FEBRUARY 2016 WEBINAR LINE-UP

Feb. 2  Denied Loan Requirements: Consumer, Commercial & Real Estate
Feb. 3  Dealing with ACH Tax Refunds: Exceptions, Posting & Liabilities
Feb. 4  HR Series: Managing & Administering Employee Compensation & Benefit Programs
Feb. 5  New Exception for Annual Privacy Notice Requirements Eff. Immediately!
Feb. 9  Medallion & Signature Guarantee Rules & Risks
Feb. 10  Handling Debit Card Chargebacks
Feb. 11  New Compliance Officer Boot Camp
Feb. 17  HVCRE Appraisal Review: Issues & Case Studies
Feb. 23  Determining Cash Flow from Personal Tax Returns Pt 1: Schedules A, B, C & D
Feb. 25  Understanding Personal Account Ownership & FDIC Rules

Want To Attend A Webinar?

View a complete calendar and register for CBI-sponsored webinars and events at www.cbionline.org or Call Us at 515.453.1495 for more information.

STRENGTH comes thru teamwork.

GOVERNMENT & AGENCY BONDS
MUNICIPAL BONDS
MORTGAGE BACKED SECURITIES
PUBLIC FINANCE
MUTUAL FUNDS/EQUITIES
CORPORATE BONDS
MUNICIPAL BOND CREDIT REVIEW
BOND PORTFOLIO ACCOUNTING & ANALYSIS
ASSET/LIABILITY MANAGEMENT
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CBI invites you to attend the Community Bank Summit and network with other like-minded bankers. The Community Bank Spring Summits will be held April 5th at Isle Casino Hotel in Waterloo and on April 6th at Riverside Casino and Golf Resort in Riverside. Each meeting begins at 3:00 p.m. and concludes at 5:45 p.m. with a dinner reception and door prize giveaway.

Questions? Please call the CBI office at 515.453.1495 or email Jackie Haley at jhaley@cbiaonline.org.

COMMUNITY BANKER UPDATE | FEBRUARY 2016
Since 1999, Community Bankers of Iowa has hosted the Money Smart Week Poster Contest as part of Community Banking Month festivities in April and the Money Smart Week campaign (this year, April 23-30, 2016), hosted by the Federal Reserve Bank of Chicago to increase financial literacy among children. Once again, it’s time to encourage schools and students in your communities to participate!

From now until April 30, students in 2nd through 6th grades may create a poster and return it to their local participating community bank. Poster designs should answer the theme question “Why is it important to know about money?” Judging criteria include creativity, message, and depiction of the theme. In 2015, this contest had record-breaking success with over 2,300 entries sent in to CBI be judged.

This year, the prizes have been increased again! Three prize places will be awarded: Grand Prize - a $600 Certificate of Deposit, 2nd & 3rd Places - each a $300 Certificate of Deposit (up last year from $500 and $200 respectively). The prize CDs will be set up by the bank who submitted the winning posters, but will be funded by CBI.

You can participate in sponsoring a local Money Smart Week Poster Contest in your communities by partnering with area schools. This is a great way to support financial literacy, reach out to your local communities, and generate recognition for your bank(s). Teachers, parents and students should bring their completed poster entries to your participating bank branches in time to be displayed in your banks during Money Smart Week, April 23-30.

To assist you in sponsoring the Poster Contest in your area, download CBI’s Money Smart Week Poster Contest Marketing Kit. This kit includes rules and guidelines flyers, display posters, poster entry labels, a sample press release for local community media, and more. To download marketing materials, visit our website at cbiaonline.org – look for “Money Smart Week Poster Contest” as part of the Community Banking Month menu under the Events tab.

If your bank intends to participate in sponsoring the Contest, please register on the Money Smart Week Poster Contest page on our website so we may accurately track participation throughout Iowa, and direct local contestants and their questions to your participating banks and branches. Sponsoring the Contest is open ONLY to CBI member banks and any of their branches within the state of Iowa.

Participating community banks should submit all poster entries to the CBI office for judging by Monday, May 9, 2016. All poster entries MUST have a completed poster entry label affixed to the back of the poster to be eligible—no exceptions!

CBI will announce the 2016 Money Smart Week Poster Contest winners by May 20, 2016. If you have further questions, contact Krissey Lee at 515-453-1495 or klee@cbiaonline.org.

Sponsor the Money Smart Week Poster Contest in your banks!

