

BANKER UPDATE

"Banking that is building Iowa"

\$5 Million Iowa Small Business Loan Program Started This Month in Iowa

A new Iowa Small Business Loan (ISBL) Program will begin accepting loan applications on August 2, 2010. The \$5 million program was created by the Iowa Legislature during the 2009-2010 session to promote the creation and retention of jobs in Iowa's economy by providing financing to eligible small businesses.

The ISBL Program aids Iowa entrepreneurs and Iowa small businesses in their efforts to (1) upgrade or modernize equipment, (2) realize additional efficiencies in their supply chains, (3) improve their distribution and transportation margins, (4) reduce facility costs through increased energy efficiency, and (5) leverage other sources of business financing.

Iowa small businesses can access loans ranging from \$2,500 to \$50,000 at an interest rate of 3.9 percent. If the ISBL Program loan is combined with financing from a local lender, the interest rate drops to just 2 percent if the cofinancing is for at least one-third of the total loan package amount. In addition, the ISBL Program will consider subordinated collateral for cofinanced loan applications with up to two-thirds of the project loan request financed by conventional lenders. Applications for startup businesses or those less than two-years-old are required to have cofinancing for at least one-third of the project loan request. Applications with cofinancing must provide a letter of contingent loan approval from the lenders providing the additional loans. A copy of the energy audit must be provided along with the application for loans to improve energy efficiency for facilities owned by the business.

To be eligible for the ISBL Program, the small busi-

ness must be located in Iowa; must be owned, operated, and actively managed by an Iowa resident; and have 35 or fewer full-time equivalent employees.

The Iowa Foundation for Microenterprise and Community Vitality has been contracted by the Iowa Department of Economic Development (IDED) to assist with the credit review process and provide recommendations regarding loan decisions to IDED. IDED will make final decisions regarding approval or disapproval of all loan applications. The total time between application submission and funding of approved loans is estimated to be 4-6 weeks.

For more information, please visit the ISBL Program website at www.ISBLoan.org to review the program and application details. If you have questions regarding the program, contact Jason Yates with the Iowa Foundation for Microenterprise and Community Vitality at 515-401-8290 or jyates@iowamicroloan.org.

Eligible businesses must also have a business plan reviewed by an Iowa Small Business Development Center (SBDC) or another qualified public or nonprofit business consultant approved by IDED. Additional restrictions regarding environmental, worker safety, and labor regulations also apply. Applicants must contact their local SBDC (www.iowasbdc.org) or approved business consultant to confirm eligibility.

Community Bankers for Compliance Program (CBC) September 28, CBI Conference Room Bryan Bradley, Young & Associates

Compliance officers are still feeling tremendous pressure to adapt to a fast-changing regulatory environment. This program delves further into the privacy changes and the risk-based pricing disclosures, both of which will be required as of January 1, 2011.

Presenter Bryan Bradley of Young & Associates, provides each banker in attendance with a BSA Exam Manual. Written in full narrative fashion, it includes a complete review of the privacy requirements, as well as the risk-based pricing disclosure. As you are aware, the BSA Exam Manual changes are currently in place. CBC commences with regulatory updates and then focuses on practical applications for banks.

Go to www.cbionline.org to find out how valuable this program can be to your bank and how it can help ensure that you have done everything possible to avoid violations.

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Community Banker's Webinar Networks

Dear Webinar Participant,

As you know, it takes work to stay abreast of the regulatory changes affecting the financial industry. The job is not going to get any easier now that Financial Regulatory Reform has been passed.

Your Community Banker's Association is here to help.

We have industry experts monitoring hot topics and pending rules/regulations. As soon as there is sufficient information to benefit your bank, a webinar will be offered on these important topics.

Items on Our Watch List Include:

- Federal Regulations on Garnishments
- Health Savings Accounts
- SAFE Act
- FinCEN MSBs – Stored Value Cards, Prepaid Access
- CRA Performance
- National Strategy for Trusted Identities in Cyberspace (Online Authentication)
- Financial Regulatory Reform – All Aspects

Watch Your Email for Notices on Upcoming Webinars

You can count on your Community Bankers' Association and the Community Bankers' Webinar Network to keep you informed.

