MISSION: POSSIBLE

Community Bankers of Iowa’s 46th Management Conference & Annual Convention Recap

10th Annual Golf Tournament

Top 5 Ways to Infuse Your Brand in the Retail Environment

Use of Evaluations in Real Estate Lending

The Great Liquidity Squeeze of 2017
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Aug. 18  New Military Lending Act Requirements for Credit Cards, Effective October 3, 2017
Aug. 22  Vendor Problem Resolution: A Five-Step Approach
Aug. 23  Proven Steps to Successful Business Development: Defining Prospects, Engagement Scripts, Overcoming Objections & Measuring Performance
Aug. 24  New Compliance Officer Boot Camp
Aug. 25  Revisiting Your HMDA Policies & Procedures to Include Comprehensive Changes Effective January 1, 2018
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CONFERENCE HIGHLIGHTS

- Community Banks Connecting & Engaging in the Digital Age
  Ben Pankonin, Social Assurance
- My View of Agriculture and Risk & How the world is re-pricing risk
  Kevin Van Trump, Farm Direction/Van Trump Report
- How to Win Over Millennials: Are All Your Bases Covered
  Bob Vedder, KASASA
- Digital Banking: Moving Faster Than the Speed of Light
  Cary Whaley, Ill., ICBA
- Branch Automation with a Human Touch
  Josh Banta, Data Business Equipment
- Skimming/Card Cloning
  Mike Burke, SHAZAM
- An Overview of the Impact of CECL (Expected Loss Modeling) on your Institution and the Industry
  Todd A. Sprang, CliftonLarsonAllen, LLP
- The Amazon Prime Effect
  Dave Defazio, StrategyCorps
- How to Keep and Retain Key Employees
  Carl Zeutzius, UNICO
- Secrets, Conspiracies and Hidden Patterns: Fraud and Ethical Considerations for Financial Institutions
  Shauna Woody-Coussens, BKD

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UPCOMING EVENTS

SEP 11 CBI 10th Golf Tournament
MORE INFO REGISTER NOW

SEP 12 LOT Quarterly Meeting
MORE INFO

NOV 1-3 & 6-10 CBI Community Bank
Legislative Tour
MORE INFO

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— Ben Dvergsten, President, Security Trust and Savings Bank of Storm Lake

Security Trust and Savings Bank of Storm Lake is a large community bank headquartered in Storm Lake, IA. Chartered in 1908, the bank has grown to 20 employees and $200M in assets.
An all-time record number of community bankers and their families, guests and exhibitors gathered at CBI’s 46th Management Conference & Annual Convention, the largest community bank gathering in Iowa, held July 19-21, 2017 in Okoboji. This year’s Convention’s theme of Mission:Possible represented CBI’s legacy of serving and defending Iowa’s community banks, helping them succeed in the mission of supporting the economic development of their communities. This reunion of bankers from across Iowa were informed and entertained by nationally recognized speakers, and shown new products and services at tradeshow exhibits. If you were unable to attend, here’s what you missed:

On Day 1, colleagues became partners on the golf course during the Mixed Pair Golf Tournament (see a photo of the winners on page 6). That evening during the Kick-Off Reception, the Leaders of Tomorrow (LOT) group presented scholarships to two exemplary Iowa students. The Kickoff Reception is also where the winner of the Best-of-the-Best Competition and 2017 Robert D. Dixon Founders’ Award recipient was honored. (Read more about the awards and their recipients on pages 9-11.)

Day 2 dawned on the lake during the 13th Annual Catch-and-Release Fishing Tournament (see winners on page 12), and on the trail during CBI’s second annual 5K Run/Walk, held along the Great Lakes Spine Trail (see first and second finishers on page 6). Spouses enjoyed brunch before embarking on a shopping tour at Okoboji’s local Central Emporium.

Breakout Sessions on Day 2 also offered bankers the opportunity to learn more about current important issues in the banking industry. The Regulators’ Panel breakout session featured Jeff Jensen, Assistant VP/Iowa Regional Director Federal Reserve Bank of Chicago, IA Division of Banking 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 Farmer Mac ag economist Jackson Takach presented “The Ag-Mighty Dollar: Agricultural Trade and the American Farm”, and current conditions and opportunities in the payments sector were discussed in the Faster Payments Panel, comprised of Bridge Community Bank Chairman Bob Steen, SHAZAM SVP of Market Intelligence and Data Analytics Kevin Christensen, and Tina Giorgio, President & CEO of ICBA Bancard.

Speaches 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 Todd Buchholz walked us through the latest market signals debating future economic prosperity, including competition from emerging markets and nations, debt and credit conditions, and consumer anxiety and uncertainty. Next, FOX News contributor and RealClearPolitics associate editor A.B. Stoddard described the current political climate and the latest developments.

The Gala/Auction and Tradeshow held later that night brought together over 100 bankers to network and mingle. Bankers and their families were able to review products and services by CBI’s Endorsed, Associate and Affiliate Service members at the trade show, sample various wines and theme-based appetizers, and participate in the silent auction, this year to benefit the CBI Education Foundation.

The Town Hall Breakfast meeting on Day 3 had Iowa Rep. Chip Baltimore (R-Dist 47), Charlotte Eby from LS2 Group, and IA Secretary of Agriculture Bill Northey as guest speakers. Featured was Butch Parks, owner of Parks Marina/Okoboji Boat Works in Okoboji to give a more in-depth look at a successful Iowa business. The 2017/18 CBI Board of Directors opened the Second General Session, with new Board President Cameron Miles (President, Keystone Savings Bank in Keystone) portraying a James Bond-type hero, dodging lasers, bad guys, and “rescuing” outgoing Board President Tim German (President, F&M Bank in Cedar Rapids). ICBA Chairman-Elect Tim Zimmerman updated attendees on ICBA’s and community banks’ mission to support their local small businesspeople and their communities.

Keynote Speaker David Naster capped off Second General Session events with his comic presentation “You Just Have to Laugh”. Naster spoke on his development of and participation in programs aimed to assist those coping with major illness or difficult times, and entertained the audience with hilarious stories infused with the message that laughter is very often the best medicine. Rounding out this year’s Convention was the Bankers’ Golf Tournament at Brooks National Golf Club (click here for a list of winners and scores).

CBI’s 46th 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 10th Annual Golf Tournament (see more on page 13), and be SURE to check out the newly-formed Fall Community Banking Legislative Tour, being held November 1-3 & 6-10, 2017 in various locations around Iowa. Click here for a tour schedule.

Thank you to everyone who joined us for Mission:Possible, 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 47th Annual Convention, to be held July 18-20, 2018. We’ll see you then!
Farmer Mac ag economist Jackson Takach presents “The Ag-Mighty Dollar” breakout session.

Regulators’ Panel breakout session panelists (L-R) Jeff Jensen, Ron Hansen & Jeff LaPierre.

Economist Todd Buchholz discusses future economic trends at the 1st General Session.

Faster Payments breakout session panelists (L-R) Bob Steen, Tina Giorgio & Kevin Christensen.

Incoming CBI President Cam Miles (right) presents a plaque to 2016-17 President Tim German, thanking him for his service.

Regulators’ Panel breakout session panelists (L-R) Jeff Jensen, Ron Hansen & Jeff LaPierre.

Faster Payments breakout session panelists (L-R) Bob Steen, Tina Giorgio & Kevin Christensen.

Farmer Mac ag economist Jackson Takach presents “The Ag-Mighty Dollar” breakout session.

Left to Right: CBI Board Corporate Secretary: Community Bankers of Iowa CEO Dave Caris
CBI Legislative Committee Chair Randy Ludwig
2017-18 CBI Board President: Cameron Miles
CBI Board Immediate Past President: Tim German
CBI Board President-Elect Brad Winterbottom
CBI Board Treasurer: Dave Eastburn (not pictured).

Iowa Secretary of Agriculture Bill Northey reporting at the Town Hall Breakfast.


Charlotte Eby with LS2 Group at the Town Hall Breakfast.

Butch Parks, Owner of Parks Marina in Okoboji tells his story as the Iowa Showcase Speaker at the Town Hall Breakfast.
Convention attendees gather for the Kick-Off Reception, the opening event of CBI's 46th Management Conference & Annual Convention.

Mingling at the President's Reception.
LEFT: Steve Lane, Security State Bank (retired) and David Hibbs (SVP Member Relations – ICBA).
CENTER: Mims Henstorf (left) and Gretchen Brown.


