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Hundreds of community bankers, spouses, children, and exhibitors gathered at CBI’s 45th Management Conference & Annual Convention, the largest community bank gathering in Iowa, held July 13-15, 2016 in Okoboji. The Convention represents CBI’s legacy of serving and defending Iowa’s community banks, helping to chart a course as do each of our member banks in serving their communities. This reunion of bankers and their families from across Iowa were informed and entertained by nationally recognized speakers, and shown new products and services at tradeshow exhibits. If you skipped it, here’s what you missed:

On Day 1, colleagues became partners on the golf course during the Mixed Pair Golf Tournament. That evening during the Kick-Off Reception, community bankers from around the state were honored, and the Leaders of Tomorrow (LOT) group presented scholarships to two exemplary Iowa students. (Read more about the awards and their recipients on pages 6-8.)

Day 2 dawned on the lake during the 12th Annual Catch-and-Release Tournament, and on the trail during CBI’s first-ever 5K Run/Walk, held along the Great Lakes Spine Trail. ICBA Chairman Rebeca Romero Rainey, on hand as one of the 45th Annual Convention speakers, finished first in the women’s division. Spouses cruised the West Lakes region on the Queen II, enjoying brunch and musical entertainment.

Breakout Sessions on Day 2 also offered bankers the opportunity to learn more about issues currently important to the banking industry. The Regulators’ Panel breakout session featured Federal Reserve Bank of Chicago’s Sr. Supervision Manager Chad Jorgensen, IA Division of Banking (IDOB) Superintendent Ron Hansen and FDIC Regional Director James LaPierre, back by popular demand to answer questions on the current state and future of the regulatory landscape. Expert economist Ernie Goss presented the latest trends and forecasts in the rural economy, and Howard Hagen, partner at Dickinson Law showed attendees how changes in technology are affecting the banking industry today, and how to guide their organizations through those effects.

Speeches and presentations on timely topics from high caliber guest speakers in the banking industry provided advice, new ideas, and insight that bankers and affiliates can use in their businesses and their personal lives. At the First General Session, economist Peter Ricchiuti walked us through the latest market signals stating that the US is becoming a “science-led economic juggernaut”, growing and innovating in the areas of energy, technology, and breakthroughs in medicine. He went on to assert that current economic plusses are low interest rates and historically low oil prices. Then, political journalist and FOX News contributor Stephen Hayes described the current political climate and the latest

Convention continued on page 6
FOX journalist Stephen Hayes describes the current political climate during the 1st General Session.

Convention attendees gather for the Kick-Off Reception, the opening event of CBI’s 45th Management Conference & Annual Convention.

Economist Peter Ricchiuti at the 1st General Session.

L-R: Marcy German, 2016/17 CBI President Tim German, Lisa Ludwig, 2016/17 Immediate Past President Randy Ludwig, Patty Miles, 2016/17 VP/President Elect Cameron Miles, Hallie Still-Caris, Community Bankers of Iowa CEO Dave Caris.

At the Town Hall Breakfast with Mark Eganhouse from Wells Blue Bunny.

2016/17 CBI President Tim German addresses convention attendees at the 2nd General Session.

Changing of the Guard: Immediate Past President Randy Ludwig (right) passes the gavel to 2016/17 CBI President Tim German.

ICBA Chairman Rebeca Romero Rainey updates convention attendees on the latest in Washington DC.

Above: The 2016/17 CBI Board of Directors open the 2nd General Session with a Gilligan’s Island-themed intro.

Below: Community bankers and CBI service providers and their families meet and mingle during the 45th Annual Convention Gala.

Below: CBI member bankers pose for a group photo at the 12th Annual Catch and Release Fishing Tournament.
developments in the presidential election, calling it “the most unusual election we’ve had in recent memory”.

The Gala/Auction and Tradeshow held later that night was another successful fundraising event for CBI’s PAC. Bankers and their families were able to review products and services by CBI’s Endorsed, Associate and Affiliate Service members at the trade show, while sampling various wines and appetizers and participating in the CBI PAC silent and live auctions.

The Town Hall Breakfast meeting on Day 3 had Iowa Rep. Chip Baltimore (R-Dist 47) as a guest speaker, followed by Mark Eganhouse, Wells Blue Bunny’s VP of Procurement to give a more in-depth look at the successful ice cream company based in Le Mars, Iowa. The 2016/17 CBI Board of Directors opened the Second General Session, dressed as characters from “Gilligan’s Island” to support the Convention’s Navigating the Future theme. Breakout Session speaker and IDOB Superintendent Ron Hansen returned to give a report on banking and economic conditions in Iowa. He was followed by ICBA Chairman Rebeca Romero Rainey who related her story as a third-generation community banker, and updated attendees on ICBA’s regulation policy efforts in Washington.

Keynote Speaker Mack Dryden capped off Second General Session events with his comic presentation “Laugh to the Top: A Hilarious Guide to Achieving Your Goals”. Dryden regaled the audience with humorous one-liners and funny anecdotes while he outlined his 7-step method to success:

1. **Control your fears and stresses.** If you can’t control something then let it go.
2. **Maintain a positive mental attitude.** People like to be around others who have a positive attitude. If you have a positive attitude, you will attract a team of people, necessary to achieve your goals.
3. **Identify a specific target.** Know exactly what your goal is. You can’t hit the target if the bull’s eye isn’t clear.
4. **Write a plan.** Include specific steps with deadlines.
5. **Take action.** Good intentions are not enough. You have to actually do the work to accomplish your goals.
6. **Observe objectively.** Don’t be so devoted to your mission that you fail to accurately see what’s going on around you. Listen carefully to what people are telling you as you pursue your goal.
7. **Learn and adjust.** Be willing to change the plan in light of new information.

CBI’s 45th Annual Convention has come and gone, but there are more chances to experience and participate in CBI’s valuable and informative events. If you didn’t join us at convention this year, attend the 9th Annual Golf Tournament (see more on page 10), or the Fall Community Banking Summits being held Oct. 11, 12 & 18th, in Jefferson, Algona, and West Des Moines.

Thank you to everyone who joined us on the voyage to “Navigate the Future”, and a BIG thank you to our Convention Sponsors—we couldn’t do it without you! Visit cbiaonline.org to check out the Convention Photo Galleries!

Join Us for the 46th Annual Convention, to be HELD ONE WEEK LATER on July 19-21, 2017. We’ll see you then!
Robert J. Dixon Honored By Community Bankers of Iowa
Named 2016 Robert D. Dixon Founders’ Award Recipient

Iowa’s community bankers were recognized at an awards ceremony held during the Kick-Off Reception of the 45th Annual Convention in Okoboji. The Robert D. Dixon Founders’ Award, established in 2003, is the most anticipated and highly regarded honor of the ceremony. The award was created to recognize those bankers who embody commitment and represent the best in community banking.

Robert J. Dixon, President & CEO of Citizens State Bank in Sheldon and Chairman of Rolfe State Bank in Rolfe was named the 2016 recipient of this prestigious award. Rob, the son of Robert D. Dixon who co-founded CBI (then Iowa Independent Bankers) in 1971, usually presents this award each year. But this year he was interrupted at the podium to be replaced by close friend and fellow community banker Gus Barker, President & CEO of Community Bank of Oelwein. Barker then went on to note Rob’s successful community banking career and presented him with the award.

About Rob’s commitment to banking and his community, Barker said:

“[Rob] has been a community banker for 40 years, and was learning the trade long before that as he worked summers in the family’s bank. [He] grew up understanding the importance of the role of banks in their communities. He passed that same lesson on to his own children, who are now involved with the family banks: Live in, worship in, be involved in, shop in... SUPPORT your local community.”

In addition to leading two banks, Rob is active in the communities he serves. In 1984, he fundraised for and helped to establish a community ambulance service. Currently, he serves on the Sheldon Regional Airport Commission, the Northwest Iowa Health Center Foundation Board, was a volunteer for the hospital’s $2.5 million capital fundraising drive, and is a member of the Sheldon Noon Kiwanis and Sheldon United Methodist Church, where he has served multiple times as Chairman of the Finance Committee.

The Dixon family are deeply entrenched in community banking. Rob J. has served as a director with CBI since 2008, including serving as Board President in 2014/15, and feels strongly that the lobbying efforts of the group are of key importance to giving bank members a voice. His daughter Heidi Brown is VP of Citizens State Bank in Sheldon and an active member of CBI, sitting on two LOT sub-committees. Heidi’s brother, Rob W., is General Counsel for Federal Home Loan Bank of Des Moines and serves on the board for Rolfe State Bank as well.

