



# COMMUNITY BANKER UPDATE

SUMMER 2023



## 52<sup>ND</sup> ANNUAL CONVENTION PREVIEW



# Iowa Division of Banking Asks Iowa Community Bankers to Respond to Critical IT Survey

The Iowa Division of Banking (IDOB) created an Information Technology (IT) survey for state-chartered banks to complete that will create a confidential database of IT-related products and services used by Iowa state-chartered banks. This data will be critical if a cybersecurity event occurs and would help the IDOB to identify and assist impacted banks with cybersecurity challenges. The survey questions include core banking provider, wire system, website provider, and data communications vendors used.

The survey was emailed out from the IDOB to all bank presidents/CEOs on **May 16, 2023**. Please contact Chad Smith ([chad.smith@idob.state.ia.us](mailto:chad.smith@idob.state.ia.us)) at the IDOB if you did not receive the email. And, feel free to pass the survey on to your IT staff since they may be best

equipped to answer the questions.

Preparing for a cybersecurity event before one occurs is critical to providing the best outcome, if an event occurs at one or more of our state-chartered banks. We urge every bank to participate so we have a complete data set.



**Please try to respond by June 30, 2023.** ■



## New Program Educates You and Your Staff While Supporting CBI

CBI is excited to announce Community Banker University, our new, expanded educational offerings in collaboration with Independent Community Bankers of America's (ICBA) education department. Community Banker University provides a variety of ways to educate: certification programs, a bank director program, self-guided online training, and a wealth of resources and reference guides.

**And, you can show your support for CBI at no cost to you!** For every ICBA training course, seminar and resource purchased, **ICBA will donate 10 percent of eligible purchases to CBI.** When purchasing a course, program or resource materials, enter the state code **IA-CBI** during the checkout process.



This new affiliate education program will ensure that collectively, we put community banks in contact with the training tools necessary to grow bankers' knowledge and skills. Learn more and view program offerings on our [website](#). Look for "Community Banker University" under the Education tab. ■

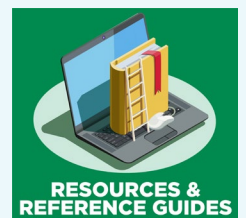
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**Visit [cbiaonline.org/community-banker-university.html](https://cbiaonline.org/community-banker-university.html) for full details on Community Banker University courses.**



**CBI Webinars are a standalone program independent of Community Banker University.**

**See course listings on our website; look for "Webinars" under the Education tab.**

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# COME TOGETHER!

## At CBI's 52nd Annual Convention

**JULY 19-21**  
**ARNOLDS PARK, IA**  
**REGISTER NOW!**



Refer to the 52nd Annual Convention [Event Guide](#) for detailed information.



Community banks are the ultimate examples of what it means to be a “family”. Indeed, many community banks are family-owned and managed and have been for decades--or even a century! CBI has continually supported Iowa's community banks and bankers, allowing them in turn to serve their own extended families--the customers, small business owners, farmers, neighbors and civic outreach volunteers and programs that define and enhance their communities. CBI seeks to uphold the family tradition by advocating for community bankers on critical issues and providing education and services to help ensure that the community banking model continues, and continues to grow when the next generations step in.



If community banks are the ultimate examples of family, then **CBI's 52nd Annual Convention** is the ultimate family reunion. It brings Iowa's community bankers together to learn both from each other and from industry experts.

The **General** and **Educational Sessions** offer regulatory updates, new ideas, and discussion on issues important to community banks and the financial industry.

Scheduled speakers include economist **Ernie Goss** and ICBA Immediate Past President **Bob Fisher**, Sukup Manufacturing President & CEO **Steve Sukup** featured in the Iowa Showcase at the Town Hall Breakfast, and 3x Dallas Cowboy Super Bowl Champion, US Air Force Fighter Pilot & Author **Chad Hennings** delivering the Keynote speech. **Teresa Greenfield**, Iowa Director of the USDA Rural Development office will close the conference.

Two educational sessions will be offered this year: a panel discussion on **Fraud Prevention** including **Diana Kern**, Senior Trainer from SHAZAM, **John Lande**, Attorney at Dickinson Law, and **Scott Saunders**, bank

analyst with the Iowa Division of Banking (IDOB), and the must-see **Regulators' Panel** comprised of IDOB Superintendent **Jeff Plagge**, FDIC's **James LaPierre**, and **Julie Williams** with the Federal Reserve Bank of Chicago.

CBI has also made some changes that we hope will make the reunion a nicer and more exciting event. We've piled everything into the family wagon and **we've moved ALL Annual Convention sessions and receptions to Arnolds Park, at the Majestic Pavilion and the Roof Garden.**

And, we've added some activities and goodies for kids! Every youth registration comes with an Arnolds Park Amusement Park day pass, a Pirates Cove minigolf entry ticket, a candy shop gift card and a ticket to the Boji Bantam Children's Theatre. Kids under 16 accompanied by an adult can participate in the Fishing event too, however, they are not eligible to compete in the Tournament.



As to other Convention events, the Mixed-Pair and Bankers' golf tournaments have been combined into one **CBI Convention Golf Tournament**, to be held at Emerald Hills Golf Course Wednesday morning. We'll celebrate 2023 CBI award recipients at the **Come Together! Kickoff Reception** at the Roof Garden on Wednesday night, and rise and shine at the **CBI Lakeside Fun Run/Walk** Thursday morning on the Arnolds Park waterfront. Fishing enthusiasts can skip the run and take a slow boat to the **18th Annual Fishing Tournament**. Even though registration is still open from now up to the Convention, to ensure that we are prepared with the appropriate amount of boats and guides, **the cutoff date to register for the Fishing Tournament is July 3. Walk-ons at the Convention will not be accepted.**

Thursday everyone can take a boat ride during the **CBI Come Together! Family Picnic** to be held on The





Queen II excursion cruiser, open to ALL Convention attendees. Don't have your sea legs? Pick up a picnic box lunch and sit a spell wherever your family wants to come together. On Thursday evening mix, mingle and mull over products and services during **"The Boardwalk" Expo & Reception** in the Roof Garden. The Expo opens at 4:00 pm, so you'll have more time to peruse this year as well. 2023 Leaders of Tomorrow Scholarship recipients will be honored Friday morning near the close of the Convention.

*So pack up the kids, cousins and aunties and join the fam at CBI's 52nd Annual Convention, July 19-21!*

[Additional information](#) and [registration](#) is available online at [cbiaonline.org](http://cbiaonline.org). Call at 515-453-1495 with questions. ■

**PLEASE NOTE:** You MUST register for all activities that you and/or your guest(s) wish to attend at the Convention, including Optional Events like golf or fishing tournaments, etc. Optional Events are not included in Youth or Exhibitors' complimentary registration. Registration and accompanying fees for those events applies. Only one (1) complimentary registration is included in tradeshow booth sponsorship.



