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the COMMUNITY BANKER UPDATE

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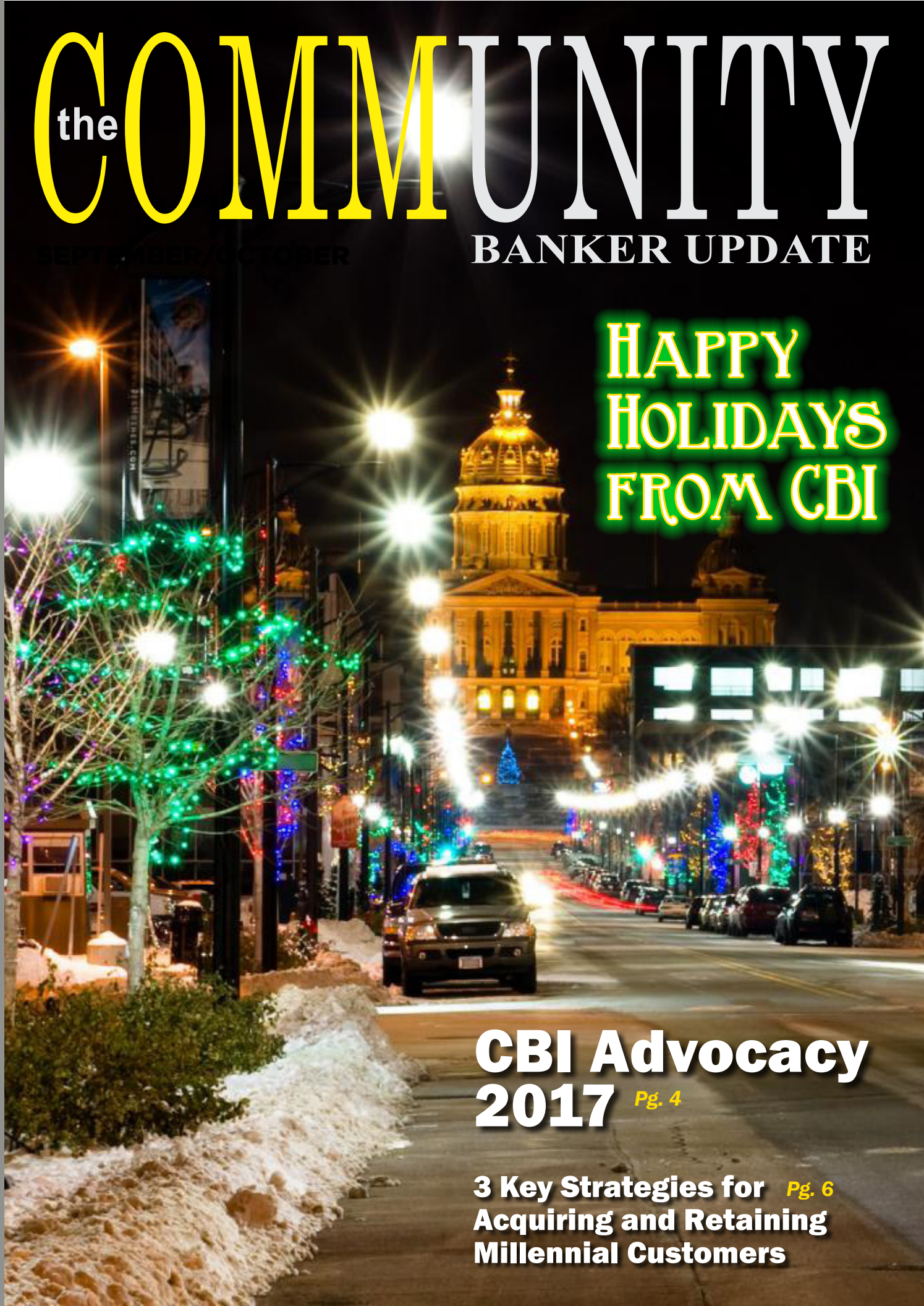

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Click MORE INFO for a full description or to register for the webinars shown here.

Visit cbiaonline.org, for details on CBI webinars and other events, or call us at 515.453.1495 for more information.

