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PIECE TOGETHER a plan that works for you.
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October 19
FDIC Bank Directors' Conference
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RECAP: CBI’s 9th Annual Golf Tournament

Last Monday CBI held its 9th Annual Golf Tournament at Hyperion Field Club in Johnston. Golfers first attended a business meeting that included a presentation by Amanda Scott, Sales & Marketing Coordinator for the 2017 Solheim Cup being held next August at Des Moines Golf & Country Club. Scott gave attendees a bit of history and stats on the Solheim Cup and indicated the enormous impact it will have on Iowa’s economy, with over 200,000 attendees expected.

Next up was father of pro-golfer Zach Johnson and Cedar Rapids chiropractor Dr. David Johnson. He opened with information on the Zach Johnson Foundation and its successful programs that benefit Cedar Rapids children and their families. Johnson then took questions ranging from Zach’s past wins, future plans, and his predictions for the upcoming 2016 Ryder Cup.

After a box lunch golf teams headed out to the course and enjoyed perfect weather. Post-round prizes were presented to the top flight teams. As always, an enormous thank you to our 9th Annual Golf Tournament sponsors SHAZAM, Deluxe Financial, EMC Insurance, Bankers’ Bank, Farmers Trust & Savings Bank, MIB, LSB Wholesale, CliftonLarsonAllen, Quad City Bank & Trust, Storey Kenworthy, BCC Advisers, Single Source Architects & Master Builders, UMB Bank, Iowa Finance Authority and United Bankers’ Bank. See you next year!

### Tournament Results:

**1st Flight - FIRST PLACE:**
1. Kevin Swalley  
GNB Bank, Grundy Center
2. Shane Belley  
United Bankers’ Bank, Bloomfield, MN
3. Scott Carrithers  
Country Club Bank, Kansas City, MO
4. Brian Sheldon  
Meyer-Chatfield Corp, Overland Park, KS
5. John McBride  
BancorpSouth, Coralville

**2nd Flight - FIRST PLACE:**
1. Brian Vander Wilt  
Farmers Trust & Savings Bank, Buffalo Center
2. Kim Foell  
Bankers’ Bank, Urbandale
3. Jeff Curran  
Deluxe Financial, Waterloo
4. Scott Thomson  
C US Bank, Creston

**3rd Flight - FIRST PLACE:**
1. Laura Skogman  
Consultant, Marion
2. John Bunz  
Ahlers & Cooney PC, Des Moines
3. Dave Caris  
CBI, West Des Moines
4. Chip Baltimore  
Boone Bank & Trust, Boone

**1st Flight - SECOND PLACE:**
1. Scott Warren  
Arch Mortgage Insurance, Johnston
2. Steve Grieg  
American Mortgage & Equity, Urbandale
3. Rod Rowland  
Landmands Bank, Audubon
4. Jay Weisenborn  
Landmands Bank, Audubon
5. Joe Moorman  
Tunkey Associates, Waterloo

**2nd Flight - SECOND PLACE:**
1. Jorge Padilla  
Fidelity Bank, West Des Moines
2. Brian deBuhr  
Fidelity Bank, Dyersville
3. John Stull  
Inspirited Financial Services, Reinbeck
4. Dan McGowen  
Iowa Banking Magazine, Des Moines

**3rd Flight - SECOND PLACE:**
1. Suzanne Meyers-Warrick  
Single Source Architects, West Des Moines
2. Blane Ruetter  
Peoples Bank, Indianola
3. Lisa Walsh  
Farmers & Merchants Bank & Trust, Burlington
4. Lawrence Carroll  
Spectrum Financial, Cedar Rapids
5. Jared Thill  
Peoples Bank, Indianola

**1st Flight - THIRD PLACE:**
1. Craig Wierson  
CliftonLarsonAllen, West Des Moines
2. Bob Vavra  
Bank Iowa, Shenandoah
3. Dennis Grebert  
Bank Iowa, Shenandoah
4. John McBride  
Bank Iowa, Shenandoah

**2nd Flight - THIRD PLACE:**
1. Adam Krebill  
Keystone Savings Bank, Marengo
2. Chuck Topinka  
Keystone Savings Bank, Marengo
3. Lance Hoffman  
Keystone Savings Bank, Marengo
4. Cody Phelps  
IBA Securities, West Des Moines

**3rd Flight - THIRD PLACE:**
1. Ben Miller  
Bankers Trust, Des Moines
2. Kyle Furstenberg  
Bankers Trust, Des Moines
3. Jamie Henderson  
Bankers Trust, Des Moines
4. Randy Ludwig  
Fidelity Bank & Trust, Dyersville
5. Gabe Olson  
West Bank, West Des Moines

### PIN PRIZES:

- Closest 2nd Shot, Hole #2 - Jay Weisenborn
- Closest 2nd Shot, Hole #12 - Shane Belley
- Longest Putt, Hole #5 - Brian deBuhr
- Longest Putt, Hole #16 - Brian Drake
- Closest to Pin, Hole #7 - Kevin Bolt
- Closest to Pin, Hole #9 - Kevin Swalley
- Closest to Pin, Hole #14 - John Stull
- Longest Drive, Hole #3 - Kim Foell
- Longest Drive, Hole #11 - Steve Greig

See you next year!
Attend the Fall Community Bank Summits and network with your peers while gaining valuable information. Each meeting begins at 3:00 p.m. with a dinner reception to follow.

Guest speakers at the Oct. 11 & 12 meetings in Jefferson and Algona are Linda Haynes, Manager, Talent and Culture at WIPFLI and Jim Reber, President & CEO of ICBA Securities. Haynes will give a presentation on Succession Planning, and Reber will update attendees on Liquidity Management Strategies.

Attend the Oct. 18 meeting in West Des Moines to get an industry update by University of Iowa Visiting Law Professor and former US congressional Banking and Financial Services Committee Chair Jim Leach. Also presenting at this meeting is Onnalee Kelley, Secretary of the Iowa Parks Foundation. Kelley will provide information on the Foundation’s upcoming campaigns to celebrate the 100th anniversary of Iowa’s state parks in 2020.

The registration fee for each Summit is only $35 for bankers, and $50 for CBI Endorsed/Associate/Affiliate members! Click the buttons at the left or visit our website to register for the meetings. Interested in sponsorship opportunities? Contact Jackie Haley at jhaley@cbiaonline.org or 515.453.1495.

SPEAKER LINEUP

Linda Haynes  
Manager of Talent and Culture, Wipfli

Jim Reber  
President & CEO  
ICBA Securities

Prof. Jim Leach  
Former Chair, Banking and Financial Services Committee

Onnalee Kelley  
Secretary, Iowa Parks Foundation


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— Cameron Miles, President/CEO – Keystone Savings Bank

Keystone Savings Bank opened in 1935. Today the bank has four locations (Keystone, Marengo, Center Point, and Pleasant Hill, IA), approximately 25 employees, and $90M in assets.