## GENERAL SESSION SPEAKERS



**Ernie Goss**



**Robert Fisher**



**Teresa Greenfield**



**Chad Hennings**

## TOWN HALL BREAKFAST



**Steve Sukup**

## EDUCATIONAL SESSIONS

*Regulators' Discussion Panel*



**James LaPierre**



**Julie Williams**



**Jeff Plagge**

## *Fraud Discussion Panel*



**Diana Kern**



**John Lande**



**Scott Saunders**

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CBI Member Availa Bank is dedicated to the communities it serves, and one of the ways the bank reflects that is through its financial education efforts. Availa believes the more education it can bring to its communities, the more prepared they will be to make sound financial decisions.

In June 2022, Availa launched a bank-wide financial education outreach program. It was designed to complement their newly revised mission statement:

“Empower our team to inspire and enable our clients and the communities we serve to achieve financial success.”

Through this program, each branch is now required to get out into their communities with some kind of financial literacy program or presentation at least once per quarter.

After launching this new outreach program, Availa wanted to continue expanding their financial literacy lessons to one of the most vulnerable community groups: the elderly. Many senior citizens find themselves victims of common telephone or cyber scams without any knowledge of what they could have done to prevent it from happening. Availa branch employees headed out to senior living and community facilities to educate residents about:

- Recognizing and avoiding scams;
- Tips on how to safely use mobile payment apps and services;
- How to use Availa’s mobile app and online banking services;
- Identity Theft - How to avoid it and what to do if your identity has been stolen, and;
- Recognizing the red flags of elder abuse.



Availa Bank hosted presentations for seniors on the various scams targeting them, and how to protect themselves and recognize the signs of elder abuse. Presenting are (left side of photo, rear to front): Adam Wuebker, Loan Officer, Don Neary, Vice President/Loan Officer and Bryan Moore, Market President, all based in Carroll.

Each year many Availa branch employees go to local elementary schools and daycare centers to read books to the children on financial literacy, and take them through a lesson on the importance of saving. However, Availa knew that financial literacy lessons wouldn’t just benefit the young, so the bank wanted to expand its program to the rest of the community.



Availa Bank employees read to elementary school children on financial education concepts. Pictured are Availa’s Ashley Ricke, Recruiting Specialist (left) and Cassie Kathol, Branch Operations Supervisor, both based in Carroll.

In the spring, working with the North Central Iowa Small Business Development Center and Des Moines Area Community College for the event in Ames, Availa sponsored Innovate U, a “Shark Tank”-like entrepreneurial event that invites high school students to develop a business pitch for a new product or service that fits a need. Participants have only a few hours to develop this product or service pitch and then present it to local business owners/community members that act as judges.

Each group is given a mentor--another member of the local community--to help them put their ideas into action. Availa Bank’s Training Specialist Lisa Thompson and Recruiting Specialist Ashley Ricke served on a five member judging panel for the Carroll event. The bank’s Market President in Carroll, Bryan Moore and Universal Banker III Jeanne Wintermote served as two of the six mentors. Kayla Dinsdale, Universal Banker I served as a mentor for the Ames event. Availa’s Innovate U event has been a great way to not only connect students with community members, but also show them what is possible as a future entrepreneur. In 2023, Availa had the pleasure of hosting it not just in Carroll, but in the Ames community as well. Availa hopes to have an Innovate U program running in each of its branch regions in the next few years.





Availa Bank co-hosting Innovate U, an entrepreneurial event inviting high school students to develop a business pitch. Top Left (L-R): Ames area small business owners Richard Beeler, Beeler Lawn and Landscape, Shelby Smith, Gym-n-Eat Crickets and Jenny Pollard, Life Distilled. Top Right: Availa employees co-hosting the event (L-R) Lisa Irlbeck, Availa Marketing Director and Community Education & Outreach Director, Lindsey Smith, Marketing Assistant and Kayla Dinsdale, Universal Banker I in Ames. Bottom: Business leaders and Availa execs served as mentors in the development process.

Availa's next focus of attention on financial education was junior and senior high school students and their parents as they prepare for college. Availa hosts a Kickoff to College Night every fall. Here the bank provides information and guidance on the financial aid process, such as filling out the Free Application for Federal Student Aid (FAFSA), calculating Expected Family Contribution (EFC), scholarships, budgeting, and more.

While at the event students and parents can speak to professionals from Iowa College Access Network, their local guidance counselors, or ISL Education Lending, a division of CBI Affiliate Member Iowa Student Loan's



Availa Bank hosting its Kickoff to College Night, intended to educate high school students and their parents on higher education financial programs and resources. Speaking is Joel Lundstrom, Provost of the DMACC Carroll campus.

office. They can also speak to any of Availa's FAFSA certified staff at any time. The bank's goal is to reduce confusion around financial aid and other financial resources for students as they head to college.

Availa has reached over 5,000 people since its inception in 2022. The bank hopes to greatly expand that number in 2023, continuing with their established programs and with new presentations and financial education focuses for each of its branch communities.



Every year Availa Bank branches welcome schoolchildren in the bank, teaching them more advanced financial concepts like earned income, investments and bond markets. Presenting are (left) Ashley Ricke, Recruiting Specialist and Sarah Culligan, VP/Mortgage Loan Officer in Carroll.

CBI has put the spotlight on Availa Bank to applaud its dedication to providing financial education for community members of all ages. We look forward to seeing what the bank accomplishes in 2023! ■

For more information on CBI Member Availa Bank's financial education programs, visit <https://availa.bank/about/financial-education-outreach>.



# Aligning with the Next Generation of Ag Producers

## Characteristics, Challenges, and Opportunities



Written by Dr. David Kohl  
Professor Emeritus of Agricultural Finance  
and Small Business Management and  
Entrepreneurship - Virginia Tech



Engagement with producers, lenders, and agribusinesses post-pandemic finds business transition as one of the top challenges. Aligning with the next generation that will play an important role in shaping the agricultural landscape for decades to come is laden with challenges but also opportunities. Let's explore the future of this segment for any institution or business serving these future players.

In recent years, there has been much discussion about what defines a young or beginning farmer or rancher. Under 35 years of age and less than 10 years in business is often used to define this segment. Drawing on my four decades of facilitating at educational venues across the country with many agriculture organizations, I would suggest it is difficult to put this segment of producers in a box. In recent years, participants are coming to these venues with a wide range of demographics and skill sets.