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MORE INFO	Nov. 29	Robbery Preparedness for All Staff
MORE INFO	Nov. 30	Avoiding Employee Job Misclassification Issues: Getting It Right!
MORE INFO	Dec. 1	HMDA-LAR Changes Part 2: Completing New Fields with No Predefined Codes, Effective January 1, 2018
MORE INFO	Dec. 5	BSA Compliance Series: Job-Specific BSA Compliance for Lenders
MORE INFO	Dec. 6	Conducting a Collections Risk Assessment
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MORE INFO	Dec. 19	Preparation Plan for CDD Changes to Beneficial Ownership Rules: Effective May 11, 2018
MORE INFO	Dec. 20	New Security Officer Training: Responsibilities, Best Practices & Skill-Building Tools

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CBI Advocacy 2017: A Year in Review

CBI was established to serve as a voice for local, independent community banking in Iowa. 2017 has seen a resurgence of both direct and grassroot activity made by CBI on behalf of Iowa's community bankers. Following is CBI advocacy efforts - a year in review:

Legislative Reception - March
CBI held it's first-ever Legislative Reception in downtown Des Moines. The successful event brought over 50 Iowa community bankers together with over 30 Senators and Representatives in Iowa's General Assembly. Among those state officials attending were Speaker of the House Linda Upmeyer, Senate Majority Leader Bill Dix, Senate President Jack Whitver, Senate Majority Whip Charles Schneider, and State Auditor Mary Mosiman. *(Click here to read more.)*

ICBA Capital Summit - April/May
Community bankers from across the nation attended ICBA's 2017 Capital Summit in Washington DC and met with members of Congress on regulatory relief, flood insurance, tax reform, credit unions, the farm bill and the Farm Credit System. Kicking off the Summit, President Trump gave a speech noting the importance of community banking, his Administration's plan to change regulations, and the proposal for one of the largest tax cuts in history. CBI's delegation of community bankers called on each of the Iowa Congressional offices to articulate the unique needs of community banks. *(Click here to read more.)*

PAC Reception - July
CBI thanked CBIPAC donors with a special reception at the 46th Annual Convention, attended by political analyst A.B. Stoddard.

Community Banking Legislative Tour - November
Comprised of meetings held all over Iowa, the Community Banking Legislative Tour served as a forum for community bankers to discuss with legislators how policy changes and regulations are impacting their businesses. The increase in fraud and tax parity between banks and credit unions was been the main focus of discussions, as well as franchise taxes and other legislative issues on the horizon.

The Tour saw over 40 Iowa legislators attend to discuss industry topics with Iowa's community bankers and financial professionals, including: Senate President Jack Whitver, Senate Democratic Leader Janet Petersen, Senate Asst Democratic Leader Herm Quirmbach, Senate Majority Whip Charles Schneider, Speaker of the House Linda Upmeyer, House Asst Majority Leader Megan Jones and House Minority Leader Mark Smith.

Thank you to SHAZAM, ICBA Securities/Vining Sparks, United Bankers' Bank, Midwest Independent Bank and Bankers' Bank for sponsoring the Legislative Reception, and to SHAZAM, ICBA Securities/Vining Sparks, ICBA and Iowa Finance Authority for sponsoring the Legislative Tour.

Watch this newsletter in the coming months for information on CBI's Legislative Reception to be held in March 2018. ■

Above: Community bankers, Speaker of the Iowa House Linda Upmeyer and Senator Tom Shipley during the Legislative Reception in March.

Click each photo to learn more.

Below: The CBI community banker delegation meets with US Representative Young during the ICBA Capital Summit.

Above and Below: Iowa community bankers discuss tax policies with Iowa Senators and Representatives at the Des Moines and Carroll meetings on the Legislative Tour.

What are you going to do about it?

Written By: Pat Dix
Vice President, Public Relations
SHAZAM

Just last month, in thousands of places across the country, on roads crowded with commuters, listening to the morning news on the radio ... thousands of accidents nearly happened simultaneously.

As they enjoyed a few sips of their morning coffee and tried to prioritize the day, bankers on their way to work heard a voice come over the speakers they recognized immediately.

The Head of the Consumer Financial Protection Bureau (CFPB) was being introduced by the NPR host. It was day after the Senate repealed a CFPB rule that would limit companies' ability to use arbitration in agreements and make it easier for consumers to sue banks. The community bankers behind the wheel reached to turn the volume up a few clicks. And then, they heard it. Over and over again through this interview, Richard Cordray rolled right over the nuance of the argument community bankers had made against the rule and lumped every community bank in with the largest financial institutions in the country.

Cordray: "And the money will rain in the pockets of the companies, and they can - they can do their wrong without - with impunity and not be pursued by consumers."

NPR Host: "So..."

CORDRAY: "So Wells Fargo and Equifax, companies like that, will be free to break the law without fear of having their consumers pursue their rights in court. It's not the American way."

You know what else isn't quite... American? Going on the radio and slapping the same scarlet A on an entire industry when you know full well the vast majority of banks don't mistreat their customers. What's worse, these comments leave the impression with the public that all banks are out to steal from consumers.

But, I digress.

Back behind the wheel, our commuter bankers spit their coffee all over the windshield and nearly drove out of their lane when, once again, the head of the most powerful consumer agency in American history called them criminals.

But, what happened next?

Sadly, what usually happens is the bank CEO simply turns off the radio and dismisses "the media" as an enemy too biased to care about their side of the story.

What could happen? Every one of those bankers had the ability to pick up their phone, call their local NPR station, call their local newspaper or TV station and make the counter argument to Cordray's.