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Enough Is Enough!
ICBA sues the NCUA to stop unlawful credit union regulations

Declaring enough is enough of unlawful and unreasonably lenient credit union industry regulations, the Independent Community Bankers of America filed a federal lawsuit on behalf of Main Street America last month against the National Credit Union Administration. The lawsuit specifically targets an unlawful NCUA rulemaking allowing tax-exempt credit unions to dramatically exceed commercial lending limits set by Congress.

If the NCUA's commercial lending regulation adopted in March is allowed to stand, ICBA said in court documents, it would allow credit unions to exceed the congressionally authorized limits on their tax-exempt lending activity, putting consumers and the financial system at risk in the process. “This unlawful rule from the NCUA is the latest example of the agency stretching the law beyond its breaking point to serve as the tax-exempt credit union industry’s regulatory rubber stamp,” said ICBA President and CEO Cam Fine.

The NCUA's rule is contrary to the plain language of the Federal Credit Union Act, as amended by the Credit Union Membership Access Act, ICBA said in court documents filed with the U.S. District Court of the Eastern District of Virginia. To protect the safety and soundness of credit unions, Congress has expressly limited the amount of commercial loans that a credit union can both originate and hold.

Important to ICBA's legal action, federal law defines a “member business loan” as any commercial loan on a credit union’s balance sheet without regard to whether the loan was originated by the credit union or purchased by another credit union. By allowing a credit union to exclude nonmember commercial loans or participations (such as loans originated by another credit union to a borrower who is not a member of the credit union purchasing the loan or participation) from its calculation of the member business loan cap, the NCUA has provided credit unions with a huge loophole they can easily exploit to dramatically increase their commercial lending.

The lawsuit, Independent Community Bankers of America v. National Credit Union Administration, points out that the NCUA has not offered any rational explanation for its interpretation of its commercial lending statute, which reverses a conclusion it reached more than 15 years ago that excluding loans and participations purchased from others from the lending cap would lead to “absurd” results and violate the Federal Credit Union Act.

The lawsuit notes that the NCUA rule has put consumers, taxpayers and the financial system at risk by jeopardizing the safety and soundness of federally insured credit unions. The NCUA's action also has expanded the federally funded competitive advantages tax-exempt credit unions enjoy over community banks. As credit union industry assets have ballooned, the NCUA's role has transformed from a federal financial regulator to an industry cheerleader, ICBA said.

ICBA said it simply wants the agency to adhere to the law when writing its regulations. “Only Congress has the authority to set credit union laws, and the NCUA has ignored the debate on Capitol Hill to satisfy large, growth-oriented credit unions that are subsidized by the American taxpayer,” Fine said. “ICBA and the nation’s roughly 6,000 community banks believe that the credit union industry should not be allowed to continue expanding its lending authority as long as it remains exempt from taxation and the federal financial regulations that taxpaying community banks are obligated to meet.”

ICBA filed its lawsuit as the NCUA is considering a separate proposed field-of-membership rule that exemplifies the regulator’s lax and questionable approach to credit union oversight. That rule would significantly expand the definition of “well-defined local community,” which by law limits the territory a community-based credit union can serve, to include any congressional district. Under the proposal, the seven-state territory would qualify as “local” community. In the case of Alaska, the NCUA would treat towns located more than 1,000 miles apart as part of the same “local” community.

Karen Thomas (karen.thomas@icba.org) is ICBA’s senior executive vice president—government relations and public policy.

Read the legal complaint here.

Click below to see video of ICBA Chairman Rebeca Romero Rainey explaining the lawsuit.
Regulatory Write-ups Point to Emerging Risks in Community Banking

Don’t be surprised if your bank receives a write-up about supervisory concerns after your next exam, whether it’s a Matter Requiring Board Attention (MRBA) from the FDIC, or a Matter Requiring Attention (MRA) from the OCC.

The FDIC reveals in the summer issue of Supervisory Insights that 36 percent of banks rated 1 or 2 received an MRBA in 2015. The OCC reports that it had more than 4,000 outstanding MRAs in 2015, but it won’t say what percentage of banks that entails.

Though the numbers are down – the FDIC says 55 percent of satisfactory-rated banks received MRBAs in 2011 and the OCC had more than 9,000 outstanding MRAs in 2012 – issues such as commercial real estate concentration management may lead to an uptick in the coming years.

The FDIC article, “‘Matters Requiring Board Attention’ Underscore Evolving Risks in Banking”, says the write-ups act as an early warning system so potential problems can be fixed before it is too late. The article notes that MRBA trends “can provide a picture of risks that may be developing within the industry.” An OCC spokesman noted that MRAs are a normal outcome of the examination process.

While write-ups may be directed at senior management, regulators expect the board of directors to be in charge of the process to correct deficiencies.

Management-related issues and loans most frequently lead to MRBAs, the FDIC noted, with deficiencies related to audits, policies and procedures and then strategic planning the most common triggers. But while MRBAs in the loan category have decreased, issues related to concentration risk management are increasing.

“Since community banks typically serve a relatively small market area and generally specialize in a limited number of loan types, concentration risks are a part of doing business,” the FDIC article notes. “Consequently, the way these banks manage their concentration risk is important. In 2014, approximately 12 percent of loan-related MRBAs addressed concerns with the risk management practices governing concentrated loan exposures; in 2015, credit concentration-related MRBAs rose to 22 percent.”

Regulators issued a warning late last year that they would pay particular attention to CRE concentration risk management in 2016. Banks are reporting that they already have received MRAs and MRBAs as a result of their concentrations.

The FDIC noted that banks with MRBAs that also had high concentration levels of CRE, ADC or agriculture also tended to have an increased in warnings about liquidity risk. That’s consistent with Call Report data that showed the proportion of liquid assets to total assets held by smaller banks has been declining. Loan-related MRBAs also involved ALLL issues and problem assets.

The OCC reported that the top MRA categories for small banks were credit, enterprise governance and bank IT (also an issue with the FDIC).

Regulators expect board of directors to respond and correct the weaknesses that examiners have identified. The FDIC noted that in about 70 percent of the MRBAs in 2014 and 2015, banks addressed the problems in their first response to the agency. The OCC updated its MRA guidance in 2014, noting that banks must submit a board-approved action plan within 30 days of receiving an MRA if they don’t provide a plan during the actual exam.

For more information about CBI Affiliate member Invictus Consulting Group, visit www.invictusgrp.com.