Download the marketing kit at cbiaonline.org/money-smart-week-poster-contest.html

Leaders of Tomorrow

“CBI’s LOT has been very beneficial to me, not only as a banker, but also as an individual. The group has shown me the ins and outs of the banking industry, but also has allowed me to grow as a leader in my bank, community and family. I can honestly tell you this has been one of the most beneficial groups for me.”

LOT Member Matt Mueller
The State Bank, Spirit Lake

Visit cbiaonline.org or call 515.453.1495 for information on becoming a member of CBI’s LOT program.
CBI’s Leaders of Tomorrow Group will hold their 13th Annual Leadership Development Conference on March 31st & April 1st, at the Marriott Hotel in downtown Des Moines. Be sure to send the up and coming leaders in your bank to this valuable educational and inspirational event.

Howard Hagen, partner with Dickinson Mackaman Tyler and Hagen law firm will kick-off the Conference’s activities with his presentation “Survive and Thrive In This Increasingly Disrupted Banking Economy”. After lunch attendees will get a post-caucus report from Des Moines Register’s Iowa Columnist Kyle Munson. New Iowa Superintendent of Banking Ron Hansen will also address the state of the banking environment in Iowa.

Following that afternoon are a trio of Breakout Sessions, featuring:
- Mike Schon, Grain Merchandiser with ProCoop in Pocahontas, discussing “Commodity Marketing”;
- Jenn Franzeen and Jennifer Nelson, Senior Risk Advisory Associates from RSM US (formerly McGladrey) who will outline “Compliance Hot Topics in Banking”; and
- Shane Bauer, 1st VP & Security Officer for Bankers’ Bank, speaking with conference attendees about “The Future of Payments”.

A networking dinner will also be held Thursday night at Americana restaurant, to give attendees the opportunity to network with other up-and-coming community banking leaders.

The Conference continues on Friday and will feature a Directors’ Panel including Sean McMurray from West Bank in West Des Moines, Christine Clausen from TS Bank in Treynor, Rob W. Dixon with Rolfe State Bank in Rolfe, and Jim Kennedy Jr. from Fidelity Bank & Trust in Dubuque. To close the 13th Annual Conference events, keynote speaker Chip Lutz will give his address “Unconventional Leadership”.

Accommodations are available at a discounted rate of $125 at the Des Moines Marriott-Downtown hotel. Book by March 9, 2016 to receive the reduced rate. Call Marriott’s general hotel reservation desk at 800.228.9290 or 515.245.5500 and ask for the Community Bankers room block.

To register, visit our website at www.cbiaonline.org. Registration fees are $245 for LOT members, $330 for non-members. Register by March 10 and pay only $195! (Discount for LOT members; $245 for non-members.)

For more information visit our website, call 515.453.1495 or e-mail us at cbia@cbiaonline.org. Don’t let the future leaders in your bank miss a golden opportunity to learn from the best in community banking!

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For more information visit our website, call 515.453.1495 or e-mail us at cbia@cbiaonline.org. Don’t let the future leaders in your bank miss a golden opportunity to learn from the best in community banking!
The purpose of the Community Bankers of Iowa Education Foundation is to help improve the financial literacy of Iowa’s students, to support higher education for Iowa college students and encourage senior level students to consider community banking as a career, to support community bankers’ professional education, and to recognize the accomplishments of community bankers, both to the industry and their communities.

It is the Foundation’s plan to build a self-sustaining source of support for financial education by soliciting both contributions for immediate project funding, and also larger donations to provide for additional funding through investment earnings. The Foundation is an IRS-approved 501(c)(3) organization, governed by the Community Bankers of Iowa Council of Presidents. Contributions made by both personal and corporate donors are tax deductible to the fullest extent of the law.

Major programs funded by the CBI Education Foundation include:

- Money Smart Week Poster Contest
- Community Bankers Summer Intern Scholarship Program (New in 2015)
- Community Bankers of Iowa Leaders of Tomorrow Scholarship Program
- Community Bankers of Iowa Robert D. Dixon Founders Award Program
- Community Bankers of Iowa Leaders of Tomorrow Up and Coming Banker Award
- Ongoing educational opportunities for bankers and prospective bankers across Iowa.

Contributions of any size are accepted and encouraged. Various levels of recognition have been established to spotlight those who show enhanced support. Also in cooperation with the Community Foundation of Greater Des Moines, donors willing to make an endowment contribution can realize a 25% Iowa state tax credit in addition to deductibility. Contact us for details on this exciting program.