They could explain they haven't been sued for opening accounts no one knew about. They have relationships with customers. Complaints come in the form of face to face conversations when the CEO is out for dinner or at his or her child's baseball game. They've done everything they can to protect their consumer's data and got reams of compliance paperwork to prove it.

They could tell that story. They could choose a partner that will help teach them how to understand that opportunity and benefit from it. They could understand how the news media and other forms of communication like social media can be used to add their highly credible and authentic voices to the conversation.

You've got a choice. So, what are you going to do next? ■

Patrick Dix is a veteran news anchor and reporter who manages the SHAZAM Network's public relations efforts. Patrick serves as the main company spokesman and uses his expertise to lead all social media channels, write articles for trade associations, create press releases for the network and provide media training to financial institutions.

3 Key Strategies for Acquiring and Retaining Millennial Customers

Written By:
Kedran Whitten
Chief Marketing Officer
Computer Services, Inc.

Today, understanding millennials' complicated financial needs is a top priority for banks. But, how do they gain this kind of knowledge? Much of the existing information surrounding millennials points vaguely to new technologies and innovations, void of any concrete avenues for the engagement and retention of the largest generation of customers in America today.

In noticing this lack of useable data, CSI, in partnership with The Center for Generational Kinetics, conducted a national study to learn about the habits, behaviors and needs of millennial banking customers. The results of this study offer an important step toward demystifying the path ahead for banking leadership where millennials (as well as baby boomers and Gen Xers) are concerned, and provide practical and data-driven solutions and strategies.

Below are three actionable strategies to aid in your acquisition—and more importantly retention—of millennial banking customers.

1. Execute—But Also Communicate—Your Security Efforts

While bank customers of every age, including millennials, appreciate face-to-face communication with their institutions, online banking has become nearly universal.

However, in consumers' eyes, online banking is not without its faults. At the top of the list of concerns for our study's respondents is anxiety regarding online banking security. This is true even for millennials, who are noted for their wide acceptance of, and admiration for, technology. In fact, the study found that 44% of millennials say security concerns are the main disadvantage of online banking.

But concerns about security don't have to be the end of the story. Banks can take action to alleviate these issues and increase usage of their online tools and platforms in the process. Our study found that 47% of Gen X, 41% of baby boomers and 29% of millennials

say improved security measures and fraud protection would cause them to use their financial institution's website or mobile app more frequently.

Clearly, security concerns are more than just customer complaints; they profoundly affect the bottom line for financial institutions, because customers are altering their behavior in response to them. Making continual strides toward providing the best security and fraud protection—and adequately articulating those efforts—won't just keep current customers happy, it's the key differentiator in attracting millennial customers. In this age of digital banking, making strides to improve security and fraud protection is more than just an engaging idea—it's a revenue generator.

2. Millennials Are Constant Bankers…Provide a Constant Experience

There was a time when a trip to the bank involved planning, time and travel, but that's no longer the case. With the advent of remote and digital banking technologies, customers carry a bank around in their purse or pocket at all times. A quick tap on the bank's mobile app, and a host of transactions—which once required that trip to the branch—can be completed in an instant.

This new reality has not only made financial transactions easier, but also made them continual. According to our study, 31% of millennials check their account balance daily. In fact, this is the No. 1 activity on mobile banking apps, followed by transferring funds: 51% of millennials say they prefer to check their account balance with their bank's mobile app and 39% prefer to use it to transfer funds. Since millennial customers are using these services so frequently, it's imperative that banks of every size have a top-notch mobile interface.

3. Reward, Reward, Reward

Millennials already use online banking services in great numbers. We know they want these tools—but is it possible to further move the needle and increase usage? Definitely.

One factor can drive the most usage with millennials: rewards!

According to our study, rewards programs are the No. 1 way to increase millennials' online banking usage—ahead of increased security. The results showed that 46% of millennials say they would absolutely use their bank's online services more often if the institution had a rewards program for usage.

Programs that increase customer savings, like prize-linked accounts or gamification to help customers meet their financial goals, are already gaining traction. Strategies like these foster a connection with millennial customers and engage them beyond the traditional bank-to-customer relationship.

Looking ahead, millennials will continue to dominate the conversation surrounding customer acquisition and retention. By implementing these three strategic initiatives, your institution can forge a clear path forward. For even more insight on the banking habits of millennials and other generations, download CSI's full report, Banking Trends through a Millennial Lens. ■

Kedran Whitten is chief marketing officer for CSI. She has more than 20 years of marketing leadership experience, and her background includes driving revenue growth, customer satisfaction, brand awareness, product pricing and competitive positioning.