What MRAs Must Include

The Comptroller’s Bank Supervision handbook outlines how examiners should write MRAs. They must:

- Describe the issue, its root cause and contributing factors
- Lay out potential consequences of inaction
- Describe expectations for corrective measures
- Document management’s commitment to fixing the problem, including a timeline and names of who are responsible
Last week community bankers around Iowa showed their support of their local legislators by personally delivering contributions from the Community Bankers of Iowa Political Action Committee fund (CBI PAC). CBI PAC, originally formed in the 1970s, has been vigilant in defense of the views and needs of independent bankers.

Our ability to bring forward those issues and projects that are of benefit to Iowa’s community banks, and to coordinate with other like-minded organizations, is supported by our ability to make political contributions to candidates and legislators. 100% of your contributions stay right here in Iowa.

Who May Contribute?
A bank may solicit contributions from stockholders, directors and officers. Other bank employees may voluntarily contribute to the PAC, but under Iowa law cannot be directly solicited for contributions. Note: CBI PAC cannot accept corporate contributions, anonymous contributions, or a contribution in the name of or on behalf of another person.

Keystone Savings Bank president Cameron Miles poses for a selfie with Iowa Rep. Dawn Pettingill (R-Dist. 75).

[Left photo]: Iowa Secretary of Agrigulture Bill Northey (left) and Community Bankers of Iowa CEO Dave Caris.

[Far right photo]: (left) Jim Foudner, President of Bank Iowa-Oskaloosa and Iowa Rep. Guy Vander Linden (R-Dist. 79).

[Bottom row, left]: (left) Chris Lindell, President & CEO-Guaranty Bank & Trust and Iowa Rep. Ken Rizer (R-Dist. 68). [Bottom row, center]: (left) Iowa Senator Tim Kapuchian (R-Dist. 38) and Cameron Miles, President & CEO of Keystone Savings Bank-Keystone. [Bottom row, far right]: (left) Iowa Senator Bill Anderson (R-Dist. 3) and Paul Jacobson, President-American Bank.

[Left photo]: Rep. Lee Hein (R-Dist. 96) and Aaron Zumbach, Market President-Fidelity Bank & Trust. [Lower right photo]: (left) Rep. Dave Maxwell (R-Dist. 76) and Mike Geiger, Vice President-County Bank.

[Above]: (L-R) Community Bankers of Iowa CEO Dave Caris; Senator Roby Smith (R-Dist 47); Jay Johnson, 1st Vice President-Quad City Bank & Trust (QCB&T); Mark Kilmer, Board Chair-QCB&T; Chuck Topinka, Board Chair-Keystone Savings Bank.

[Lower left photo]: (left) Rep. Roby Smith (R-Dist. 47); Jay Johnson, 1st Vice President-Quad City Bank & Trust; Mark Kilmer, Board Chair-QCB&T; Chuck Topinka, Board Chair-Keystone Savings Bank.
Fairfax State Savings Bank announces the opening of its new office, Bankhaus, at 4304 – 220th Trail in Amana, Iowa. The bank houses an independently-owned coffee shop, Neuhaus Kaffee in addition to full banking services such as deposit accounts, mortgages, commercial and agricultural lending, drive through service and an ATM.

“We are proud to open as a bank of the future – and a bank you’ll actually want to visit,” states Patti Lopata, Assistant Vice President and Branch Manager of Bankhaus. “With the addition of Neuhaus Kaffee, we provide a more congenial atmosphere and could be used as a venue for community gatherings and roundtables.”

“Although we have eight ATM locations, and the original bank in Fairfax, the Amana Colonies is the first physical expansion of Fairfax State Savings Bank since 1924,” states Patrick Slater, Executive Vice President. “Our strategy is to extend our presence into growing southwest Corridor towns such as Amana, Tiffin, Marengo, Oxford and Norway.”

Bankhaus will features amenities such as an iPad, Wi-Fi, and environmentally-friendly features such as all LED lighting and paperless banking.

Amana-native and Vice President, Michael Shoup, will work in lending at Bankhaus. “German people are always very practical and straightforward, and that’s the kind of service we want to provide,” Shoup says. “We want to keep things as simple as possible.”

About Fairfax State Savings Bank
Since 1924, Fairfax State Savings Bank has been located in the heart of Fairfax, Iowa. The bank maintains a stable financial environment with assets of $150 million and provides a comprehensive selection of banking and financial products and services. The company understands the little things that make communities special: strong personal connections, a sense of pride in local growth and support, welcoming hospitality and sincere friendliness.

As an independent community bank, Fairfax State Savings Bank provides the personal relationship customers deserve through commercial and consumer banking services, lending, agribusiness loans and wealth management. More information can be found at www.thebankhere.com or via Facebook and Twitter. Bankhaus is a Division of Fairfax State Savings Bank.

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There are more than 28 million small businesses in America today, serving as the economic engine of our country, employing half of the private sector and creating two out of three new jobs. I’m proud to count Centinel Bank of Taos, N.M. as a small business, and prouder still of the work we’ve done to support small businesses in Taos and create new opportunities for local entrepreneurs and small-business owners to succeed.

In fact, community banks nationwide serve vital roles in maintaining the lending flow to other small businesses in their neighborhoods. Although we comprise just 20 percent of the banking industry’s assets, we fund half of all small-business loans. I’m proud of that, too!

And I want everyone to know what our customers have signaled with their patronage: We do it better. Small businesses that apply for loans with community banks are the most successful and most satisfied, according to a report from seven Federal Reserve Banks issued earlier this year.

The report findings show that community banks extended at least some of the financing requested by loan applicants to 76 percent of applicants surveyed, while large banks approved just 58 percent. Community banks also had the highest satisfaction scores, with 75 percent reporting satisfaction with their overall experience, compared with 51 percent for large banks.

There’s no mystery as to why community banks are preferred small business lenders. Our success, and that of our community, is intimately tied to our local businesses. So we invest the necessary time and resources to help our fellow entrepreneurs succeed even when other lenders can’t or won’t.

This was the impetus that drove my grandfather, Eliu, to open Centinel Bank in 1969 when he couldn’t get a loan to establish a law office. The same rationale my dad, Martin, applied when he had the vision to fund a building project made from recycled materials, that today is a leading design in sustainable housing for thousands of people around the world. That’s also why I co-founded the Bridges Project for Education nearly 20 years ago, to help future entrepreneurs obtain a higher education in hopes they will return one day to help run a successful business and give back to their hometown community.

I’ve said it before and I’ll say it again: What we do matters! Community banks have a unique business model that is defined by being engaged with the people in the communities in which they reside. The personal bonds we forge and our dedication to our communities enable us to invest and reinvest in local entrepreneurs and business owners and to stimulate the local economy. This is what I am most proud of about our industry and what will cement our place as the lender of choice for decades to come.