Above: 5K Run/Walk first finishers. (left) Jason Brown – Foster Group
Chuck Wheeler – RW Baird.

Left--top & bottom: Participants ready to begin the 5K Run/Walk.
ICBA Chairman-Elect Tim Zimmerman stresses the importance of community banking during the 2nd General Session.

2016–17 CBI Board President Tim German (President, F&M Bank–Cedar Rapids) held captive by Jamie Collier (President, Federation Bank–Washington) and Charles Walsh (COO, EVP, Farmers & Merchants Bank & Trust–Burlington).

2017–18 CBI Board President Cameron Miles defeats “bad guy” Larry Winum (President, Glenwood Savings Bank–Glenwood).

Below: The 2017–2018 CBI Board of Directors.
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Iowa’s community bankers were recognized at an awards ceremony held during the Kick-Off Reception of the 46th 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 A. Steen, Chairman & CEO of Bridge Community Bank in Mechanicsville was named the 2017 recipient of this prestigious award. Growing up in a farming family in southern Iowa, Bob Steen has been a community banker for more than 45 years. Throughout his career, Bob has been an innovative and bold community banker; active at local, state and federal levels. From being the first in Iowa to introduce electronic check imaging into banking operation, to serving as the representative for the small bank segment on the Federal Reserve Faster Payment Steering Committee, Bob is recognized as a national leader for his work in Payments, helping to strengthen the influence of community banks in Iowa and throughout the nation. In 2013, he was named one of the 10 Most Innovative CEOs in US Banking by Bank Innovation.

Bob has served a three-year term on the NACHA Board of Directors, and currently serves on the ICBA Bank Operations and Payment Committee, is part of the ICBA/Fed working group, and is a member of the SHAZAM Board of Directors.

About Bob’s commitment to banking and his community, his nominator, son David Steen, said: “As any of the employee owners at Bridge will tell you, not a day goes by without a customer coming in and telling a story of how Bob Steen made a difference in their lives at a critical time. For some it meant a loan when they were “down on their luck”; for others it was someone taking the time to provide guidance on financial matters, or even personal intervention on their behalf to prevent them from being victimized by scams.... Despite his many accomplishments, Bob is humble. He may be the Chairman and CEO at Bridge Community Bank, but if you were to ask him, he’d say he was just one of 23 employee owners.”

Congratulations Bob!

Adam Krebill Selected as the 2017 “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. Adam J. Krebill, Senior Vice President/Senior Lender at Keystone Savings Bank in Marengo was announced as the 2017 recipient at CBI’s 46th Annual Convention Kick-Off Reception.

A short time after starting out at the bank, Adam became very knowledgeable in all types of loans, particularly ag and ag real estate. Upon the retirement of a senior lender, Adam took over and transitioned the bank’s customers in a manner that exemplified the definition of a community banker taking care of people. His solid work ethic and ability to learn quickly allowed Adam to develop and grow the bank on both sides of the balance sheet, and this did not go unnoticed by the bank’s senior management and board of directors. He was identified as having significant potential for the bank and has been a part of the succession plan ever since.

Adam graduated from the Graduate School of Banking in Madison in 2016. He has also served in leadership positions of the Kiwanis Club and other organizations, as well as being a member on a local board of economic development group.

The Up & Coming Community Banker of the Year Award is presented by the Leaders of Tomorrow (LOT), a program created by CBI to enhance the growth of future banking 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.

Congratulations Adam!
Leaders of Tomorrow Group Honors Two Iowa Students
Providing Scholarships to High School Seniors for Its 15th Year

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 Abby Eckert and Jay Stowater were this year’s awardees, honored during CBI’s awards ceremony held during the 46th Annual Convention in Okoboji.

Abby Eckert graduated from Spirit Lake High School in 3-1/2 years with a 3.96 grade point average and ranking 15th in her class of 125 students. Active in her high school, community and church, Abby has played a number of sports, was a member of the school’s Key Club and Student Council, and is a member of the National Honor Society. She is also a member of the Superior Lakers 4-H Club, participating in numerous charity projects and winning ribbons for animals she has shown at local and state fairs. Abby expanded her horizons and her fluency in Spanish by attending a 10-day class trip to Costa Rica, in which she was praised for her great attitude and work ethic.

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

“Being involved in the community is important to our bank and our employees; we are proud to represent our hometown bank. Working at a community bank is more than just deposits and writing checks, it’s about serving the customers with a smile on your face. Some of our customers need assistance, and it is my job to put them first and help them the best I can. We still have the technology as other banks, but by being more “old school”, this allow us to give a personal service experience to the customers. This is what community banking is and what I hope it will be in years to come.”

Abby Eckert is the daughter of Annette and Daniel Eckert of Spirit Lake, Iowa. She was referred for the scholarship by Bill Wetzeler, President of The State Bank of Spirit Lake. Abby will begin classes at Minnesota State University in Mankato, MN this Fall, where she plans to study international business. Abby hopes to work at a community bank again after college.

Algona High School grad Jay Stowater from Algona, Iowa had an equally stellar high school career. Ranked 8th in a class of 96 with a 3.875 GPA, Jay is a four-year honor roll student with an exhaustive list of extra-curricular activities. A four-year participant in Future Farmers of America, Jay won several awards, twice represented FFA at the Farm Bureau Day at the Iowa Capitol, and served as the 2016-2017 Iowa Chapter Vice President. He also received the 2013 Outstanding Delegate award with Model United Nations, and was an Iowa Youth Institute Borlaug Scholar in both 2015 and 2017.

Jay served as a volunteer docent at the Camp Algona Prisoner of War museum, where he also worked as a research assistant and writer. He assisted on the project “13,000 Nights”, a soon-to-be-published book on the 28 Kossuth County men who were prisoners of the Axis powers during World War II and which will include Jay’s writing.

In his essay, Jay laid out reasons why community banks are uniquely positioned to serve their customers:

“Unpredictable and uncontrollable weather and commodity prices make operating an agribusiness difficult at times. Although there are rough times community banks are there for [people] and allow their operations to continue and keep the area economy stable. This is because community banks are made up of people who understand the difficulties an area may be going through because they live in the communities and know many people in them. Also, many of the people who work in community banks in Iowa come from small town Iowa and understand the difficulties and may have family in the business themselves. A bank’s support for the community does not end at the doors of the bank.

...Your local bank and its bankers are a pivotal part of a community. They are made of people who have a vested interest in seeing their local economy succeed.... When you analyze a community bank’s action you realize that they embody their first word: community. Community banks understand.”

Jay is the son of Liz Stowater, VP of Marketing for Iowa State Bank in Algona, who also nominated Jay for the scholarship. Jay will begin classes at Iowa State University this fall, where he will major in Animal Science.

CBI would like to congratulate Abby and Jay 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!
Making a Difference in Le Mars & Remsen

American Bank Is the 2017 “Best-of-the-Best” Award Winner

Paul Jacobson (right), President of American Bank in Le Mars accepts the 2017 Community Banking Month Best-of-the-Best Award from 2016-17 CBI President Tim German, President of F&M Bank in Cedar Rapids.

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. American Bank in Le Mars/Remsen was recognized as the 2017 recipient during CBI’s Kick-Off Reception at the 46th Annual Convention in Okoboji.

American Bank’s team showed the impact their community bank makes with their activities during Community Banking Month. Throughout April they held a School Bank session at area schools, assisting students as they act as tellers, bookkeepers, board members and deposit account holders. During Money Smart Week in the last week of April, they spent a class period at each school encouraging students to make saving a routine habit.

What stood out to CBI and decided American Bank as the 2017 Best-of-the-Best Award recipient was their consistent support and gratitude to local entrepreneurs and to the community as a whole. The bank hosted their community’s weekly Community Chamber Coffee event, bringing together about 100 customers and local business people. American Bank president Paul Jacobson was on hand to give a talk on what it means to be a community bank and how they give back to their citizens. The bank also held a Tax Appreciation Day, visiting local tax preparers with gift baskets and providing information on American Bank’s corporate online banking services. American Bank employees were also honored by (then) Governor Branstad and Lt. Governor Reynolds and the Le Mars Daily Sentinel news staff for volunteerism to Le Mars organizations.

As the 2017 Best-of-the-Best Award winner, American Bank will also receive a pizza party for their entire staff, compliments of CBI.

