

# WISCONSIN COMMUNITY BANKING News

Volume 11, No. 3  
May/June 2011

**CBW**  
Community Bankers  
of Wisconsin

Celebrating  
**30 Years**  
1981-2011



*Plus:*

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*The Big Question: The Future of Community Banking . . . . . 12*

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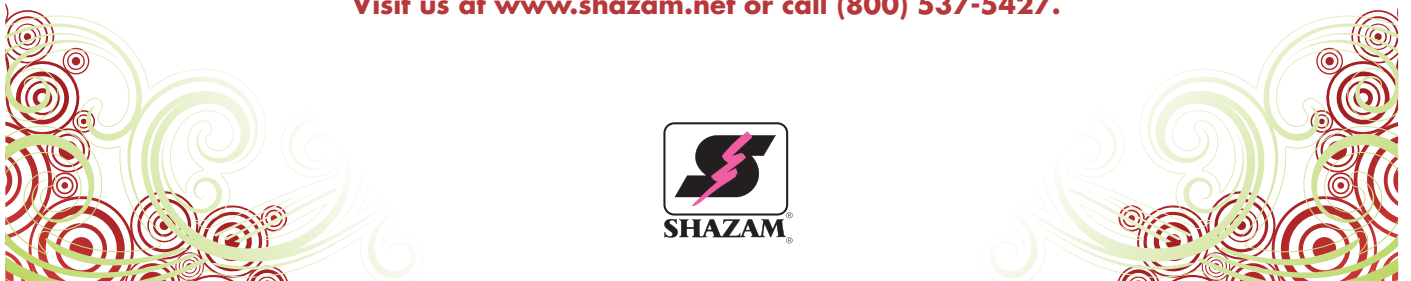
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**On our cover...** CBW participated in two days of congressional visits as part of the ICBA Washington Policy Summit, held in early May in the nation's capital. **Top photo:** From left, Mike Marx, ICBA; John Slatky, Bank of Luxembourg; Rep. Sean Duffy, Butch Pomeroy, International Bank of Amherst; and Daryll Lund, CBW. **Right photo:** From left, Charlie Saeman, State Bank of Cross Plains; Jeff Mueller, Collins State Bank; Daryll Lund, CBW; Rep. Paul Ryan, Steve Bell, Community State Bank, Union Grove; and Steve Eager, Union Bank & Trust, Evansville. **Left photo:** From left, Butch Pomeroy, International Bank of Amherst; John Slatky, Bank of Luxembourg; Rep. Reid Ribble, and Mike Marx, ICBA. 🐾

## The Rewards of Relationships

*Steven Bell, CBW Chairman, and President and CEO, Community State Bank, Union Grove*

The biggest lever in our community bankers' toolkit is the sum of all the relationships we build with our customers. These relationships help us match our products and services to customers' needs, help keep our banks profitable, and help reinvest in our local communities. Our customer relationships also help leverage community banking support in an extremely competitive industry and succeed like David against big-bank Goliaths.



In addition, our expertise in relationship building serves both our community banks and our organization well in Madison and in Washington. As evident on the cover of this issue, our industry leaders go out of their way to make an effort to connect with our elected officials and give voice to community banking issues. Our skills in relationship building assist us whenever we advocate for our industry with public officials, build ties to local media, and reach out to learn from colleagues throughout ICBA.

For example, in the Wipfli ad (p. 7), Kyle Thompson, Wipfli senior accountant, describes the impact of new FDIC assessments based on assets rather than deposits. CBW and ICBA fought hard for these changes, and Thompson documents the savings for community bankers.

You can also read the story of how one community bank has grown and served the needs of its northeast Rock County customers for 100 years (p. 18). You can learn how six CBW member banks participate in and support homeless families, local businesses, nonprofits, schools, and children involved in traumatic events (pp. 21–22). Within each issue, our magazine has space for only a few of the many stories received that showcase how member banks sustain their local communities.

Rewards come to us in the satisfaction of knowing that our banks and our employees are often the backbone of our communities. We see the evidence daily. We are rewarded when customers leave our branches smiling from a positive greeting and exchange with a teller or with a financial problem solved by a personal banker. We are rewarded when a customer comfortably walks into our office, confident that a needed loan will be available or a tough question answered.