August/September CBI Webinars

BANK MANAGEMENT and OPERATIONS

October 14, 2010 Top 10 Frequently Asked Questions About Safe Deposit
Dave McGuinn, Safe Deposit Specialists

DEPOSIT OPERATIONS/COMPLIANCE

September 9, 2010 Subpoenas, Summonses, Levies, Garnishments, and Other Demands for Customer Funds
Elizabeth Fast, Banker's Choice

September 14, 2010 Opening Deposit Accounts Online
Deborah Crawford, gettechnical, inc.

September 16, 2010 Handling Check Returns and Adjustments: Paper and Imaged
Shelly Simpson, EPCOR

October 13, 2010 Dealing with Power of Attorney and Living Trust Documents
Elizabeth Fast, Banker's Choice

October 19, 2010 Business Accounts: Who is Authorized to Open, Close, Transact?
Deborah Crawford, gettechnical, inc.

DIRECTORS

September 21, 2010 Director Series: Using the Uniform Bank Performance Report (UBPR) to Improve Profit and Value
Gary J. Young, CEO, Young & Associates, Inc.

FRONTLINE STAFF

September 30, 2010 Frontline Skillworks: Dealing with Diverse Personalities
Mike Lehr, Young & Associates, Inc.

FRONTLINE STAFF (continued)

October 13, 2010 Dealing with Power of Attorney and Living Trust Documents
Elizabeth Fast, Banker's Choice

October 19, 2010 Business Accounts: Who is Authorized to Open, Close, Transact?
Deborah Crawford, gettechnical, inc.

HUMAN RESOURCES AND TRAINING

September 28, 2010 Training for Trainers: Mapping and Conducting Job-Specific Compliance Training
Deborah Crawford, gettechnical, inc.

INFORMATION TECHNOLOGY

October 21, 2010 Website Compliance
Elizabeth Fast, Banker's Choice

October 26, 2010 IT Risk-Assessment Compliance and Review
Dr. Kevin Streff, Secure Banking Solutions

LOANS/COMPLIANCE

September 23, 2010 Complying with the Fair Debt Collection Practices Act (FCDPA) for Consumers and Businesses
Greg Souther, Greg Souther Consulting & Seminars

October 5, 2010 Commercial Loan Documentation
Ann Brode, Brode Consulting Services, Inc.

You can be a CBIPAC Star. Contribute today and make a difference

For additional information, contact Don Hole at 515-453-1495



Make Sure You Have the Facts About Reg E Before Discounting its Impact

In a survey conducted by The Nielsen Company in March of this year, 2,013 respondents weighed in on the likelihood that they would opt in to an overdraft program. Of the consumers surveyed, 26 percent said they would opt in; 22 percent would not and a majority; 39 percent, were undecided. The top two reasons cited for the indecision? Respondents didn't have enough information about Regulation E and they had no idea there was an option to opt-in.

Similarly, some financial institutions are choosing not to bother with an opt-in strategy because they don't think they will be impacted by the restrictions imposed by Reg E's ruling on paying overdrafts on ATM and one-time debit card transactions. Or, they have decided that they will just "take the hit" because they don't believe it will have much of an effect on their bottom line.

Unfortunately, this strategy could lead to a loss of as much as 60 percent of NSF/OD income caused by force pay or pre-authorized debit transactions. Following are three common scenarios that demonstrate how the loss of force pay income can happen and create a negative impact on your bank:

Myth

1. Your institution does not offer overdraft limits at the ATM/POS...***so there is no risk for income loss.***
2. Your institution has online, real-time processing for handling ATM/POS transactions...***so there is no risk for income loss.***
3. Your institution has online, real-time processing and does not offer overdraft limits on ATM/POS channels...***so there is no risk for income loss.***

Fact

If your debit card network rules require your institution to pay an authorized debit card transaction that overdraws a customer's account, your income will be impacted due to the loss of force pay income.