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13th Annual Catch and Release Fishing Tournament Results

Musky - 37-1/2”
Caught by: Doug Pfeifer
Midwest Independent Bank
Mitchell, SD

Bass - 20-1/4”
Caught by: Jerel Saltzman
First Bankers’
Bank Securities
St. Louis, MO

Sheepshead - 17-1/8”
Caught by: Ben Buckley
Kirk Gross Company
Waterloo, IA

Walleye - 16-3/4”
Caught by: Stacy Snyder
Midwest Independent Bank
Van Meter, IA

Perch - 11-3/4”
Caught by: Mike Geiger
County Bank
Deep River, IA

The one that didn’t get away!
below is quoted from John Grosvenor,
Lake Okoboji Fishing on Facebook

“Doug Pfeifer (in photo, right) reeled in this
17-inch large mouth bass...and right on its
tail...literally,...was this 37.5-inch musky. The
musky was chasing the bass and at the last
second grabbed the bass at the same time I
swooped with the net!!! Never in my 17-years
guiding Okoboji have I had a musky hold on
into the net. They have ALWAYS let go. This
one either didn’t see the net coming or was
more hungry than the others. Great catch
Doug!! And Jerel (left)...thanks for holding
the musky for the photo.”

Below: CBI members pose for a group photo after the
13th Annual Catch and Release Fishing Tournament.
Chuck Long, former Iowa Hawkeye quarterback and coach and Executive Director of the Iowa Sports Foundation will speak at CBI’s 10th Annual Golf Tournament, to be held Sept. 11 at Hyperion Field Club in Johnston, Iowa. Get out onto the greens with fellow CBI members during this 4-person best shot tournament. THIS YEAR, we’ll have a post-round Member Appreciation Reception to thank our Bank members and feature our Service Provider members! After you play a round, be sure to stick around!

Need a little advantage? Purchase a few mulligans and support the CBI Education Foundation!

Registration is now open. For more info and to register click the button below, visit our website or review the event flyer.

Click the image to download a registration form.
Community Bankers for Compliance
Reg B and BSA Fifth Pillar to Be Discussed at CBC Fall Session

CBI’s Community Bankers for Compliance Program (CBC) Fall Seminar is coming up September 26-27 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 Regulation B: the current Rule, 2018 changes, and the new real estate application. On Day 2, learn about the Fifth Bank Secrecy Act Pillar, including requirements, implementation, and Regulation CC updates.

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.

2017 Community Bankers for Compliance Program
FALL SEMINAR SESSION
SEPT. 26-27, 2017
Hilton Garden Inn
Johnston, Iowa

Click the image for more info about the Community Bankers for Compliance Fall Session program and topics.

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This article is in the be-careful-what-you-wish-for category: Community banks have returned to their traditional business model, after being in a figurative bunker for nearly a decade, and old issues have begun to arise.

Nationally, community banks’ loans have expanded nearly eight percent since last year. This is over twice the rate of banking in general. Loans as a percentage of assets are at their highest level since 2009. What has been the result of these developments is that, in addition to improved earnings, the means for funding this demand is becoming a challenge.

To be sure, these are issues that a community banker would prefer to tackle compared to a slowdown in loan demand, or worse, a deterioration of credit quality. Still, since this is the first time in a decade that liquidity management has focused on finding adequate sources, instead of employing suitable uses, it’s a worthwhile exercise to review the expectations and make some suggestions.

Rules are the same
The last time the coalition of bank examiners, the FFIEC, saw the need to publish a joint policy statement on the matter was way back in 2010 when it issued guidance on Funding and Liquidity Risk Management. In that Financial Institution Letter, the council identified six components of effective liquidity management:

• Accurate cash flow projections
• Diversification of funding sources
• Stress testing
• A formal contingency funding plan
• A cushion of liquid assets, and
• An early warning system

There is a good chance that your community bank has access to help in measuring your compliance with, or creating policies and procedures for, each of these criteria. For example, a sample liquidity policy is a standard document that any full service broker-dealer or consultant should have ready for your use. Also, interest rate models should assist in quantifying how much cash flow will naturally be available from the current mix of assets and liabilities, given an assumed future interest rate path.

Bonds for cash flow
If your community bank finds itself in a situation in which it is looking for more liquidity in the near future, there are a number of strategies relating to the investment portfolio that can be easily employed. And, we hasten to add, without any incremental risk to credit quality, your asset/liability posture, or your earnings.

First, you could purchase investments that have a high likelihood of being called within a year. These will be investments such as agency securities whose stated interest

(Liquidity Squeeze continued on page 21)
Underwriting credit to finance real estate is a significant component of risk management activity at many financial institutions. Whether considering a loan request to finance residential property, owner-occupied commercial property, or income-producing commercial property, most lenders will at some point in their careers need to consider the value of real estate when making a decision to extend or not extend credit. Some lenders may be conservative and follow prudent risk management practices when obtaining property valuations by choosing to use appraisals for all real estate–related financial transactions, even those that would require only evaluations under the federal banking agencies’ appraisal regulations.

According to the agencies’ appraisal regulations and guidance, the market value of real property is defined as “an opinion or estimate set forth in an appraisal or evaluation, whichever may be appropriate, of the market value of real property, prepared in accordance with the loan agreement. For a bank to understand the value of a real estate loan’s collateral that is to serve as a secondary source of repayment, a bank can use both appraisals and evaluations to provide an estimate of the market value of the property for which a credit extension is being secured.

**Connection to the Real Estate Lending Standards Regulations**

The agencies’ real estate lending standards regulations set forth the regulatory requirements for a bank’s real estate lending activity. These regulations and accompanying guidelines establish underwriting standards and supervisory loan-to-value (LTV) limits to address the risk of real estate lending. A bank is expected to comply with the regulations’ supervisory LTV limits and to understand the value of a real estate loan’s collateral. Bankers, therefore, need to obtain an estimate of the market value of a loan’s collateral to determine its LTV ratio and whether the loan complies with the supervisory LTV limits and the institution’s risk appetite. The agencies’ guidelines define value as “an opinion or estimate set forth in an appraisal or evaluation, whichever may be appropriate, of the market value of real property, prepared in accordance with the agency’s appraisal regulations and guidance. For loans to purchase an existing property, the term ‘value’ means the lesser of the actual acquisition cost or the estimate of value.”

**Requirements for Evaluations**

The agencies’ appraisal regulations and the Interagency Appraisal and Evaluation Guidelines (IAEG) provide guidance for determining market values, creating an effective real estate valuation program, and establishing the usage and content of evaluations. Institutions should establish policies and procedures to determine the appropriate valuation method for a given transaction, taking into consideration the associated risks. On a portfolio level, institutions should review their policies and practices related to real estate lending and should maintain risk management practices and capital levels commensurate with the level and nature of their real estate concentration risk while remaining in compliance with regulations and supervisory guidance.

When establishing a real estate valuation program, banks should keep in mind the following:

- One primary difference between appraisals and evaluations is who can perform them. While appraisals can be performed only by a state-certified or licensed appraiser, evaluations can be performed by a person who possesses appropriate appraisal or collateral valuation education. As such, banks can use internal qualified staff to prepare evaluations and comply with federal regulations. The IAEG discusses specific criteria that institutions should consider when selecting individuals to perform evaluations.
- Professional standards are another difference between appraisals and evaluations. The agencies’ appraisal regulations require that appraisals must conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice (USPAP). While there are no professional standards listed for evaluations in the regulations or guidance, the IAEG provides supervisory expectations for the development and content of an evaluation.
- Reporting standards also differ between the valuation methods. USPAP provides various appraisal report options that appraisers may use to present an opinion of value. Reporting standards for evaluations are not specified.
- In regard to content, the agencies’ appraisal regulations and guidance require both appraisals and evaluations to contain sufficient information to support the credit decision. However, USPAP also defines specific content standards for appraisals.

There are some similarities in the supervisory expectations for appraisals and evaluations. Both methods have an expectation of independence, meaning that the agencies expect the preparer of an evaluation not to be a party to the transaction. The agencies also expect that an appraisal and an evaluation provide an estimate of the market value of the collateral and, equally important, provide sufficient information to support the bank’s credit decision.

**Evaluations Versus Appraisals**

Bankers have voiced concerns that they are hesitant to use evaluations even when the agencies’ appraisal regulations permit the use of them. Bankers have also noted that examiners appear to favor appraisals over evaluations. The following discussion attempts to clarify the regulatory expectations for evaluations by highlighting common reasons why bankers may hesitate to use evaluations.

