68.8. South Dakota's farm equipment sales index for December was 77.6, up from November's 69.4. The rate of job **gains** for Rural Mainstreet South Dakota over the past 12 months was 0.6 percent.

Table 1: Rural Mainstreet Economy for Last Two Months and One Year Ago: (index > 50 indicates expansion)

	Dec. 2009	Nov. 2010	Dec. 2010
Area economic index	40.9	53.3	55.4
Loan volume	45.7	35.3	52.3
Checking deposits	69.8	76.3	66.7
Certificates of deposit and savings instruments	59.6	55.8	50.0
Farmland prices	44.9	68.1	76.9
Farm equipment area sales	40.4	68.7	77.8
Home sales	40.4	45.1	43.9
Hiring	33.4	36.3	50.1
Retail business	43.3	50.1	57.1
Confidence index (area economy six months out)	53.7	63.8	62.2

Table 2: The Rural Mainstreet Economy, December 2010

	Increased more than 5%	No change to 4% increase	Decreased by 1% - 4%	Decreased more than 5%
Over the past year, what has been the change in residential housing prices in your area?	3%	45%	27%	25%
	At its next meeting	In the first half of 2011	In the second half of 2011	Sometime in 2012
When will the Federal Reserve begin raising short-term interest rates?	0%	3%	59%	38%
	Bursting of farmland price bubble	Low farm commodity prices	A change in federal alternative energy policy	Other
What is the biggest threat to the Rural Mainstreet Economy for 2011?	35%	27%	12%	26%