Congratulations Rob!

Gabe Olson Selected as the 2016 “Up & Coming Banker of the Year”

Annually, one community banker is recognized by their peers for their performance and achievements in banking and is named the Up & Coming Community Banker of the Year. Gabe Olson, 1st Vice President at West Bank in West Des Moines was announced as the 2016 recipient at CBI’s 45th Annual Convention Kick-Off Reception.

Starting as a management trainee in the bank right out of college in 2005, Gabe was promoted to first vice president in 2014. He is responsible for a large commercial portfolio in the eight figure range, consisting of commercial and industrial loans, and is a productive contributor to West Bank’s string of seven record quarterly profits.

In addition to his hard work in the bank, Gabe works to better his community and himself. He spends time volunteering for many organizations and chaired the West Bank United Way Pledge Week team in 2015. Gabe also serves on the boards for the Walnut Creek YMCA, WestBancorporation Foundation and Variety–The Children’s Charity of Iowa. He is a 2014 graduate of the Greater Des Moines Leadership Institute and is attending the Graduate School of Banking at the University of Wisconsin-Madison with an anticipated graduation in 2017.

The Up & Coming Community Banker of the Year Award is presented by the Leaders of Tomorrow (LOT). LOT is a program created by 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. If you are interested in joining or would like more information, click here.
Independent community banks across Iowa have an important role and impact in their local communities. April is Community Banking Month in Iowa, a time to honor those who are Making a Difference on Main Street. CBI’s Best-of-the-Best Award distinguishes a community bank in Iowa that epitomizes personal service and support of their community. **GNB Bank** in Grundy Center was recognized as the 2016 recipient during CBI’s Kick-Off Reception at the 45th Annual Convention in Okoboji.

GNB Bank’s team leveraged social media to promote their programs and education during Community Banking Month. For the Money Smart Week Poster Contest, they sent flyers to elementary schools near each of their locations and promoted it on their website and Facebook page. Each entry received a ticket to the local movie theater and one winner from each location received $50 cash. This resulted in sixty-six poster submissions.

Each of GNB Bank’s locations also held a weekly drawing in April for a coffee break delivery to a local business. Anyone could sign up at the bank or email the bank to enter. GNB Bank finds that this gives staff the opportunity to thank businesses for what they do and share how local businesses and community banks partner to keep local economies strong and growing.

As the Best-of-the-Best Award winner, GNB Bank will receive a pizza party for their entire staff, compliments of CBI.

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**12th Annual Catch and Release Fishing Tournament Results**

**Crappie - 11-1/8”**  
Caught by:  
Tom Bates (right)  
President  
County Bank - Sigourney  
Guide: Rod Blau (left)

**Bass - 19-1/2”**  
Caught by:  
Marty Trepp (right)  
Vice President  
UMB Bank - Kansas City, MO  
Guide: John Grosvenor (left)

**Northern Pike - 35”**  
Caught by:  
Doug Pfeifer (right)  
VP & Loan Officer  
MIB - Jefferson City, MO  
Guide: Lance Lundbeck (left)

**Sheepshead - 15-1/2”**  
Caught by:  
Jeff Jacobs (right)  
Senior Vice President  
Farmers Savings Bank & Trust - Traer  
Guide: Terry Thompson (left)

**Walleye - 21-1/2”**  
Caught by:  
Matt Sinnett (right)  
President  
MIB - Kansas City, MO  
Guide: Ron Carson (left)
Each year CBI’s Leaders of Tomorrow (LOT) group supports and encourages the next generation by providing two scholarships to deserving high school seniors. Iowa students Emma Nagle and Tyler Geiger were this year’s awardees, honored during CBI’s awards ceremony held during the 45th Annual Convention in Okoboji.

A graduate of Assumption High School in Davenport, Emma Nagle was an active student both at school and in the community, participating in activities ranging from sports to service clubs. Along with an unbelievable 4.148 GPA and ACT score of 30 (36 is the highest possible score, with 22 being the average in Iowa), Emma also was a member of the National Honor Society her Junior and Seniors years, serving as president during the latter.

Emma’s volunteer and extra-curricular activities are as numerous as her academic achievements. These include volunteering for Special Olympics, Up-With-Families, Cafe on Vine, which is a free community meal program in the Quad Cities area, Camp Hand-in-Hand, and the River Bend Food Bank. Emma was a member of Assumption High School’s Red Cross Club, Student Ambassadors, Students Against Destructive Decisions, for which she’s served as both secretary and president, and Key Club, serving in the secretary and vice president offices. Emma also played 4 years of Assumption High Volleyball and Tennis, with a stint as Team Captain of the volleyball team. Despite all of this, Emma still had time to serve as Editor of the school yearbook and as a math tutor.

Scholarship application requirements include writing an essay detailing the role of community banks. Emma reminisced about their impact on a personal level, stating:

“Not only do banks help maintain a sustainable economy, they are filled with role models that do amazing service out of the goodness of their hearts. I vividly remember the time in my childhood riding in the back seat of the car to the bank on Brady Street. Every time, the teller would smile at me and ask if I wanted a Dum-Dum sucker. Of course, as a six-year-old, this made my day, and it created a sense of care and consideration from the bank.

“Additionally, a banker was one of my Junior Achievement instructors. He took time out of his day once a week for several weeks to teach youth about saving, credit cards, businesses and more. Knowing that he was a busy man and realizing his devotion to the future generations proves that banks and bankers care about bettering the community in a multitude of ways.”

Emma Nagle is the daughter of Rita and John Nagle, First Vice President at Quad City Bank and Trust in Davenport. She was nominated for the scholarship by Tom King, Quad City Bank & Trust VP/Compliance Officer. Emma will begin classes at University of Iowa this Fall, where she plans to study biochemistry.

Montezuma Community School grad Tyler Geiger from Deep River, Iowa had an equally stellar high school career. A straight-A student with a 4.0 GPA and who was ranked first in his graduating class, Tyler was heavily involved in activities both in his school and in his community. He was a member of Future Farmers of America all four years of high school, and served in the offices of chapter sentinel, vice president, and president. Tyler also belonged to the National Honor Society and sat on the school Student Council, both for three year terms.

Tyler’s involvement with sports included two years of basketball and four years of track & field. He also played on the school football team all four years, serving on the team leadership council. Tyler’s leadership skills shone through when in his Senior year, his teammates unanimously named him Team Captain in a secret ballot. Honors and awards include the 2016 Governor’s Scholar Recognition Award, All-State Speech and Drama Champion, FFA State Champion in Radio Broadcasting and Individual Soils Judging, and so many more.

Tyler’s community efforts have been equally exemplary. By no means an exhaustive list, his multiple volunteer activities include: a time as a Junior Firefighter and fundraiser for the Deep River Volunteer Fire Department, music provider for the United Church of Deep River and the Montezuma United Methodist Church, three-years as volunteer Event Manager and Co-Chair for Deep River Fundays Celebration, and volunteer duties for Montezuma’s Community Events Committee, city beautification program, and Ministerial Association.

Tyler is a gifted entertainer as well. He was a member of his school’s Band, Choir, Speech & Drama and Theater groups. He is
Dr. David Johnson, Cedar Rapids chiropractor and father of pro golfer Zach Johnson will speak at CBI’s 9th Annual Golf Tournament, to be held Sept. 12 at Hyperion Field Club in Johnston, Iowa. Get out onto the greens with fellow CBI members during this 4-person best shot tournament. Over 20 prizes will be given away to lucky attendees, including ten $100 Pro Shop gift cards.

Need a little advantage? Purchase a few mulligans and support the Leaders of Tomorrow Scholarship fund.

Registration is now open. For more info and to register click the button below, visit our website or review the event flyer.
Community Bankers for Compliance
Fair Lending Review and Reg Z to Be Discussed at CBC Fall Session

CBI’s Community Bankers for Compliance Program (CBC) Fall Seminar is coming up September 27-28 at the Hilton Garden Inn in Johnston, Iowa. This two-day LIVE seminar provides you with up-to-date information, guidance for structuring and maintaining your bank’s compliance program, and a forum to discuss issues and exchange ideas with other community bankers. View Fall Seminar brochure.

Day 1 of this session will discuss CIP/DOD rules and Fair Lending Review techniques. On Day 2, learn more about all relevant non-TRID sections of Reg Z as they impact mortgage loans, including variable rate mortgage adjustments, disclosure requirements, determination of APR, types of qualified mortgages and much more.

