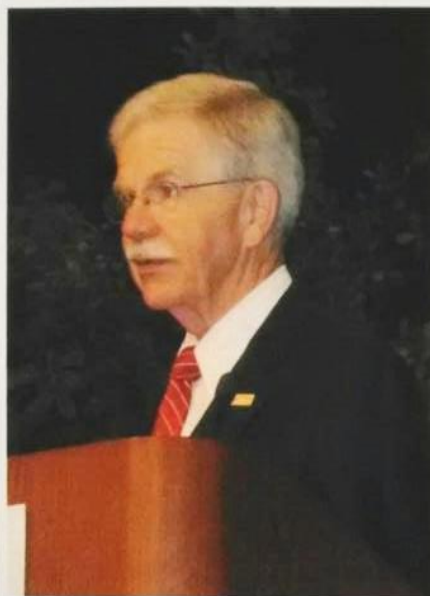


Community Bankers of Iowa

Third Annual State Fair Conference



The Community Bankers of Iowa (CBI) held their Third Annual State Fair Conference on August 12, 2014, at the Prairie Meadows Convention Center, Altoona, IA. Welcoming over 100 registered attendees was CBI President Rob Dixon (above), president, Citizens State Bank, Sheldon. Following his introductions and remarks, the mini-trade show commenced. Sixteen vendors had display booths and personnel to showcase their products and services.



This was followed by a panel of Iowa legislative leadership (right). They were (L-R): Iowa Representative Chris Hall, District 13, the ranking member on the Commerce Committee; Iowa Senate Majority Leader Michael Gronstal, District 8, current chair of the Legislative Council; Iowa Senate Republican Whip Jack Whitver, District 19, also of the Legislative Committee and Speaker of the Iowa House of Representatives Kraig Paulsen, District 35, who

serves on the House Rules and Administration Committee. The format was a presentation of a question and then the panelists took turns responding.

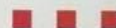
The first question was, "Do you see a continuation of the two year budget process?" First to answer was Rep. Paulsen who said, "Yes, as long as Terry Branstad is in office. It has worked well." Senator Whitver said, "I agree. It should continue." Sen. Gronstal's response was, "It is not really a two year budget. It's not a bad framework, however, the legislature retains control of the purse strings." Rep. Hall's comment was limited to, "I don't think we will change the framework."

On the subject of internet service throughout rural Iowa, the panel cited various reasons it did not pass this legislature. Among the comments were, "It was due to competition among numerous vendors." "It will be a multi-year deal to settle." Much of the discussion centered on where the money would come from to support the venture.

Regarding the decision to not allow a casino license for Cedar Rapids, both Paulsen and Gronstal said, "The legislature should be kept out of that arena." Sen. Whitver said, "Leave those decisions to the gaming commission." Hill's

comment was that, "A casino can be an opportunity for economic development."

In closing the panel discussions, each panelist was allotted time for closing remarks. Rep. Paulsen thanked the bankers for including him in the panel. He then recognized the audience as being an "integral part of our communities. We appreciate your contributions." Sen. Gronstal noted, "Our races (this year's election) are really local. The top of the ticket doesn't matter. Participate in the process. If your organization, like CBI, says 'Call your legislator' respond and do it. Thank you for what you do." Sen. Whitver started his comments by saying, "Thank for what you do in your communities. A lot of what we do is bipartisan. The nation's eyes will be on the Iowa Senate race." Rep. Hill echoed saying, "Thanks for inviting us. There is real opportunity in these small group discussions."



The keynote address was shared by Governor Terry Branstad and Lieutenant Governor Kim Reynolds. Billed as an "Economic Update" Reynolds started her remarks by declaring that she loves the State Fair. "I'm proud to





serve. We now have more Iowans employed and under Gov. Branstad's leadership. Iowa has a robust and growing economy." She cited the recent expansion into Iowa of companies such as Google, Microsoft, Facebook and the expansion of Cargill.

Turning her discussion to education, Reynolds (above) said, "As community banks, you play an important role in Iowa's growth. You support little leagues, and we greatly appreciate the role you play in the state's financial literacy programs." She went on to say, "With our focus on education, such as STEM (science, technology, engineering and mathematics), we want our children to be prepared for the future." She then reported that Iowa's 90 percent high school graduation rate was the highest in the nation.

They are working to secure more job training. She was especially proud of the administration's second successive year of a tuition freeze at the Regent's institutions. "We want Iowa to be the most competitive state in the union." She concluded her remarks by saying that she is blessed to be able to work with Terry Branstad, the hardest working person she knows.



Governor Branstad (below) began his remarks by recognizing Mary Mosiman, auditor of the state, legislators and other officials. He then thanked the bankers for what they do in their communities. "We want a supportive and cooperative environment in Iowa," he said. Then he said, "Iowa has the seventh lowest unemployment rate in the nation."