If you would like more information or to make a tax-deductible donation, find the Brochure and Donation Form on our website at cbiaonline.org/cbi-education-foundation.html, or contact us at 515.453.1495 or cbia@cbiaonline.org.

Contributions of any size are accepted and encouraged!
Nominate a Graduating High School Senior for the LOT Scholarship Program

The Leaders of Tomorrow (LOT) is a program created by the Community Bankers of Iowa (CBI) to enhance the growth, leadership, and networking skills of future banking leaders. LOT establishes a network of leaders who serve and strengthen their communities and advocate for the community banking industry.

LOT also encourages the leadership development of the next generation of community bankers by annually presenting two scholarships to deserving high school seniors. The winning students will each be awarded a $1,000 scholarship. Applicants will be evaluated on character, academics, community involvement, and essay content.

Requirements - All applicants must:
• Work at or have a parent, grandparent, or guardian who works at a bank that is a CBI member (secondary relatives such as siblings, aunts/uncles or cousins are not eligible);
• Write a brief, one-page essay detailing what role community banks play in their hometown;
• Submit a copy of high school transcript and indicate class rank;
• Submit letters of recommendation from two non-relatives;
• Include all community or extra-curricular activities they participated in;
• Complete and return the scholarship application.

If you have a child, grandchild, or an employee who will be graduating high school this spring, please encourage them to apply to the LOT Scholarship Program. All applications must be postmarked by April 30, 2016.

Visit our website to apply online or download application forms and for more information, call CBI at 515.453.1495 or email Krissy Lee at klee@cbiaonline.org.

Want to let others know about the LOT Scholarship Program? Display this poster in your bank.

Download it at cbiaonline.org - find it under Programs> Leaders of Tomorrow.

Deluxe® Marketing Services

Start identifying your BEST customers and prospects and provide them relevant offers based on their predicted buying decisions. With Deluxe Marketing Services your financial institution can generate sustainable and measurable returns on investment at any point in the customer life cycle. And because our campaigns are so effective, you don’t have to sacrifice growth to reduce marketing costs.
A Lifelong Pursuit
Written By: Jack Hartings, Chairman of ICBA

With the ICBA Community Banking LIVE® conference just around the corner, I can’t help but think about how lucky we are as community bankers to have such amazing networking and education opportunities throughout the year—both in person and at our fingertips.

I’ve attended ICBA’s national convention for more than 15 years and am proud to say that I’ve always gotten so much out of the event—both personally and professionally. I’ve always come away from the conference feeling even more excited about my role as a community banker. The conference always reenergizes me through the great relationships that I’ve been able to maintain with fellow bankers from which I learn so much.

Before getting involved with ICBA leadership, the workshops at the convention were always one of the main reasons why I attended. The workshops always gave me new insights, information and perspective. Now with more than 60 workshops to choose from, there’s no shortage of learning opportunities and no reason to come away from the convention without ideas for making your community bank better. Not only that, the convention makes us better community bankers too.

While there is nothing quite like being together with your fellow bankers, the great thing about 2016 is that technology has made it possible for us to learn anywhere. So while I still see tremendous value in going to the convention, I also see value in online offerings through Community Banker University®, ICBA’s comprehensive professional development curriculum and resources for community bankers. In fact, beginning this year, all staff at my community bank, The Peoples Bank Co., will have access to ICBA’s excellent online education resources through Community Banker University. We find the courses to be better, especially when stacked against the competition.

But education isn’t new to Peoples Bank; we’re always trying to find new and better ways to help educate our staff members to become future leaders in the most effective and convenient ways possible. There are still the education standbys that we count on such as ICBA’s online director courses, which our directors have found to be extraordinarily useful for several years. You can’t beat it.

“I can’t help but think about how lucky we are as community bankers to have such amazing networking and education opportunities throughout the year.”

Also, as I discussed in my September column, The Peoples Bank is big on developing our employees. We started a management trainee program that has been extremely successful in helping us identify and cultivate extraordinary leaders who will help our bank succeed in the years to come. A diverse education is a key pillar of the program. After all, community bankers need to have an overall knowledge of just about every facet of the bank.

Fortunately, thanks to ICBA’s education resources such as Community Banker University’s resources, ICBA’s national convention and its annual leadership development conference, the LEAD FWD Summit, we have what we need at The Peoples Bank to make education a priority. That’s because we want to give our employees, our bank and our community the best possible chances of success in the future.