For current members of the CBC Program, attendance at the Fall Seminar is included with program enrollment. CBC members and non-members may choose to attend just one or both days of this informative regulatory policy seminar.

For more information and to register for the Fall Seminar or the full CBC program, visit cbiaonline.org or contact Pretty Patel at 515.453.1495 or ppatel@cbiaonline.org.
Farm Credit System, Regulation, Economy Discussed at CBI’s 4th State Fair Conference

Iowa’s elected officials and challenging candidates responded to questions about the issues important to Iowa’s community bankers at CBI’s 4th State Fair Conference, held August 11 in Altoona. Iowa legislators at the state and federal level gathered to provide their views on financial literacy, technological needs, economic development, crushing regulation costs, and unfair competition from credit unions.

The Conference featured three legislative discussion panels. The Iowa Leadership Panel included first female Speaker of the Iowa House Linda Upmeyer, Senate Republican Whip Jack Whitver, and House Minority Leader Mark Smith. While the three panelists believe that some regulation is necessary, Whitver stated that “there has been no regulatory reform in Iowa for the past 6 years—changes need to happen at the federal level”. Upmeyer added that “Dodd-Frank may be working for some, but certainly not the way it was ‘sold’ to us” during the financial crisis back in 2008. Smith’s stance was to insist that “community banks are the safest places for Iowans to make investments”. He went on to question what provides safe financial instruments, stating that those answers “are the criteria for what regulations are necessary”.

The abuses of the Farm Credit System (FCS) were a main topic of discussion. The 80 banks in the FCS do not have to pay taxes on mortgage loan interest and other banks are lobbying congress to end that tax break. Supporters of the system say it’s a crucial source of financing for all of rural America, not just farmers.

Republican Congressman Steve King said the FCS needs to “refocus on helping farmers and agribusinesses stay afloat”. “They write their own mission statement,” King says. “I asked the chair of the board [about] that before an Ag Committee hearing some time back and, you know, my message to that was: ‘We may have to help you write that mission statement.’” King later added that he “fought Dodd-Frank with all he had”, and would have been the first to submit a bill for repeal had he not been beaten to it by fellow legislators.

Kim Weaver, a social worker from Sheldon is the Democrat who’s challenging King. Weaver says she’s troubled by the FCSs loan to Cracker Barrel. “Even though it has a rather rustic appeal, it isn’t exactly a farm-related business,” Weaver says. “I would look at actually having a little bit more monitoring of that because I really don’t think it’s fair.”

Republican Congressman David Young of Van Meter says the FCS must be held to its original mission. “Choice is good out there, but one of the choices out there is backed by the taxpayer, in a sense,” Young says. “…Have they been operating outside of their purview?”

Jim Mowrer, a former National Guard soldier and Pentagon administrator, is Young’s Democratic opponent. “When you look at some of the recent activities, like the Verizon loan that they made, this is way outside of its intended scope of purpose,” Mowrer says. When later questioned about the rulemaking abilities of the Consumer Financial Protection Bureau (CFPB), Mowrer answered that “CFPB has been good for the citizens in general, but no government agency can truly understand how to run a business”. 

Former Iowa Ag Secretary Patty Judge is the Democrat who’s challenging Grassley this year. “There are probably reforms that need to be made and I would suggest to you that we are going to have a real opportunity to do that next year as we write the new Farm Bill,” Judge said. Judge also added that her mission is to keep Iowa economically moving forward and that policymakers should discard party labels and find a common ground.

Republican Senator Chuck Grassley says he supports the FCS, but it has operated outside its charter. “They came to my office to talk to me and I brought up some of the loans that were very questionable loans,” Grassley says. “I got the feeling that they were very embarrassed by the issues that I brought up with them.”

Senator Chuck Grassley said he supports the Farm Credit System, but believes that the agency is making questionable loans.

Congressman David Young (center) told 4th State Fair Conference attendees that “big banks need to own their mistakes and take the bit on the results of their own misconduct”.

Kim Weaver, a social worker from Sheldon is the Democrat who’s challenging Grassley.
Republican Congressman Rod Blum of Dubuque says there’s probably still a role for the FCS. “But we need to make sure that they’re not competing in the areas that they’re not supposed to be in,” Blum says. “...They’ve made some very big loans to some very large and profitable customers that whether they’re ag related is very, very questionable.”

Christopher Peters, an Iowa City doctor, is the Republican who’s running against Democratic Congressman David Loebsack of Iowa City. Peters says he has just started doing research on the FCS. “I will say just blanket, though, I’m suspicious of all government sponsored enterprises. I’m not sure why we need those at all,” Peters says. “If things can be delivered in a marketplace, they should be. If they are not able to be delivered in a marketplace, then government I think should provide those services if they can’t or won’t be provided otherwise.”

In May of this year, Iowa community banker and CBI Board member Gus Barker, President of Community Bank of Oelwein testified before the US Senate Committee on Agriculture, Nutrition and Forestry on the Farm Credit System. The hearing was held to examine the overall climate of credit in rural America, the health of ag lending from both commercial banks and the FCS, and perspectives on the impact the current credit environment is having on the nation’s farms. The hearing was also called to determine whether the Farm Credit Administration is exercising effective oversight on the FCS.

You can still view the hearing in its entirety on the Senate Committee website. The hearing is called to order at minute 17:10 in the video; testimony by Barker is in Part II of the hearing and begins at hour 01:49:30. You can also download transcripts of testimonies by all witnesses of the hearing; click here for Barker’s testimony.

Other guest speakers at the Conference included Zack Mannheimer, VP of Creative Placemaking with Iowa Business Growth who gave a presentation on rural economic development. Research has shown that young people are no longer moving to cities based on jobs but on the culture and amenities that city can provide. Mannheimer spoke on the importance of “creating the unique” to build a community through the arts, expanding infrastructure to increase “walkability” and to reduce residents’ isolation from resources, and developing civic incentives like child care or student loan assistance. Mannheimer said that these incentives can attract millennials to the area, and “embed” residents in that community so they are more likely to remain.

Governor Branstad and Lieutenant Governor Reynolds were also on-hand to deliver the keynote speech. The Governor outlined Iowa’s current economic condition, past successes, and plans for the future, like the Connect Every Acre bill (H.F. 655 passed June 2015) to expand broadband internet resources in rural Iowa. Earlier in the day during the Iowa Leadership Panel discussion, Iowa House Minority Leader Mark Smith asserted that the Connect Every Acre plan and increased technological capabilities are essential to Iowa’s growth. Republican Whip Jack Whitver agreed, but added that Iowa doesn’t currently have the workforce needed to grow, and that we need to be ready when those opportunities appear. He gave as an example the current trend of major companies like Microsoft and Facebook moving their data centers to Iowa.

Besides advocating for community banks and bankers, attendees toured exhibits by CBI Endorsed, Associate and Affiliate members showcasing the latest products and services designed for the financial services industry. The Conference closed with break-out sessions that addressed key topics in the industry, including vendor management, cybersecurity and recent legislative developments in Washington. CBI would like to thank sponsors ICBA and SHAZAM for their support of the 4th Community Bankers of Iowa State Fair Conference.
Sandbags at the Ready?

Drop in market yields could unleash torrent of cash flow

In 11 years of writing investment columns, I at no time have been able to begin a sentence with this phrase: “Now that interest rates have finally risen ....” In fact, we’re now at levels that have never been seen before, in particular for longer maturities. It’s astonishing, in fact, that our domestic yields are seen as alluring to foreign investors.

Nevertheless, there is another component of the yield story that has a tangible impact on community bank investment management. This is the tidal wave of cash flow that could be flowing across your community bank’s balance sheet in the weeks and months to come, compliments of borrower refinancing.

Call exposure
Community bankers have always held an amount of “call risk.” This is the result of lending money to borrowers with no prepayment penalties. Lenders and their regulators understand this risk, and much energy and resources is expended just to quantify and manage this risk.

This risk is also embedded in most of the investments that a community bank owns. Somewhere around 80 percent of all investments have some amount of call risk. In the case of a callable agency, that risk is explicit; in the example of a mortgage-backed security (MBS), it is implied.

Small declines in interest rates (and just the passage of time) can produce a scenario in which a borrower, especially a government agency like the Federal Home Loan Bank (FHLB) System, can refinance its debt at lower rates. That’s exactly what happens when a community bank gets a bond called.

For MBSs, a larger drop in rates has to occur before the borrower refis, due to the relative inefficiency of a mortgage, but that clearly is what took place in record volumes in 2012-13. This refinance activity shows up in increased prepayments, and principal cash flows, on all types of MBSs.