He spoke with pride of establishing "Home Base Iowa," an initiative to attract military veterans to Iowa. Headed by former U.S. Congressman Leonard Boswell and Robert Myers, chairman and CEO, Casey's General Stores, one of the features of the program is to exempt military pensions from state income tax. Also, military veterans are eligible for in-state tuition at Iowa's Regent institutions, and they can receive credit toward Iowa's professional licenses from their military service. "I want veterans to know Iowa is open for business and is a great place to raise a family," he said.

Reflecting on the recent legislative session, Governor Branstad said he was "disappointed that the legislature did not pass the legislation that would have provided high speed internet service to all Iowans. It is important to rural Iowa and important to the agriculture community. It came close." He went on to say, "It will require a broad base of bipartisan support



in both houses of the legislature.

The governor reflected on the anti-bullying efforts in this last session. There were two House versions, but Senator Gronstal (Senate Majority Leader) wouldn't debate them. He pledged to keep working on that legislation.

With an objective of lowering the level of debt Iowa's students are incurring, the governor said, "We should eliminate bad financing practices." He also said that tax credits to local governments should be fully funded.

The governor claimed that his two year budget based on five year projections has vaulted Iowa into the position of being one of the best managed states in the country.

He expressed concern that corn prices are below the costs of production. Attributing some of that to the lowering of the standards for renewable fuels, he pledged, "We will continue to fight hard for those standards."

Closing his portion of the keynote he said, "The nation is on the wrong track, but Iowa is on the right track." Joined at the podium by Lt. Governor Reynolds, they entertained some questions from the audience.

When asked about employment, the governor responded with, "There are many younger employees in many firms. There is record enrollment at Iowa State University in the college of agriculture, and more younger people are moving to Iowa. That is different from the 1980s."

Lt. Governor Reynolds stated, "The STEM programs and the entrepreneurial climate in Iowa are attracting young people. She went on to say, "It is unbelievable the growth we are seeing in our smaller communities."

A question was raised about the need to repair our roads and bridges. The governor said, "Those plans are in the hands of the Secretary of Transportation. The floods caused the need to repair the bridge on Highway 34.

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Democratic Panel

(L-R): Pat Murphy, House of Representatives Candidate, District 1; Rep. Dave Loeb sack, Staci Appel, House of Representatives Candidate, District 3; Jim Mower, House of Representatives Candidate, District 4

You'll recall that in 1988 we got bipartisan support to repair the roads and bridges."



Following a luncheon with the governor and Lt. governor attending, the first of two congressional panels were held. The Democratic policy makers (above) were lead by Representative Dave Loeb sack (D-Iowa 2nd District). Using a question and answer format, the panel responded to the first question: "The Farm Credit System and the credit unions enjoy a tax advantage. What can be done to solve this?" Rep. Loeb sack was the first to respond, "I don't think we'll see a resolution soon. We do need to have more transparency of the Farm Credit System and we need to separate main street banks from the big banks." Candidate Mower added, "We need to have free and fair competition." Murphy said, "Government needs to expand and to contract. In the 1980s it needed to expand, now it needs to contract."

Responding to a question about "Too Big To Fail" Rep. Loeb sack said, "It is important that we make a distinction between the big banks and you the community banks. And the Dodd-Frank Act is not being implemented as it should be." Murphy added, "We need to consider the reinstatement of the Glass-Steagall Act."

Answering the question of, "How do we get Congress to

cooperate with each other?" Rep. Loeb sack said, "The American people are sick and tired of this. We (members of Congress) have to talk to one another." Appel said, "We did work together to pass a budget in the legislature." Mower offered that, "We need to talk to representatives who want to solve problems."

The last question posed to the panel was, "What would your priorities be?" Loeb sack lead off by saying, "Economic recovery. Making sure people can access capital and raising the renewable fuels standard. The EPA lowered it too much. Those plants (renewable fuel plants) created 6,000 jobs in Iowa." Appel said, "Return or create jobs in Iowa and place a premium on education." Mower's comment was, "My top three priorities are the agricultural infrastructure, job creation and our roads and bridges." Murphy pointed out that ten years ago companies like Google, Facebook, Microsoft and IBM were not in Iowa. Mid-American Energy has made a \$1.5 billion investment in



Republican Panel

(L-R): Rod Blum, House of Representatives Candidate, District 1; Marianne Miller-Meeks, House of Representatives Candidate, District 2; David Young, House of Representatives Candidate, District 3; Congressman Steve King, District 4.

wind energy in Iowa. "We need to focus on community colleges training for good jobs."

In closing remarks, the Democratic policy panel offered: Representative Paulsen thanked the CBI for having this forum. "The voters are unhappy with Congress. We need to change that by working together to address the issues and we need to invest in this country."

Staci Appel's comment was to thank the audience and to note, "The people are tired of Washington, D.C. and I hope to help change that."

Representative Loeb sack said, "It is great to be here. When I won in 2006, I knew it was my job to reach out to you, individually and in groups. You were kind to help me."

Candidate Murphy's closing remark was, "Community banks are stakeholders in our communities. You play a vital role. Thank you."



Following a brief break the Republican panel was introduced.