New Development from CBI

Community Bank Strategic Planning Service

CBI has developed a new service to benefit community banks in implementing their visions for the future. The Community Bank Strategic Planning Service works to provide your community bank with top level expertise to create a viable strategic plan that you can count on. Our team has over 45 years of experience in the banking industry and can provide comprehensive guidance throughout the entire process. The end product is tailored to your community bank's exact needs. We gather data and transform it into a strategy that can assist you in ensuring your bank's future success.

Why Strategic Planning?

Banks can use strategic planning sessions for:

- Board oversight
- Budgeting purposes
- Future staffing needs
- Marketing plans
- New product launches
- Much more

Click the image to download a brochure containing more information on CBI's Community Bank Strategic Planning Service.

The Community Bank Strategic Planning Service is facilitated by Dale Torpey, Chairman of Washington Bancorp and Federation Bank in Washington, IA, and Jackie Haley, CBI's Vice President of Services and Strategic Partnerships. For more information on the Community Bank Strategic Planning Service, contact Jackie Haley at 515-975-8727 or jhaley@cbiaonline.org, or call the CBI office at 515-453-1495. ■

Be Prepared for Upcoming Compliance Changes:
Enroll in the Community Bankers for Compliance Program

Today's community bank compliance officer is charged with staying current with all the compliance rules and regulations and making sure they are being used effectively within the bank. For 15 years, the Community Bankers of Iowa has partnered with Community Bankers for Compliance (CBC), a program that offers the tools and information needed to implement compliance throughout your bank. The complexity regulatory changes makes it critical that your compliance officer is ready to deal with these changes as they occur.

The CBC program is the most successful and longest running compliance training program in the country and provides up-to-date information on compliance issues and developments in bank regulations, as well as proven techniques for maintaining your in-bank compliance program. Having received approval from regulatory agencies, the program has been instrumental in helping over 2,000 community bankers across the nation develop an increased understanding and ability to deal with regulatory issues.

Annual membership to the CBC Program includes five inter-related compliance services:

1. **Live Regulatory Seminars.** Two live seminars are provided throughout the year. A detailed manual is provided to each participant.

2. **Webcasts - Regulatory Update.** Four regulatory update sessions are presented in webcast format on separate days. Each webcast discusses current news and regulatory changes that may have an impact on community banks. Each webcast will be 1.5 hours, including questions and answers. A detailed manual, written in full narrative, will be provided.

3. **Monthly Newsletter.** The Compliance Update newsletter is sent to program members each month. It provides an update of compliance issues that impact community banks.

4. **Compliance Hotline.** Members of the program may visit Young & Associates' website or call their toll-free number for compliance officer questions that arise on a daily basis. This service ensures that your bank is just a phone call away from the information you need in order to answer your compliance questions.

5. **CBC Members-Only Web Page.** This dedicated web page is reserved for banks that are registered members of the Community Bankers for Compliance Program. In it you will find special and timely information and tools that can be used to enhance the regulatory compliance function at your bank.

For more info or to register for the Community Bankers for Compliance program, visit our website at cbiaonline.org or contact Pretty Patel at 515.453.1495 or ppatel@cbiaonline.org. ■

CBI Offers Over 120 Webinars in 2018

Get Affordable, Professional Training When and Where You Choose

CBI offers over 120 webinars annually that have become one of the most popular training delivery systems among community bankers. Covering critical issues for every level of the financial institution, industry experts with long-term, real-life, hands-on experience deliver high quality webinars that are exclusively tailored for community bankers. Topics range from auditing & accounting, collections, compliance, HR, lending and more. Also offered are specialized series for directors, emerging leaders, call reports and cybersecurity to name a few.

In 2018 CBI will also offer NINE webinar series: Call Report series, Compliance series, Consumer Debt series, Cyber series, IRA series, New Accounts series, Credit Analysis & Underwriting series, the popular Director series, and the new Marketing series. Visit our Webinars page for more details on each of these informative topics.

CBI webinars have three registration options:

1. **LIVE WEBINAR.** The live webinar option allows you to have one Internet connection from a single computer terminal. You may have as many people as you like listen and watch from your office computer. Registrants receive a website address and pass code that will allow entrance to the seminar. The session will be approximately 90 minutes, including question and answer sessions. Seminar materials, including instructions, pass code, and handouts will be emailed to you prior to the broadcast. You will need the most-current version of Adobe Reader, available free at www.adobe.com.

2. **RECORDED WEBINAR.** Can't attend the live webinar? The recorded webinar is a recording of the live event, including audio, visuals, and handouts. We even provide the presenter's email address so you may ask follow-up questions. Approx. one week prior to the webinar, you will receive an email with the archived webinar link. This webinar link can be viewed anytime 24/7, beginning 6 business days after the webinar and will expire 6 months after the live program date. You will also receive instructions on how to download a digital copy of the webinar which you may keep and use indefinitely. You can also listen to archived webinars on your iPad, iPhone, or Android device!