### *Family businesses*

The family business model is still predominant in the agriculture industry. However, the characteristics of the family are changing. Many multiple generation farms, some four to seven generations, find more cousins partnering with cousins rather than brothers and sisters. In some cases, non-family members are hired into ownership and management positions within the business. An interesting trend that is accelerating is that over 20 percent of farms and ranches have no next generation. Often these producers will participate in educational venues to identify possible "draft picks" to carry on the legacy by a non-family member.

A common trend in the agriculture family business is offering apprenticeships. Whether it is a family or non-family member, arrangements are made for the next generation to manage specific enterprises using common assets such as equipment, land, and facilities. The younger generation builds their management mindset and is responsible for production, marketing, risk management, finance, and operational management of the specific enterprise. The most successful situations are those where the younger generation does not borrow funds from family members and is accountable to a lender.

### *Agri-entrepreneur*

The next model that is accelerating in numbers is the agri-entrepreneur. These individuals are successful at multitasking with outside "gig" income to supplement the farm and ranch business. While this business model often has very little collateral, they often boast diversified sources of income. The benefit beyond the income is building a community and networking to generate new ideas and markets. This is very appealing as technology has allowed many agri-entrepreneurs to expand their reach through social media and integration of innovation and technology observed in the side venues.

### *Boomeranger*

The next model throws a curveball to the age characteristics of "traditional young farmers." These individuals are called the boomerangers and are previous blue collar and white-collar workers. They use their experiences and skill sets developed in another occupation in their agriculture business model. For example, two individuals in their late 50s started an organic grain operation after a career at a major automaker. Their experience with protocols, documentation, and overall transparency provided the competitive edge in their organic grain operation.

### *Vertical and Urban Agriculture*

A group that is underserved by traditional agricultural lenders is the vertical and urban farming segment. This group of entrepreneurs is very adept at taking facilities in the city and converting them into successful business models while providing services to the community and the public.

The future of young and beginning farmer and rancher programs can be modeled after trends in FFA, 4-H, and MANRRS programs. More women and minority membership in these organizations and on leadership teams are being observed as I engage with these youth groups. Approximately 20 percent of FFA chapters are urban based as youth are attracted to learning skill sets such as teamwork and communications while making a difference in life rather than the standardized test model used in curriculum assessments.

### *Needs assessment*

A challenge to the young and beginning farmer and



rancher programs is the diversity in needs. Some farmers and ranchers want the basics. In some cases, they may have inherited a land base and they do not know what to do with it. The basics of production, crop and livestock management, and building infrastructure like fences, roads, and structures is a high priority. For some producers, information on organization, record-keeping, budgeting, legal issues, and financing is often needed. Skill-based assessments, time management, and work life balance are also a high priority.

The traditional family model, agri-entrepreneur, and boomeranger all need to conduct both an internal and external resource assessment. Marketing assessments, both for commodity or value-added production, are often needed along with business planning and personal finance budgeting. The challenge is this could be for a small, urban operation with less than \$10,000 of annual revenue or a large business with over \$1 million of revenue.

In terms of the family business model, continuing the family legacy with a focus on the transfer of wealth and management is an area that will always need to be addressed. Changing roles and the integration of generations is often a marathon of multiple years rather than a sprint. Governance, business organization, taxes, and communications are often the difference makers with this model. The key is to center on continuing the legacy of the family business and the founders of the business.

#### *Defining success*

My years of experience interacting with young and beginning farmers and ranchers finds a wide spectrum of how they define success. Some are focused on profits and wealth building, while others want to maximize their entrepreneurial spirit. As previously mentioned, success can be carrying on the family legacy or a legacy for a non-family member. Some beginning farmers and ranchers are focused on community and society through educational venues or providing an experience or service to give back to society and the community. Whether it is traditional, urban, or vertical farming, there is a definite movement towards sustainable and regenerative agriculture in collaboration with new, innovative agriculture segments and technology. Many will often list success as raising the family or non-family members with the appreciation of life skills and business management skills.

#### *Successful young and beginning farmer and rancher programs*

It is difficult to put young and beginning farmers and ranchers in a box. Most successful programs have flexible boundaries with a wide range of criteria and demographics of attendees. These programs are creative and entrepreneurial to meet the needs of the footprint of the sponsoring organizations.

Successful programs integrate team members of the sponsoring organizations in the educational venues rather than having them sit in the back of the room.

These team members are instrumental in the selection process of the participants and the integration into the educational venue. They also provide follow-up and accountability on assignments designed to bring the education to life for the participants.

The flexibility to customize subject matter and link the programs to financial incentives both support creative, cutting-edge programs. Commitment and accountability of the participants is critical. Completing assigned tasks, meeting criteria for incentives, and participants providing some “skin in the game,” which could be financial or time, are all critical for accountability. This is analogous to a Division I scholarship that requires a total commitment from the athlete.

Supporting these programs consistently with necessary technical, capital, and human resources is critical. Historically, political agendas inside and outside the sponsoring organizations send a message to the participants regarding the organization’s commitment. Programs that are inconsistent from year to year on a local, state, regional, or national level, establish a negative perception within the agriculture industry.

#### *Pitfalls in strategy and execution*

Definitions of young and beginning farmers and ranchers in terms of age, years in business, and scope of the program need to be as flexible as possible to include all interested producers; however, a one-size-fits-all approach will often be too generic for many programs and educational efforts.

Institutional inconsistency at local, state, regional, and national levels is a detractor. Misalignment of the “vintage” or experienced lenders who lack passion for this segment and who think inside the box can also deter the young, beginning, and small segment of producers.

In my experience, it is best to stay away from commodity specific programs as it creates the “silo syndrome.” Chasing the next big thing such as hemp, llamas, emus, catfish, or broccoli can be dangerous from an economic and image perspective. While some have been successful in these industries, success is never guaranteed. In terms of financial education, trying to cover everything at once, rather than following a process, can be overwhelming. The numbers game is not a sprint, but a marathon.

Traditional risk rating systems do not fit this segment well. More emphasis needs to be placed on cash flow, working capital, liquidity, business planning and IQ, and execution rather than hard collateral, which is often lacking because of the tenure of this demographic.

The following are suggestions for innovations for the future of young and beginning farmer and rancher programs:

- Engagement of the institution’s team members, board of directors, and management is vital.