Rebeca Romero Rainey is chairman and CEO of Centinel Bank of Taos, in Taos, N.M.
November’s presidential election is less than two months away. For better or worse and one way or another, this year’s extraordinarily contentious, topsy-turvy presidential contest is coming to an end. So far, almost everything that wasn’t predicted seems to have happened: left-field and right-field political insurgencies, name-calling debates and roughhouse street rallies, and even bizarre campaign tricks involving Russian cyber-breaches. The only storyline missing is a Hamiltonian-style duel between rival candidates.

But the campaign is still early, so more surprises undoubtedly lie ahead from this year’s presidential campaign. Rhetorical kneecapping during the presidential debates this month and next surely is planned by both sides. Imagine what October surprises might be in store. Almost anything can happen it seems in a year when so many Americans remain angry and distrustful of Washington, Wall Street and the economy. Perhaps more than at any time in recent memory our electorate is anxious about the country’s future.

Within this year’s hyper-partisan political vortex, ICBA has taken deliberate steps to stay above and out of the fray. In fact, this is the first election since I arrived at ICBA in 2003 that the association has not sponsored events at or sent staff members to the national political party conventions to represent the nation’s community banks. To protect our bipartisan positions and principles, we simply did not want to risk getting falsely portrayed as a partisan for either candidate or party or any narrow position.

However, ICBA hasn’t been sitting on the sidelines. Through ICBPAC, community banking’s federal political action committee, ICBA has remained active to ensure that community banking’s voice is heard throughout the congressional races nationwide. More than 3,000 community bankers have contributed to ICBPAC to elect and reelect lawmakers from both political parties who understand and support our industry’s positions and objectives. So far, ICBPAC has disbursed more than $1.6 million to federal election campaigns so far this election cycle, supporting more than 290 candidates and campaign committees.

Certainly, the stakes in this year’s elections are high. Members of every political stripe believe that they have the answer to the nation’s challenges. As with any election, however, whatever outcome the majority of Americans choose, ICBA will move forward as constructively as possible alongside our members and industry allies. Fortunately, we can do this more easily than others because our interests and agenda are plainly bipartisan and nonpartisan. Advancing financial opportunity for all, maintaining economic and entrepreneurial vitality, and ensuring a safe, fair and efficient financial services system—those are our bottom-line policy priorities.

Our priority policies allow ICBA to work in good faith with anyone and everyone to ensure those goals and principles are advanced and protected. That includes any president or member of Congress, and the leaders of any other like-minded industry, coalition or trade association.

To one degree or another, America’s true democracy will always be loud and raucous as a vigorous competition of ideas and courses of government action. Through the seesaw pendulum swings of politics, ICBA will stay independent to call the issues as we see them—each as it comes. In these politically polarized times, that’s more important than ever.

“ICBA has remained active to ensure that community banking’s voice is heard throughout the congressional races nationwide.”

Follow Mr. Fine
More than 1,000 people are following Camden Fine’s tweets @Cam_Fine—are you? Visit www.twitter.com/cam_fine.
Look Under the Hood

It pays to be choosy when buying MBSs

Mortgage-backed securities (MBSs) are a staple of community bank investment portfolios. The aggregate of all mortgage-related securities, which encompass traditional pass-throughs, collateralized mortgage obligations and adjustable-rate mortgage pools (ARMs), make up more than half of all the dollars invested by community banks. This makes MBSs a major driver of overall bank profitability.

Something that savvy portfolio managers do is comparison shop. Fortunately for you the MBS market (which is about $10 trillion in size) contains thousands of different pools that can be analyzed to find some relative value. In fact, I’ve heard more than once from experienced community bankers that relative value is all that’s out there. Absolute value is just a concept, according to them, and who am I to argue? Still, MBSs with certain features improve their chances of success.

Most likely to succeed
Irrespective of the make or model of mortgage securities your community bank owns, they probably have some attractive trim packages included. MBSs issued by Fannie Mae and Freddie Mac have a 20 percent risk weighting, and Ginnie Mae pools have a zero percent weighting. Their liquidity is very good, and like any good automobile, they come with “financing available” as they are readily pledgeable.

Since MBSs produce monthly principal and interest, their cash flows can be used to manage interest rate risk or facilitate liquidity management. (ARMs, of course, are coveted for their rate-risk benefits.) Unlike many assets, MBSs can improve in value as they age. Let’s examine a strategy that is already being utilized in well-managed community bank portfolios.

Older can be better
“Speed” in an MBS is not a measurement of how fast a vehicle can travel. It is a metric to account for the fact that some principal payments will be received before they are scheduled to be. They are usually expressed using the Constant Prepayment Rate (CPR) model. These speeds have a huge effect on how a given MBS pool performs. Given the decades of history, and the existence of homogeneous pools, an investor can reasonably expect a pool with certain characteristics to prepay according to historical patterns.

One such application is to buy pools that have a certain amount of seasoning. The early stages of an individual pool will typically see little or no prepayment activity as the homeowners haven’t built up much equity in their homes, and events that cause housing turnover (e.g., job transfers, divorces, deaths) haven’t yet had time to occur. Simultaneously, for short maturity pools, which are those with 20-year or less initial terms, by the time a pool gets two years old, the scheduled principal payments start piling up. The combination of the two really starts to produce significant cash flows while lowering the roof on the average life.

For your consideration
As an example, we can compare two Freddie Mac 2.50 percent 15-year pools. FG G18549 was issued in April 2015, and FG G18611 in August 2016. The difference in their current average lives is noticeable: 4.3 years versus 5.1 years. Maybe more importantly is to consider the expected principal to be received over just the next year. FG G18549 will probably return 7 percent more principal in the next 12 months than will FG G18611. That is significant by anyone’s tachometer.

In closing (I can’t help it), a word of advice. It’s always beneficial to have an exit strategy. Again not unlike a car, the market value will begin to dwindle as it gets to be latter stages of its effective life. A pool with remaining principal of around $200,000 still has decent liquidity, and that’s a good time to consider listing it for sale.

(Look Under the Hood continued on next page)
Ask your favorite broker to display some examples of new versus seasoned mortgage pools. Subtle differences in seasoning will make conspicuous improvements in cash flow and asset-liability benefits. A couple of years’ aging can turn a lemon into a head snapper.

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

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An Iowa company serving Iowa banks.
As part of a global effort to improve transparency in legal entity ownership, the Financial Crimes Enforcement Network (FinCEN) recently took an official stand on the issue with its Customer Due Diligence (CDD) Final Rule. Despite FinCEN’s efforts to curb the rule’s burden, financial institutions must accept that they can’t stop this fast-moving train; they can only get on board.