The volume of that income loss can be as high as 60 percent of your NSF/OD income.

With the uncertainty regarding interchange fees, and speculation about possible future FDIC fee assessments and additional costs of complying with new financial regulations, it is more important than ever to make sure your bank has alternative sources of non-interest income to remain viable. An overdraft privilege program can make a substantial impact to your bottom line and provide a valuable service to your customers; which takes us back to the Nielsen survey.

The top reasons 26 percent of the respondents indicated that they would opt in to an overdraft program were:

- To be covered in case of an emergency situation or unexpected expense;
- They have multiple users on their card and don't always know their balance; and
- They want to avoid embarrassment at the check out.

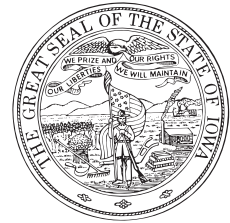
While there is still much confusion in the marketplace about the implications of new regulations, you know that your customers expect you to provide the services they need to maintain financial stability. And, you know that your bank needs a strong bottom line to compete in the marketplace. A disclosed overdraft program can be a real benefit for both your customers and your institution. *by John M. Floyd, chairman/CEO, John M. Floyd & Associates*

About John M. Floyd & Associates (JMFA)

John M. Floyd & Associates (JMFA), a preferred business partner for Community Bankers of Iowa, is a profitability and performance improvement consulting firm, serving more than 2,000 financial institutions in all 50 states. As a direct result of its programs, JMFA has helped thousands of clients dramatically improve their performance and their bottom line. All JMFA overdraft programs are guaranteed 100 percent compliant with federal and state regulations. They offer 100 percent core processor compatibility, are fully automated and easily implemented. To learn more about JMFA, please contact Ron Goffman, JMFA regional director, at Ron.Goffman@JMFA.com or (877) 843-8611.

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Governor Chet Culver
Lt. Governor Patty Judge

Business Assistance Program

Eligible Businesses

The Iowa Department of Economic Development (IDED) will provide financial assistance to businesses located in the presidentially declared disaster area eligible for individual assistance, as designated by FEMA-1930-DR, that have been physically damaged or destroyed by the natural disasters of 2010. Residential landlords and home-based businesses are not considered eligible businesses for purposes of this program.

The financial assistance under this program includes:

Working Capital Assistance

Eligible businesses may receive \$5,000 to \$50,000 for working capital to ensure the business's survival. The maximum amount of funds available through this Program for businesses is an amount equal to 25% of the loan approved by an eligible lender.

Assistance will be provided as a forgivable loan, provided the business remains open for at least 12 months following the award. If the business closes or otherwise ceases to exist in substantially the same capacity it was at the time the loan was awarded under this program, the entire loan shall be subject to immediate and full repayment. The loans awarded under this program shall not require a security but shall be subject to the terms and conditions of a loan agreement between IDED and the business and applicable regulations.

Assistance Eligibility

Businesses must have been physically damaged by the 2010 natural disasters and have received loan approval from an eligible lender* for a 2010 natural disaster-related purpose.

Contact

IDED will be managing this program directly. Please contact the Department with questions at the following email address: IHIBusiness@iowa.gov, or at 1-800-245-IOWA.

For more information visit www.lowansHelpinglowans.com

Go to www.cbionline.org to access a sample bank approval letter.



Cam Fine

History That Lives On

For better *and* for worse, the Wall Street Reform Act is now a part of history, but it's a living history that will play out for months and years to come. Now that President Obama has signed the mammoth legislation into law, hundreds of regulatory rules need to be written and implemented – the vast majority of which will affect only Wall Street megabanks and nonbanks. The outcome of that regulatory process will determine how much Wall Street is ultimately held accountable.

So our industry's work on financial regulatory reform is not over. ICBA and community bankers must stay engaged by continuing to follow events and make our voices and views heard.

As ICBA has said, the Wall Street Reform Act achieves significant successes but also contains disappointments community bankers fought hard to avoid. By now you know about the provisions worth celebrating, the community bank exemptions that are extremely helpful as well as the disappointing provisions that made the final draft despite our opposition.