1. We are not sure when we can use evaluations; examiners seem to favor appraisals and may be extra critical if we use evaluations.

The agencies’ appraisal regulations permit an evaluation instead of an appraisal for three transaction types:

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Transactions with a value equal to or less than $250,000
- Real estate secured business loans with values equal to or less than $1,000,000
- Renewals, refinancings, or other subsequent transactions when there has been no obvious or material change in market conditions or physical aspects of the property that threatens the adequacy of the institution’s collateral protection (even with the advancement of new monies) or no advancement of new monies other than funds necessary to cover reasonable closing costs.

2. Our bank does not have sufficient staff or does not have staff with the expertise to perform evaluations, so we just use appraisals.

Bankers may feel that they are understaffed in the valuation function or that their employees do not have the level of expertise necessary to determine the value of the real estate. Community banks with limited staff resources may not be able to maintain a real estate valuation program that is independent from the lending function or the credit approval process. The bank personnel with the most knowledge about real estate are typically the bank’s real estate lending officers. As such, a bank without sufficient internal expertise may need to hire an appraiser or another outside party to complete an evaluation and may not see much of a cost benefit between appraisal fees and the cost of an evaluation.

Although permitted, a state-certified or licensed appraiser is not required to prepare an evaluation. However, the important task of estimating collateral value should be given only to an individual with the knowledge, experience, or expertise relevant to the property being valued. The IAEG names several examples of individuals who may have the expertise to perform evaluations, including appraisers, real estate lending professionals, agricultural extension agents, and foresters (if applicable). In addition to these professionals, some institutions hire and train their own personnel to do evaluations or engage an appraisal management company or a third party to prepare evaluations. The use of a third party can address issues of cost and independence for some lenders.

3. In the past, our bank used drive-by estimates or brokers’ price opinions, but now we are unsure whether these estimates meet the agencies’ requirements for an evaluation.

Drive-by estimates or brokers’ price opinions on their own do not meet the agencies’ requirements for the content of an evaluation. The IAEG lists minimum content requirements for an evaluation; banks may establish criteria in addition to the requirements listed in the guidance. The most important concepts in evaluation development are that evaluations should be written, contain sufficient information to support the credit decision, and be developed in accordance with safe and sound banking practices.

There is no standard format or template for an evaluation as long as it contains the minimum content listed in the guidance. A second fundamental concept in evaluation development is that the institution understands the physical condition of the property. Institutions can develop their own criteria for achieving this level of understanding. Most often this comes in the form of a site visit and physical inspection. Banks may also use analytical methods or technological tools such as automated valuation models, brokers’ price opinions, and perhaps one day even drones to assist in gaining an understanding of a property. These tools, however, do not stand on their own or replace the IAEG’s content requirements for an evaluation.

4. Our bank’s personnel who perform evaluations often have problems finding recent comparable sales information; therefore, we just order appraisals.

Valuation professional standards allow three approaches to valuing real estate: the sales comparison approach (compare the property with similar properties to determine the value), the cost approach (determine how much it would cost to rebuild the property after subtracting accrued depreciation), and the income approach (determine or calculate the market value of a property by the income it generates). Any of these methods can be used to estimate market value as part of an evaluation. An institution should use whatever method is appropriate for the type of property being valued. For example, for new construction, the cost approach may be more appropriate than the sales comparison approach. Likewise, the income approach is more appropriate when estimating the value of income-producing properties. Individuals performing evaluations should be familiar with the approaches for valuing real estate and have experience using them. If the property being valued is so unique that suitable comparisons cannot be found, it may be more appropriate to engage an appraiser who has more comprehensive expertise or knowledge of alternative acceptable methods.

5. We are not sure how long we can rely on an evaluation or when an appraisal is really needed.

Monitoring collateral values over the life of a loan is one important element for controlling credit risk. Changes in market conditions can result in declines in the value of real estate collateral that jeopardize it as a source of loan repayment. Problems with collateral valuations can also result in an inadequate methodology for determining the allowance for loan and lease losses (ALLL) and the carrying value for other real estate owned (OREO). Examiners would question continued reliance on old appraisals or evaluations when there is inadequate support for the ALLL or the value of OREO.

Institutions should monitor changes in market conditions and test the validity of the evaluations used for subsequent transactions. The IAEG contains a list of factors to check when considering validity. Institutions should refresh values when the market conditions supporting appraisals or evaluations have changed or become volatile. A risk-focused approach to a particular transaction should determine if an appraisal is needed instead of an evaluation to address market volatility. Institutions that want to better utilize evaluations should have an overall real estate valuation program.
It’s only August, but I’ve already logged several trips to Washington. Whether it was to testify before Congress, attend ICBA’s Capital Summit or meet with officials from the Treasury and White House, and even the president himself, making the journey from Corpus Christi to Washington is becoming second nature to me. I know the flight plan well.

One of the things that strikes me about Washington is that whether you’re the president of the United States, the Treasury secretary or a member of Congress, you are also a real person. You aren’t just someone who is seen on the news or who we read about online or in the papers throughout the country. Sometimes it takes going to the nation’s capital to see that politicians are just like you, even if they seem to live in a far-off world.

I say this because our community bank customers often see us through those rose-colored lenses as well. Community bankers are viewed as upstanding leaders in the community. They are held in high regard and occupy a place of power within the community. While we as community bankers take this role seriously, we can’t forget that it’s always important to humanize ourselves and show our customers and our staff that we are real people, too.

That’s why I’m thrilled that Independent Banker is showcasing community bankers across the country who aren’t afraid to show their true colors—things like their favorite fast food and dream retirement location. I also appreciate that the magazine is looking at banks that are ahead of the curve and those that run innovative community service programs. These are great stories that we can all learn from.

Each community bank and community banker brings something new to the table and that’s something that customers can appreciate. Who wants to be a number, anyway?

That’s why this August, I encourage you to show off your bank to those who are home from Washington for the congressional recess.

Your member of Congress needs to see the real people and hear the real stories that will bring change to Washington. That meaningful connection is what this time should be all about for them: reconnecting with their community so they can take what they learn back to Washington and make a real difference.

“As we can’t forget that it’s always important to humanize ourselves and show our customers and our staff that we are real people, too.”

As community bankers, we are often so focused on the day to day and what’s happening in the community. While that is important, we must never forget to always look at the big picture and find ways to make real change on the national stage as well.

Your member of Congress will appreciate the hometown welcome and will want to know how Washington policy affects your local community and customers. If you haven’t set up a meeting yet, I encourage you to do so. If you have questions about how to arrange a meeting, I encourage you to take advantage of ICBA’s vast grassroots resources, including the association’s new guide, “Meeting on Main Street: Host Your Legislators at Your Community Bank.” The guide provides a step-by-step process on scheduling, conducting and promoting in-district meetings with members of Congress for community bank visits by lawmakers and staff. The guide also offers social media tips and a sample letter to request a meeting or bank visit.

So don’t be a stranger to your member of Congress. Go ahead and schedule that meeting. Now is your time to shine! ■

Scott Heitkamp is President and CEO of ValueBank Texas in Corpus Christi, TX.
Regulatory parity across the financial services sector has long been a priority for ICBA and the nation’s community bankers. While community banks labor under the yoke of burdensome rules and regulations, we also compete against institutions that enjoy far less stringent regulatory and tax regimes. Amid a rapid evolution in the financial services sector, with fintech firms exploring special-purpose bank charters and industrial loan corporation applications, the issue of regulatory consistency is more relevant than ever before.

ICBA has long pushed for regulatory and tax parity with institutions that enjoy government-sponsored competitive advantages, including credit unions, Farm Credit System entities and the largest financial firms. In an era of taxpayer-endowed funding advantages on Wall Street and ever-expanding missions at tax-exempt credit unions and FCS institutions, community banks are often the odd man out.

This issue has been compounded by the Office of the Comptroller of the Currency’s call for applications from fintech companies to become special-purpose national banks. Not only is it unclear whether the OCC has the right to issue such a charter for these lightly regulated companies, its plan to adopt different safety-and-soundness and Community Reinvestment Act standards for these institutions also poses regulatory and consumer-protection concerns. We continue to make the case to the OCC that any limited fintech charter must hold these firms to the same standards of safety, soundness and fairness as other federally chartered institutions.