Jack Hastings is Chairman of ICBA, and President and CEO of The People’s Bank in Coldwater, Ohio.
Scholarship Encourages Students to Understand Student Loan Debt

As rising college costs and the accompanying student loan debt continues to be a concern for Iowa families, more efforts are underway to educate college-bound high school students on how to reduce their debt. Many young adults, however, find it difficult to believe that they will be unable to repay student loan debt once they leave college.

This situation affects the students and families in your community and across Iowa. One student loan company provides two unique and interactive online tools for free — and offers college scholarships to students who use them — as part of the Iowa Financial Know-How Challenge: Senior Scholarship. The scholarship is open to any Iowa high school senior who plans to attend college in fall 2016.

Iowa Student Loan is providing 30 college scholarships of $2,000 each to Iowa high school seniors who complete Student Loan Game Plan and ROCI Reality Check as part of the Iowa Financial Know-How Challenge: Senior Scholarship. As a community banker, you may request free materials to promote this scholarship and the financial literacy tools it encompasses to your customers.

About the Scholarship

The Iowa Financial Know-How Challenge: Senior Scholarship is designed to bring awareness of potential student loan debt and the problems of over-borrowing for college to high school students. To qualify, interested high school seniors register online at www.IowaStudentLoan.org/SeniorScholarship and then receive instructions for completing three online elements:

1. Student Loan Game Plan provides information on the recommended maximum borrowing level based on expected starting salaries for specific college majors. Features include videos telling real borrowers’ stories about problems resulting from too much college debt, interactive scenarios for reducing borrowing and increasing earnings, and a sample post-college monthly budget that includes estimated student loan payments. The tool was recently completely redesigned.

2. ROCI Reality Check explores jobs held and salaries earned by actual graduates of specific college majors and information on how to prepare for a career to maximize earnings to get the highest return on college investment, or ROCI.

3. A multiple choice assessment related to Student Loan Game Plan and ROCI Reality Check.

The students with the top 30 scores on the assessment will each be awarded a $2,000 scholarship for college expenses in fall 2016. If a tiebreaker is necessary, tied students will be asked to write and be judged on a short essay. Each recipient’s high school will also receive a corresponding award of $500.

In addition, to the important college and student loan information conveyed in the two online tools, each registered student receives a series of emailed tips on college planning and financial literacy. Students must register and complete all three online steps by 4 p.m. (Central time) March 4, 2016.

Free Promotional Materials Available

To help you promote this scholarship and the financial literacy tools that come with it promotional information is available for free at www.IowaStudentLoan.org/Promote. Online materials include sample posts suitable for websites and social media, a newsletter or blog article and printable posters.

Iowa Student Loan will also provide website banner ads, printed posters and fliers upon request and at no charge. (Quantities for free printed materials may be limited.)

For more information about the Iowa Financial Know-How Challenge: Senior Scholarship or to request materials, please email lenderservices@studentloan.org or call (800) 508-1660 toll free.

For more information on CBI Affiliate Member Iowa Student Loan visit www.iowastudentloan.org.

SAVE THE DATE

Community Bankers of Iowa’s
45th Management Conference & Annual Convention

Navigating the Future

July 13-15, 2016
Okoboji, IA
Late last year President Obama signed into law the Fixing America’s Surface Transportation Act, the so-call FAST Act. Along with other provisions benefiting many community banks, the transportation funding law adopted two ICBA-advocated measures that should soon aid many community banks issuing residential mortgages in communities officially designated by the Consumer Financial Protection Bureau as rural or underserved marketplaces.

“We urge the bureau to move quickly to implement these much-needed regulatory relief provisions, and look forward to working with bureau staff to help expedite the process,” ICBA urged the CFPB in a December comment letter.

One provision in the law gives the CFPB greater flexibility to allow more community banks that are small creditors to qualify as rural lenders under the Ability-To-Repay mortgage-lending rules. Another provision directs the CFPB to implement a workable process for small creditors to petition the bureau to accurately designate more communities as rural or underserved marketplaces.

As ICBA has continually explained to lawmakers, residential mortgages originated by small creditors or lenders serving marketplaces designed by the CFPB as rural or underserved areas receive pivotal Qualified Mortgage safe harbor legal protections that many community banks rely on to originate mortgages for their customers. To qualify as a small creditor, a financial institution, together with its mortgage-originating affiliates, must have assets of less than $2 billion as of the end of the last calendar year and must have issued fewer than 2,000 first-lien loans, excluding mortgages held in portfolio, during the most recent calendar year.