3. **BOTH LIVE WEBINAR & RECORDED WEBINAR LINK.** Options 1 and 2 described above.

For more information and to view current webinar offerings, visit our Events Calendar. To view all 2018 offerings visit the Webinars page on cbiaonline.org and download a schedule.

Still have questions? Contact Pretty Patel at 515.453.1495 or ppatel@cbiaonline.org. ■

Are you staying current on community banking news?

Get Some CommonCENTS

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.

CBI Education Foundation

Consider Making an Investment in Iowa's Future

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

Why we must embrace change

Written By: Scott Heitkamp, Chairman of ICBA

From the TOP

The world is rapidly changing around us, and it's up to community bankers to evolve with it—all while creating that optimal balance between our relationship lending business model and the technology offerings that our customers have come to expect.

This may sound like a complicated proposition, but it's simply the way business is done today and will be done in the future. In fact, it's always been this way. Does anyone remember the industry's concern and skepticism when ATMs appeared on the scene? They didn't turn out to be so bad, right?

If anything, ATMs have enhanced our industry. As our customers became more mobile, we needed to move with them. And if they want something, we need to give it to them. After all, we're just as much in the customer service business as we are in the financial services business.

It's no secret that today's community bankers need their finger on the pulse. We should be looking at fintech companies as potential partners, with the aim of blending their technology with our established services and customer care.

We also need to view our core service provider relationships as ever-changing, rather than stagnant; we should periodically evaluate whether they are meeting our needs or if something needs to change. This topic hits close to home, since we at ValueBank Texas are in the process of updating our core system in order to be able to offer the ancillary products our customers want.

Above all, we are focusing on the user experience, rather than the bank operation. We are keeping our customers at the forefront of our minds as we make decisions.

The bottom line is that our products and services have to be relevant and easy to use, or we will lose our customers.

Technology is changing the way we work, but our focus needs to stay on our customers.

This means having the resources and tools to evaluate what works for your bank and your customers. Once again, ICBA is here to help.

"Technology is changing the way we work, but our focus needs to stay on our customers"

ICBA has engaged in plenty of innovation over the years, such as ICBA Bancard solutions, its partnerships with dozens of service providers, and its online education and compliance expertise through Community Banker University. With approximately 1,200 community banks already participating in some type of fintech partnership through ICBA's products and services and Preferred Service Providers, ICBA is helping community banks innovate and thrive.

To learn more about these products and services, I encourage you to reach out to your member relationship officer, who can help you evaluate your current options and identify future opportunities. Just visit icba.org/consultation.

Community banks have remade ourselves countless times in the past 200 years, yet we continue to offer locally focused banking services. This evolution will continue as new technologies and new generations of customers present challenges and opportunities.

My advice is to embrace this change. It will make us better, stronger and, above all, allow us to continue to serve our customers and communities to the best of our ability. ■

Scott Heitkamp is President and CEO of ValueBank Texas in Corpus Christi, TX.

Dutiful service

Written By: Camden Fine, President and CEO of ICBA

FINE POINTS

Polling places open this month for one of the fundamental rights afforded to us as Americans: voting in free and open elections. I encourage all citizens, particularly my community banker colleagues, to exercise on Election Day a right that many have died to preserve and many more have never had.

In fact, I was taught years ago that voting is not only our right, but our duty. In a nation established on the principle of self-government, voting is the very least of our civic obligations. This is something well understood by many community bankers, a collection of individuals whose careers are based on service.

Community bankers are outspoken advocates on a litany of policy issues. That is apparent in the industry's response to ICBA grassroots advocacy alerts, in your facetime with policymakers at our annual ICBA Capital Summit, and in the rising number of meetings with members of Congress that community bankers hosted during the August recess. In the face of so many legislative and regulatory challenges, the industry's grassroots engagement is rising to new heights.

This dedication to advocacy is grounded in a deep commitment to our local communities. Community bankers dutifully serve their customers in good times and bad, employing a business model that relies on relationships and accountability. This local commitment and leadership was on display in the wake of Hurricanes Harvey and Irma. Community bankers in Texas and Florida have shown what it means to be locally invested by helping residents and businesses recover and rebuild while keeping their banks up and running amid the storms and flooding. These financial first responders have provided not just an economic lifeline but also a source of hope to those suffering from the very worst that Mother Nature has to offer.

"Whereas other firms ask what's in it for them, community bankers ask what more can they do."

Meanwhile, with Bank of America, Wells Fargo and other megabanks actively pulling out of many rural communities across the nation, community banks face new challenges in keeping local economies thriving. While megabank executives ask why they should rebuild in less-populated areas when they can earn higher margins at big-city branches, community bankers ask how they can fill the vacuum with desperately needed capital. Whereas other firms ask what's in it for them, community bankers ask what more can they do: reinvesting local dollars in their communities, contributing to public infrastructure and social services, and serving on local governance and economic development boards. This hometown commitment—this civic duty to entire communities of friends and neighbors—is absent in the high-rise boardrooms of Wall Street, Charlotte, San Francisco and, too often, in the legislative chambers of Washington.