In the current banking environment, I would not want to be a big banker. The rewards are here at home, right in my own community bank. 🐾

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## WISCONSIN COMMUNITY BANKING News

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# Going Mobile? Assessing the Pros/Cons of Mobile Banking

Mary Lou Santovec

If you're standing still, prepare to get run over. That's the bottom line surrounding online and mobile technology.

Mobile has changed more in the last three months than in the past three years, said Lee Wetherington, director of Strategic Insight for ProfitStars, a division of Missouri-based Jack Henry & Associates. By 2013 mobile phones will be the most common device used for browsing the Web.

Wetherington spoke about the issues surrounding mobile banking (mBanking), mobile remote deposit capture, and mobile payments at a Webinar offered to members of the Community Bankers of Wisconsin.

mBanking will eclipse personal computer or online banking because it simply does more. Mobile banking allows for mobile payments, such as mobile wallets, contactless payments, real-time budgeting, and turbo-shopping. mBanking provides location-based services including an ATM finder and fraud detection. Because of its portability, mBanking provides real-time fraud and overdraft alerts.

What's driving the interest in all things mobile? "The single defining aspect of the mobile universe is the exploding growth of smartphones." Just three years after the launch of the iPhone, the smartphone market is already bigger than the PC market. "Smartphone shipments grew 87 percent year over year while PCs grew 3 percent."

With some 3G iPhones selling for as little as \$45, the two-year forecast is for half of all mobile phones to be smartphones. This will ultimately change your customers' perceptions and expectations about your bank and its services.

Banks will have three delivery channels to choose from when offering mBanking services to their mobile customers. All mobile phones, whether



smart or feature-based, currently allow texting with no compatibility issues for the bank or the user. Smartphones are enabled with an easy-to-use wireless access protocol (WAP) browser. Downloadable apps are shells or templates loaded on to the phone. Customers can download specific information from "the cloud" in real time. From a security perspective, the data is not cached (or stored) locally.

Each delivery channel has its pros and cons. Each is attractive to different demographics for different reasons. In the past, banks thought they had to choose only one type of delivery channel. Now they will have to identify the devices their customers are using and choose the most appropriate method(s) to interact with them.

Before choosing a delivery channel, banks should answer the following:

What is the predominant wireless carrier in the market?

What is the most popular mobile device(s) compatible with that carrier?

Which mode/method of mobile banking will reach the greatest number of existing and prospective customers with a "highly usable and engaging" experience?

Whatever the answers, anything mobile must be intuitive, friendly, quick, and easy to use and update. "Usability is king in the mobile space."

## ROI

Adding technology to support mobile customers can be costly. But after comparing the ROI for all types of banking transactions, mobile banking is actually the cheapest, coming in at 8 cents for each transaction. The most expensive transactions at \$4 apiece occur in person at the branch. "It's convenient for customers and cost efficient for the bank," Wetherington said of the decision to go mobile. "It's a slam dunk."

If you offer mobile banking in the way your customers want, you'll actually pre-empt the use of your more expensive delivery channels by delivering answers to the most commonly asked questions before they're even asked.

Building a business case for mobile

banking, surveys of current users find that 5 to 10 percent of a bank's online banking customer base moved to mobile banking within the first 12 months of rolling it out. The number was dependent upon marketing activities. Banks can default online customers into mobile banking if they get their mobile phone numbers.

When mobile banking was available, banks realized a 1- to 2-percent growth in new customer acquisition and a 10- to 20-percent increase in client retention among mobile users. There was a 50-percent reduction in live agent calls for mobile banking users and a 10- to 25-percent reduction in fraud losses.

Fraud reduction is one very real advantage to implementing mobile banking. "Customers are being deputized in real time to watch their accounts."

Another advantage is in dealing with the "moneyhawks." These customers are hyper-vigilant when it comes to their money. Moneyhawks have "higher than average incomes (\$64,000 or more), are significantly more likely to open financial accounts, value alerts, bank online, use mobile banking, turn off paper statements, and pay for expedited payments."

While these consumers cost \$19 less to service, without alerts and self-service, they actually cost more since they seek out up to four times as much help from the bank as your normal customers do. "You want to focus on these folks because they intensively use the expensive channels."

Besides freeing up your bank staff, mobile banking can also provide fee income opportunities. Customers are willing to pay \$8 for expedited bill payments because late payment fees run \$30 apiece. Credit monitoring applications can be downloaded for a fee.