***Next Generation of Ag Producers*** continued on [Page 13](#)

# 2023 Money Smart Week Poster Contest Winners!

## 2023 Money Smart Week Poster Contest WINNERS

### First Place: Macy Cunard, 6th Grade

Submitted by Northwest Bank - Spencer, IA

### Second Place: Chase Rahe, 5th Grade

Submitted by Fidelity Bank & Trust Dyersville, IA

### Third Place: Adelynn Kemen, 5th Grade

Submitted by Farmers Savings Bank & Trust - Traer, IA

### Honorable Mention: Amelia Uribe, 6th Grade

Submitted by Fidelity Bank & Trust - New Hampton, IA

### Honorable Mention: Danielle Drescher, 4th Grade

Submitted by Northwest Bank - Ames, IA

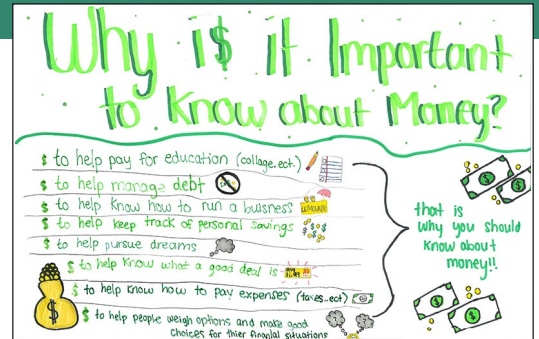
The 2023 Money Smart Week Poster Contest winners have been chosen! To enter the contest, Iowa elementary school students in 2nd through 6th grades submitted their poster designs to participating community banks across Iowa. Posters were designed to answer the question: "Why is it important to know about money?" Designs were evaluated on overall message, creativity, and workmanship.

Hundreds of students eagerly prepared posters to depict their idea of why an understanding of money is essential. The community banks who collected the posters then submitted them to CBI for judging. The First Place winner was awarded a \$600 CD, with Second and Third prizes each receiving a \$300 CD. Students who submitted posters deemed worthy of Honorable Mention received an official certificate acknowledging their designs.

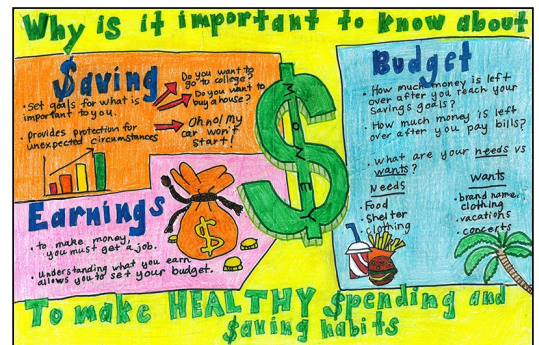
Since 1999, Community Bankers of Iowa has hosted the Money Smart Week Poster Contest as part of April's [Community Banking Month](https://www.moneySMARTweek.org) festivities. For more information on Money Smart Week, visit [moneysmartweek.org](https://www.moneySMARTweek.org).

Congratulations to the winners, and thank you to all of the community banks throughout Iowa that participated in this year's Poster Contest, promoting financial literacy in your communities.

See you again next year! ■



**FIRST PLACE**  
**Poster by Macy Cunard**



**SECOND PLACE**  
**Poster by Chase Rahe**



**THIRD PLACE**  
**Poster by Adelynn Kemen**

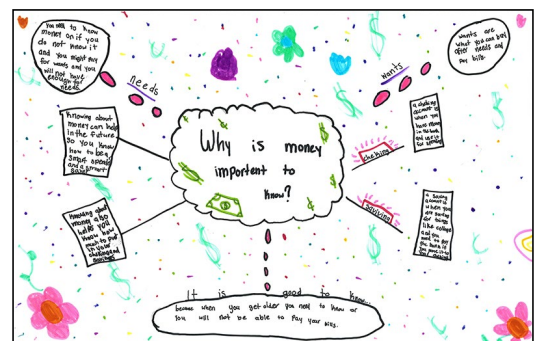


**Click each of the poster images to view larger.**

### HONORABLE MENTION

◀ **LEFT:**  
**Poster by Amelia Uribe**

**RIGHT: ▶**  
**Poster by Danielle Drescher**





- Whether it is in person or through technology, face-to-face time and a focus on building a return on relationships should be a priority.
- Trips and visits to outside the box industries like urban agriculture or successful agribusinesses have been a successful standard.
- Why go it alone? Some of the most successful programs are a result of collaboration with other institutions or industry groups with similar core values. This is a new trend being observed nationwide.
- A portfolio of risk capital backed by government guarantees or other industry incentives could be the mode of the future that needs to be expanded.
- Maintaining a network of expertise and presenters across various crosscutting subject matter topics that is constantly updated could be very useful.

Changes in agriculture through demographics, innovation, technology, and marketplace shifts will require constant vigilance in setting the expectations for this segment that is vital for the future of the agriculture industry. ■

Dr. David Kohl is Professor Emeritus of Ag Finance and Small Business Management and Entrepreneurship at Virginia Tech. He brings his insight into the agricultural industry to ag lenders, producers and businesspeople with his "Dave's GPS" column for CBI Affiliate Member Farmer Mac. For more visit [www.farmermac.com](http://www.farmermac.com).

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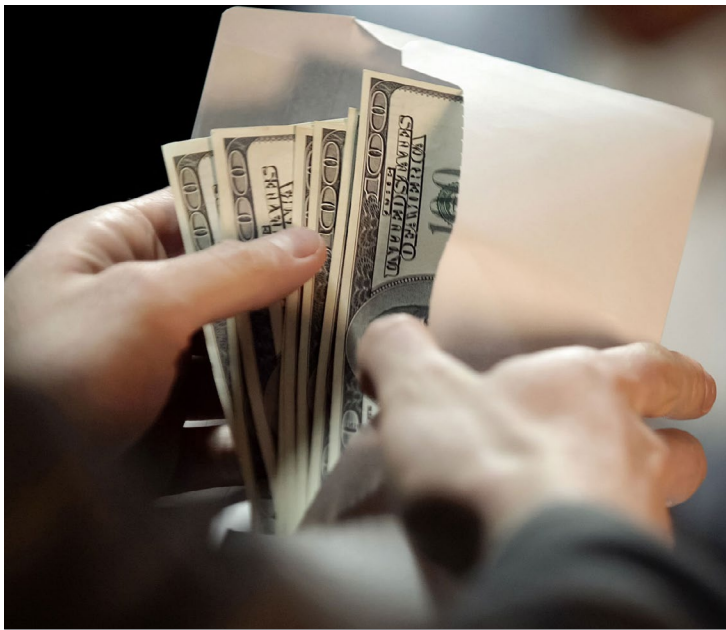
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# Adopting a Holistic **FRAML** Approach to Fight Financial Crime

*Written by Ankur Shah*

Senior Strategic FRAML Product Manager

CSI



As digital payments and online transactions increase, the risk of bad actors fraudulently using these channels is growing as well. The United Nations estimates that 3% to 5% of the global GDP—around \$5 trillion—is laundered each year across the world. Fraudsters steal billions of dollars annually from organizations and individuals in the U.S. alone.