I ask community bankers to continue that dedication to public service by remaining steadfast advocates in the remaining weeks of 2017. As Congress considers various legislative issues affecting community banks and the communities we serve—regulatory relief, flood insurance, housing-finance reform and more—we must remain committed to our local communities and to a nation whose rights, freedoms and, indeed, obligations we will never abandon. ■

Following Mr. Fine

More than 1,000 people are following Camden Fine's tweets **@Cam_Fine**— are you? Visit **www.twitter.com/cam_fine**.

Main Street Rural Economic Survey

Rural Mainstreet Index Rises for October: Ten Percent Expect Farm Foreclosures to Pose Greatest Banking Threat

September 2017 Survey Results at a Glance:

- The overall index sank to its lowest level since December 2016,and remained below growth neutral.
- For the 46th straight month, average farmland prices declined across the 10 state region.
- For the 49th straight month, the agriculture equipment sales index fell below growth neutral.
- As a result of falling farm income, more than 51 percent of bank CEOs, reported restructuring farm loans, and approximately 18.6 percent indicated increasing collateral requirements.
- Bank CEOs reported only a 2.1 percent increase in farm loan defaults over the past year.

OMAHA, Neb. – The Creighton University Rural Mainstreet Index fell to its lowest level for 2017, and remained below growth neutral for September, 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, slumped to 39.6, its lowest level since December 2016, and down from 42.2 in August.

"As a result of weak farm income, more than one-half, or 51.2 percent of bankers, reported restructuring farm loans while approximately 18.6 percent indicated their bank had increased collateral requirements. Despite weak farm income bank CEOs reported a low 2.1 percent increase in farm loan defaults, and a 4.1 percent rise in farm loan delinquencies," said Ernie Goss, Jack A. MacAllister Chair in Regional Economics at Creighton University's Heider College of Business.

According to Jeffrey Gerhart, president and chairman of the Bank of Newman Grove in Newman Grove, Nebraska, "For grain farmers we won't know the shortfalls until after harvest depending on yields & prices. For those farmers who have a shortfall, we will work with them in order to help their operations make it through the rough times."

Farming and Ranching: The farmland and ranchland-price index for September slumped to 39.6 from 43.0 in August. This is the 46th straight month the index has fallen below growth neutral 50.0.

Moisture conditions across the region are producing a wide range of yields. For example, Bryan Grove, president of American State Bank in Grygla, Minn. said, "Soybean harvest is just beginning with mixed results. Areas that received timely rains should have an average crop. Isolated locations lacking moisture will likely have disappointing soybean yields. Corn will have similar variability."

CLICK TO READ MORE OF SEPTEMBER'S SURVEY

October 2017 Survey Results at a Glance:

- The overall index improved from September's reading, but remained below growth neutral.
- For the 47th straight month, average farmland prices declined across the 10-state region.
- For the 50th straight month, the agriculture equipment sales index fell below growth neutral.
- Almost one in 10 bankers expect farm foreclosures to be the greatest challenge to banking operations over the next five years.
- Almost one-half of bankers report that current corn prices are below break-even for cash renting farmers in their area.

OMAHA, Neb. – The Creighton University Rural Mainstreet Index rose from September's reading, but remained below growth neutral, 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, like all indices in the survey, ranges between 0 and 100, increased to 45.3 from 39.6 in September.

"As a result of weak farm income and low agriculture commodity prices, approximately 9.5 percent of bank CEOs expect farm loan foreclosures to pose the greatest threat to banking operations over the next five years," said Ernie Goss, Jack A. MacAllister Chair in Regional Economics at Creighton University's Heider College of Business.

Farming and Ranching: The farmland and ranchland-price index for October slipped to 39.3 from 39.6 in September. This is the 47th straight month the index has fallen below growth neutral 50.0.

Bankers were asked to compare current spot prices for a bushel of corn to break even. Only 2.4 percent of bankers indicated that prices between $3.50 and $3.75 were above break even. Approximately 45.2 percent reported current spot prices were below break even.

According to Jeffrey Gerhart, president and chairman of the Bank of Newman Grove in Newman Grove, Nebraska, "Break-even prices vary from farmer to farmer. (It) depends upon the debt carried by the farmer. It's all about their cash flow."

However, Fritz Kuhlmeier, CEO of Citizens State Bank in Lena, Illinois, said, "Where can I find a spot price for corn of $3.50 or above today? Try $3.00 to $3.20, which is below the break even by all means."

The October farm equipment-sales index increased to 29.3 from September's 27.4. This marks the 50th consecutive month the reading has dropped below growth neutral 50.0.