**FinCEN Takes Its Stand**
FinCEN’s CDD Final Rule requires institutions to perform enhanced due diligence on any covered legal entity’s beneficial owner with 25 percent or more ownership, as well as for one individual with significant control of the entity. When a new account for a covered legal entity is opened, financial institutions must collect the following information on up to five individuals: name, date of birth, address and social security number (SSN). FinCEN provides a certification form for collecting this data.

The CDD Final Rule also adds a fifth pillar to anti-money laundering (AML) programs: institutions are required to understand the nature and purpose of customer relationships, including legal entity customers, in order to develop a customer risk profile for ongoing monitoring and reporting of suspicious activity.

**A Quarter-by-Quarter Timeline for Implementation**
FinCEN mandates that the rule be fully incorporated by May 11, 2018. But remember: an institution with a BSA exam between now and the compliance deadline must show a good-faith effort toward reaching that compliant state.

Use the following timeline to develop your plan of attack.

**Now through Third Quarter 2016**
Assign someone to lead this effort, preferably who has BSA/AML compliance and project management experience. Then assemble a project team with each affected area represented, including senior management, risk management, marketing and HR. At your first project team meeting, a key assignment is creating an inventory of your current legal entity customer database, in order to estimate the rule’s full impact on your institution.

**Third through Fourth Quarter 2016**
Identify the policies, processes and systems that will require changes. If you have a change management office, get this project on its radar. In addition, if you use a third-party provider to handle your OFAC watch list screening, 314a requests, or CTR and SAR aggregation, determine their timeline for incorporating needed changes to systems or software.

Then it’s time to update policies. The BSA requires board approval of any policy updates, so have them ready for board approval before 2016’s end. At a minimum, address the following:

- BSA/AML Policy:
  - Overview/Purpose: Address the scope of the rule, including customer and account type exemptions, as well as the addition of the fifth pillar to your AML program
  - CIP: Define the risk-based approach your institution will use to conduct beneficial owner due diligence
  - Suspicious Activity: Explain how your bank will compile customer risk profiles and use them to identify suspicious activity
  - Recordkeeping: Ensure that identifying records are kept for five years after the account is closed, and verification records for five years after the record is made
- OFAC Policy: Run all identified beneficial owners through watch list screening.

**First through Third Quarter 2017**
In 2017, focus on updating your processes and procedures. Here are some items to consider:

Beneficial Ownership Identification and Verification:

- Decide whether you will use FinCEN’s certification form or your own
- Determine any additional information you want to collect,
like noting the percentage of ownership for each beneficial owner
- Identify who is allowed to open a legal entity account (i.e., an officer or partner)
- Outline how all beneficial owner information, including SSNs, should be collected
- Decide when this information should be obtained. If within a set period after account opening, develop procedures for closing the account if it’s not collected accordingly
- Determine whether legal entity accounts can be opened via phone or online, and if so, identify procedures for collecting the identifying information and documentation
- Understand who is exempt—and how—and explain that in your procedures
- Determine what happens if a beneficial owner refuses to provide the required information.

Fifth Pillar: Developing the Risk Profile
- Identify any other data you deem necessary for creating a risk profile. This might include verifying the entity’s legal status through the Secretary of State or equivalent
- Outline any additional questions to ask the beneficial owner(s) in order to form an adequate baseline for identifying unusual activity
- Determine how to monitor legal entity customer relationships, so any significant changes are addressed.

Fourth Quarter 2017 through May 11, 2018
This is the HR stage, where employees and customers must be educated about enhanced due diligence. Ensure employee training identifies their role in fulfilling your institution’s compliance. And launch an informational campaign ahead of the mandatory compliance date to ensure customers aren’t caught off guard. Then, at the start of 2018, your institution should be ready to conduct final testing, which allows time to make adjustments and fully implement prior to May 11, 2018.

Don’t Limit Your Understanding of This Rule—or Curb Your Legal Entity Accounts
Limiting legal entity account openings for your existing or new customers is not the way to address this new burden. In addition to thwarting your own growth, it could potentially hurt the overall business marketplace. Instead, use the time given by FinCEN to determine your risk and how you will manage it.

Keith Monson serves as CSI’s chief risk officer. In this role, he maintains an enterprise-wide compliance framework for risk assessment and reporting, as well as other key components of CSI’s corporate compliance program. With nearly 25 years of banking experience, he has a wide range of expertise in the compliance arena, having served as chief compliance officer for both large and small financial institutions. For more information on CBI Endorsed Member CSI visit www.csiweb.com.
August Survey Results at a Glance:

- For a 12th straight month, the Rural Mainstreet Index fell below growth neutral.
- Farmland prices remained below growth neutral for the 33rd consecutive month.
- Bank CEOs expect farmland prices to fall by another 6.9 percent over the next 12 months.
- Approximately 56.5 percent of bank CEOs expect the Federal Reserve to raise rates before the end of 2016.
- Agricultural equipment sales remain close to record low.

OMAHA, Neb. – The Creighton University Rural Mainstreet Index rose for August, but remained below growth neutral for the 12th straight month, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Overall: The index, which ranges between 0 and 100 increased to 41.1 for August from July’s weak 39.8. This month’s reading is well off the index for August 2015 when it stood at 50.0.

“Over the past 12 months, farm prices have fallen by 11 percent, cattle prices are off by 22 percent, and grain prices are down by 20 percent. Weak agricultural commodity prices are pushing farm income lower and sinking the overall Rural Mainstreet economy,” 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 August slumped to 25.6 from 31.3 in July. This is the 33rd straight month the index has languished below growth neutral 50.0.

This month, bankers estimated, on average, farmland prices would fall by another 6.9 percent over the next 12 months. However, as in previous months, there is a great deal of variation across the region in the direction and magnitude of farmland prices, with prices growing in some portions of the region.

Bank CEOs reported an average annual cash rent per acre of $252 with almost one-fourth of bankers detailing annual cash rents exceeding $299.

The August farm equipment-sales index increased to 14.8 from 10.7 in July. “Weakness in farm income and low agricultural commodity prices continue to restrain the sale of agriculture equipment across the region,” said Goss.

Banking: Borrowing by farmers remains strong as the August loan-volume index expanded to 78.3 from last month’s 67.4. The checking-deposit index fell to 41.3 from 49.0 in July, while the index for certificates of deposit and other savings instruments improved slightly to 44.5 from 43.9 in July. Approximately 56.5 percent of bank CEOs expect the Federal Reserve to raise rates before the end of 2016.

Hiring: After moving above growth neutral for June, the Rural Mainstreet hiring index fell below the threshold for July and August. According to bankers, Rural Mainstreet businesses reduced jobs for August with a hiring index of 47.9 which was down from July’s 49.0.