Banks can partner with national retailers for shared customers and earn merchant-funded rewards. For example, a retailer like Target may offer a bank customer a discount on their mobile phone. If the customer uses the discount within an allotted time, the bank gets a

*continued on page 6*

# Lessons Learned From Leaders

*"If you are guided by opinion polls, you are not practicing leadership –you are practicing followship."—British Prime Minister Margaret Thatcher.*

Wisconsin's own Representative Paul Ryan, Chairman of the House Budget Committee, has been the target of intense opposition by critics who believe his budget plan and Medicare reform proposals recklessly cuts taxes, exaggerates the long-term spending challenge our country is facing, and ends Medicare as we know it. Whether you support these accusations or not, the truth is Congressman Ryan's plan has sparked a national debate on these important issues that will require all of us to become more fully informed about government spending and deficits.

What Rep. Ryan is doing takes courage, it takes leadership. I have had the privilege of knowing Paul Ryan since 1998, when CBW was the only banking association to endorse his candidacy for the House of Representatives. I still remember the phone conversation with the campaign manager of Ryan's opponent telling me CBW was making a major mistake by endorsing his candidacy. CBW went forward with our endorsement and today Rep. Ryan is one of the leading voices in the Republican Party and a leader in national policy debates.

Leaders embrace challenges as an opportunity to make a difference and chart a new course. Status quo is not something to be embraced. Others who are threatened by change will attack any proposal they do not agree with by raising the fear levels in others.

Like politics, our banking industry has been fortunate to have leaders who are willing to step forward to discuss important issues head-on despite what others within the industry might view as being 'divisive'.

One such leader recently recognized with ICBA's Main Street Hero Award is Thomas Hoenig, president of the Federal Reserve Bank of Kansas City. Hoenig will be leaving his post with the Federal Reserve October 1, after 20 years of service.

In recent speeches Hoenig has been a vocal critic of the policy of too-big-to-fail. I would encourage every banker to read his "Back to the Business of Banking" speech found on the Kansas City Fed Web site, [www.kansascityfed.org](http://www.kansascityfed.org).

Concepts discussed include the fact that banking in the United States has thrived under the principles of competition and accountability, as opposed to having the largest 20 institutions control assets equivalent to 86 percent of GDP and the remaining 7,000 banks controlling assets equivalent to only 14 percent of GDP.

The problem with too-big-to-fail is that the largest banks have expanded the use of the safety net from Federal Reserve and FDIC far beyond its original intent. In addition, government policymakers consistently intervene to protect an ever broader group of large financial institutions from loss, which leaves little reason to doubt they will be bailed out again when times are difficult.

"The conclusion of this experience is that the United States must reform its banking and financial structure if we hope to have a competitive, accountable, and in the long run, less volatile system." Fed President Hoenig has advocated that we must break up the largest banks by expanding the Volker Rule, which will restrict banking organizations from engaging in proprietary trading activities and involvement with hedge and private equity funds. Narrowing the scope of institutions that are now more powerful and more of a threat to our capitalistic system than prior to the crisis will be key to promoting a competitive financial system for all sizes of institutions.

According to a recent article the six largest holding companies made a combined \$75 billion last year, 75 percent of which came from trading derivatives and other securities unrelated to the underlying purpose of banking — taking deposits and making loans.

As leaders, will we work toward changing the future direction of our industry and restoring the honorable profession of banking or will we accept the status quo that concentration will

Daryll Lund, CAE,  
CBW President  
and CEO



accelerate amongst the largest banks?

JP Morgan Chase chief Jamie Dimon in a recent speech is a vocal defender of the status quo. "To people who say the system would be safer with smaller banks doing traditional banking, well, the system would be safer if we also went back to horse and buggies. That is a quaint notion that won't work in the real world."

As Fed President Hoenig so eloquently stated it is time to get "back to the business of banking." Yes indeed, it is. 🐾

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cut of the discount.

## Mobile RDC

One adjunct service of mobile banking is mobile remote deposit capture (mRDC). Currently, 87 percent of all checks are being presented to the bank of first deposit in person at a branch even though 96 percent are being cleared electronically.

Mobile RDC implementation will grow as time-poor customers don't want to spend time at a branch to deposit one check. Some 79 percent of mBanking adopters will find mRDC attractive.