Small creditors that qualify as rural lenders enjoy three benefits:

- They may issue balloon loans that meet the definition of “Qualified Mortgage”;
- They may originate high-cost mortgages with balloon payments; and
- They are exempt from the escrow requirement that otherwise applies to higher-priced mortgages.

Let’s address both of the mortgage-lending provisions in the FAST Act.

1. Qualifying for rural mortgage lender benefits. The mortgage provisions remove a requirement that a small creditor lend “predominantly” to an area designated as rural or underserved. The CFPB has interpreted “predominantly” to mean that a small creditor has issued more than 50 percent of its first-lien mortgage loans in rural or underserved areas in the preceding calendar year. That loan test has proved difficult for community banks that serve a mix of rural and non-rural areas but rely on Qualified Mortgage designations.

However, it’s not yet clear how the CFPB will interpret the statutory language in the transportation law dropping the “predominantly” rural and underserved dimension of the Qualified Mortgage definition. ICBA is urging the CFPB to remove any rural or underserved lending test completely.

2. Designation of rural areas. The mortgage provisions in the transportation funding legislation require the CFPB to establish an application process by which a small creditor may petition the bureau to allow a certain area to qualify as a “rural area” under the bureau’s definition, which would allow small creditors serving those areas to qualify for Qualified Mortgage safe harbor protections.

The FAST Act sets forth evaluation criteria for the CFPB to use in making rural and underserved marketplace determinations, including a timeline to publish, comment on and decide applications it receives. The law also directs the bureau to reconsider such requests to change marketplace designations that it has previously denied.

The rural designation petition process must become effective 90 days after the law’s enactment, meaning March 4, 2016. The transportation funding law’s petition process sunsets in December 2017.
What’s Ahead for Bank Technology in 2016
- And How Will Your Peers Use it?

Written By: Steve DuPerrieu
Vice President of Channels and Analytics
Computer Services, Inc.

With 2016 in full swing, bankers are busy making their lists of strategic items to accomplish this year. In fact, more than 100 of your peers from across the country recently shared their strategies with us in our annual Banking Priorities survey, which each year helps uncover banking executives’ plans for technology and investments.

So it’s fitting that we pause to reflect on the ways in which technology has evolved recently, as well as what’s in store for bank technology in 2016—and how, according to our survey, your fellow bankers will leverage it.

It’s an exciting time in the world of fintech. Technologies and strategies that we’ve explored for years—EMV, mobile payments, branch transformation and an omnichannel delivery strategy—are no longer just concepts. With that in mind, here are a few fintech predictions and trends to watch in 2016:

EMV Enters the Mainstream
October’s liability shift has set the EMV wheels in motion. Banks are issuing EMV chip-enabled debit cards, and merchants are enabling more terminals. In 2016, banks will be gradually replacing magnetic stripe-only cards with chip cards, while merchants will be plodding through the more than 10 million point-of-sale terminals that must be qualified to accept chip cards. The result will be a win-win, as POS fraud is down by up to 80 percent in other countries that have rolled out EMV. However, POS EMV is not a panacea, and bankers must be aware that fraud is likely to shift to card-not-present fraud, or online payments.

What your peers said:
EMV’s payment methodology will finally enter the U.S. mainstream in 2016, and more than 60% of Banking Priorities respondents are planning to increase spending on EMV implementation this year. Further, 58.2% named it their top strategic focus for 2016.

Branch Transformation Gains Steam
Banks now have strong technology options that can enhance branch operations. For instance, secure wireless networks and tablet access to the core are providing a modern, high-tech customer experience inside the branch. Banks can now offer a self-service model that enables customers to perform numerous banking functions without employee involvement.

But the key to branch transformation, beyond integrated technology itself, is developing employees into “universal bankers” who can assist with a broad range of functions. Should customers have any questions during a self-service transaction, a staff member should be nearby and have the skills necessary to assist them. Therefore, banks must hire more tech-savvy personnel and train employees to be expert users of the bank’s technology themselves.

What your peers said:
Nearly 30% of survey respondents called branch optimization their top strategic focus for 2016. And they’re right on target in terms of building a team of universal bankers, with 48% planning to increase spending on employee training this year.

Omnichannel Becomes Reality
Underlying the proliferation of branch transformation will be the further adoption of omnichannel strategies. Capital investments in service-oriented architecture have enabled delivery channels to be integrated, creating consistent experiences across each channel. Customers can begin the account-opening process online and then easily complete the process inside the branch. Banks can have a holistic view of the customer, including internet and mobile usage.