What's perhaps too easily overlooked or minimized are the law's many provisions that specifically recognize the distinct and special role community banks play in the financial services industry. Those provisions, included in public policy for the first time, formally end the days where the only policy option is one-size-fits-all regulation that ignores the different business model and unique needs of the nation's community banks.

What perhaps is most remarkable and most important is that the Wall Street Reform Act—thanks solely to ICBA and the grassroots efforts of community bankers—draws a bright line that recognizes community banks and megabanks are distinctly different and must have, and even deserve, different regulatory treatment. While not a cure for the regulatory burden community banks shoulder, this precedent lays a bedrock foundation to establish a more sensible, streamlined and equitable regulatory framework for community banks in the months and years to come.

The Wall Street Reform Act is the inevitable reaction to the historic credit, financial and housing market collapse from which we are all still recovering. Time and again during the debate over financial reform, ICBA made sure lawmakers understood that community banks were not responsible for causing the financial crisis—despite the efforts of some to throw community banks into one big “industry” pot. At every step along the way, we told policymakers that community banks and Main Street America shouldn't bear the consequences of Wall Street's irresponsible and damaging behavior—and to a large extent we were heard!

Now this landmark legislation moves from Congress to the regulatory side of official Washington. We need to make sure the ICBA and community bank voice is heard in those policy circles as well. *Camden R. Fine is president and CEO of ICBA. Reach him at cam.fine@icba.org.*



Jim MacPhee

No More Business as Usual

The final regulatory reform bill is controversial, and passions have run deep among Washington's 27 financial trade associations, each of which lobbied its positions as the bill passed in both the House and Senate.

I understand that passion. I would not have accepted this position on behalf of 5,000 community banks if I did not. I also understand that many trade groups got cut out of the deal and never had a seat at the table. Others condemned us for not being “united,” for being “divisive” in not joining them in trying to stop this bill. To them I say, we followed a course that was guided by our motto: “One mission – community banks.”

To those upset that we took that place at the table to negotiate rather than stand back and condemn the process, let me say for the last time that this bill was not stoppable. The president, the administration, and Congress were going to show the American public that too-big-to-fail institutions could not escape without gaining stricter oversight, being resolved or downsized, or having their business models further scrutinized. Regardless of the name-calling, this bill was going through even if all 27 trade groups tried to stop it.

Consider also that if it had been stopped, the too-big-to-fail, the unregulated institutions, and the shadow banking industry would not have been reined in or had any sanctions whatsoever. How would that have served community banking?

Remember the FDIC special assessment? The overly aggressive examinations you have encountered? The write-downs on capital? How long would those have gone on unanswered without ICBA fighting for fairness for community banks? And having no reform bill allowed business as usual for the biggest institutions. The systemic 19 were not resolved, their shareholders were not left with worthless stock, their CEOs were not fined, their banks were not put under regulatory orders; they were bailed out through TARP. With no bill, the unfairness will continue. Not on my watch: We fight for our rights, and I will take any criticism.

So what did ICBA accomplish by defending community banks? It is all in my May 25 special message letter, but the bottom line is that with just one concerted effort, and on a 98-0 Senate vote, the Tester-Hutchison amendment will save 98 percent of community banks \$4.5 billion over the next three years.

ICBA is not done fighting for you. We are still working to exempt banks of less than \$10 billion in assets from Consumer Financial Protection Bureau enforcement and expand such exemption to examinations and reporting requirements.

Is your ICBA membership bringing bottom-line value to your franchise? Is ICBA fighting for only community banks, and does it stay focused on what is good for your bank? Obviously! As a 41-year veteran of community banking, I would never support anything less. Thank you for the privilege of serving as your chairman. *Jim MacPhee is CEO of Kalamazoo County State Bank in Schoolcraft, Michigan*

For More

For fact sheets and summaries of the Dodd-Frank Wall Street Reform and Consumer Protection Act, click on the Wall Street Reform Act link on ICBA's home page, icba.org.