But to be effective, the tool must be easy to use and above all, accurate. "Customers have a high bar of expectations with mobile." If mobile fails, it will trigger customers to use more of your bank's expensive services.

Mobile RDC captures a different type of image than a traditional check scanner. Phones with technology that can adjust for bad lighting, distortions, auto-cropping, and de-skewing of the image will move mRDC into the forefront.

Controlling for risk, financial institutions should be selective on the front

end, installing "velocity" limits on the number of checks per day, deposit limits, and other boundaries for their mRDC customers. Many are offering the service only to customers with a proven history of reliability. "All the examiners are looking for is that you've set velocity limits on your mRDC customers."

## Mobile Payments

Wetherington noted that the United States is considerably behind Europe and Asia in leveraging mobile technology for payments. That's likely to change soon. The estimated percentage change in bills paid by channel between 2010-2013 shows mobile increasing by 377 percent compared with 18 percent online and a negative 6 percent by mail.

Mergers between manufacturers of point of sale (POS) equipment translate into increases in technology. "The real holy grail is in mobile payments." Ultimately bankers will be present with their customers to the precipice of every purchase they make. "Banks can become more meaningful and present in the lives of their customers than ever before."

## Security

The first question that pops up when

considering whether or not to implement mobile banking is: "Is it safe?" The answer, for now, is yes. Even though there are 1.5 billion computers on the Internet and 4.5 billion people using mobile phones, there's currently no significant operating system supporting the mobile space. "Hackers want to do the least amount of work for the biggest gain." Apple's closed proprietary operating system limits the risk even further.

When measuring risk, two factors to consider are what's at stake and for how long. It generally takes 18 hours for your customer to realize that his credit or debit card is lost or stolen. How long does it take to detect a missing phone? 12 minutes. And the customer can use another phone to call his wireless carrier and have the missing phone wiped clean and killed so it's useless to anyone who finds it.

The biggest security threat is actually a lost phone. In reality, the phone is more of a fraud fighting tool than a fraud vulnerability.

While mobile phones can and do get viruses, your customers can mitigate that risk either by not storing sensitive information on the mobile phone or by encrypting it.

Still, less than 1 percent of smartphones have any type of security. "This is what scares everybody, and gives great pause."

The psychological barrier is one of the reasons not all smartphone owners use mobile banking. Banks looking to roll out a program would be well advised to lead with a security message. "Help neutralize concerns for consumers matching mobile with their money."

Smart bankers keep their finger on the pulse of new trends. Will your bank be able to support and serve your mobile customers? The answer may very well define your future. 🇺🇸

## New Location

Settlers Bank opened a new, larger location at 4021 Meridian Drive in DeForest. The new location is situated west of the intersection of U.S. 51 and State Hwy. 19. The de novo opened in 2007. 🇺🇸

# WHEDA RECAPTURE TAX GUARANTEE

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# FDIC Assessment Changes

In FIL-8-2011, the FDIC announced it adopted a final rule implementing the Dodd-Frank Act's dividend provisions, amending the deposit insurance assessment base, changing assessment rates, and revising the risk-based assessment system for large institutions. As a result of the changes, nearly all institutions with less than \$10 billion in assets will pay smaller assessments.

An assessment for an individual institution is calculated by multiplying the institution's assessment base by its assessment rate. That general methodology has not changed. However, prior to the ruling, an institution's assessment base was determined by that institution's adjusted domestic deposit balances. As required by Dodd-Frank, the new assessment base is calculated on an institution's average consolidated total assets minus average tangible equity.

For institutions with less than \$1 billion in consolidated total assets as of March 31, 2011, quarterly average consolidated total assets may be calculated on the average weekly assets. For all institutions with \$1 billion or greater in total assets and any institutions established after March 31, 2011, the average consolidated total assets must be calculated using daily balances. Smaller institutions may make a one-time permanent election to report using daily balances.

Tangible equity is defined by the FDIC as Tier 1 capital. Institutions with less than \$1 billion in assets as of March 31, 2011, may report average tangible equity using their end-of-quarter balance. For all institutions with \$1 billion or greater in total assets and any institutions established after March 31, 2011, average tangible equity must be calculated using monthly balances.