What’s more, with integrated tools like CRM for banking and customer analytics, banks can develop more targeted campaigns to mobile users. For instance, these tools can tell you which of your customers are prime candidates for a home equity loan, and you can target those customers with offers via mobile banking.

What your peers said:
According to our survey, 11.1% of your peers named enhancing mobile/omnichannel banking their greatest opportunity for 2016, up from just 3.2% last year. And 27.3% see this as their top strategy for improving the customer experience.

Mobile Payments Thrive
If 2015 was the year of the mobile wallet (Apple, Android and Samsung all launched offerings), then 2016 is the year mobile payments gain traction. With more promotion coming from providers and more acceptance coming from merchants, customers will start using mobile payment options more frequently. The key for banks is education: your customers trust your advice, so talk to them about mobile payments—and be sure they make your institution’s debit card “top of wallet.” This allows you to capitalize on a more secure payment option as well as collect the interchange fee.

What your peers said:
Understandably, feelings are mixed on some of these non-traditional technologies, but 40.8% of the banking executives we surveyed think these services can complement their offerings and have a positive impact on profitability.

So, does this year’s strategy include any of these initiatives? Regardless of your approach, 2016 will be the year of implementation for many fintech solutions, so don’t be left behind. And if you’re deciding where to start—or curious how other factors like compliance and risk management will affect the industry—check out the full Executive Report: 2016 Banking Priorities Study at www.csiweb.com/resources/white-papers.

Steve DuPerrieu is vice president of channels and analytics for CBI Endorsed Member Computer Services Inc. For more information, visit www.csiweb.com.
Main Street Economic Survey

Mainstreet Index Lowest Since August 2009: Growing Regulatory Burdens Hurt Bank Outlook

January Survey Results at a Glance:

- For a fifth straight month, the Rural Mainstreet Index fell below growth neutral.
- Farm equipment-sales declined to yet another record low level.
- Approximately one-fifth of bankers reported cuts in ethanol production in their area.
- Half of the bankers judge rising regulatory costs as the top 2016 threat to community banks.

OMAHA, Neb. – The Creighton University Rural Mainstreet Index for January fell from December’s weak reading, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Overall: The Rural Mainstreet Index (RMI), which ranges between 0 and 100, sank to 34.8 from December’s 41.5.

“This is the fifth straight month the overall index has declined, and the lowest reading since August 2009. Recent declines are the result of lower agriculture and energy commodity prices and downturns in manufacturing. Over the last 12 months, prices for farm products have fallen by approximately 15 percent, and for fuels by roughly 20 percent,” said Ernie Goss, Jack A. MacAllister Chair in Regional Economics at Creighton University’s Heider College of Business.

“Sinking prices for grain and fuel have had moderate impacts on the region’s ethanol industry. Approximately one-fifth of the bank CEOs reported that ethanol plants in their area had reduced production, while seven of 10 bankers indicated that ethanol plants had made no changes to their production levels,” said Goss.

Farming and Ranching: The farmland and ranchland price index for January sank to 23.9 from December’s 28.8. “This is the 26th straight month the index has moved below growth neutral. But, as in previous months, there is a great deal of variation across the region in the direction and magnitude of farmland prices with prices growing in some portions of the region,” said Goss.

The January farm equipment-sales index plummeted to a record low 7.0 from December’s record low 8.8. “The strengthening U.S. dollar and global economic weakness have pushed grain prices down by 8 percent, and slaughter cattle prices 28 percent lower over the past 12 months. These weaker prices have discouraged farmers from buying additional agriculture equipment, and have negatively affected the agriculture equipment dealers and manufacturers in the region,” said Goss.

According to Jim Eckert, president of Anchor State Bank in Anchor, Illinois, “Recent weakness in grain prices and increases in inputs have caused area farmers to “pull in their horns.”

Banking: The January loan-volume index decreased to 55.4 from last month’s 61.0. The checking-deposit index declined to 55.5 from December’s 64.7, while the index for certificates of deposit and other savings instruments dipped to 42.3 from 46.4 in December.

Hiring: Despite weaker crop prices and pullbacks from businesses with close ties to agriculture and energy, Rural Mainstreet businesses continue to add workers to their payrolls, but at a slower pace. The hiring index decreased to 51.2 from 54.9 in December. “Rural Mainstreet businesses hired additional workers for the month as businesses not linked to farm and energy added jobs,” said Goss.