Expect excess cash
Since rates hit record lows in early July, you can expect the calls, explicit or otherwise, to begin showing up soon. Fannie Mae alone called over $28 billion in agencies in the last 90 days, which is about 36 percent of its total callable debt. Some of the issues had coupons as low as 0.50 percent.

More good news: Mortgages had already begun to prepay faster in 2016 before the recent drop in rates. Between January and June, the “speeds” on Fannie Mae 30-year 3.0 percent, 3.5 percent and 4.0 percent MBSs had more than doubled. At the moment, both 15- and 30-year posted rates have fallen by more than 50 basis points since the start of the year. The MBA Refi Index is now at its highest level in over three years.

Plug the dike
Given the likelihood of increased portfolio cash flow, welcome or otherwise, now is a good time plan for the flood. There are several steps a prudent portfolio manager can take, none of which are particularly costly.

For one, you can totally eliminate call risk by buying—you guessed it—non-callable securities. The compression of all rates means that the incremental yield an investor gets by assuming call risk is at an historic low. Currently the difference in a “five-year two-year” callable agency and a five-year “bullet” is only about 10 basis points in yield.

Sandbags continued on next page
Sandbags continued from previous page

Another is to buy bonds that have sufficient structure to limit their cash flow. Well-designed MBSs such as PACs, fixed rate SBA pools or multifamily pools known as DUS bonds can either deliver priority to cash flow, or contain prepayment penalties, that greatly decrease liquidity when you least need it. These products can be explained in detail by your favorite broker.

A final note is that many community banks may be OK with the upcoming surge in cash flow. Nationally, loan demand is up substantially from recent history, and borrowings from the FHLB have likewise increased. Still, it will pay to be prepared for the torrent of portfolio cash flow coming soon to your favorite community bank.

Jim Reber is president and CEO of ICBA Securities and can be reached at 800-422-6442 or jreber@icbasecurities.com.

Scholarships continued from page 9

also the founder/lead guitarist and singer/songwriter for The High Bank Boys, a touring country music band. [See video.] For two years Tyler also played bass/rhythm guitar part-time for the Cody Hicks Band, a popular Nashvile recording artist.

In Tyler’s essay he described the role of community banks by relating their necessity to rural economies.

“There is one source of revitalization that seems to breathe life into my ever-shrinking town, and that is my local bank. [It] means everything to the continuity and rejuvenation of my small town. Without them there would be no one to provide funding for the small business entrepreneurs. There would be no one to provide financial loans for young couples that are looking to move back home and raise their own families in the rural communities in which they were raised. Without [the bank] there would be absolutely no growth or development in my home town.

There has been a change for the better with many younger individuals coming back home and participating in local activities, and it is my opinion that this can all be attributed to the hard work and trust that my local bank employees put into the communities and customers that they serve.”

Tyler is the son of Mike and Wendy Geiger and was nominated for the scholarship by Mike, who is Vice President and Branch Manager of County Bank in Deep River. Tyler will begin classes at Iowa State University this fall, where he will major in Agricultural Business.

CBI would like to congratulate Emma and Tyler for their outstanding academic work, selfless volunteerism and commitment to the betterment of their communities. We wish you success and good luck in the bright futures ahead of you!
For more than 30 years my community bank has offered college scholarships to local high school students. Through this process we at Centinel Bank of Taos have the opportunity to learn about their dreams and goals for the future.

Their enthusiasm and vision are infectious and have the potential to transform lives and organizations. That’s why I’m so passionate about our scholarship program, and why I hope to persuade one or two candidates to consider a career in community banking.

“Our future is bright because community bankers recognize the importance of investing in our people.”

My mother, Cheryl Romero, our former human resources director, had a similar philosophy when she met another native Taoseño 20 years ago. Like many of our applicants, that young man demonstrated a hunger to learn, an eagerness to lead and a deep belief in our community. I am so grateful that my mother had that vision and that Angel Reyes saw the potential opportunity and joined the bank 20 years ago this September. Today he serves as our president and joins me enthusiastically in continuing our tradition of awarding scholarships. We both believe that empowering the next generation of bank leadership is critical for the future of community banking.

ICBA also plays an important part in preparing our future leaders for the challenges and opportunities facing our industry. Last month, ICBA awarded $30,000 in NextGen Scholarships:

• one full scholarship to the Barret School of Banking’s three-year program;
• two scholarships to attend the 2016 ICBA LEAD FWD Summit®, and;
• a one-year scholarship to attend any certification program, educational event or institute offered by ICBA Community Banker University®.

If you haven’t already reserved a spot for your best and brightest talent, I urge you to consider sending them to this year’s LEAD FWD Summit scheduled for Sept. 11-14 in Denver. Participants will learn from top industry experts, make invaluable connections and hear from ICBA’s President and CEO Cam Fine about the future of community banking, the current political landscape and how attendees can achieve greater community bank leadership success.

Also check out ICBA’s Community Banker University, which offers state-of-the-art courses and certification programs in auditing, compliance, credit and lending, operations, security, technology and more.

Our future is bright because community bankers recognize the importance of investing in our people.

Please join me in investing in the growth of your employees and their careers. You will receive exponential returns for your bank, your customers and your community for generations to come.

Rebeca Romero Rainey is chairman and CEO of Centinel Bank of Taos, in Taos, N.M.
Our Bedrock Principles
Written By: Camden Fine, President and CEO of ICBA

Stop and consider: What changes has your community bank undergone recently? How about during the past five years? What about the last 10?

Most likely your community bank is larger today, both in accounts and assets, and also its influence within its market area. I also imagine that your bank’s operations have become comparatively leaner while, paradoxically, also much more technologically complex. Its products and services, and advancing technology are driving and transforming its operations. Nearly everything is going digital throughout community banking. More and more operations are influenced by analytical computing. Access to nearly all information is easier, faster and almost instantaneous.

It is amazing when you look back and account for all that remarkable and dynamic change. Despite these transformations, however, I’m even more certain that the fundamental purpose and principles of your community bank business model haven’t changed. That’s because the bedrock upon which your business model is based is relationship banking where the best interests of your customers and communities remain paramount. This is what permanently defines your community bank. The community bank business model is distinct, special and needed more than ever in the financial services marketplace.

In an industry where community bank imposters linger, your community bank’s authenticity is essential and inviolable. Your community bank won’t compromise, and can’t compromise, its fundamental principles. In fact, everything it does must adhere to and be guided by those principles. If I’m right about all of this, congratulations, you are a community banker. Be proud of it. Tell the world.

Just as community banks serve their customers and communities based on a principled business model, ICBA serves community banks in the same way. Still the only national trade association that exclusively serves the nation’s community banks, ICBA was formed 86 years ago by and exclusively for the benefit of community banks. Our mission is and has always been crystal clear. Our actions are defined by our founding principles. Our positions cannot be compromised. Our voice is purely that of the nation’s community banks.

“\textit{In an industry where community bank imposters linger, your community bank’s authenticity is essential and inviolable.}”

ICBA is much more than an association for community banks. We are your trusted ally and advocate. Everything we do is for our members’ best interests. From fighting regulatory overkill and excessive financial concentration to preserving our uniquely diversified financial system, time and again ICBA has been steadfast and true, always first and often alone. Our core mission and principles will not and cannot waver.

Certainly, ICBA has changed over the years and will continue to change. We will always seek new ways to work smarter and more effectively to help ensure that community banks flourish. The association knows that we can’t rest on our past successes. Community banks are constantly changing, as is the world around us. While looking to the future, ICBA will continue to be your community bank’s most trusted and most dynamic advocate. We are proud to serve only community banks, and we are proud to tell the world.

Join us. Work with us and beside us. Our strength is greater in our greater numbers. By working together, we will always have higher principles to promote, defend and live by.

Following Mr. Fine
More than 1,000 people are following Camden Fine’s tweets @Cam_Fine—are you? Visit www.twitter.com/cam_fine.
The Iowa Finance Authority’s 2016 HousingIowa Conference will be held Sept. 7-8 at the Des Moines Marriott Downtown. The Iowa Finance Authority will be rolling out an exciting new Preferred Partner program for loan officers as a part of the HousingIowa Conference. Preferred partners will receive priority listing on web site and preferred partner marketing benefits.