Banking: Borrowing by farmers was strong for October as the loan-volume index fell to a still strong 67.9 from 73.2 in September. The checking-deposit index was 54.8, up from September's 51.2, while the index for certificates of deposit and other savings instruments sank to 44.1 from 46.6 in September.

CLICK TO READ MORE OF OCTOBER'S SURVEY

Tables 1-3 summarize survey findings

(click each table to view larger):

Table 1: Rural Mainstreet Economy August 2017: One Year Ago and Last Two Months (index > 50 indicates expansion)					
	September 2016	October 2016	August 2017	September 2017	October 2017
Area economic index	37.3	31.8	42.2	39.6	45.3
Loan volume	72.1	71.6	77.8	73.2	67.9
Checking deposits	50.0	63.7	46.7	51.2	54.8
Certificates of deposit and savings instruments	51.5	40.9	46.7	46.6	44.1
Farmland prices	30.3	25.0	43.0	36.0	39.3
Farm equipment sales	14.3	13.1	25.6	27.4	29.3
Home sales	57.2	50.1	62.5	56.0	52.5
Hiring	54.8	45.4	51.1	55.9	57.3
Retail business	33.4	36.3	41.1	41.9	39.3
Confidence index (area economy six months out)	21.5	21.6	35.6	36.1	37.0

Table 2: Rural Mainstreet Economy September 2017	Percentage of bankers reporting			
	Down	Defaults Unchanged	Up 1% - 9%	Up 10% - 20%
Over the past 12 months, what has been the change in farm loan DEFAULTS in your area?	0.0%	61.9%	35.7%	2.4%
	Down	Defaults Unchanged	Up 1% - 9%	Up 10% - 20%
Over the past 12 months, what has been the change in farm loan DELINQUENCIES in your area?	0.0%	32.6%	60.5%	7.0%

	No Change	Reduced size of loans	Interest rates	Loan rejection rates	Collateral requirements	Restructured Loans
Which of the following has been your bank's response to weak farm income? (more than one may apply):	16.3%	2.3%	4.7%	7.0%	18.6%	51.2%

Table 2: Rural Mainstreet Economy October 2017	Percentage of bankers reporting				
	Other	Information technology security	Farm Foreclosures	Slow/negative economic growth	Rising regulatory costs
For a five-year time horizon, which of the following represents the biggest economic challenge to your banking operations and/or profitability?	21.8%	7.1%	9.5%	28.6%	33.0%

	Dec. 2017	First half 2018	Second half 2018	Beyond 2018
When do you expect the Federal Reserve's next interest rate hike?	64.3%	32.3%	1.0%	2.4%

	Below breakeven	Approximately breakeven	Above breakeven	Not applicable
The current spot price for corn is $3.50 to $3.75 per bushel. For cash renting farmers in my area, this price is:	45.2%	45.0%	2.4%	7.4%

For historical data and forecasts, visit: www.creighton.edu/economicoutlook. Follow Ernie Goss on Twitter www.twitter.com/erniegoss

News from CBI Affiliate & Associate Members

SHAZAM SVP Elected to Governance Framework Formation Team

SHAZAM SVP Kevin Christensen has been elected to the US Faster Payments Formation Team.

The Federal Reserve announced Kevin Christensen, SHAZAM's senior vice president of market intelligence and data analytics, was elected to a seat on the U.S. Faster Payments Governance Framework Formation Team.

The Governance Framework Formation Team is a short-term working group, established by the Federal Reserve's Faster Payments Task Force to develop recommendations for a faster payments governance in the United States.

"The Faster Payments task force laid a foundation for us to take the next step toward a faster payments system based on standards and interoperability," Christensen said. "My professional experience has shown me the importance of choice, flexibility and open standards in providing payment processing services for community financial institutions."

In July, the 300-plus member task force finished its final report of reviewing faster payments solution proposals, considering challenges and opportunities associated with advancing faster payments across the country, developing recommendations and delivering a call to action to the payments community.

The 27-member Governance Framework Formation Team will initially focus on the structure, decision-making and processes of a governance framework. The team will likely seek comment on its initial work by spring of 2018 and expects to complete its work by the end of the year.

Christensen brings 23 years of experience as a payments professional, FDIC examiner and IT expert to the formation team. At SHAZAM, he leads the company's enterprise-wide governance and utilization of information and is responsible for providing insights that aide in the development and execution of the company's strategic goals.

"Kevin's skills and expertise bring a broad range of payments and regulatory knowledge to the formation team," said Paul Waltz, SHAZAM's chief executive officer. "He definitely has the right background and experience for the job."

Christensen is also a member of the National Automated Clearing House Association's (NACHA) board of directors.