In addition to the special-purpose charter, fintechs are raising the lid on a longtime community banking concern that has remained under the radar in recent years: industrial loan corporations. SoFi, a fintech that offers a variety of personal-finance services, has applied for an ILC charter in Utah to offer FDIC-insured accounts and credit cards. ICBA has used this opportunity to bring to the surface our long-standing call for a much-needed policy change: closing the ILC loophole permanently.

The ILC charter permitting corporate conglomerates to own banks sidesteps the longtime separation of banking and commerce, jeopardizes the impartial allocation of credit, creates conflicts of interest, exacerbates industry concentration and extends the federal safety net to commercial entities. ILC parent companies are unregulated under the Bank Holding Act, which is why it is popular among commercial interests. Meanwhile, retailers that provide insured deposit accounts and other banking products to their employees may do so without providing adequate disclosures or complying with Bank Secrecy Act and Fair Credit Reporting Act rules.

The FDIC’s moratorium on new ILC charters, which was extended by the Dodd-Frank Act for three years, expired in 2013. Congress can put to rest the many concerns raised by this contentious, misguided and inequitable policy by permanently closing the ILC loophole.

Advocating equity between community banks and comparable financial institutions with lighter regulatory and tax burdens is not anticompetitive. It is a call for a coherent financial services policy.

Community banks have faced regulatory inequity for too long. A principles-based regime and federal safety net commensurate to the size, risk and services provided by regulated institutions would ensure a level playing field that benefits consumers, communities and the broader financial services marketplace.
The CBI Education Foundation was formed 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.

Major programs funded by the CBI Education Foundation include:

• Money Smart Week Elementary Poster Contest
• Community Bankers Summer Intern Scholarship Program
• Leaders of Tomorrow (LOT) Scholarship Program
• LOT Up & Coming Banker of the Year 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. Contributions made by both personal and corporate donors are tax deductible to the fullest extent of the law.

Your donations go right to where they can do immeasurable good in making Iowa’s communities and their banks an ongoing, critical part of everyday life. Never before has there been such a focused effort to support education related to community banking across Iowa. For more information and to find out how you can participate, visit our website.

Would you like to make a tax deductible donation to help ensure the future of community banking in Iowa?

Click here for more information or to download the Brochure and Donation Form.

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.

Maximize Your Potential with CBI’s Leaders of Tomorrow
that encompasses standards and procedures for both appraisals and evaluations. Further, institutions should set clear expectations for valuations in their internal policies. A compliant real estate valuation program should address the following components of the IAEG:

- Maintain a system of adequate controls, verification, and testing to ensure that appraisals and evaluations provide credible market values
- Insulate the individuals responsible for ascertaining the compliance of the institution’s appraisal and evaluation function from any influence by loan production staff
- Ensure the institution’s practices result in the selection of appraisers and individuals who perform evaluations with the appropriate qualifications and demonstrate competency for the assignment
- Establish procedures to test the quality of the appraisal and evaluation review process
- Use, as appropriate, the results of the institution’s review process and other relevant information as a basis for considering a person for a future appraisal or evaluation assignment
- Report appraisal and evaluation deficiencies to appropriate internal parties and, if applicable, to external authorities in a timely manner

In addition to reviewing individual valuations during a loan review, examiners should also consider whether an institution’s real estate valuation program complies with the agencies’ appraisal regulations and the IAEG. Examiners commonly cite problems with both individual valuations and deficiencies in real estate valuation programs.

**Conclusion**

An institution that wants to expand or underpin real estate lending activities with strong risk management should not move away from including evaluations. A bank should first consider the requirements of state appraisal laws that govern the use of a licensed or certified appraiser for estimating the market value of real property. A bank should also consider including experienced real estate valuation professionals on its real estate lending teams who understand lending and property values in the markets in which the bank does business. A bank may have personnel dedicated to completing evaluations or may use a third party. The process should also address the review of evaluations to promote compliance with the IAEG. If a real estate valuation program is managed properly and is compliant with the agencies’ appraisal regulations and the IAEG, evaluations can contribute to the process of making sound credit decisions. Senior managers should consider incorporating evaluations into their bank’s policies and procedures for real estate lending.

**Notes**

1. These agencies include the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration.
2. Institutions should also consider state regulations pertaining to certification and licensing requirements for individuals valuing real estate in federally related transactions.
4. See 12 CFR part 208, subpart E, and Appendix C.
5. See 12 CFR part 208 and Appendix C.
6. As with any decision involving a credit extension, exemptions from the appraisal requirements should be applied appropriately based on the risk of the transaction. Policies and procedures developed by an institution should specify the conditions under which exemptions can be applied and should specify instances when it is more prudent to use an appraisal even if that may be over and above the regulatory requirements. The agencies reserve the right to require an institution to obtain an appraisal when safety and soundness concerns exist in regard to a particular transaction. Refer to 12 CFR part 225.63 (b). See also Appendix A, “Appraisal Exemptions,” in SR letter 10-16, “Interagency Appraisal and Evaluation Guidelines.”

**Liquidity Squeeze**

Continued from page 15)

rates are above current levels, and have call dates in the near future. You will probably have to pay a price above par for them, in which case you will have bought a “cushion bond.” When the call date arrives, if your bond doesn’t get taken away from you, your investment yield will rise. Hence the cushion against rising rates.

A variation of this recipe is to buy a mortgage-backed security (MBS) that has a high enough borrowers’ rate ("Gross WAC") to improve the chances that there will be some prepayment activity. Currently, a 15-year MBS with a Gross WAC of 4.00 percent or higher could see some near-term refinancing. Your brokers can find some candidates that check these boxes.

**Other home-grown sources**

You also may be surprised to learn that there is an active secondary market for high quality non-conforming loans. Many sellers of these loans have accumulated some type of concentration risk in their loan portfolios—in interest rate, loan sector, and geographic are some examples. If your community bank has a homogenous set of $5 million or more in performing credits, my recommendation is to have an intermediary work up an estimated price for your consideration. These transactions can be structured for the seller to either retain or release the servicing.

And don’t forget the wholesale funding option. Recently there have been opportunities to lock in rates on brokered deposits that are longer in duration and lower in cost than a lot of community banks can accomplish in their traditional footprint. And from the looks of the FHLB’s balance sheet, which now has more outstanding advances than at any time since 2009, a lot of your fellow community bankers have been availing themselves of that option once again.

To conclude, liquidity management has really come full circle in a decade. No longer are community banks awash in idle funds. We have, finally, found ourselves in a part of the business cycle in which a comprehensive liquidity policy should be ready to complement the needs of the core earning assets of the balance sheet.

Jim Reber is president and CEO of ICBA Securities and can be reached at 800-422-6442 or jreber@icbasecurities.com.
According to a new Price Waterhouse Cooper digital payments study, 46 percent of bank customers interact with their banks EXCLUSIVELY through digital channels (e.g., mobile, tablet, and PC). This staggering trend away from traditional banking methods begs this important question: “What products and services is my bank delivering to customers living a digital life?” If your answer is none and you think that your bank will be unaffected by the digital payments tsunami because your customers aren’t asking for digital services, think again. If you’ve subscribed to the notion that older customers don’t bank digitally or that younger customers won’t be attracted to a community bank, let me dispel those myths right now!

Myth #1 – My customers aren’t asking, so we don’t need to provide it.

Guess what? If your customers are not asking for digital services, it’s because they are already getting them elsewhere. According to First Annapolis Consulting, 51 percent of respondents in their 2016 Study of Mobile Banking & Payments have a mobile wallet. Yet, only 7 percent are getting the wallet from their bank! Not surprisingly, Apple is leading the pack as the purveyor of digital wallets, followed by PayPal and Google. But guess who is tied for fourth with banks? Amazon! If you just sucked in your breath when you read the name Amazon, don’t despair. Forty-five percent of respondents in the same study indicated that they would prefer a mobile wallet from their bank versus a non-bank provider.

Myth #2 – My bank serves an older clientele.

The average age of a community bank customer is just over 51 years old. Don’t let age fool you, the First Annapolis study indicates 64 percent of consumers aged 45-54 have made a mobile payment - even baby boomers are getting in on the action! According to the 2017 FIS Consumer Banking PACE report, baby boomers have 9.1 touches per month with their bank through digital channels and only 2.9 via a branch or ATM. That number would probably be higher if it wasn’t for consumer concerns regarding merchant acceptance, privacy and security.

Myth #3 – My bank doesn’t attract younger customers.