Details:
- Must attend the mandatory training that will only be available as part of the HousingIowa Conference on Sept. 8 to participate
- Training is included at no additional cost with HousingIowa Conference registration, but must be selected at registration

Conference Highlights:
- Twists and Turns: TILA-RESPA Integrated Disclosure (TRID) Rule
- The Financial Crisis and Its Aftermath, Steven Eisman, as portrayed by Steve Carell in The Big Short
- My Story, Elizabeth Smart

More information is available at HousingIowaConference.com.
As part of the Network’s continued growth and expansion around the country, SHAZAM announced the hiring of Steve Heston as its new executive vice president & chief sales and marketing officer.

“Steve’s breadth and depth of knowledge about the banking profession and his ability to communicate the value SHAZAM brings to its members will be key to continuing our success,” said Paul Waltz, president and CEO of SHAZAM.

Heston will lead SHAZAM’s national sales force for EFT, core and merchant services, along with the company’s in-house marketing agency and public relations efforts.

“After 22 years in the banking technology profession, to join the only remaining network focused completely on strengthening community financial institutions is a humbling and exciting challenge,” Heston said.

“Part of Heston’s extensive experience includes serving as chief revenue officer at Bancvue Ltd., as vice president, industry executive and market group leader with Acxiom Corporation, and in a variety of regional and national sales and marketing leadership roles with Fiserv and Metavante (now FIS).

Steve and his wife Jodi have been married for 18 years. They have three children. Heston is a native of Fairfield, Iowa.

About SHAZAM
CBI Endorsed Member The SHAZAM Network, founded in 1976, is a national member-owned financial services and payments processing company. SHAZAM provides choice and flexibility to community financial institutions throughout the U.S. To learn more visit shazam.net and follow @SHAZAMNetwork.
How to Start a Security Program
Part 1

A solid information security program will lay the foundation that will ensure that your business information, and the information belonging to your customers will be adequately protected. Parts I and II of this article are about establishing a structure for information security that will allow the experts to protect your business while providing you with the information you need to run your business. I have said this before, but I’ll remind you again; CEOs don’t need to be information security experts, but they do need to be involved.

At the end of this chapter, I will also present an example and contrast two organizations. One organization that has chosen to start and manage and information security program the right (and maybe the only) way, and another that is still struggling to get it right. I encourage you to read this entire chapter in order to get the value it can provide.

Leadership

Everything lasting and meaningful in business starts with leadership, and leadership starts with you. I have built enough information security programs over the past 20 years to know that there is one thing that is more important than any other, and that is leadership. Without leadership, buy-in, and active endorsement from executive management, any legitimate efforts to secure information are doomed to failure. Leaders who take information security seriously can, and do, speak about information security within their organizations. Leaders who take information security seriously:

• know what their most significant risks are
• know how much information security costs them
• know how information security helps them retain customers and attract new ones
• know that information security goals and objectives are aligned with the organization’s goals and objectives
• lead by example through compliance with policies and involvement in key initiatives

Starting an information security program starts with you. As the CEO of your organization, if you are not prepared and willing to participate in information security, then your organization probably isn’t ready to start an information security program; at least not in a way that will be most effective for your organization or its customers.

Effective information security leadership begins with commitment. The commitment must be:

• Documented. Your commitment to information security must be documented in policy, but should also be documented in marketing materials and customer agreements.
• Verbally communicated internally and on occasion externally. Internal communications can include mentioning information security in corporate meetings and gatherings.
• Demonstrated through action. Actions can include establishment of the information security program, setting a dedicated information security budget, enforcement of policy provisions, and many others.

If you feel that you are ready, then what’s next?

Establish governance

As the CEO of your organization, you don’t have time to run the day-to-day functions of an information security program. The first step to building an information security program is to establish governance. Who will be responsible for what?

Information security governance consists of determining who within your organization will be responsible for what. Start with defining how information will flow for the information security program; both strategically and tactically. In Figure 1 above, the arrows depict how information flows through a typical information security program. The darker the arrow is, the more tactical the information is. Each level of governance within the information security program should be associated with a specific set of responsibilities.

We could devote an entire book to the topic of information security governance, but the focus for this series is on you, the CEO. In this article, we’ll concentrate on the roles below yours because these are the roles that you are most responsible for filling:

• Information Security Committee
• CISO, ISO, CIO, etc.
• All employees, contractors, vendors, and 3rd-parties

It’s important to note that the governance for your information security program may differ slightly from the one depicted here, but the concepts are identical. It doesn’t matter if there are additional layers in your information security governance or less. What matters is that there is a governance structure and it defines roles, assigned responsibilities, accountability, and communication for your information security program.

Communication

Arguably the most important feature of effective information security governance is communication. Communication between all roles must be regular and transparent.

According to a recent study by the Ponemon Institute, nearly one third of IT security teams never speak with company executives about information security. Equally as bad, only 23 percent of those who have spoken to company executives, only do so once per year. Jeff Debrosse, director of security research at Websense, predicted that the “31 percent will, at some point, find themselves on the front page”.
Mr. Debrosse’s prediction is spot on. Good governance results in good communication.

Information security committee

Committees have a bad rap. Most committees get a bad rap because they have been poorly organized, poorly attended, and poorly directed. The Information Security Committee must buck this trend through:

• A documented charter containing:
  • Purpose
  • Scope
  • Membership
  • Responsibilities
  • Schedule
  • Documented meeting agendas
  • Documented meeting minutes

Common responsibilities for the Information Security Committee could include:

• Formulate, review, and recommend information security policy
• Review the effectiveness of policy implementation
• Provide clear direction and visible management support for security initiatives
• Initiate plans and programs to maintain information security awareness
• Ensure that security activities are executed in compliance with policy
• Identify and recommend how to handle non-compliance
• Approve methodologies and processes for information security
• Identify significant threat changes and vulnerabilities
• Assess the adequacy and coordinate the implementation of information security controls
• Promote information security education, training and awareness throughout the organization
• Evaluate information received from monitoring processes
• Review information security incident information and recommend follow-up actions.

The Committee communicates regularly and periodically with the CEO, and with the person who has many of the day-to-day responsibilities (CISO, ISO, CIO, etc.).

The Committee must be staffed with personnel who can speak for parts of the organization with authority and personnel who can serve as advocates for information security initiatives. Ideal personnel for Committee membership are business unit leaders, and an ideal size for the Committee is 6 – 8 members.

CISO, ISO, CIO, etc.

This is the person with day-to-day information security responsibilities. It doesn’t matter if this person’s title is Chief Information Security Officer, Information Security Officer, Chief Information Officer, or Director of Information Technology. This is the person who is responsible for ensuring that management’s (ultimately yours as CEO) direction with respect to information security is carried out in compliance with policy. The responsibilities must be documented, communicated, and measured.

Some typical responsibilities may include:

• Ensure compliance with applicable information security requirements
• Ensure preparation and maintenance of plans and procedures to address continuity of operations for information systems that support the operations and assets of the organization
• Ensure that the organization has trained its personnel to support compliance with information security policies, processes, standards, and guidelines
• Report annually, in coordination with the senior managers, to the Information Security Committee on the effectiveness of the Information Security Program, including progress of remedial actions
• Head an office tasked with the mission and resources to assist in ensuring organization’s compliance with information security requirements
• Assess risk and magnitude of the harm resulting from unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the organization
• Develop and maintain information security policies, procedures, and control techniques to address all applicable requirements throughout the life cycle of each organizational information system
• Facilitate development of subordinate plans for providing adequate information security for networks, facilities, and systems or groups of information systems
• Ensure that company personnel, including contractors, receive appropriate information security awareness training
• Train and oversee personnel with significant responsibilities for information security with respect to such responsibilities
• Implement and maintain a process for planning, implementing, evaluating, and documenting remedial action to address any deficiencies in the information security policies, procedures, and practices of the organization
• Develop and implement procedures for testing and evaluating the effectiveness of the Information Security Program in accordance with stated objectives
• Review and manage the information security policy waiver request process

In essence, this person takes the direction from the CEO and Information Security Committee and implements it.

All employees, contractors, vendors and third parties

Everyone has a role and responsibilities with respect to information security. Information security is not and IT issue and participation is not limited to IT personnel. Initially, responsibilities may be as simple as:

• Understand all of the information security policies that make up the information security program
• Use organizational information and other information-related resources in compliance with all Information Security Policies
• Seek guidance from the information security committee on information security related matters that are not clear
• Communicate with the members of the information security committee regularly by providing feedback.

These responsibilities may seem like common sense, but then again, there is no common sense in information security.

In Part II of this subject I will discuss how to start a security standard, creating policies and the policy approval process. [See pages 22-23 for Part II.]