Mainstreet Economic Survey

Rural Mainstreet Index Dips Again for August: Almost Half of Bank CEOs Expect a Recession in 2011

August Survey Results at a Glance:

- For a second straight month, the overall index declines below growth neutral
- Almost half the bankers expect the economy to move back into a recession in 2011
- Farmland prices and farm equipment sales continue to advance
- Home sales and retail purchases tumble for the month
- A high percentage of bankers support increasing the percentage of ethanol in blended fuel



Ernie Goss

For a second straight month, the overall index for the Rural Mainstreet economy dipped below growth neutral 50.0, according to the August survey of bank CEOs in a 10-state region.

The Rural Mainstreet Index (RMI), which ranges between 0 and 100, dipped to 46.0 from July's 49.3 and June's 52.6.

Creighton University economist Ernie Goss said, "Much like the nation, bank CEOs are tracking significant pullbacks in economic activity." Goss and Bill McQuillan, CEO of CNB Community Bank of Greeley, Nebraska, created the monthly economic survey in 2005.

The farmland-price index moved above growth neutral for a seventh straight month to 55.3 from July's 52.5 and June's 54.7. "While Rural Mainstreet businesses are experiencing downturns in economic activity, farming income is holding up much better with resulting upturns in farmland prices," said Goss.

The farm equipment-sales index rose to 52.7 from 51.8 in July. "Farm income will depend heavily on the value of the dollar. As long as we don't experience any significant upward moves in the value of the dollar, I expect farm income to continue to grow for 2010," said Goss, the Jack A. MacAllister Chair in Regional Economics at Creighton.

Many bankers reported very healthy crop yields. For example, **Terry Engelken, CEO of Federation Bank in Washington, Iowa**, said, "Our county ranges from excellent looking crops to some areas that were too wet to plant."

Todd Douglas, CEO of the First National Bank in Fort Pierre, South Dakota, reported, "Although most area row crops look good, grasshoppers have caused damage west and south in our area."

For a sixth straight month, all bank indicators were above growth neutral. The loan-volumes index increased to 54.2 from 53.1 in July. For August, the checking-deposit index improved to 59.1 from July's 54.6. The index for certificates of deposit and other savings instruments slipped to 54.2 from July's 55.4. **Larry Winum, president of Glenwood State Bank in Glenwood, Iowa**, reported that individuals and businesses are focusing on reducing their debt levels and cutting expenses, and as a result are borrowing less.

The August hiring index increased to a still weak 45.9 from 45.4 in July. "Most states in the region continue to lose jobs. Over the past year, Rural Mainstreet has lost approximately 3.5 percent of its total employment," said Goss. Dale Bradley, CEO of Citizens State Bank in Miltonvale, Kansas, echoed much of the sentiment saying, "The economy is certainly not out of the woods yet."

This month bankers were asked if they expected the economy to move back into recession territory in 2011. More than four in 10, or 43 percent, said they thought a 2011 recession was likely or very likely. Only 26 percent indicated that a 2011 recession was unlikely or very unlikely. According to Frank Sullentrop, president, Legacy Bank in Colwich, Kansas, "There is too much uncertainty (coming from Washington). Businesses do not like to take financial risks in uncertain times."

Much like other elements of August's survey Rural Mainstreet retail sales declined to 40.2 from a July reading of 41.7. The economic confidence index, which reflects expectations for the economy six months out, slipped to 46.0 from 52.4 in July and 56.1 in June.

For a second straight month, the new home sales index sank to 38.8, down from July's 41.7 and well down from June's 56.1 and May's 58.8. "This is the weakest home sales reading that we have recorded this year," said Goss.

And Larry Rogers, president of First Bank of Utica, Nebraska, is concerned that increasingly, people seem to be more willing to walk away from their debt obligations.