The new assessment base calculation creates a larger overall assessment base when compared to the domestic deposits assessment base methodology. As a result, assessment rates have been lowered and the secured liability adjustment has been eliminated from the rate calculation in an attempt to make the new assessments revenue neutral. As the Depository Insurance Fund reserve ratio reaches 1.15, 2.0, and 2.5 percent, preset graduated rate decreases will take effect.

In order to determine assessment rates for all institutions prior to March 31, 2011, the FDIC assigned each institution to one of four risk categories based on the institution's capital levels and supervisory evaluation. The risk assignment system remains in effect for institutions with less than \$10 billion in assets. The tables that

follow display the minimum and maximum base assessment rates for institutions based on risk category for the previous and current assessment rates.

Assessment rate schedule for quarters ending March 31, 2011, or prior:

	Risk Category			
	I	II	III	IV
Initial base assessment rate	12-16	22	32	45
Unsecured debt adjustment	(5)-0	(5)-0	(5)-0	(5)-0
Secured liability adjustment	0-8	0-11	0-16	0-22.5
Brokered deposit adjustment	-	0-10	0-10	0-10
Total base assessment rate	7-24	17-43	27-58	40-77.5

Assessment rate schedule effective April 1, 2011:

	Risk Category				
	I	II	III	IV	Large and Highly Complex Institutions
Initial base assessment rate	5-9	14	23	35	5-35
Unsecured debt adjustment	(4.5)-0	(5)-0	(5)-0	(5)-0	(5)-0
Brokered deposit adjustment	-	0-10	0-10	0-10	0-10
Total base assessment rate	2.5-9	9-24	18-33	30-45	2.5-45

Large institutions are defined as institutions with greater than \$10 billion in total assets. Generally, highly complex institutions will be either those institutions with more than \$50 billion in total assets that are controlled by a parent or intermediate parent company with more than \$500 billion in total assets or a processing bank or trust company with at least \$10 billion in total assets. Under the new rules, those institutions are no longer subject to the risk categories that are still in place for smaller institutions. Large and highly complex institutions are now evaluated on respective scorecards that combine CAMELS ratings and certain ratios measuring an institution's ability to withstand asset and funding-related stress. The new measurement results in higher assessment rates for institutions with high-risk asset concentrations, poor liquidity, or potentially higher loss severity in the event of a failure.

While the new assessment system is expected to be revenue neutral, the funding burden should shift to larger, higher risk institutions. As a result, smaller institutions are expected to have reduced assessment fees. Amortization of prepaid assessments is likely to slow as assessments decrease and should be monitored closely. At the end of 2012, the prepaid assessment period, smaller institutions are expected to have a remaining prepaid balance from their 2009 payment.

In some cases, savings will be significant.

For example, an institution with a 1 composite CAMELS rating, approximately \$73 million in total assets, \$60.5 million in adjusted domestic deposits, and \$12.5 million in Tier 1 capital would have paid around \$52,000 a year in FDIC assessment fees under the old system. Based on the revised computation, the same bank can expect to pay approximately \$31,000 annually, a savings of over 40 percent.

Savings will not be limited to institutions with a CAMELS 1 composite rating. An institution with a 3 composite CAMELS rating, approximately \$130 million in total assets, \$105 million in adjusted domestic deposits, and \$9.8 million in Tier 1 capital would have paid around \$228,000 a year in FDIC assessment fees under the old system. Under

the new system, the bank can expect to pay approximately \$167,000 annually, resulting in savings of over 26 percent.

The above two examples were based on simulated data. Assessments will vary based on the following financial ratios: tier 1 leverage ratio, loans past due 30-89 days/gross assets, nonperforming assets/gross

assets, net loan charge-offs/gross assets, net income before taxes/risk-weighted assets, and the adjusted brokered deposit ratio.

The new rate calculator is available at:

[www.fdic.gov/deposit/insurance/calculator.html](http://www.fdic.gov/deposit/insurance/calculator.html).

Changes announced in FIL-8-2011 took effect April 1, 2011. Institutions will begin to see the impact on their second quarter assessment invoice, which should be received in September 2011.

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# New ADA Regulations Affect ATMs

Rick Marcus, Godfrey & Kahn  
Financial Institutions Team

On Sept. 15, 2010, the U.S. Department of Justice (DOJ) issued a final rule amending the regulations under the Americans with Disabilities Act (ADA) that govern places of public accommodation



such as banks and other financial institutions. These ADA regulations are administered by the DOJ.