The first question was the same one offered to the Democratic panel about the Farm Credit System and the credit unions income tax advantage. Rep. King lead off by saying, "The Farm Credit System is trying to grow its empire. I want to refine their mission statement, tighten it up. Also, I want to look at broader tax policy to include the abolishment of the Internal Revenue Service." Candidate Young referenced the letters from Iowa's Senators to look into the Farm Credit System. "You need a level playing field," he added. Miller-Meeks observed that, "We need to revisit the rules and regulations." She also asked, "How do we solve the problems?" Blum's comment was that, "The credit unions have mission creep and certainly the large ones should be paying taxes."

"What should the capital requirement be for those banks that are considered 'Too Big To Fail?'"



Rep. King recalled that when he inquired as to what constituted a bank being "Too Big To Fail," no one could give him an answer. He went on to suggest that we suspend the tax on capital gains and require Fannie Mae and Freddie Mac to have capital levels equal to those imposed on banks.

Candidate Young offered that he felt that the level of capital required should be commensurate with the risk. Miller-Meeks, in recalling the savings and loan crisis observed that government reaction to a crisis is to make more rules. Blum stated, "The Dodd-Frank legislation has had a chilling effect on risk taking."

Addressing the question of, "How can Congress cooperate?" Rep. King said, "We do some things together." Young said, "They need to take on the issues." Miller-Meeks said, "You need to educate yourself on the issues. Focus on the outcomes." Blum's response was, "There is a vacuum of leadership in Washington. The number one issue is the economy." He continued by pointing out that the current economic recovery is the weakest economic recovery since World War II. "In the last six years the average median income has decreased, and the individual's net worth has declined. The public sector is crowding the private sector out of the economy."

Rep. King concluded his comments by stating, "I don't want to try and fix Obamacare. I want it totally repealed."



Chris Lombardo (left), midwest regional supervisor, Consumer Financial Protection Bureau, lead the Break Out Session titled "Mortgage Rules and Hot Topics from CFPB."

Reviewing the recently issued rules for mortgages, Lombardo said, "The finalized rule requires creditors to make a reasonable, good faith determination that the consumer can repay the loan." Among the other rules are the ones that classify a mortgage as a "qualified mortgage." They cannot have negative amortization or interest-only provisions. There can be no balloon payments (except for certain portfolio loans held by small creditors) and they cannot exceed 30 years in duration.

The limits on points and fees is three percent of the total loan amount.

Regarding underwriting requirements Lombardo said, "The originators need to verify income and/or assets, current debt obligations, alimony and child support. Also, monthly debt-to-income ratio cannot exceed 43 percent."

Most of Iowa's community banks will qualify for small creditor status, which allows their loans to be held in their own portfolios. Qualification is less than \$2 billion in assets and originating less than 500 mortgages per year.

Lombardo also discussed the CFPB rules for high-cost mortgages and rules that govern counseling, escrows and appraisals. In addition, he covered the mortgage servicing rules.



The conference offered a second set of breakout sessions, repeating some from the first session and offering "From the Front Line in Washington, D.C.," a review of ICBA's recent legislative and regulatory successes as well as a discussion of the current top issues for the Association. The

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session was lead by Ron Haynie (above), executive vice president - mortgage services, ICBA, Washington, D.C. Mr. Haynie has over 35 years in mortgage lending and banking.

At the top of the list of current issues that ICBA is advocating on behalf of community banking, is regulatory relief. ICBA's "Plan for Prosperity" is a legislative platform, or community bank priorities positioned for advancement in the next session of Congress.

Also on the list of issues that ICBA will champion are the tax advantages afforded to credit unions and the Farm Credit System. They are also opposing a number of suggested accounting and auditing regulation changes that would have very onerous consequences for community banks.

Among ICBA's recent successful lobbying efforts was the March 2014 Homeowner Flood Insurance Affordability Act, which prevents sharp rate hikes while ensuring the actuarial soundness of the National Flood Insurance Program. They were instrumental in the passage and signing into law of the new five year Farm Bill. It maintains robust funding levels for agricultural and rural-oriented

programs. "This multi-year Farm Bill allows community bank customers to utilize risk management tools and make long-term planning decisions," Haynie said.

ICBA advocated for many of the changes that significantly improve the rules for capital as outlined in the final Basel III July 2013 ruling.

Haynie reflected on the past session of Congress with, "There are 9,732 bills and resolutions awaiting action in Congress. Twenty-eight are related to the financial services industry. Only 13 were passed out of the House Financial Services committee with only seven being passed by the House.

The Senate Banking Committee brought two bills out of committee with only one being passed by the Senate."

He went on to say, "With 2014 being an election year, we are not apt to see any legislative actions this year.

"The regulators are still digesting and implementing new rules and regulations, as are the banks they regulate."

As for the actions that could come in 2014, Haynie expects something on the issue of immigration, terrorism insurance and a resolution of the Export-Import Bank, as its charter is expiring.



Tradeshow Participants

(L-R): Liz Rider, Senior Manager, CliftonLarsonAllen LLP; Mary Mosiman, Auditor, state of Iowa; Roger Jones, Partner, CliftonLarsonAllen LLP.