But losing money is not the only risk that financial crime poses to organizations. If a bank falls victim to illicit activity, it risks reputational damage. That danger is compounded by regulatory risk. In an ever-evolving digital space, protecting against cyber criminals is a must. That's why many financial institutions are merging their monitoring efforts into a comprehensive fraud and anti-money laundering approach, known collectively as FRAML.

## **FRAML: Bringing Together Fraud and Anti-Money Laundering**

Fraud and money laundering are distinct financial crimes, but there is a reason the two are often connected. Financial fraud results in ill-gotten gains for a bad actor, and money laundering provides a way to place illegally obtained money into the global financial system without arousing suspicion. Understanding each crime individually is critical to comprehending the [intersection where fraud and anti-money laundering meet](#).

FRAML brings together the fraud and AML operations of an institution, helping to automate data sharing and better identify the lifecycle of customer risk that is created through both components. Using FRAML technologies allows your institution to analyze a vast amount of data transactions and consumer behaviors, providing a holistic risk profile.

By creating these high-level, holistic risk profiles, your institution can better predict and prevent both fraud and money laundering components where they

intersect. The combination of these functions often leads to stronger risk management and increased operational efficiencies.

## **Fighting Financial Fraud**

Financial fraud is a broad term, describing any activity that deprives another person of money or other assets through deception or crime. It is one of the most common financial crimes in the world, with nearly \$6 billion in consumer financial fraud losses reported to the U.S. Federal Trade Commission in 2020 alone.

Fraud can be conducted in dozens of ways, from check fraud to phishing to identity theft, but all types of fraud involve access to a victim's assets by a bad actor through unauthorized or illicit means.

Criminals in the financial fraud space are taking advantage of new technologies to commit crimes more quickly and make them more difficult to prosecute. P2P fraud incidents are rising as fraudsters target payment apps such as Venmo and Cashapp, with another \$440 million in consumer losses reported in 2021, [according to a Senate report](#).

## **Understanding Money Laundering**

Money laundering is the conversion of profit from illicit activity into money that appears to be the product of normal business. Financial criminals use various methods to conceal the origin of their funds from businesses and law enforcement, but most launderers follow three common steps:

- **Placement** is the insertion of illicit funds into the legitimate financial system. This can be accomplished several ways, including blending the illicit income into income from a legitimate source or falsifying documents indicating a business transaction that never took place.
- **Layering** is separating the proceeds of criminal activity from its source — often through a series of

*FRAML Approach continued on [Page 19](#)*





# Innovation Station

## Why you need a Digital Back Office



Written by [Charles Potts](#)  
EVP and Chief Innovation Officer  
ICBA



For back-office functions, intricate interdependencies exist to ensure smooth operations, and when one element is disturbed, processes may bottleneck and fail. It's a lot like that classic "I Love Lucy" chocolate factory episode where the conveyor belt just keeps pushing forward, spilling over and making a mess of what was meant to be a streamlined scenario.

So, when it comes to introducing new technology into the back office, I understand when bank teams express trepidation over adding a new element to the mix. But in today's environment, digital solutions are transforming how community banks do business, and in many ways, back-office automation is the low-hanging fruit for taking that first or next step. It's a way to test the digital waters without upending the customer experience, and when implemented well, it can introduce a host of new opportunities for all areas of the organization.

In fact, back-office offerings will make a bank's investment in digital transformation all the more valuable. By reverse engineering what you're looking at in your operations to determine how problem areas can be solved by what you do at the front portion of the process, you will invoke a soup-to-nuts approach that takes you from the customer-facing solution to the end processing scenario. This holistic view will confirm you are creating an efficient and comprehensive plan that maximizes your investment in innovation.

And fintech solutions can help banks in linking those front- and back-office experiences. For example, KlariVis, an enterprise dashboard and analytics solution, supports community banks in ensuring

that the information provided from transactional operations gives way to strategic customer insight. Or consider Beauceron Security and how the cybersecurity knowledge it brings to staff helps them be more vigilant in supporting customers. Solutions like these are deployed to help uncover opportunities in the linking of internal knowledge with external experience. In short, they help banks to assess what they already have to better empower customer-facing activities.

With our ThinkTECH Accelerator ([icba.org/thinktech](https://icba.org/thinktech)) new solutions are emerging that will continue to test the connections between a bank's external- and internal-facing capabilities. These emerging technologies can help you create a streamlined digital experience for both your customers and internal teams.

Because what we do in the back office affects the customer experience. So, let's avoid becoming the Lucys of our proverbial assembly lines and ensure all pieces of the process are addressed by innovation. When implemented strategically, a bank's innovation investment will deliver a streamlined, digital approach that both increases efficiency and enhances front- and back-end experiences. ■

Charles Potts ([charles.potts@icba.org](mailto:charles.potts@icba.org)) is ICBA's executive vice president and chief innovation officer. For more information visit [www.icba.org](https://www.icba.org).

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# Returns, In Total

*A wide range of market prices requires analysis.*



Written by *Jim Reber*  
President and CEO  
ICBA Securities



If your duties at your community bank include bond portfolio management, you may have noticed that your holdings'

market values are all over the table. In another consequence of the last 12 months' volatility, bond-buying in 2023 presents a rare opportunity to buy liquid, predictable government-guaranteed bonds at variety of prices. This includes premiums, discounts and even par (100.00). In some recent periods, (e.g., 2021) there weren't many bonds available at prices below par, and in others (e.g., 2022) none could be found at premiums.

Of course, your current security inventory still contains unrealized losses, but at least you have a chance to choose some bonds that are set up to perform well in rising *or* falling *or* stable rate environments. This is what happens when the 5-year Treasury note's yield rises and falls over 80 basis points (.80%) in a two-month window, like it did in February and March. If you're able to spend some money here in mid-2023, there are some nuances and tools available that you'll want to consider as you're looking at current bond offerings.

## Shopping lists

Many (learned, experienced) community bankers I know tend to review a series of quantitative factors when analyzing potential investments. These include the traditional metrics such as stated maturity, issuer name, coupon, price (premium, par or discount) and, of course, yield. This analysis will also include a future price projection given certain interest rate shocks. Since a given bond is worth par on possibly only two days of its life, those being pricing date and maturity date, most everything a community bank buys will be at prices either above or below par.

The reason that matters when comparing one bond to another is that these premiums and discounts will have an impact on their projected future values, given a certain change in rates. Bond math is clearly not linear, and even more so when an investment is stress-tested with a book price that's nowhere near par. Let's review the benefits of buying bonds at both discounts and premiums.