Confidence: The confidence index, which reflects expectations for the economy six months out, slumped to 29.4 from 39.8 in December, indicating a very pessimistic outlook among bankers. “Bankers see few factors pointing to improvements for the Rural Mainstreet economy,” said Goss.

This month bankers were asked to identify the greatest economic threat to community banks for 2016. Half of the bank CEOs identified rising regulatory costs as the biggest challenge to community banks over the next year.

According to Pete Haddeland, CEO of the First national Bank in Mahnomen, Minnesota, “Our regulatory costs now exceed $200,000 per year for compliance/audit.”

Furthermore, only 28.3 percent of bankers expect an additional Federal Reserve rate hike in the first half of 2016 and 15.3 percent anticipate no Fed rate hikes in 2016.

Home and Retail Sales: The January home-sales index plummeted to 43.3 from 55.0 in December. The January retail-sales index plunged to 32.7 from 51.2 last month. “Much like national home market and retail sales, the Rural Mainstreet housing market experienced a very tough month and retailers experienced a downturn in sales for January,” said Goss.

Each month, community bank presidents and CEOs in nonurban agriculturally and energy-dependent portions of a 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. The survey is supported by a grant from Security State Bank in Ansley, Neb.

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. Goss and Bill McQuillan, former chairman of the Independent Community Banks of America, created the monthly economic survey in 2005.

**Colorado:** The state’s Rural Mainstreet Index (RMI) sank to 37.1 from 46.3 in December. The farmland and ranchland price index fell to 17.2 from December’s 20.9. Colorado’s hiring index for January rose to 51.9 from December’s 51.1.

**Illinois:** The January RMI for Illinois declined to 33.6 from 39.8 in December. The farmland-price index fell to 19.9 from December’s 24.8. The state’s new-hiring index slipped to 49.2 from last month’s 52.6.

**Iowa:** The January RMI for Iowa sank to 38.2 from December’s 40.8. Iowa’s farmland-price index for January increased to 36.0 from 32.1 in December. Iowa’s new-hiring index for January dipped slightly to 55.1 from 55.2 in December.

**Kansas:** The Kansas RMI for January plunged to 33.9 from December’s 39.2. The state’s farmland-price index for January expanded to 36.0 from December’s 24.7. The new-hiring index for Kansas declined to 49.5 from 52.2 in December.

**Minnesota:** The January RMI for Minnesota slumped to 35.5 from December’s 37.0. Minnesota’s farmland-price index increased to 18.2 from 17.8 in December. The new-hiring index for the state slipped to 48.6 from last month’s 50.0.

**Missouri:** The January RMI for Missouri dipped to 35.0 from 38.6 in December. The farmland-price index advanced to a still very weak 30.5 from December’s 22.6. Missouri’s new-hiring index expanded slightly to 53.0 from December’s 51.8.

**Nebraska:** The Nebraska RMI for January slumped to 35.0 from 36.3 in December. The state’s farmland-price index grew to 19.8 from December’s 12.3. Nebraska’s new-hiring index increased to 49.2 from 48.0 in December.

**North Dakota:** The North Dakota RMI for January slumped to a regional low of 17.3 from December’s 29.8, also a regional low. The farmland-price index sank to 11.2 from 20.0 in December. North Dakota’s new-hiring index declined to 21.3 from December’s 30.0.

**South Dakota:** The January RMI for South Dakota fell to 39.0 from 44.3 in December. The farmland-price index sank to 43.0 from 45.3 in December. South Dakota’s new-hiring index sank to a healthy 57.6.

**Wyoming:** The January RMI for Wyoming plummeted to 32.9 from December’s 43.6. The January farmland and ranchland-price index plunged to 18.7 from 32.0 in December. Wyoming’s new-hiring index slumped to 48.7 from December’s 55.2.

Tables 1 & 2 summarize survey findings

Next month’s survey results will be released on the third Thursday of the month, Feb. 18.