Why not? According to FIS, 5 million (about half) of all small businesses are owned by millennials and Gen Xers (age 18-52). But here’s an interesting statistic - by 2020, millennials and Gen Xers will make up 70 percent of the workforce in the United States. So, the number of this group who are business owners is likely to grow. Unlike consumers, small businesses use their bank’s mobile services slightly more than services from non-bank providers. In fact, these small business owners wish they could offer MORE digital services through their trusted bank partner.

It’s not too late to get in the game.

Now for the good news - it’s not too late to get in the game! While the speed of change is beyond anything we have historically experienced, there are many partners out there to help your bank succeed in navigating the digital payments space (including ICBA Bancard). Customers will still seek digital services from their bank first. Not only that, if they are already with a non-bank provider, they will switch back to their bank when the digital solutions become available. Why? Because banks offer security and regulatory protections that non-banks cannot. Year to date, there have been more than 760 data breaches in the United States affecting over 12 million records, 55 percent of which were in the business sector.

Where to start.

It seems like a daunting task if you feel like you’re already out of the game, but with three steps you can get back in there.

First, you need to create a digital payments strategy. Coming soon, I will provide a template to help you.


Third, more of your customers will adopt digital technology when you do. Do you have the right services in the right delivery channels? Are your employees embracing these channels? Can your employees talk about the features, benefits, and demo the solutions?

Next time, we will take a look at the various digital wallets on the market and why this is a channel you can’t afford to ignore.

Tina Giorgio is president and CEO of ICBA Bancard and can be reached at 800-242-0770 or tina.giorgio@icba.org.
As more and more consumer shopping moves online, some brands are going all-in on digital—all but starving their retail environments of brand experience. These choices have consequences, especially considering that 94% of our shopping still takes place in brick-and-mortar stores. It’s not just good feelings for a brand that come out of creating positive customer interactions with your brand. Customer experience impacts the bottom line growing revenue by 5-10% and costing 15-20% less than acquiring new customers.

How do brands deliver on their brand promise in the retail environment? From our perspective, any good retail experience sits at the intersection of brand, place and culture. That means living your brand promise in every consumer interaction, rallying your people around what your brand stands for, and creating cohesive spaces in which to interact. Understanding how your physical space impacts the brand experience, we’ve put together a list of the top-5 considerations to enhancing retail brand experiences.

1) Zones of Experience
We use customer journey mapping to understand how people use a space and come up with a plan for developing retail brand experiences. That means anticipating what customers want and need before they step foot in your store. Of course, you want your space to be organized intuitively, easy to navigate and convenient, but you also want to deploy your trained staff in key locations to assist customers. Having a frustrating time finding what you’re looking for and having no one to help you leaves an impression that your business doesn’t matter. Consider what customers are doing in each area of your stores and design the space and staffing to fit the purpose. Remember, when retail spaces are a happy marriage of form and function, your brand wins.

2) Staff as Brand Ambassadors
We discussed deploying your staff within the retail store, but does everyone within your company understand and live the brand promise during every customer interaction? Your employees say a lot about your brand. For good or bad, customers remember their in-store experiences with your employees. In today’s socialized world, they share their experiences with their friends. Appropriate staffing may result in more sales, but more importantly, staffing should focus on solving customer problems. Are you doing everything you can to foster a brand culture in the retail environment? Ongoing training will help develop employees into brand ambassadors who live and breathe a brand’s values every day, in every way.

3) Smart Tech Deployment
Clunky tech is a big turnoff. If you are using technology in your retail environment, it should serve as a tool to enhance the experience. Drug stores offering blood pressure machines are a great example of providing a valuable service while customers wait for their prescription. Another useful tech deployment is integrated apps that populate with coupons, loyalty offerings and customer services, available right on their phone. Don’t just find a tech tool you think is cool; in-store technology should be based squarely around enhancing the customer experience. Be sure you know what problem you’re trying to solve first, then look for a targeted solution. You may find a high-tech or decidedly low-tech solution to your customer challenge.

4) Sensorial Strategy
Does your retail environment feel like your brand? Of course, your brand colors should be used within the environment, but what about how your store smells or what music you play? A sensory experience appeals to the human senses: sight, sound,
**Main Street**

**Rural Economic Survey**

Rural Mainstreet Index Experiences Biggest Fall in Almost Nine Years: Drought Conditions Weighing on Region’s Farms

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### June 2017 Survey Results at a Glance:
- The overall index slipped slightly to growth neutral.
- More than three-fourths of bank CEOs reported a shortage of qualified or skilled workers was having a negative impact on economic growth.
- On average, bankers project farmland prices will decline by another 3 percent over the next 12 months.
- Due to weak farm income, almost one fourth of bankers reported rejecting a higher percentage of farmer loan applications and approximately 60.9 percent reported boosting collateral on farm loans.
- Kansas, North Dakota, South Dakota, and Wyoming below growth neutral for month.

OMAHA, Neb. – After dropping below growth neutral for 20 straight months, the Creighton University Rural Mainstreet Index remained above the 50.0 threshold for May and June according to the latest 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, dipped to 50.0 from 50.1 in May. Prior to May, the last time the overall index was at or above growth neutral was August 2015.

“Stabilizing and slightly improving farm commodity prices helped push the overall index at or above growth neutral for the last two months,” said Ernie Goss, Jack A. MacAllister Chair in Regional Economics at Creighton University’s Heider College of Business. “Though grain prices remain below breakeven for most farmers, recent improvements in cattle and hog prices have boosted the overall index for Rural Mainstreet Economy to growth neutral.”

One bank CEO reported the recent rally in cattle prices, has been a positive with early contracts.

Jim Eckert, president of Anchor State Bank in Anchor, Illinois, said, “Crops in Central Illinois are looking better than in other areas of the state, but the area is much dryer than north or south and there is not much prospect of rain in the immediate future.”

**Farming and Ranching:** The farmland and ranchland-price index for June rose to 40.0, its highest level since September of last year, and up from May’s 36.4. This is the 43rd straight month the index has languished below growth neutral 50.0.

This month, and in August 2016, bank CEOs were asked to project the change in farmland prices for the next year. On average, bankers this month projected a 3.1 percent decline in agriculture over the next 12 months. This is a significant improvement from August when bankers expected a decline of 7 percent for the next 12 months.

The June farm equipment-sales index fell to 26.2 from 26.8 in May. This marks the 46th consecutive month the reading has fallen below growth neutral 50.0.

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### July 2017 Survey Results at a Glance:
- The overall index experienced its largest one-month decline since November 200.8.
- On average, bankers expect 15.1 percent of grain farmers to suffer negative cash flows for 2017.
- Loan volumes rise to second highest reading in survey history.
- On average, bankers estimated loan defaults of 4.9 percent over next 12 months, down from the 5.4 percent predicted last year at this time.
- Approximately 55.9 percent of bank CEOs say the Federal Reserve should raise interest rates at least one more time in 2017.

OMAHA, Neb. – After rising to growth neutral for two straight months, the Creighton University Rural Mainstreet Index fell below the 50.0 threshold for July according to the latest 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, tumbled to 40.7, its lowest level since November of last year, and down from 50.0 in June.

“This is the largest one-month decline we have recorded since November 2008, or in the middle of the national recession, said Ernie Goss, Jack A. MacAllister Chair in Regional Economics at Creighton University’s Heider College of Business. “Drought conditions in portions of the region, combined with weak grain prices, negatively affected economic conditions, and the economic outlook for a large share of bank CEOs this month.”

Scott Tewksbury, president of Heartland State Bank in Edgeley, North Dakota, reported, “As of July 15, this is the third driest year since 1901. Crop conditions are poor and economic activity is weaker than it would be otherwise.”

But in neighboring Minnesota, Pete Haddeland, CEO of the First National Bank in Mahnomen, said, “Our crops look good here. The wheat is great.”

**Farming and Ranching:** The farmland and ranchland-price index for July sank to 36.6 from June’s 40.0. This is the 44th straight month the index has fallen below growth neutral 50.0.

This month, and in July 2016, bank CEOs were asked to project the percentage of grain farmers likely to experience negative cash flows for 2017. On average, bankers expect 15.1 percent of grain farmers to suffer negative cash flows for 2017. This is an improvement from last year when 19.1 percent anticipated negative cash flows for 2016.