## Discount versus premium

I've made the case that investors like the sound of a bond that's priced below 100 cents on the dollar. It has the ring of a bargain, or (even better) a superior position to the unfortunate investor who paid par when first issued. This of course requires buyers to ignore the fact their own portfolio has recently dropped in value. Whether you realize it or not, bonds priced below par tend to perform best when rates fall, particularly when there's some kind of a call option attached, which applies to about 80% of bonds owned by community banks.

The opposite occurs when a bond is priced over 100 cents on the dollar. Premium bonds, which requires buyers to accept that the original owners paid less for the same bonds, will do better if rates rise. The above-market coupon rates will help to keep the duration from extending and possibly even cause yields to move higher since premium investments are sometimes referred to as "quasi-floaters."

## Valuable tool

The good news is there is a standard measuring stick to augment some of the numerical features mentioned above: Total Rate of Return (TRR). Total return takes

*Returns, In Total continued on Page 18*



# How Does Recent Bank Drama Impact the Value of Community Banks?



Written by [Lindy Ireland](#)  
Vice President and Shareholder  
[BCC Advisers](#)



I don't know about you, but recent developments in banking have me flashing back to 2007 – when we saw large banks reap the consequences of some risky activities – and community banks were pulled into the fallout. The recent downfall of certain large banks (you know the ones I mean!) has made a big splash in public bank stock prices, the overall economy, and public sentiment toward banking.

So, how has this impacted the value of privately owned community banks? Several bankers have called to ask exactly this. How does the current banking environment play out in a bank valuation? Let's explore.

The first thing to consider is the valuation date. During the first part of this year, most of our firm's bank valuations were as of a date late in 2022 (for gifting, ESOPs, buy/sell agreements, etc). Since appraisal standards require that a valuation be performed on the basis of what was "known or knowable" as of the valuation date, a late 2022 value does not show the effect of recent developments. But as we pull ahead to more recent dates, the effects creep in. Public banking stock prices are down, no question. However, many community banks are insufficiently comparable to public banks and no weighting is placed on a Guideline Public Company Method. *Uncertainty*, however, IS a factor that has a valuation effect. Most notably, this shows up in the Discounted Cash Flows Method – a forward-looking method based on a bank's forecast. Uncertainty is synonymous with risk in the valuation world. But, for what it's worth, uncertainty has been a bigger player in bank valuations since 2020 for other reasons: a worldwide pandemic, rising interest rates, economic concerns (the list is longer, but these are the top three). So, a different reason, but more of the same.



Recent banking transactions also are an indicator of value, but it is hard not to notice that far fewer banks are changing hands. The recent bank drama may have a slight bearing here, but the big driver is those unrealized bond losses. While unrealized losses are sitting on a bank's balance sheet, value is unaffected (a valuation measures the value of operations, not investments). But most owners are not interested in selling a bank in this environment and realizing those losses.

I will leave you with this: the recent large bank drama is viewed as transitory. This too will pass but the standard of fair market value takes a longer look. The value of larger banks is likely to be somewhat suppressed because of higher comparability to public banks while community banks are less affected (this seems fair, doesn't it?). If you are a community bank, the value of your bank is still most associated with the cash flows you will achieve in the future. Your value ties to your profitability, asset strength, and growth. ■

With over 30 years of experience in financial compliance, planning and analytical roles, Lindy's practice includes valuation and consulting for banks, ESOP companies, and those exploring employee ownership. For more information on CBI Affiliate Member BCC Advisers, visit [www.bccadvisers.com](http://www.bccadvisers.com).

**See Lindy in Booth #6 during  
"The Boardwalk" Expo & Reception!**



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into account three variables: yield, change in price and horizon date. It's a much more complete standard than yield, and the primary risk in a bond—price volatility—is embedded in the calculation. (You can calculate TRR on virtually any financial instrument, including equities, as well as commodities.)

For example, if you are offered a security at a price of 93 cents on the dollar, priced to yield 5.25% to maturity, and a year from now its market value has risen to 95 cents, your total return for that period will be 7.25%. The typical set of offering documents that brokers provide will include a price volatility table, which usually includes projections assuming immediate and parallel rate shocks. Feel free to ask

for a Total Return Analysis (TRA) screen from your brokers. TRAs are easy to read and can provide valuable data for your decision making.

Finally, most full-service firms, including ICBA Securities' endorsed broker Stifel, produce TRR matrices that are frequently updated and readily available, for some pre-purchase analysis. So make life easier on yourself, and help improve the performance of your bond portfolio: Adopt total return analysis as part of your due diligence as you consider premium versus par versus discount purchase opportunities. ■

Jim Reber is president and CEO of CBI Endorsed Member ICBA Securities, ICBA's fixed-income broker-dealer for community banks. He can be reached at [jreber@icbasecurities.com](mailto:jreber@icbasecurities.com) or 800-422-6442.



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## Welcome New CBI Members!

*Community Bankers of Iowa would like  
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their support:*

**Credit Bureau Mortgage  
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**Forbinfi**  
Waterloo, IA

**Visa**  
Foster City, CA



complex transactions through multiple people, corporations and trusts. Illicit cash may be converted converted to money orders, bonds, wire transfers or even tangible goods like jewelry or art to further disguise the trail.

- **Integration** is the return of the now legitimate-appearing money to the criminal as profit. Now that the proceeds of criminal activity are integrated into the legitimate financial system, the money can be used normally for any number of transactions. At this point, laundering becomes significantly harder to detect and prosecute, as the money appears to be stemming from standard sources of business.

Due to its complexity, money laundering presents an incredible challenge for entities involved in the U.S. financial system. Every onboarded customer could potentially be involved in money laundering. Likewise, every new transaction processed could represent the flow of laundered money. Picking out which customers and transactions fall into these categories is like finding the proverbial needle in a haystack. That's why it's critical to have an effective AML solution to detect suspicious activity, stop the flow of laundered money and avoid costly regulatory fines—especially as [BSA/AML scrutiny grows](#).

## Moving Forward with FRAML

The fight against fraud and money laundering is never ending, and banks of all sizes can be overwhelmed by the sheer volume of criminal attempts and the complex regulations surrounding them. Failure to live up to this expectation to protect your customers' data can lead to regulatory fines and reputational damage that causes further financial harm beyond the costs associated with fraud itself.

But criminals are not the only ones evolving. New technologies are replacing outdated methods of monitoring, giving organizations an edge in stopping financial crime before it can cause financial, reputational or legal liability. And implementing a cohesive FRAML strategy is the most efficient and effective way to tackle fraud and AML compliance.

[Read our white paper](#) on incorporating the use of both AI and machine learning in your bank's approach to FRAML. ■

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Ankur Shah is a strategic product manager at CSI. For more information on CBI Affiliate Member CSI visit [www.csiweb.com](http://www.csiweb.com).