The DOJ issued new guidelines to implement the regulations, which essentially adopt the ADA Accessibility Guidelines it had issued in 2004. These guidelines cover ATMs, along with other facilities in public accommodations. While some ATMs already comply with the guidelines or can be upgraded to comply, such compliance has been voluntary to date.

The regulations require public accommodations (like a bank) to implement so-called “auxiliary aids” at ATMs unless doing so would result in an “undue burden.” The regulations require that ATMs have certain communication-related elements, such as being speech-enabled to assist visually impaired consumers. Existing ATMs must be retrofitted to meet the new standards for communication-related elements, unless doing so would be an undue burden. While the compliance date in the regulations is March 15, 2011, the DOJ has stated that compliance will not be required until March 15, 2012.

The ADA regulations also require public accommodations to “remove barriers” that impede access for handicapped individuals, if doing so would be “readily achievable.” This covers such ATM elements as raising input device controls so they are tactually discernable, or arranging keypads in a 12-key ascending layout. The compliance date for these elements is generally March 15, 2012. There is a safe harbor for ele-

ments that comply with the 1991 standards issued by the DOJ, which do not need to be retrofitted to meet the new 2010 standards unless and until they are “altered” after March 15, 2012. But elements that do not meet the 1991 standards, and so-called “supplemental” elements (those that were added by the new standards and are not addressed in the 1991 standards), must be upgraded by March 15, 2012 unless doing so would not be readily achievable.

## What Businesses Are Covered?

Most places that offer ATMs (such as restaurants or convenience stores) are considered places of public accommodation and are covered. Financial institutions that own ATMs in non-branch locations will have to make sure those ATMs and their surroundings comply with the new ADA standards. Only one ATM per location needs to be compliant with the standards. An exterior ATM is considered to be in a separate location from an interior ATM. This means that bank locations with interior and exterior ATMs must provide at least two compliant ATMs—one interior and one exterior.

## What Is Readily Achievable?

The new regulations define *readily achievable* as “easily accomplishable and able to be carried out without much difficulty or expense.” The regulations define *undue burden* to mean “significant difficulty or expense.” The regulations provide a list of factors to consider, which are the same for both defined terms. However, the terms are not necessarily synonymous. There may be changes that are not “easily accomplishable” but which can be accomplished without “significant difficulty or expense.” And remember, the “undue burden” exception applies to the communications-related elements in the new ADA rules, while the “readily achievable” exception applies to the access-related elements.

The exceptions in the ADA rules are subjective, and whether the relevant exception applies to a particular institution will depend on its unique

circumstances. But even if the relevant exception applies, it is not a “get out of jail free” card. Neither exception to the new ADA standards is permanent. Retrofitting five ATMs to be speech enabled may be beyond a financial institution’s means and therefore an undue burden today, but possible in the future.