FRSecure’s President Evan Francen is a passionate information security expert who serves banks by cooperatively solving the complex issues surrounding information security. He is well-versed in governmental and industry-specific regulations, standards and guidelines, and is considered to be an “information security evangelist”. For more information on CBI Affiliate member FRSecure visit www.frsecure.com.
How to Start a Security Program

Part 2

The Jigsaw Puzzle
An analogy that I often use for putting together an information security program is that it’s like putting together a jigsaw puzzle. Each piece of the information security program should fit nicely with all the other pieces in order to create a picture of what information security looks like. Now that governance is defined, we can begin with putting the puzzle together.

Choose a Standard
An information security standard is like the picture on the box of your jigsaw puzzle. Once the puzzle/information security program is completely built (which it never really is), it should look like the picture/standard. There are numerous standards to choose from, and you (as the CEO) don’t necessarily need to be involved in choosing one. This is a task that can be delegated to the Information Security Committee and/or tactical security person. What you do need to know is that a standard has been chosen and which one it is. Some good standards to reference:

- NIST SP 800-53 – A Special Publication (SP) and standard developed by the National Institute of Standards and Technology (NIST) titled “Security and Privacy Controls for Federal Information Systems and Organization”
- COBIT – Control Objectives for Information and Related Technology (COBIT) is a framework created by ISACA for information technology (IT) management and IT governance.
- NIST Cybersecurity Framework – A security framework released by NIST in early 2014 that contains references to multiple well-known information security standards.

A standard gives your organization a baseline of controls to draw from and measure yourself against.

Policies
Now that we have chosen which jigsaw puzzle we want to build from, we start putting it together. Most people begin putting together their jigsaw puzzle by starting with the edge and corner pieces. In our analogy, the edge and corner pieces for our information security program are the information security policies. The information security policies provide the framework for all information security initiatives within the organization and hold everything together. You don’t have to worry. Rarely do CEOs write policy, but they do need to read them and approve them. There are three things that should be done at this point:

1. Develop and document a policy approval process
2. Determine which policies should be written
3. Write, approve, and adopt (enforce) policies

Policy Approval Process
The policy approval process varies from organization to organization. The process you choose (or that your Information Security Committee chooses) should fit with your governance (see above) and your culture. Figure 2 depicts a simple and effective policy approval process.

Ensure that all information security policies are formally reviewed on no less than an annual basis and that you (as CEO) are willing and able to enforce the requirements listed in them.

Write and Approve Policies
How does your Information Security Committee (or tactical security person) determine which policies should be written? There are four things to keep in mind:

1. The picture on the box. The standard that was chosen earlier will help determine which policies should be developed.
2. Everything that we do with respect to information security must find its root somewhere in policy. Information security policies provide the authorization for all personnel to do their jobs as they relate to information security. Without authorization, there can be no real enforcement. Without enforcement, we have no real security.
3. Policy structure. Information security policies must be structured in a manner that makes them easily referenced. Far too many organizations write their policies as books when they should be written like dictionaries. Nobody reads policies, so we need to make them easily referenced.
4. Develop one charter information security policy that drives the entire program and support this policy with many issue or topic-specific policies. This will help with referenceability.

Every policy requires CEO approval and compliance is mandatory (even for you).

Adopt and Enforce Policies
Now that we have the edge pieces (policies) of our jigsaw puzzle (Information Security Program) in place, we can begin to locate and place the inner pieces. Inner pieces include the standards, guidelines, procedures and technologies that enable your organization to comply with policy provisions. It’s important to note three things during the adoption and enforcement of policies:

1. An approved policy does not mean an adopted policy.
2. An approved policy is one that contains statements of management direction. There will be a period of time between policy approval and full policy adoption. In some cases, it takes more than a year to design and implement the inner pieces of your jigsaw puzzle.
3. Policies are worth nothing if there is no intention to enforce them. At this point, it is assumed that you have read the policies and have the intention to enforce each of their provisions.
4. There are always exceptions. Exceptions usually come in the form of extenuating business circumstances. For those policy provisions that, for whatever reason, cannot be complied with, there should be a documented exception process that must be followed. Policy exceptions can/should be handled by the Information Security Committee and should be reviewed on no less than an annual basis.
At this point, a manageable and effective Information Security Program lifecycle has begun.

Regular Reporting
A CEO of an organization should receive updates to the Information Security Program and significant events on no less than a quarterly basis. The updates don’t need to be exhaustive and full of detail, but they should aid you in addressing the points that I posed early in this post. Leaders who take information security seriously:

- know what their most significant risks are
- know how much information security costs them
- know how information security helps them retain customers and attract new ones
- know that information security goals and objectives are aligned with the organization’s goals and objectives
- lead by example through compliance with policies and involvement in key initiatives

A Tale of Two Companies
This is an example of two real companies in the printing industry. The printing industry is very competitive with constant pricing pressure from clients and shrinking margins. In this example I will contrast two real printing companies and the approach each CEO has taken to information security. One company has a CEO and leadership team that takes information security seriously and the other is content with going through the motions. We’ll call these real companies Get It Right Printing and Only the Motions Printing.

Get It Right Printing
Get It Right is a 450+ employee strong printing company that has invested the time and effort required to build a formal information security program. For this company, information security starts with the top. The CEO of the company sets the example for the other employees to follow. Get It Right Printing has established an information security committee comprised of leaders from the company’s business units and meets on no less than a monthly basis. The CEO gets regular updates from his information security committee and regularly provides feedback to the information security committee. Get It Right has written and approved (by the CEO) thirty information security policies; each one written with a specific topic/issue addresses. The company has written their policies this way in order to assist employees with being able to quickly find what they need in policy rather than forcing each employee to read policy. Each policy that has been written and approved is enforced. The Get It Right Printing information security program has been established and now the company works on tweaking and maturing the program over time.

The Results
Get It Right Printing takes information security seriously and has real evidence to support their claim. Customers feel confident in the company’s ability to protect their information, and the company is able to conduct business with a clientele that other printing companies cannot. This is especially true for large, heavily-regulated customers like banks, finance companies, health insurance companies, and others. Get It Right has an information security program that attracts customers. Get It Right Printing is now running at capacity for three shifts in two locations and looking for additional expansion. Business is good at Get It Right and the CEO knows two things:

1. They have found a return on investment with information security
2. It all started with his involvement and endorsement.

Only the Motions Printing
Only the Motions Printing is a 300+ employee printing company that competes directly in the same space as Get It Right. The company CEO states that information security is important to his organization, but clearly doesn’t participate or demonstrate commitment. The company is constantly struggling to satisfy a few key customers and it’s a never ending reactionary cycle to meeting customer information security demands. There is no formal information security program at Only the Motions Printing.

The Results
One of the few key customers is no longer satisfied with the reactionary approach to information security and is now demanding that Only the Motions obtain an independent audit report (SOC 2). If this key customer decides that it’s too risky to do business with the company, there is a significant and real risk that customer will go elsewhere. Only the Motions is not prepared for an independent audit report because there are too many deficiencies in their information security program. There is no foundation for their information security program. The company is at a crossroads. Invest thousands to build the information security program that they should have already built (see there never really was a choice at the beginning) and try to rescue this existing customer relationship, or continue down this existing path and lose this existing customer. Keep in mind that losing this existing customer will cost Only the Motions Printing 30% of their existing revenue.

Summary
Which company would you rather be? Which company would you rather invest in? As the CEO of your organization, it is imperative that you participate in the development and adoption of your organization’s Information Security Program. The degree to which you participate has a direct impact on how well your organization protects sensitive information. Many of the tasks associated with building your Information Security Program can be delegated, but ultimate responsibility cannot. At a high-level, the Information Security Program development process is depicted below in Figure 3.

FRSecure’s President Evan Francen is a passionate information security expert who serves banks by cooperatively solving the complex issues surrounding information security. He is well-versed in governmental and industry-specific regulations, standards and guidelines, and is considered to be an “information security evangelist”. For more information on CBI Affiliate member FRSecure visit www.frsecure.com.
Rural Mainstreet Economy Remains Weak for June/July: Bankers Tighten Farm Loans, Negative Cash Flows Likely for Many Crop Farmers

June Survey Results at a Glance:
• For a tenth straight month, the Rural Mainstreet Index remained below growth neutral.
• Farmland prices remained below growth neutral for the 31st straight month.
• Due to the weak agriculture economy, 73.5 percent of bankers increased collateral requirements, half boosted interest rates, and 35.3 percent rejected a higher percentage of farm loans.
• Rural Mainstreet businesses boosted hiring for the month.