| Table 1: Rural Mainstreet Economy One Year Ago and Last Two Months: (index > 50 indicates expansion) |
|---|---|---|---|
| Area economic index | 50.9 | 41.5 | 34.8 |
| Loan volume | 62.1 | 61.0 | 55.4 |
| Checking deposits | 64.8 | 64.7 | 55.5 |
| Certificates of deposit and savings instruments | 42.6 | 46.4 | 42.3 |
| Farmland prices | 39.4 | 28.8 | 23.9 |
| Farm equipment sales | 29.5 | 8.8 | 7.0 |
| Home sales | 45.3 | 55.0 | 43.3 |
| Hiring | 52.8 | 54.9 | 51.2 |
| Retail business | 48.1 | 51.2 | 32.7 |
| Confidence index (area economy six months out) | 43.6 | 39.8 | 29.4 |

| Table 2: The Rural Mainstreet Economy, January 2016 |
|---|---|---|---|---|---|
| Percentage of bankers reporting |
| Rising regulatory costs | Competition from Farm Credit | Low loan Demand | Rising loan Defaults | Other |
| What do you expect to be the biggest economic challenge for community banks for 2016? | 50.0% | 17.4% | 13.0% | 10.9% | 8.7% |
| No change in production | Reduced Production | Increased Production | Temporary shutdown or other interruption |
| For ethanol producers in your area, what has been the reaction to lower energy and agriculture commodity prices? | 71.8% | 20.1% | 4.1% | 4.0% |
| January 2016 | March 2016 | Second half of 2016 | Beyond 2016 |
| When do you expect the Federal Reserve’s next interest rate hike? | 0.0% | 28.3% | 56.5% | 15.2% |

Follow Ernie Goss on Twitter: www.twitter.com/erniegoss

For historical data and forecasts, visit: www2.creighton.edu/business/economicoutlook
Iowans Re-Elected to FHLB Des Moines Board of Directors

CBI Associate Member Federal Home Loan Bank of Des Moines (FHLB Des Moines) has announced the re-election of Chris Grimm as a member director and Ellen Lamale as an independent director to its board of directors. They began new four-year terms January 1, 2016.

Grimm was first elected to the FHLB Des Moines Board in 2010 and has been CEO of Iowa State Bank in Wapello, IA since 2001. Prior to 2001 he served as the small business development director for Southeastern Community College in Burlington, IA, teaching small business classes and providing consulting to startups and existing businesses. He is a member of the board’s executive and Governance Committee, Audit Committee and serves as vice chair of the Mission, Member & Housing Committee.

Ellen Lamale of West Des Moines retired in 2011 from her position as senior vice president and chief risk officer of the Principal Financial Group after 34 years. She held executive positions for more than 10 years, and her responsibilities included oversight of risk management, financial forecasting and analysis and capital management strategic planning and execution. First elected to FHLB Des Moines’ board in 2012, she is a member of the board’s Executive and Governance Committee, Human Resources and Compensation Committee and Risk Committee.

The FHLB Des Moines Board of Directors is comprised of 29 financial service, business and community leaders from across the Bank’s district, consisting of 13-states and three U.S. Pacific territories. For a full listing of the FHLB Des Moines Board of Directors, please visit www.fhlbdm.com.

Leaders of Tomorrow Group’s Quarterly Meeting: Feb. 18

CBI’s Leaders of Tomorrow (LOT) group will be holding their Quarterly Meeting on February 18 at Hilton Garden Inn in Johnston.

Guest speakers include Zach Mannheimer, former Executive Director of the Des Moines Social Club. Mannheimer will share his experiences in building the Club, and the future in his new position as Vice President of Creative Placemaking for Iowa Business Growth.

Also speaking at the meeting is Eric Boehlert, bond lawyer with Ahlers Cooney Attorneys, who will discuss planning and financing capital projects around Iowa in his presentation “Urban Renewal, Economic Development and Public Finance 101”.

Visit cbiaonline.org/lot-quarterly-meetings.html to find details on February’s Quarterly Meeting, including a full agenda and professional biographies for both speakers.

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Investment Portfolio Support

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Deposit & Wholesale Funding Support

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Loan Portfolio & SBA/USDA Trading Solutions

Loan Portfolio & SBA/USDA Trading Solutions

Origination, Buy & Sell support to help banks optimize loan portfolio performance

Community Bank Balance Sheet Case Study

▲ 30% NIM Improvement

they are our most important partner & trusted advisor

- client feedback

Community Bank Balance Sheet Case Study

Balance Sheet Goals

• Protect current income
• Increase future income
• Reduce overall Interest Rate Risk

Balance Sheet Strategies

• Hedged deposit costs & added long duration fixed rate wholesale funding to protect against rising rates & runoff
• Replaced low relative value securities with floating munis & SBAs
• Sold long duration loans & bank started offering fixed/floating loans to borrowers

Balance Sheet Impact

• Reduced +300 EVE risk by 40%
• Improved +300 EAR by 80% & NIM 30%
• Income neutral (accretive +300)
• 12 month breakeven on onetime loss

additional case studies on the reverse