“Rural Mainstreet employment is down by approximately 1.6 percent from this time last year,” said Goss. “This contrasts to employment gains for urban areas of the region of approximately 1.5 percent for the same 12-month period.”

Confidence: The confidence index, which reflects expectations for the economy six months out, plummeted to 27.2 from 32.3 in July indicating an intense pessimistic outlook among bankers. “Negative economic assessments by the U.S. Department of Agriculture for 2016 farm income combined with recent downturns in agricultural commodity prices pushed banker’s economic outlook even lower,” said Goss.

Home and Retail Sales: Home sales remain the bright spot of the Rural Mainstreet economy with a robust August index of 58.9, but down from July’s 61.5. The August retail-sales index increased slightly to a very weak 38.1 from July’s 37.8. “Despite low inventories of homes for sale, Rural Mainstreet home sales continue on a strong trajectory, but rural retailers, much like their urban counterparts, are experiencing downturns in sales,” said Goss.

Each month, community bank presidents and CEOs in nonurban agriculturally and energy-dependent portions of a 10-state area are surveyed regarding current economic conditions in their communities and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wyoming are included. The survey is supported by a grant from Security State Bank in Ansley, Neb.

This survey represents an early snapshot of the economy of rural agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy. Goss and Bill McQuillan, former chairman of the Independent Community Banks of America, created the monthly economic survey in 2005.

Colorado: Colorado’s Rural Mainstreet Index (RMI) declined slightly...
For historical data and forecasts, visit: www.creighton.edu/economicoutlook
For ongoing commentary on recent economic developments, visit: www.economictrends.blogspot.com
Follow Ernie Goss on Twitter www.twitter.com/erniegoss

Table 2: The Rural Mainstreet Economy August 2016

<table>
<thead>
<tr>
<th>Percentage of bankers reporting</th>
<th>August 1% - 5%</th>
<th>No change</th>
<th>Decline 1% - 5%</th>
<th>Decline 6% - 12%</th>
<th>Decline More than 12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over the next year, what change in farmland prices do you expect in your area?</td>
<td>2.2%</td>
<td>6.7%</td>
<td>31.1%</td>
<td>48.9%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Below $100</td>
<td>$100 - $199</td>
<td>$200 - $299</td>
<td>$300 - $399</td>
<td>Over $399</td>
<td></td>
</tr>
<tr>
<td>What is the average annual cash rent per acre for cropland (not pasture) in your area?</td>
<td>6.8%</td>
<td>17.8%</td>
<td>51.1%</td>
<td>20%</td>
<td>4.3%</td>
</tr>
<tr>
<td>September 2016</td>
<td>December 2016</td>
<td>First half 2017</td>
<td>Second half 2017</td>
<td>Beyond 2017</td>
<td></td>
</tr>
<tr>
<td>When do you expect the Federal Reserve’s next interest rate hike?</td>
<td>4.3%</td>
<td>52.2%</td>
<td>30.4%</td>
<td>6.5%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

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

Table 2: The Rural Mainstreet Economy August 2016

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<th>August 2015</th>
<th>July 2016</th>
<th>August 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>50.0</td>
<td>39.8</td>
<td>41.1</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: Rural Mainstreet Economy One Year Ago and Last Two Months:
(index > 50 indicates expansion)

<table>
<thead>
<tr>
<th>Area economic index</th>
<th>August 2015</th>
<th>July 2016</th>
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<tr>
<td>50.0</td>
<td>39.8</td>
<td>41.1</td>
<td></td>
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</tbody>
</table>

Illinois: The August RMI for Illinois increased to a feeble 21.2 from July’s regional low of 18.1. The farmland-price index fell to 17.5 from July’s 29.4. The state’s new-hiring index rose to 44.2 from last month’s 42.4. Illinois job growth over the last 12 months; Rural Mainstreet, -1.9 percent; Urban Illinois 1 percent.

Iowa: The August RMI for Iowa advanced to a strong 58.3 from July’s 51.9. Iowa’s farmland-price index for August slumped to 40.5 from 49.7 in July. Iowa’s new-hiring index for August expanded to 58.1 from July’s 55.4. Iowa job growth over the last 12 months; Rural Mainstreet, 1.1 percent; Urban Iowa, 1.7 percent.

Kansas: The Kansas RMI for August sank to 24.6 from July’s 37.4. The state’s farmland-price index for August slumped to 13.4 from 25.6 in July. The new-hiring index for Kansas increased to 44.6 from 39.5 in July. Kansas job growth over the last 12 months; Rural Mainstreet, -1.1 percent; Urban Kansas, 0.9 percent.

Minnesota: The August RMI for Minnesota fell to 30.3 from July’s 35.9. Minnesota’s farmland-price index slumped to 18.0 from 30.0 in July. The new-hiring index for the state climbed to 49.9 from last month’s 48.2. Minnesota job growth over the last 12 months; Rural Mainstreet, -0.7 percent; Urban Minnesota 1.6 percent.

Missouri: The August RMI for Missouri plummeted to 22.4 from 37.8 in July. The farmland-price index slipped to 14.9 from 29.6 in July. Missouri’s new-hiring index fell to 17.1 from 22.6 in July. Missouri job growth over the last 12 months; Rural Mainstreet, -11.7 percent; Urban Missouri 2.1 percent.

Nebraska: The Nebraska RMI for August advanced to regional high of 64.5 from 51.5 in July. The state’s farmland-price index sank to 43.5 from July’s 49.3. Nebraska’s new-hiring index grew to 59.2 from 55.2 in July. Nebraska job growth over the last 12 months; Rural Mainstreet, 1.6 percent; Urban Nebraska, 1.1 percent.

North Dakota: The North Dakota RMI for August fell to 17.8 from 35.9 in July. The farmland-price index sank to 12.1 from July’s 21.2. North Dakota’s new-hiring index slumped to 25.6 from June’s 38.9. North Dakota job growth over the last 12 months; Rural Mainstreet, -9.2 percent; Urban North Dakota, 1.2 percent.

South Dakota: The August RMI for South Dakota advanced to 54.3 from July’s 40.1. The farmland-price index slipped to 27.3 from 28.0 in July. South Dakota’s new-hiring index improved to 53.3 from July’s 47.5. South Dakota job growth over the last 12 months; Rural Mainstreet, 0.9 percent; Urban South Dakota, 3.2 percent.