About SHAZAM

CBI Endorsed Member The SHAZAM Network, founded in 1976, is a member-owned and -controlled financial services and payments processing company. SHAZAM is a single-source provider of the following services: debit card, core, fraud, ATM, merchant, marketing, training, risk and automated clearing house (ACH). To learn more visit shazam.net and follow @SHAZAMNetwork. ■

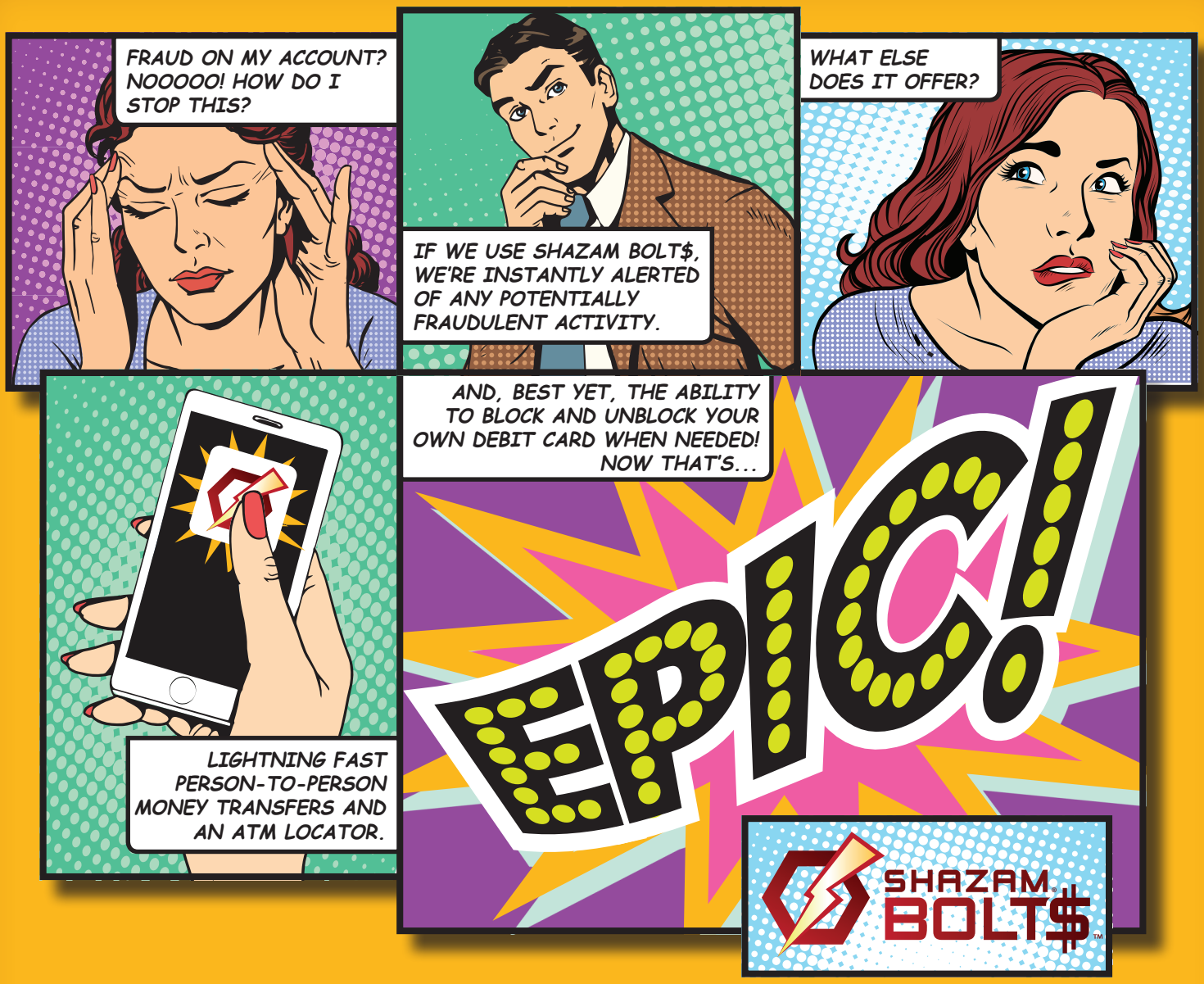
ICBA Securities/Vining Sparks to Host Seminar on Interest Rate Swaps

ICBA Securities and Vining Sparks will host a workshop designed to explore the facts and myths about interest rate swaps on December 12 in Minneapolis, MN. This half-day event will focus on how interest rate swaps can be used to improve your financial institution's performance. In a small group setting, you will learn:

- Interest rate swap fundamentals
- How to make long term fixed rate assets work for the balance sheet
- How to keep funding costs as low as possible
- How to benefit from the new hedge accounting rules
- How community banks can successfully implement an interest rate swap program

The seminar will be held from 10:30 am - 3:30 pm at the Doubletree Hotel in Bloomington/Minneapolis. There is no cost to attend, and lunch will be provided. This event is eligible for up to 4 hours of CPE credit.

RSVP to attend here. ■



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