OMAHA, Neb. – The Creighton University Rural Mainstreet Index for June increased from May’s very weak reading, though it remained below growth neutral, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Overall: The index, which ranges between 0 and 100, rose to 43.9 from May’s 40.9. While remaining very fragile, the Rural Mainstreet Index (RMI) has increased four of the last five months.

“This is the 10th straight month the overall index has remained below growth neutral. Even though agriculture and energy commodity prices have increased recently, they remain well below last year’s prices and from their peak levels in 2011. Over the past 12 months, farm prices are down by 9.5 percent, grain prices are off by 4 percent, and livestock are down by 15 percent,” said Ernie Goss, Jack A. MacAllister Chair in Regional Economics at Creighton University’s Heider College of Business.

Due to reductions in farm income and agriculture commodity prices over the past three years, bankers have altered their farm lending practices. Almost three of four, or 73.5 percent increased collateral requirements, half boosted interest rates, more than one-third, or 35.3 percent rejected a higher percentage of farm loans. Approximately, 17.6 percent of the bankers reported that their banks reduced the average size of farm loans.

Don Reynolds, president of Regional Missouri Bank in Marceline, Missouri said, “We have managed to finance operations on most of our farm customers, though in several cases, we did require additional collateral. In many cases we refinanced last year’s carryover debt over long term to make cash flow work. The current rise in corn and soybean prices make these cash flows look better.”

Farming and Ranching: The farmland and ranchland-price index for June climbed to 32.3 from 28.4 in May. This is the 31st straight month the index has languished below growth neutral 50.0.

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.

July Survey Results at a Glance:
• For an 11th straight month, the Rural Mainstreet Index fell below growth neutral.
• Farmland prices remained below growth neutral for the 32nd straight month.
• Bank CEOs reported a 6 percent decline in farmland prices over the past year.
• Bankers expect cash expenses will exceed cash revenues for one in five crop farmers in the region.
• Bank CEOs expect farm loan defaults to grow by 5.4 percent over the next year.

OMAHA, Neb. – The Creighton University Rural Mainstreet Index for July fell from June’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: After improving for four of the last five months, the index, which ranges between 0 and 100, sank to 39.8 from 43.9 in June. This is the 11th straight month the overall index has remained below growth neutral.

“Over the past 12 months, farm prices have fallen by 9 percent, and livestock prices are off by 16 percent. These weak agriculture commodity prices are pushing the overall Rural Mainstreet economy lower,” said Ernie Goss, Jack A. MacAllister Chair in Regional Economics at Creighton University’s Heider College of Business.

As a result of weaker farm economic conditions, bankers expect almost one in five crop farmers, or 19.5 percent, to suffer negative cash flows where cash expenses exceed cash revenues for 2016.

Farming and Ranching: The farmland and ranchland-price index for July slumped to 31.3 from 32.3 in June. This is the 32nd straight month the index has languished below growth neutral 50.0.

This month, bankers estimated, on average, farmland prices have fallen by 6 percent over the past 12 months. However, 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.

One bank CEO said, “The cow and calf operators, which dominate our market, are the ones that will feel the effect of the downturn in the market the most.”

The July farm equipment-sales index sank to 10.7 from 12.8 in June. “Weakness in farm income and low agriculture commodity prices continue to restrain the sale of agriculture equipment across the region,” said Goss.
### Table 1: Rural Mainstreet Economy June/July 2016: One Year Ago and Last Two Months (index > 50 indicates expansion)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Area economic index</td>
<td>50.0</td>
<td>40.9</td>
<td>53.4</td>
<td>43.9</td>
<td>39.8</td>
</tr>
<tr>
<td>Loan volume</td>
<td>79.9</td>
<td>77.9</td>
<td>72.1</td>
<td>73.5</td>
<td>67.4</td>
</tr>
<tr>
<td>Checking deposits</td>
<td>48.0</td>
<td>45.5</td>
<td>53.4</td>
<td>47.9</td>
<td>49.0</td>
</tr>
<tr>
<td>Certificates of deposit and savings instruments</td>
<td>38.6</td>
<td>40.9</td>
<td>38.6</td>
<td>43.7</td>
<td>43.9</td>
</tr>
<tr>
<td>Farmland prices</td>
<td>31.1</td>
<td>28.4</td>
<td>31.4</td>
<td>32.3</td>
<td>31.3</td>
</tr>
<tr>
<td>Farm equipment sales</td>
<td>12.5</td>
<td>10.7</td>
<td>17.9</td>
<td>12.8</td>
<td>10.7</td>
</tr>
<tr>
<td>Home sales</td>
<td>68.1</td>
<td>61.6</td>
<td>73.3</td>
<td>64.6</td>
<td>61.5</td>
</tr>
<tr>
<td>Hiring</td>
<td>61.5</td>
<td>43.2</td>
<td>60.3</td>
<td>53.2</td>
<td>49.0</td>
</tr>
<tr>
<td>Retail business</td>
<td>50.0</td>
<td>36.0</td>
<td>53.4</td>
<td>40.9</td>
<td>37.8</td>
</tr>
<tr>
<td>Confidence index (area economy six months out)</td>
<td>45.9</td>
<td>38.4</td>
<td>46.6</td>
<td>42.8</td>
<td>32.3</td>
</tr>
</tbody>
</table>

### Table 2: The Rural Mainstreet Economy June 2016

<table>
<thead>
<tr>
<th>Reduced average loan amount</th>
<th>Rejected higher percent of loans</th>
<th>Increased interest rates</th>
<th>Increased collateral requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced average loan amount</td>
<td>17.6%</td>
<td>35.3%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Rejected higher percent of loans</td>
<td>10% - 19%</td>
<td>20% - 32%</td>
<td>33% - 50%</td>
</tr>
<tr>
<td>Increased interest rates</td>
<td></td>
<td></td>
<td>18.4%</td>
</tr>
<tr>
<td>Increased collateral</td>
<td></td>
<td></td>
<td>4.1%</td>
</tr>
</tbody>
</table>

### Table 3: The Rural Mainstreet Economy July 2016

<table>
<thead>
<tr>
<th>What percentage of grain farmers in your area are projecting negative cash flow for 2016?</th>
<th>0% - 4%</th>
<th>5% - 9%</th>
<th>10% - 19%</th>
<th>20% - 29%</th>
<th>Over 29%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defaults down</td>
<td>8.1%</td>
<td>18.4%</td>
<td>28.6%</td>
<td>20.4%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Defaults unchanged</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defaults up 1% - 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defaults up 10% - 20%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defaults up Over 20%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regarding farm loan defaults in your area over the next year, what do you expect?</td>
<td>0%</td>
<td>32.7%</td>
<td>49.0%</td>
<td>16.3%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Decreased more than 20%</td>
<td></td>
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<td></td>
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<tr>
<td>Decreased 10% - 20%</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decreased 1% - 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Change</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Increased 1% - 20%</td>
<td></td>
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</tr>
<tr>
<td>What has been the change in the price of an acre of crop land in your area over the past year?</td>
<td>4.1%</td>
<td>20.4%</td>
<td>55.1%</td>
<td>12.2%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

For historical data and forecasts, visit: [www.creighton.edu/economicoutlook](http://www.creighton.edu/economicoutlook)
For ongoing commentary on recent economic developments, visit: [www.economictrends.blogspot.com](http://www.economictrends.blogspot.com)
Follow Ernie Goss on Twitter [www.twitter.com/erniegoss](http://www.twitter.com/erniegoss)
News from CBI Affiliate & Associate Members

Iowa Land Records E-Submission Seminar Series

CBI Affiliate member Iowa Land Records is offering seminars on E-Submission of Real Estate Documents. These FREE sessions will cover basic electronic filing skills and will explain how to submit electronic documents to Iowa County Recorders. In select locations the seminar will be expanded to cover the new process for submitting Surveys & Plats electronically to Iowa County Recorders. The first 90 minutes of the seminars will cover the basics for the E-Submission of documents, and when included, the last 30 minutes of the program will cover content specific to Surveys and Plats.

Iowa Land Records is a nationally recognized electronic filing system. Since 2006 more than 1 million documents have been electronically recorded in Iowa. Many law firms, financial institutions and other organizations such as the Iowa Department of Revenue, Iowa Department of Transportation, and the Iowa Finance Authority file their documents electronically. This informative program will show you how. The seminar series has also been approved by the Iowa Judicial Branch Office of Professional Regulation. Attending one session is equivalent to 1.5 hours of CLE.