Wyoming: The August RMI for Wyoming plummeted to 18.9 from July’s 31.2. The July farmland and ranchland-price index fell to 15.6 from 30.3 in July. Wyoming’s new-hiring index increased to 39.6 from July’s 34.9. Wyoming job growth over the last 12 months; Rural Mainstreet, -2.6 percent; Urban Wyoming, -2.3 percent.
News from CBI
Affiliate & Associate Members

Iowa Land Records
E-Submission Seminar Series

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

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

Upcoming seminar dates and locations (*includes bonus Surveys & Plats seminar):
* September 26 - Cedar Falls
  September 26 - Fairfield
* September 27 - Cedar Rapids
  September 27 - Vinton
* September 28 - Iowa City
  September 28 - Marshalltown
  *October 5 - Newton
  *October 10 - Corning
* October 11 - Council Bluffs
  *October 13 - Winterset
  October 13 - Knoxville
  October 24 - Clarion
  *October 25 - Charles City
  October 25 - West Union
  *November 8 - Altoona

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

Learn How to Keep Key Talent by Attending this FREE Webinar

Worried about losing your future leaders? Join CBI Endorsed Member Executive Benefits Network (EBN) for a FREE webinar on Wednesday, September 28 at 9:30 am CDT.

Traditional deferred compensation plans do not always work for your younger rising stars. It's no secret that today's talent prefer more immediate cash reward than additional retirement benefits. What else can you do other than traditional long-term qualified plans? How do you reward them but still add a dimension of retention? EBN will show you how to retain, cultivate and incentivize future leaders using Short-Term Deferred Compensation in this short, 20-minute webinar.

RSVP by Monday, Sept 26; click here to register. For questions contact David Fritz at (414) 431-9688 or dfritz@ebn-design.com or Pat Marget at (414) 431-9681 or pmarget@ebn-design.com.

Schipper receives Leach Leadership Award

The Iowa Bankers Association presented Jim Schipper with the James A. Leach Leadership Award during its annual convention in Des Moines.

The annual award, named for the former Iowa congressman and U.S. House Banking Committee chairman, recognizes a distinguished Iowa banker who has made significant, lifelong contributions to how Iowa banks serve their communities.

Schipper, who was the Iowa superintendent of banking from 2011 to 2015, has more than 40 years of experience as a community banker. In 1987, he organized an investor group to establish Osceola Bancorporation and obtained a de novo charter for American State Bank. He was the charter CEO of the bank for 22 years, helping it build assets over $185 million. He is currently chairman of American State Bank.

Hear former congressman Leach at the Fall Community Banking Summit, October 18 in West Des Moines. More info.

Add your voice to the discussion
Visit CBI’s Advocacy Center
cbiaonline.org/cbilee-advocacy-center.html
In the past 18 months, more than 2,500 banks in the US have registered for .BANK domains—almost half of the banks in the country. The .BANK domain was created to help combat cyberfraud and to signify that a website and emails received by consumers are from a legitimate bank. The .BANK extension will have enhanced security requirements that exceed that of most existing and new domains. In addition, it opens up much needed real estate on the Internet, providing new marketing and branding opportunities.

ICBA has also teamed up with domain Registrar specialist EnCirca to offer help in learning to migrate your bank’s website to the .BANK domain. Find out more here. For other information on the .BANK domain and tips on where to begin, visit www.register.bank.

Has your bank already migrated to the .BANK domain? Tell us your story about .BANK domain security, branding features and the migration process by emailing Krissy Lee at klee@cbiaonline.org.

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Citizens State Bank Hosts Labor Day Weekend Celebrations

Each year, Sheldon, Iowa celebrates Labor Day by holding "Celebration Days", a weekend-long celebration boasting a variety of events which bring hundreds of visitors to town. This year Citizens State Bank celebrated their 55th Anniversary by sponsoring Omaha Street Percussion (OSP), a highly energetic group of non-traditional percussionists as part of the Celebration Days parade. Later they gave a free-to-the-public concert in the City Park immediately following the parade.

The bank also arranged for the group to put on a program in each of Sheldon's public schools, as well as at Village Northwest Unlimited, an outstanding organization in Sheldon that serves adults with physical and mental disabilities. Citizens State Bank Executive VP Heidi Brown traveled with the OSP guys and served as a “roadie” at each event.

CBI applauds Citizen State Bank for such a fantastic way to give back to their community, offer something special to Sheldon’s Celebration Days event, and also provide great entertainment to Sheldon area organizations.

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CBI Members Among Those Voted Iowa's Top Workplaces in 2016

Every year the Des Moines Register honors local companies nominated by their employees as Iowa's Top Workplaces. The list contains small, medium and large Iowa companies that embody the best in workplace culture and employee satisfaction.

Iowa Business Council Releases Third Quarter Results

Workforce Needs cited as Greatest ‘Primary Business Challenge’

The Economic Outlook Survey is conducted quarterly by the Iowa Business Council to inform Iowa businesses and Iowans about projected trends in the state’s economy, which may prove useful for business and economic planning purposes. The 2016Q2 survey was completed by the corporate members of the Council during the second half of May.

The sentiment of Iowa Business Council (IBC) members regarding economic activity in the state for the next six months moved lower from the previous quarter. The 2016Q3 IBC Overall Economic Outlook Survey Index (OSI) is 57—five points behind last quarter (62) and two points lower than this time last year (59). Historic high = 68 from 2012Q2 survey; Historic low = 35.3 from 2009Q1.

The 2016Q3 survey was completed by the corporate members of the Council during the second half of August. The 2016Q3 Sales OSI is 59, which is five points lower than last quarter (64) yet two points ahead of a year ago (57). Ninety-one percent of the CEOs expect steady or increased sales over the next six months—substantially higher (0%), higher (43%), or no change (48%). Ten percent of the survey respondents expect sales levels to decrease—lower (10%) or substantially lower (5%). High = 75 from 2011Q1; low = 38 from 2009Q1.

The 2016Q3 Capital Spending OSI is 56, which is six points behind last quarter (62) and three points lower than the 2015Q3 survey (59). Eighty-two percent of IBC corporate members expect steady or increased capital spending levels through February 2017—substantially higher (5%), higher (29%), or no change (48%). Nineteen percent of survey respondents expect capital spending, i.e., investments in facilities and equipment, to decrease—lower (19%) or substantially lower (0%). High = 71 from 2007Q4; low = 31 from 2009Q1.

The 2016Q3 Employment OSI is 56, four points lower than three months ago (60) and five points behind this time last year (61). Eighty-one percent expect hiring levels for the next six months to remain steady or grow—substantially higher (0%), higher (38%), or no change (43%). Nineteen percent expect employment needs to decrease—lower (19%) or substantially lower (0%). High = 69 from 2015Q2; low = 37 from 2009Q1.