# Realize your check program potential

## How to get the most out of your check program

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# Flourish

Written By: Rebeca Romero Rainey, President & CEO of ICBA



“Our success lies in the things we don’t have to do.”

Earlier this year, I attended the Independent Bankers Association of Texas (IBAT) EDGE event, and when Hazem Ahmed, the chairman of the IBAT Education Foundation, uttered those words, I sat up and took notice.

That’s because as leaders, this sentiment resonates as we consider the future of our banks and our communities. What are we doing outside of our daily operations to support the next generation? How are we bringing our teams along with us? In short, what are we doing that we don’t have to do to create continuity and lasting success?

This concept really rears its head when we consider succession planning. As we think about who will fill our shoes, we need to recognize that preparing for the future is not as much about filling a particular job description as it is about creating a conscious path for our banks and communities. To paraphrase immediate past chairman Brad Bolton, we aren’t just building bank leaders, we’re cultivating community continuators.

That goes beyond running the bank. So, when we look at staff development, our focus cannot be solely on that new role or title. It needs to address how what we’re doing today will prepare and grow them for the future. It takes conscious planning and preparation, extending further than development plans to inspire our teams to want to be the next community continuators.

When I speak on this topic, I often ask

for a show of hands in the room of how many people have identified their successor. A fair number of hands rise. Then I ask, “Does that individual have any clue what you’re thinking?” The chuckles I get from that follow-up are fascinating. All too often, we’ve decided this person could do the job, but we’re not telling them.

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*“Preparing for the future is not as much about filling a particular job description as it is about creating a conscious path for our banks and communities.”*

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We have to have these conversations and let people know that they have great potential, because our careers are journeys, not destinations. While we can’t guarantee what the future holds, we can share our vision and provide that individual with a sense of purpose and an inspiration for what their role could become.

So, as you read and reflect on leadership in this month’s issue, I encourage you to ask yourself what more you could do to launch the next generation of community continuators. I’m betting you’ll come up with a few new ideas, and chances are that these “unrequired” actions are a key to your bank’s continued success. ■

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As well as being President & CEO for ICBA, Rebeca Romero Rainey is CEO of Centinel Bank in Taos, New Mexico. Connect with Rebeca on Twitter [@romerorainey](https://twitter.com/romerorainey).



# From the Top

Written By: Derek Williams, Chairman of ICBA



Community banks are the financial center of our communities, and we're invaluable to the success of those we serve. But we can't take our eyes off the ball and let that prominent position elevate our sense of importance. Community banks want and need to be approachable, to ensure our customers and communities feel comfortable and at home with us.

Because a true leader is one who doesn't seek to lead but rather leads by example, by giving back. For community banks, it's not about the position, authority or power, but about what we can do for others. That's how we set ourselves apart in our communities: We focus on giving, not taking; on serving, not being served.

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*"In an industry overwhelmed with financial performance and earnings, community banks shine by focusing on what matters: the people and communities they serve."*

---

This life lesson of humility and service has been demonstrated for me as far back as I can recall, and it has driven me to where I am today. I grew up in a very small town, and my dad was the premier homebuilder for our community. He was well known, was often asked to take on leadership roles, and as young builders emerged, they looked to him as a mentor. He helped them learn and grow—even though they were competing with him for work. The future of our community was more important to him than any specific job or project, and he believed in helping others to better themselves: the hallmark of a true leader.

That selfless approach of focusing on the greater good was tremendously inspiring to me as a young

man. I learned you don't necessarily set out to lead. You lead because you provide an example that someone wants to follow.

That responsibility never ends. It's not a part-time job; it's a way of being that makes all the difference. You're always growing, evolving and working to do better and be better. Every great leader has a mentor to follow, to help them become the next best version of themselves.

It's why I'm so proud to be a community banker today. In an industry overwhelmed with financial performance and earnings, community banks shine by focusing on what matters: the people and communities they serve. We have been through all kinds of economic cycles, both ups and downs. Our banking model responds to the changing environment and adapts to support new demands.

Because that's what leaders do: They stand strong for those they serve. From that perspective, I can confidently say community banks are poised for continued success. Our focus is on people, and that approach will always prevail. ■

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Derek Williams is President and CEO of Century Bank & Trust in Milledgeville, Georgia.

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# Rural Mainstreet Economic Survey

## Rural Mainstreet Goes Negative for March, Higher in April; Banks Lose Deposits Again in May



Ernie Goss

### Only 13.6% of Bankers Tightened Farm Credit Standards; CEOs Report Loss of Deposits; Two-Thirds Oppose Bailouts, Expect Flat Farmland Prices Over Next 12 Months

#### March 2023 Survey Results at a Glance:

- After hovering around growth neutral for three straight months, the region's overall economic reading slumped below the threshold to its lowest reading since October of last year.
- Farmland prices have now advanced for 30 straight months.
- After advancing by over 9% for 2022, bank CEOs expect farmland prices to expand by only 1% over the next 12 months.
- Only 13.6% of bankers tightened credit standards for farm loans this year.
- Approximately 87% of bankers recommend a Federal Reserve rate hike at its next meetings, March 21-22, with almost one-third supporting a 0.50% increase.
- Bank savings deposits rose to a record level.

After three straight months of readings slightly above growth neutral, the Rural Mainstreet Index fell below the growth neutral threshold, 50.0, according to the March monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

**Overall:** The region's overall reading in March sank below the growth neutral threshold. The March index slumped to 45.6 from 50.1 in February. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral. "The Rural Mainstreet economy continues to experience slow, to no, to negative economic growth. Less than 1% of bankers reported improving economic conditions for the month with 92% indicating no change in economic conditions from February's slow growth," said Ernie Goss, PhD, Jack A. MacAllister Chair in Regional Economics at Creighton University's Heider College of Business.

**Farming and Ranching Land Prices:** The region's farmland price index decreased to 63.0 from February's 63.5. This was the 30th straight month that the index has advanced above 50.0. Across the region, farmland prices advanced by approximately 9% over the past 12 months. However, bankers, on average, expect only 1% growth over the next 12 months.

#### April 2023 Survey Results at a Glance:

- April's overall reading rose above growth neutral for the month.  
More than three of four, or 76.2%, of bank CEOs oppose the recent "bailout" of Silicon Valley Bank and Signature Bank.
- Two-thirds of bank CEOs oppose all bank bailouts (i.e., community, regional and multibillion dollar banks).
- Approximately 64% of bankers reported depositors exiting due to higher financial risks.
- Checking deposits plummeted to a record low.
- Farmland prices expanded for the 31st straight month.