Upcoming seminar dates and locations (*includes bonus Surveys & Plats seminar):

* September 7 - Burlington
* September 8 - Dubuque
* September 9 - Davenport
* September 15 - Johnston
* September 16 - Waukee
* September 21 - Sioux City
* September 21 - Spencer
* September 22 - Fort Dodge
* September 22 - Mason City

* October 5 - Newton
  October 10 - Corning
* October 11 - Council Bluffs
* October 13 - Winterset
  October 13 - Knoxville
  October 24 - Clarion
* October 25 - Charles City
  October 25 - West Union
* November 8 - Altoona

Click here to register or for more information, including all upcoming seminar dates and locations.

ICBA Bancard Welcomes New President & CEO

ICBA Bancard is pleased to announce that Chrystina (Tina) Giorgio will join ICBA as the new president and CEO of ICBA Bancard on Monday, July 11. An industry veteran, Tina brings more than 25 years of payment systems experience, including a 19+ year career at Sandy Spring Bank in Maryland, where she most recently served as senior vice president of deposit operations and digital delivery. While at Sandy Spring, Giorgio held leadership roles in vendor management, marketing and client services. She has also served on several boards and committees with the Federal Reserve, NACHA - The Electronic Payments Network and other industry organizations.

Giorgio received a Bachelor of Science degree in Business Administration from The University of Maryland University College and is a graduate of the ABA Stonier Graduate School of Banking. She is currently enrolled in the MBA program at UMass Amherst Eisenberg School of Management.

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cbiaonline.org/cbiicba-advocacy-center.html

COMMUNITY BANKER UPDATE | SUMMER 2016 • BACK TO TOP | PREVIOUS PAGE | NEXT PAGE
Robert D. Becker Named Chairman of Guaranty Bank & Trust

On June 20, Robert D. Becker was named the Chairman of Guaranty Bank & Trust, succeeding his father, Harold M. Becker, who recently passed away. Since 1987 Mr. R. Becker has served on the Guaranty Bank & Trust board of directors and was president of the bank from 1999 to 2010. Becker is a graduate of Syracuse University and the Graduate School of Banking, Madison. In addition to his leadership at Guaranty Bank, Becker is the owner and president of In Tolerance, a precision contract manufacturing company.

Becker is also a board member or past board member of the following organizations: YMCA, Temple Judah, Cedar Rapids Schools Trade & Industry, Four Oak’s Foundation - Building Fund Campaign, Bank CEO Network, Tanager Place, The Shazam Network, Cedar Rapids Area Chamber of Commerce, Renaissance Group, Young Presidents Organization and Diversity Focus.

Guaranty Bank & Trust is a locally-owned and operated community bank with $250 million in assets with five branches serving the Cedar Rapids area. Robert’s grandfather, Orrie Becker, was a founding shareholder when the bank was formed in 1934 by Van Vechten Shaffer. Mr. Harold Becker purchased control of the bank from Mr. Shaffer in 1969.

Contact Mr. Christopher J. Lindell, President & Chief Executive Officer at (319) 286-6208 for questions.

United Bankers’ Bank and Great Lakes Bankers’ Bank Complete Merger

William C. Rosacker, President and CEO of United Bankers’ Bank, is pleased to announce that as of Friday, July 22nd, 2016 the merger between Minnesota-based United Bankers’ Bank (UBB) and Ohio-based Great Lakes Bankers Bank (GLBB) has officially been completed.

The merger of the two holding companies – United Bankers’ Bancorporation, Inc. (UBBI), Bloomington, Minn., and Bankers Bancshares, Inc. (BBI), Worthington, Ohio, – along with their banks and respective subsidiaries, will now be able to provide enhanced correspondent products and services to community banks throughout Ohio and Michigan.

“By combining our two bankers’ banks, community banks in Ohio and Michigan now have a stronger, better capitalized partner to provide expanded services. I know I speak on behalf of the whole team at UBB when I say that we are all very excited to see the completion of this merger and look forward to building and expanding relationships in both Ohio and Michigan. I would like to thank Tom Tenwalde, Charlotte Martin, and the entire GLBB Board of Directors and staff for all of their hard work and professional collaboration throughout the merger process,” said William Rosacker, President and CEO of UBB, which now serves more than 1,000 community banks in 14 states.

“Simply put, the merger of these two institutions means community banks are now able to compete with anyone. That’s good for the banking industry. It’s good for our shareholders and customers. And it’s good for the communities they serve,” added Dick Behl, Chairman of UBBI and President of Farmers & Merchants State Bank of Scotland, S.D.

United Bankers’ Bank will remain headquartered in Minnesota with a branch office, operational personnel and calling officers located in Worthington, Ohio.

About United Bankers’ Bank
Headquartered in Bloomington, MN, United Bankers’ Bancorporation, Inc. is the parent holding company for United Bankers’ Bank (UBB). CBI Member UBB provides a full range of correspondent banking services to over 1,000 community banks throughout 14 states. For more, please visit www.ubb.com.
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Dodd-Frank Act & Executive Compensation

Written By: Kelly Ann Koch
Internal & External Marketing Lead
Executive Benefits Network

The Dodd-Frank Act directly impacts compensation provisions of the law and has adopted the Securities and Exchange Commission (SEC) rules. Shareholder votes on executive compensation (Section 951) and independence of compensation committees (Section 952) have been affected. There’s been consistent movement in finalizing this Act; however, some of the rules are still in the process of being settled.

Recent Update:
The Federal Reserve recently re-proposed the executive compensation rule. This rule applies to banks $1B and greater which requires Level 1 & Level 2 institutions to record all “senior executive” and “risk taker’s” incentive-based compensation, disclose the compensation arrangements, and be subject to a 7-year clawback provision. Level 1 = more than $250 billion in assets; Level 2 = $50 billion to $250 billion in assets; Level 3 = Regulators have discretion over requirements.

Rules affected by the Dodd-Frank Act:
1) Pay Versus Performance Disclosure, Section 953(a):
   • This rule helps shareholders gain a better understanding of how executive compensation compares to company performance.
   • This rule provides information on compensation to increase public companies say-on-pay votes. The proposal highlights a new form of realized pay verses reported pay and, over several years, it will be assessing the differences of company and peer group total shareholder return.

2) Pay Ratio Disclosure, Section 953(b):
   • This rule promotes accountability with shareholders.
   • This rule requires public companies to divulge the CEO’s total compensation to the company.

   • Status of rulemaking: Rule finalized by the SEC August 5, 2015 with implementation postponed to January 1, 2017 or later. The first 2017 fiscal year compensation disclosure to come in proxy statements filed in 2018.

3) Clawbacks, Section 954:
   • This rule requires set policies to revoke incentive-based compensation from top executives for public companies. If financial statements are inaccurate, the earnings must be restated to ensure accurate compensation.
   • Status of rulemaking: Final rules in Fall 2015. Effective date and listing rule created by stock exchanges anticipated late 2016 or early 2017.

4) Enhanced Compensation Structure Reporting, Section 956:
   • This rule pertains to financial intuitions that have at least $1 billion in assets. It serves as a codification of principles from the Guidance on Sound Incentive Compensation Policies. The purpose is to ensure compensation long-term risks and rewards are balanced, risk management and effective controls are compatible, and corporate governance is supported.

Kelly Ann Koch is responsible for the oversight of Executive Benefit Network’s internal and external marketing initiatives and strategy. Contact Kelly at kkoch@ebn-design.com or (414) 431-9685. For more information on CBI Endorsed Member Executive Benefits, visit ebn-design.com.

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- How economic data affect the bond market
- The impact of interest rate risk on portfolio management
- Developing the portfolio strategies of laddering, barbells, riding the yield curve
- Day-to-day management techniques
- Evaluating investment portfolio performance

Seminar Schedule

Monday, October 24
8:00 AM - 5:00 PM  Bond Academy
6:00 PM - 9:00 PM  Dinner at Owen Brennan’s

Tuesday, October 25
8:00 AM - 12:00 PM  Bond Academy
12:00 PM       Depart

Monday Night Dinner:  We will have food, drink and music at our private event at nearby Owen Brennan’s restaurant, which features Cajun and Creole specialties in the finest New Orleans tradition.  www.brennansmemphis.com

Breakfast is provided in the Atrium Café for those staying at Embassy Suites. Luncheon is provided on Monday. Participants will receive a debit card for lunch on Tuesday.

Who should attend:
Those new to their roles as investment officers, cashiers, controllers, and internal control professionals will benefit most from Bond Academy. No advance preparation is necessary.

CPE Credit:
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Dress:
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Questions:
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Please contact us for more information.
Jim Reber
800-422-6442
jreber@icbasecurities.com

Register online now at www.icbasecurities.com/bondacademy