Additionally, in this survey each respondent was asked to choose up to three of the following “Primary Business Challenges” their company is facing. The results follow (in the case of ties, responses are listed alphabetically):

“Companies rely on certainty when charting business plans and strategic activity,” said Mike Wells, President and CEO of Wells Enterprises in Le Mars and 2016 Chair of the Iowa Business Council. “The current economic environment, both domestically and overseas, does not present itself well in that regard, which is producing tempered enthusiasm for outcomes the rest of the year.”

The quarterly Iowa Business Council Economic Outlook Survey incorporates a diffusion index, wherein each survey response falls on a 100-point scale. Using weighted averages, an index number is then calculated that measures the sentiment of IBC executives projecting business activity six months into the future. An Outlook Survey Index (OSI) of 50 indicates that the business sentiment of all survey participants is average; an OSI above 50, the sentiment is positive; below 50, the sentiment is negative. This index generates a numeric measure going forward that attempts to more precisely estimate the economic condition of business activity in Iowa. For more information, please visit the IBC Web site at www.iowabusinesscouncil.org.

| Table 1: IBC Economic Outlook Survey Index (OSI) (Last five quarters) |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| 16Q3 | 16Q2 | 16Q1 | 15Q4 | 15Q3 |
| OVERALL OSI | 57 | 62 | 57 | 60 | 59 |
| Sales OSI | 59 | 64 | 60 | 62 | 57 |
| Capital Spending OSI | 56 | 62 | 57 | 59 | 59 |
| Employment OSI | 56 | 62 | 55 | 58 | 61 |

OSI = 50 indicates sentiment is moderate; > 50 is positive; < 50 is negative.
NOTE: Rounding may cause the addition of percentages to equal more or less than 100%.

| Table 2: IBC Economic Outlook 2016Q3 Survey Responses |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                | Substantially Higher | Higher | No Change | Lower | Substantially Lower |
| Quarter | 16Q3 | 16Q2 | 16Q3 | 16Q2 | 16Q3 | 16Q2 | 16Q3 | 16Q2 |
| Change in SALES over the next six months? | 0% | 0% | 43% | 70% | 48% | 20% | 10% | 5% |
| Change in CAPITAL SPENDING over the next six months? | 5% | 10% | 29% | 30% | 48% | 55% | 19% | 5% |
| Change in EMPLOYMENT over the next six months? | 0% | 0% | 38% | 50% | 43% | 35% | 19% | 15% |

NOTE: Rounding may cause the addition of percentages to equal more or less than 100%.
Banking on the Future
CBI’s Summer Intern Scholarship Program a Great Success

This year CBI welcomed the second crop of banks and students who participated in CBI’s Summer Intern Scholarship Program. Funded entirely by the Community Bankers of Iowa Education Foundation, the purpose of the program is to encourage college Sophomores and Juniors in the finance, accounting, business, agribusiness, marketing, and management disciplines to find summer positions in community banks in Iowa. Students are awarded a $1,000 scholarship upon completion of the program.

Last year had one intern and participating bank; this year five new banks took advantage of the program. First Citizens Bank in Mason City walked Iowa State University students Jacob Hackman and Olivia Bisbee through the world of community banking. Jacob’s stint at First Citizens has now led him to pursue community banking professionally after college. In his exit essay, Jacob stated, "Although I have taken the bulk of the finance and accounting classes en route to my degree prior to coming to First Citizens, it certainly shed some light on how class concepts are used in the business world. I am extremely thankful for my time at First Citizens and the decision I have made to pursue the banking field and the community-banking field more specifically."

Olivia Bisbee also found that community banking was the career for her after interning at First Citizens Bank. Already studying for an Ag Business degree at Iowa State, Olivia learned so much that she has decided to major in that as well. Olivia declared "One of the biggest things I learned this summer that will help me the most in the future was I discovered my passion in finance. After this summer at First Citizens and experiencing my first finance class this semester I have decided to pursue a double major in Agricultural Business and Finance."

Fidelity Bank & Trust in Dubuque also hosted three interns this summer: Carolyn Trumm, Cole Klostermann and Chance Maiers. Another Ag Business major, Carolyn has been an employee of Fidelity for two years, but still appreciates CBI for offering the Summer Intern Scholarship Program for the additional learning experiences it offers with local Iowa community banks. "I have gained a better understanding of interest rates, financial risk, tax returns, financial statements, credit presentations, risk rate changes, security agreements...liquidity, repayment capacity, working capital, the dynamics of leverage, the three solvency ratios, the importance of taking notes on customers...different types of loans, and plenty more! I have had a great experience interning with Fidelity Bank & Trust, and truly appreciate everyone and anyone who has gone out of the way to make my experience unforgettable."

University of Kansas student Cole Klostermann witnessed first-hand the positive impact that community banks have on the local economy and in the community outreach. "Fidelity makes a positive impact on the local economy each and every single day. With each new loan that Fidelity originates, we are helping local families own homes, cars, and businesses. Without this helping hand, the area economy simply would be far less prosperous. After getting exposure to banking and lending, I realized that yes, these people do need assistance. But, they were not necessarily in great financial hardship, rather they were chasing their dreams and the financing provided by Fidelity was helping make it all possible."

Chance Maiers, pursuing a degree in Finance with a Business Management minor at Concordia University, also witnessed the importance that community banks place on relationships with their customers. In his outstanding final essay, Chance related, "The friendliness and personal experience a customer receives is hands down the biggest perk of a community bank in Iowa. When people feel comfortable, they won’t look at another bank to get their loans from or open accounts to deposit their money into. They understand the best experience they can get is where they are at right now.

"Lessons learned this summer will be valuable 30 years down the road as I start my own career in banking in hopefully just over nine months. This summer wasn’t work but was rather an amazing time of creating friendships which will last a lifetime. I look forward to expanding my knowledge more and more in the upcoming years to reach my ultimate goal of becoming a chief financial officer at a community bank here in Iowa."

The CBI Education Foundation is governed by the Council of Presidents, former presidents of CBI. An IRS-approved 501(c)(3) organization, contributions made by both personal and corporate donors are tax deductible to the fullest extent of the law. Contributions of any size are accepted and encouraged. Various levels of recognition have also been established to spotlight those who demonstrate enhanced support.

The Summer Internship Scholarship program is administrated on a first-come, first-served basis until funds for that academic year have been exhausted. For more information about the Summer Internship program or the CBI Education Foundation and to learn how you can participate, visit our website or contact Krissy Lee at klee@cbiaonline.org or 515.453.1495.
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 benefitting 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.

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

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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.

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**Community Bank Balance Sheet Case Study**

**30% NIM Improvement**

**Balance Sheet Goals**

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

**Balance Sheet Strategies**

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

**Balance Sheet Impact**

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

**Additional Case Studies on the Reverse**