After declining below growth neutral for March, the Rural Mainstreet Index expanded above the threshold, according to the April monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

**Overall:** The region's overall reading in April climbed to 50.1 from March's 45.6. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral. "The Rural Mainstreet economy continues to experience slow, to no, to negative economic growth. Only 8% of bankers reported improving economic conditions for the month with 84% indicating no change in economic conditions from March's negative growth," said Ernie Goss, PhD, Jack A. MacAllister Chair in Regional Economics at Creighton University's Heider College of Business.

Mike Van Erdewyk, CEO of Breda Savings Bank in Breda, Iowa, said, "It seems like a self-fulfilling prophecy that they will say higher rates stopped inflation when it may be more of unprecedented government actions not letting the market sort it out."

#### Farming and Ranching Land Prices:

The region's farmland price index rose to 64.6 from March's 63.0. This was the 31st straight month that the index has advanced above 50.0.

**Farm Equipment Sales:** As a result of solid farm financial conditions, the farm equipment sales index fell to a still solid 54.3 from 59.5 in March. The index has risen above growth neutral for 27 of the last 29 months.

#### May 2023 Survey Results at a Glance:

- The May Index rose above growth neutral to its highest reading since May 2022.  
On average, bankers estimated that farmland prices in their area rose 4.3% over the past 12 months.
- On average, bankers expect farmland prices in their area to remain stagnant (0%) for the next 12 months.
- For the second straight month, checking deposits decreased to a record low.
- Approximately 84.6% of bank CEOs expect banks to continue to report insolvency challenges.
- Between the 2008-09 banking crisis and December 2022, the region lost 41.5% of its banks through mergers and insolvencies.

After declining below growth neutral for March, the Rural Mainstreet Index expanded above the threshold for a second straight month, according to the May monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

**Overall:** The region's overall reading climbed to 55.8 from April's 50.1. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral. "The Rural Mainstreet economy continues to experience slow economic growth. Only 11.5% of bankers reported improving economic conditions for the month, with 88.5% indicating no change in economic conditions from April's slow growth," said Dr. Ernie Goss, PhD, Jack A. MacAllister Chair in Regional Economics at Creighton University's Heider College of Business.

**Farming and Ranching Land Prices:** The region's farmland price index dropped to 56.3 from April's 64.6. This was the 32nd straight month that the index has advanced above 50.0. Bankers reported that non-pasture farmland prices in their area grew by an average of 4.3% over the past 12 months. The bankers responded negatively about the future by reporting an average expected price growth of 0.0% over the next 12 months.

**Farm Equipment Sales:** As a result of sinking farm financial conditions, the farm equipment-sales index fell to a weak 50.2 from 54.3 in April. The index has risen above growth neutral for 28 of the past 30 months.

[CLICK TO READ MORE OF THE MARCH 2023 SURVEY](#)

[CLICK TO READ MORE OF THE APRIL 2023 SURVEY](#)

[CLICK TO READ MORE OF THE MAY 2023 SURVEY](#)



## Tables 1-4 summarize survey findings. *Click each table to view larger.*

**Table 1: Rural Mainstreet Economy March / April / May 2023:  
One Year Ago and Last Two Months (index > 50 indicates expansion)**

	March 2022	April 2022	May 2022	February 2023	March 2023	April 2023	May 2023
Area economic index	65.4	65.4	57.7	50.1	45.6	50.1	55.8
Loan volume	61.9	61.9	73.0	48.1	63.0	62.5	75.0
Checking deposits	78.8	78.8	54.0	38.5	40.9	25.0	22.0
CDs and savings instruments	40.4	40.4	38.0	57.7	75.0	74.0	70.0
Farmland prices	78.0	78.0	72.0	63.5	63.0	64.6	56.3
Farm equipment sales	72.2	72.2	66.9	52.1	59.5	54.3	50.2
Home sales	69.2	69.2	61.5	37.0	36.4	44.0	55.8
Hiring	63.5	63.5	61.5	48.1	45.5	54.2	58.0
Retail business	51.9	51.9	50.0	50.0	41.3	41.7	56.0
Confidence index (area econ. 6 mos. out)	54.0	54.0	40.4	44.4	39.1	38.0	38.5

**Table 2: Rural Mainstreet Economy March 2023**

**Percentage of bankers reporting**

	Decline 4% to 6%	Decline 1% to 3%	No Change	Increase 1% to 6%	Increase 7% to 9%
Regarding farmland (non-irrigated) prices, how much do you expect prices to change over the next 12 mos:	11.6%	7.7%	26.9%	42.3%	11.5%
	No Change in Credit Standards			Tightened Credit Standards	
Which of the following best describes your latest farm loans (compared to this time last year):	86.4%			13.6%	
	Make No Changes		Raise Rates by 0.25%		Raise Rates by 0.50%
At the next meeting of the Fed's interest rate setting committee on March 21-22, they should:	13.0%		56.5%		30.5%

**Table 3: Rural Mainstreet Economy April 2023**

**Percentage of bankers reporting**

	No		Yes
Do you agree with Biden/Yellen/Fed's "bailout" of depositors with more than \$250,000 at Silicon Valley Bank and/or Signature Bank?	76.2%		23.8%
	No bailouts of any banks	Only bailout large multibillion banks	Bailout of all banks posing systemic risks
Which of the following most represents your view of bank bailouts in the U.S.?	23.1%	38.6%	38.3%
	No	No but it is inevitable	Yes, but not widespread
Are you aware of depositors at any regional or community banks exiting or reducing the size of their deposits due to higher risks?	23.1%	38.6%	38.3%

**Table 4: Rural Mainstreet Economy May 2023**

**Percentage of bankers reporting**

	It is behind us	Banks will continue to suffer insolvencies	
Which of the following best represents your expectations regarding the current banking crisis:	76.2%	23.8%	
	No bailout of any banks	Only bailout large multibillion banks	Bailout of all banks posing systemic risks
Which of the following most represents your view of bank bailouts in the U.S.?	23.1%	38.6%	38.3%
	No	No but it is inevitable	Yes, but not widespread
Are you aware of depositors at any regional or community banks exiting or reducing the size of their deposits due to higher risks?	23.1%	38.6%	38.3%

# IS YOUR COMMUNITY BANK SECURE?

Meet Dina.

Dina provides clients with the guidance they need to steer clear of card fraud all year long. Working together with ICBA Bancard partners, she ensures client banks are receiving the level of care and support they deserve.

Even when she's waiting to pick up her kid from practice, she's scribbling notes on how we can better protect banks from fraud.

By working with ICBA Bancard, your bank has Dina's ongoing support.

Learn more at [icbabancard.org](https://icbabancard.org)