Each month, community bank presidents and CEOs in nonurban, agriculturally and resource-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 a fourth straight month, Illinois' RMI advanced above growth neutral. The August reading was 50.3, down from July's 53.4. For a seventh straight month, farmland prices advanced above growth neutral with an August reading of 57.5, up from July's 56.0. Farm equipment-sales for August advanced slightly to 54.4 from July's 54.3. The rate of job **gains** for Rural Mainstreet Illinois over the past 12 months was 3.4 percent.

Iowa: Iowa's RMI slipped below growth neutral for the month with an August reading of 48.0, down from July's 52.5. The farmland-price index expanded to 55.8 from

July's 55.6. The state's farm equipment-sales index declined to 53.2 from July's 53.9. The rate of job **gains** for Rural Mainstreet Iowa over the past 12 months was 0.6 percent.

Minnesota: The RMI for Minnesota moved lower to 50.1 from 54.5 in July and 57.0 in June. Minnesota's farmland-price index decreased to 55.2 from July's 56.6 and June's 58.4. The August agricultural equipment-sales index stood at 54.2, down from July's 54.9. According to Pete Haddeland, CEO of First National Bank in Mahanomen, "Our crops look very good. Homes sales are very slow." The rate of job **gains** for Rural Mainstreet Minnesota over the past 12 months was 1.7 percent.

Missouri: Missouri's RMI sank to 44.5 from 49.6 in July and 51.6 in June. The August farmland-price index for Missouri slipped to 54.0 from July's 54.1. The August farm equipment-sales index decreased to 51.4 from 52.4 in July. The rate of job **losses** for Rural Mainstreet Missouri over the past 12 months was 1.0 percent.

Nebraska: The August RMI for Nebraska slumped to 48.7 from 53.2 in July and 55.3 in June. The farmland-price index for August climbed to 56.1 from July's 54.2. The state's farm equipment-sales index sank to 53.5 from July's 54.2. Kathy Thuman, CEO of Farmers State Bank in Maywood, reported,

"The corn looks great and in southwest Nebraska we're hoping for higher yields, similar to the wheat crop, of a 15-25% increase." Additionally, Bradley Bauier, president of Pinnacle Bank in Ogallala, expects the recent upward trends of grain commodity prices to give a real boost to the local economy. The rate of job **gains** for Rural Mainstreet Nebraska over the past 12 months was 0.6 percent.

South Dakota: For the first time since April of this year, the RMI for South Dakota sank below growth neutral. The index for August stood at 47.0, down from 50.8 in July and 53.0 in June. The state's farmland-price index advanced to 55.3 from 54.7 in July. South Dakota's farm equipment-sales index was 52.6, down from 53.0 in July. Scott Park of Farmers State Bank in Marion, said, "Crop yields (in some areas) were reduced due to flooding of low spots. Crops on high ground will be fantastic." David Callies, of Minor County Bank in Howard reported much the same saying, "Our local economy continues to do well. The area crops look as good or better than last year. However, with many low areas drowned out, the overall yield will probably be less." The rate of job losses for Rural Mainstreet South Dakota over the past 12 months was 0.0 percent (no change).

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

	August 2009	July 2010	August 2010
Area economic index	32.0	49.3	46.0
Loan volume	45.3	53.1	54.2
Checking deposits	52.0	54.6	59.1
Certificates of deposit and savings instruments	49.4	55.4	54.2
Farmland prices	43.7	52.5	55.3
Farm-equipment area sales	32.4	51.8	52.7
Home sales	39.2	41.7	38.8
Hiring	25.0	45.4	45.9
Retail business	30.4	41.7	40.2
Confidence index (area economy six months out)	46.0	52.4	46.0

Table 2: The Rural Mainstreet Economy, August 2010

	Likely or very likely	50-50 chance	Unlikely or very unlikely
Do you think the U.S. economy will move back into recessionary territory in 2011?	43%	31%	26%
	Leave at 10%	Increase to 11%-15%	Increase to more than 15%
Would the customers and businesses in your area support changing the corn ethanol blend percentage?	27%	51%	22%
Compared to August 2009, do current row crop conditions in your area look like they will yield?	50%	22%	28%
	Up	Same	Down