The July farm equipment-sales index fell to 20.0 from 26.2 in June. This marks the 47th consecutive month the reading has dropped below growth neutral 50.0.
# Tables 1-3 summarize survey findings
(click each table to view larger):

## Table 1: Rural Mainstreet Economy June/July 2017: One Year Ago and Last Two Months (Index > 50 indicates expansion)

<table>
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<th>Area economic index</th>
<th>June 2016</th>
<th>July 2016</th>
<th>May 2017</th>
<th>June 2017</th>
<th>July 2017</th>
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<tr>
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<td>Farm equipment sales</td>
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<td>Confidence index (area economy six months out)</td>
<td>42.8</td>
<td>32.3</td>
<td>46.6</td>
<td>48.9</td>
<td>38.4</td>
</tr>
</tbody>
</table>

## Table 2: Rural Mainstreet Economy June 2017

<table>
<thead>
<tr>
<th>Area economic index</th>
<th>Significant &amp; Negative Impact</th>
<th>Negative impact</th>
<th>Modest &amp; Negative</th>
<th>Little impact</th>
<th>No impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regarding hiring at your bank and businesses in the area, the lack of qualified and/or skilled workers is having...?</td>
<td>2.2%</td>
<td>23.9%</td>
<td>52.2%</td>
<td>17.4%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area economic index</th>
<th>Decrease more than 5%</th>
<th>Decrease 1% to 5%</th>
<th>No change</th>
<th>Increase 1% to 5%</th>
<th>Increase 6% to 12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over the next year, what change in farmland prices do you expect in your area?</td>
<td>23.9%</td>
<td>39.1%</td>
<td>28.2%</td>
<td>6.5%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area economic index</th>
<th>Increased Collateral</th>
<th>Reduced size of Loans</th>
<th>Increased interest rates</th>
<th>Increased loan rejections</th>
<th>No change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which of the following has been your bank’s response to weak farm income?</td>
<td>60.9%</td>
<td>4.3%</td>
<td>21.7%</td>
<td>23.9%</td>
<td>28.3%</td>
</tr>
</tbody>
</table>

## Table 3: Rural Mainstreet Economy July 2017

<table>
<thead>
<tr>
<th>Area economic index</th>
<th>1% - 4%</th>
<th>5% - 9%</th>
<th>10% - 14%</th>
<th>15% - 25%</th>
<th>Over 25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>What percentage of grain farmers in your area are projecting negative cash flow for 2017?</td>
<td>16.3%</td>
<td>13.8%</td>
<td>23.3%</td>
<td>32.6%</td>
<td>14.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area economic index</th>
<th>Down</th>
<th>Unchanged</th>
<th>-0.9% - +0.9%</th>
<th>1% - 9%</th>
<th>10% - 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regarding farm loan defaults in your area over the next year, what do you expect?</td>
<td>0.0%</td>
<td>30.2%</td>
<td>55.8%</td>
<td>55.8%</td>
<td>14.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area economic index</th>
<th>No Opinion</th>
<th>Reduce Rates</th>
<th>Leave rates at Current level</th>
<th>Raise rates one more time</th>
<th>Raise rates 2 or more times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regarding 2017 Federal Reserve short term rate hikes, the Fed should:</td>
<td>0.0%</td>
<td>0.0%</td>
<td>44.1%</td>
<td>51.2%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

For historical data and forecasts, visit: [www.creighton.edu/economicoutlook](http://www.creighton.edu/economicoutlook). Follow Ernie Goss on Twitter [www.twitter.com/erniegoss](http://www.twitter.com/erniegoss)
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- Community Bank CEO

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- Advocacy for issues of community banks
- If you wish to be quoted, brings visibility to your bank in your community
- Investment: 5-10 minutes per month to complete survey

To sign up: Contact Ernie Goss
ernieg@creighton.edu

Welcome New CBI Member!

Community Bankers of Iowa would like to welcome the following company to the association, and thank them for their support:

EMC National Life
Management Resource Association
Marketplace Home Mortgage
PMA Funding
Primary Residential Mortgage

Webinars are one of the most popular training methods among community bankers, and CBI offers over 120 webinars every year! Covering critical issues for every level of the financial institution, industry experts with long-term, real-life, hands-on experience deliver high quality education sessions that are exclusively tailored for community bankers. Topics range from auditing, accounting, collections, compliance, HR, lending & more.

Check them out here:
cbiaonline.org/webinars

Education for Every Level of Your Financial Institution
Join the growing list of Endorsed Partners of Community Bankers of Iowa!
For more details on the endorsement process, please contact Jackie Haley, Membership Services Director at 515.453.1495 or jhaley@cbiaonline.org.

**CBI SERVICES AND INSURANCE - ENDORSED MEMBERS**

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Contact Information</th>
</tr>
</thead>
</table>
| **Bankers Solutions** | Tom VandeKamp  
2700 Patricia Drive  
Des Moines, IA 50322  
Phone: 515-276-8512  
Fax: 515-276-8557 |
| **Computer Services Inc.** | Bill Evers  
Phone: 800-545-4274  
ext 19224 |
| **Deluxe Financial Services** | Jeff Curran  
1615 Audubon Drive  
Waterloo, IA 50701  
Phone: 800-332-4234  
ext. 159068 |
| **EMC** | Derek Bleil  
717 Mulberry  
Des Moines, IA 50309  
Phone: 515-345-2503 |
| **EMC National Life** | Bryan Browder  
717 Mulberry  
Des Moines, IA 50309  
Phone: 800-232-5818, ext. 2011 |
| **Equips** | Steve Van Eerden  
3470 N. 127th St.  
Brookfield, WI 53005  
Phone: 262-223-6087  
Fax: 262-373-0553 |
| **Executive Benefits Network** | Pat Marget  
626 E. Wisconsin Ave, Ste 1000  
Milwaukee, WI 53202  
Phone: 800-780-4326 |
| **ICBA Bancard** | Tina Giorgio, President & CEO  
1615 L. Street, Suite 900  
Washington, DC 20036  
Phone: 800-242-4770  
Fax: 703-841-5103 |
| **ICBA Reinsurance** | Mike Miller, President  
Unified Financial Services  
Agent of ICBA Reinsurance  
216 Sycamore Street, Suite 510  
Muscatine, Iowa 52761  
563-288-2433 Office  
563-260-1126 Cell |
| **ICBA Securities/Vining Sparks** | Jim Reber, President & CEO  
Gray Allison, Jon Pence  
Jonathan Ferebee, Oliver Wade  
775 Ridge Lake Blvd, Suite 175  
Memphis, TN 38120  
Phone: 800-422-6442  
Fax: 901-762-5333 |
| **Investment Professionals, Inc.** | Dave Doerflinger  
16414 San Pedro Avenue, Suite 300  
San Antonio, Texas 78232  
Direct: 210-542-0191  
Phone: 210-308-8800  
Toll Free: 1-800-593-8800  
Fax: 210-308-8707 |
| **The Management Resource Association (MRA)** | Becky Cruise  
3800 Avenue of the Cities, Suite 100  
Moline, Illinois 61265 |
| **SHAZAM** | Jim Ghiglieri  
Dan Kramer  
6700 Pioneer Parkway  
Johnston, IA 50131-1605  
Phone: 515-288-2828  
Toll Free: 800-844-8493 |
| **Storey Kenworthy** | Lincoln Dix  
Jessica Bartels  
1333 Ohio Street  
Des Moines, Iowa 50314  
515.558.6059 |
| **UPS** | Josh McCabe  
Phone: 314-344-3686 |
| **Young & Associates Inc.** | Anne Coyne  
121 E Main St  
Kent, Ohio 44240  
Phone: 330-678-0524 |

CBI Member Benefits: Did You Know About Community Bankers Services & Insurance (CBSI)?

Save money AND support your association! Providing best of breed services, products and insurance to member banks has been the mission of Community Bankers Services and Insurance (CBSI) since 1984. CBSI provides exclusive CBI-member pricing on a range of products and services and the benefits of joint purchasing power, while at the same time benefiting the association.

CBSI has done the research for you! Endorsed service providers undergo a rigorous due diligence process and are ultimately chosen by a panel of community bankers. Critical due diligence is always performed when launching new services. The review process for each program is intended to ensure that no service program is undertaken unless it will prove to be beneficial for the membership.

CBSI and its partners continue to work together to enhance member products and services. The CBSI Board of Directors meets quarterly to review endorsed vendors and consider new partnerships, often suggested by members. Your bank and your association will benefit when you have a choice of the best providers.
News from CBI Affiliate & Associate Members

Dickinson Law to hold Iowa Banking Law Seminar

CBI Affiliate Member Dickinson Law is holding their annual Iowa Banking Law Seminar September 7 from 8:00 am - 3:00 pm at the Holiday Inn & Suites in West Des Moines. A complimentary lunch prepared by Johnny’s Italian Steakhouse will be served.

Topics covered by Dickinson’s attorneys will include:
- Cybersecurity: Saving Customers From Themselves
- Employee Departures: Protecting Company Assets in the Digital Age Through Noncompete & Nonsolicitation Agreements
- Distressed Loans & Pre-Bankruptcy Planning
- Two Cautionary Tales: Paying Bonuses & Using Volunteers
- M&A Panel Discussion
- How to Survive a Bank Examination - Tips & Tricks
- Navigating Cyber Liability Insurance
- Employment Regulations Update: Where We Stand Eight Months into the Trump Administration
- Bankruptcy Options & Strategies for Banks
- FFIEC Cybersecurity Risk Assessment Tool: What You Need to Know
- Brushing Up on Blockchain: Where We Are & Where We Are Going
- Core Processing Agreements
- Case Law Update
- Howard Hagen’s Annual Review

Check in begins at 8:00 am, with the first presentation to begin at 8:20 am. Click here to register to attend. Contact Bonnie Harris with questions.

2017 HousingIowa Conference

The Iowa Finance Authority will host the 2017 HousingIowa Conference Sept. 6-8 in Cedar Rapids at the Cedar Rapids DoubleTree.

The conference will feature Leigh Anne Tuohy as portrayed in Oscar-winning film The Blind Side, Aron Ralston, as portrayed in film based on his real-life experiences, 127 Hours, the 2017 HousingIowa Awards and a wide-range of sessions on timely Iowa housing topics.

Conference Highlights:
- Homeownership Preferred Partner Training (only opportunity to become a preferred partner this year!)
- Economic Trends, Vance Edwards, MGIC
- Self Marketing Power: Branding Yourself as a Business of One, Jeff Beals
- Flood Maps and Flood Insurance 101 for Lenders & Realtors, Bill Cappuccio, Iowa Department of Natural Resources and Ally Bishop, National Flood Insurance Program
- Decode HMDA 2018 Changes, Ronette Schlatter, Iowa Bankers Association
- And much more!

To register, visit HousingIowaConference.com.
Roth & Company, PC, to Join Eide Bailly

Public accounting firm Roth & Company, PC, will be joining Eide Bailly LLP, a regional certified public accounting and business advisory firm, on June 26.

Roth & Company will assume the Eide Bailly name and add 22 staff and seven partners to the firm. This will be Eide Bailly’s first office in Des Moines and it’s second in Iowa. Combined with the firm’s existing Dubuque office, the addition of Roth & Company will give Eide Bailly 44 staff and 11 partners in the state of Iowa.

“We’re excited to add Roth & Company to our firm. This addition will help us bring even more solutions and services to Iowa businesses,” said Dave Stende, managing partner/CEO of Eide Bailly. “Roth & Company’s culture and commitment to client service are a perfect match for our firm.”

“Eide Bailly is a top 25 firm in the nation, and this union will bring resources and specialization that will be a great asset for our clients and staff,” said Jay Anderson, managing shareholder of Roth & Company. “Our clients will now have access to a number of specialty services and solutions at their fingertips, while keeping the trusted relationships they have built with our staff,” Anderson said. “In addition, our staff will have access to more training and leadership opportunities that will help them shape their careers.”

About Eide Bailly
Eide Bailly provides 59,000 clients across the nation with core services of audit & assurance and tax, as well as expanded services, including accounting services, cost segregation, cyber security, financial services, forensic & valuation, health care reform, outsourced services, international services, risk advisory services, technology consulting, transaction services and wealth management. For more information on CBI Affiliate Member Eide Bailly, visit www.eidebailly.com.

Jo Foster Named Cedar Rapids Branch Manager

Central State Bank has announced the appointment of Jo Foster as Branch Manager of their Cedar Rapids location. Foster comes to CSB with more than 10 years of banking experience in the Cedar Rapids area. She has worked in retail, mortgage and commercial banking with most of that time spent in customer-focused managerial roles.

Jo currently serves the community as Board Chair of the Riders Club of America, Cedar Rapids; and Board Vice Chair of Big Brothers Big Sisters of Cedar Rapids & East Central Iowa.

Central State Bank Chief Lending Officer and Cedar Rapids Market President, David Jontz said, “We are pleased to welcome Jo to the CSB team. Her years of experience in the area, combined with her excellent managerial and customer relations skills will be a great asset as CSB continues to grow in Cedar Rapids and the Corridor.”

Central State Bank is a family-owned and locally operated financial institution serving eastern Iowa. With locations in 6 communities: CSB offers a wide variety of personal, business, agricultural and commercial products/services, a strong staff and a personal touch.

Are you staying current on community banking news?
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CommonCENTS is a weekly e-newsletter that keeps you informed of current organization activities and community banking news, delivered to your email inbox every Friday.

Is everyone at your bank receiving CommonCENTS? If not, send a list of the names and email addresses that you would like added to the recipient list to klee@cbiaonline.org.

If you would like to submit news and events from your bank for inclusion in the weekly e-newsletter, please contact Krissy Lee at klee@cbiaonline.org.
THANK YOU to our Sponsors for their support of CBI’s 46th Management Conference and Annual Convention!

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5K Run/Walk T-Shirts - Quad City Bank & Trust and RW Baird

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Community Bankers of Iowa would also like to give additional recognition to the following 2017 CBI HALL OF FAME SPONSORS and thank them for their support, not only at the 46th Annual Convention but throughout the year:

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FEDERAL HOME LOAN BANK OF DES MOINES
Join CBI at these complimentary receptions to meet and discuss policy issues with Iowa’s legislators, state leaders and your fellow community bankers.

## 2017 TOUR SCHEDULE (subject to change)

<table>
<thead>
<tr>
<th>DATE &amp; TIME</th>
<th>CITY</th>
<th>MEETING LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wed. November 1 - 10:00 am</td>
<td>Oskaloosa</td>
<td>Smokey Row</td>
</tr>
<tr>
<td>Wed. November 1 - 1:15 pm</td>
<td>Mount Pleasant</td>
<td>Sip Coffee Shop</td>
</tr>
<tr>
<td>Thurs. November 2 - 10:00 am</td>
<td>Cedar Rapids</td>
<td>Scooter's Coffee</td>
</tr>
<tr>
<td>Thurs. November 2 - 12:00 pm</td>
<td>Iowa City</td>
<td>The Java House - Downtown</td>
</tr>
<tr>
<td>Fri. November 3 - 10:00 am</td>
<td>Des Moines</td>
<td>LS2 Group Conference Room</td>
</tr>
<tr>
<td>Mon. November 6 - 10:30 am</td>
<td>Davenport</td>
<td>Figge Museum</td>
</tr>
<tr>
<td>Mon. November 6 - 2:00 pm</td>
<td>Dubuque</td>
<td>Charlotte’s Coffee</td>
</tr>
<tr>
<td>Tues. November 7 - 10:00 am</td>
<td>Waterloo</td>
<td>Black’s Building</td>
</tr>
<tr>
<td>Tues. November 7 - 2:00 pm</td>
<td>Mason City</td>
<td>Historic Park Inn</td>
</tr>
<tr>
<td>Wed. November 8 - 10:00 am</td>
<td>Emmetsburg</td>
<td>IA Lakes Community College</td>
</tr>
<tr>
<td>Wed. November 8 - 2:00 pm</td>
<td>Fort Dodge</td>
<td>Cross Roads Mall</td>
</tr>
<tr>
<td>Thurs. November 9 - 10:00 am</td>
<td>Carroll</td>
<td>Queen Beans Coffee</td>
</tr>
<tr>
<td>Thurs. November 9 - 2:00 pm</td>
<td>Sioux City</td>
<td>Sioux City Public Museum</td>
</tr>
<tr>
<td>Fri. November 10 - 10:30 am</td>
<td>Council Bluffs</td>
<td>Council Bluffs Public Library</td>
</tr>
</tbody>
</table>

Visit cbiaonline.org in the coming months for updates and more information.
SHAZAM’s focused on strengthening community financial institutions by offering choice and flexibility for all your needs including core services and more. Call us today to learn more about SHAZAM.

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Steve Lamb
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wade.oliver@viningsparks.com

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