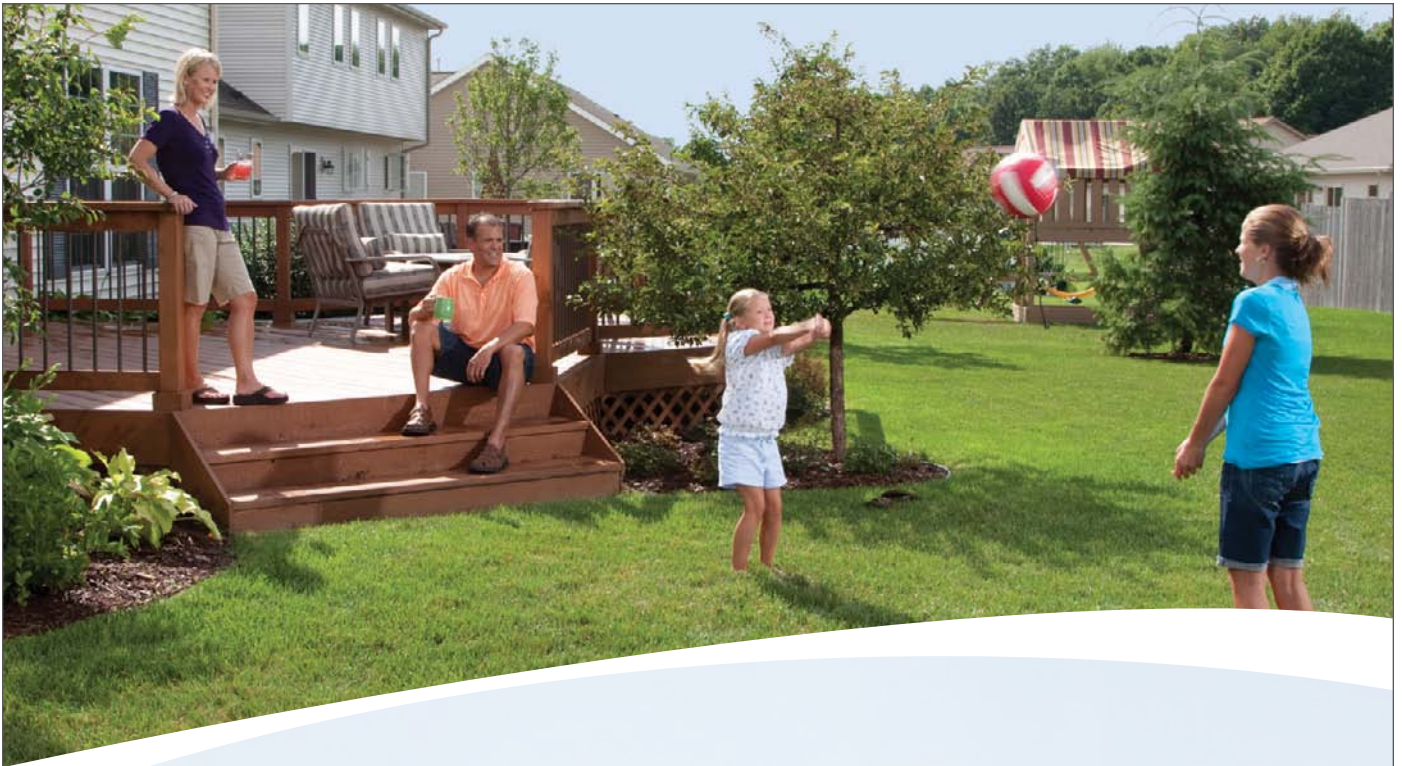
## What about Penalties?

The law allows a private action to be brought by a disabled person against a financial institution to enforce compliance. A court can order the financial institution to bring its ATMs into compliance and can award attorneys’ fees to the party bringing the action. The DOJ can intervene in a suit and also can bring its own independent enforcement action. If the DOJ sues, the court can assess a civil penalty of up to \$55,000 for a first offense and up to double that amount for subsequent offenses; award monetary damages to persons aggrieved; and order compliance by the financial institution. In a DOJ-initiated suit, when considering the amount of civil penalties to assess, the court must take into account any good faith efforts by the financial institution to comply.

## What to Do?

Every financial institution should adopt and implement a compliance plan to enable it to meet the March 15, 2012 deadline. The plan should address any “readily achievable” or “undue burden” exceptions which the financial institution intends to rely on. Particularly if the financial institution is not going to meet the March 15, 2012 deadline in reliance on these exceptions, having and implementing a compliance plan will mitigate the impact in the advent of an enforcement action by the DOJ.

The starting point is to contact your ATM vendor to learn more about the detailed requirements and the costs to upgrade your ATMs to comply with the new ADA standards. To discuss this subject with a Godfrey & Kahn banking attorney, please either contact Rick Marcus at 414-287-9640 or [rsmarcus@gklaw.com](mailto:rsmarcus@gklaw.com); or contact John Reichert at 414-287-9674 or [jreichert@gklaw.com](mailto:jreichert@gklaw.com)



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To find out more, call an independent insurance agency in your area that represents West Bend. Visit [thesilverlining.com](http://thesilverlining.com) for the name of the agency nearest you.



# CBW Members Celebrate Community Banking Month

CBW member banks reported a great variety of April Community Banking Month activities in 2011. Here, we present highlights from the Bank of Luxemburg, Union State Bank, West Salem, and Farmers Savings Bank, Mineral Point.

The Bank of Luxemburg celebrated Community Banking Month in its branches, throughout the community, and via social media, TV, and radio.

## Branch Activities

A coloring contest for kids at each of the branches

Customer drawing for a gift basket

A free Bank of Luxemburg logo piggy bank to children visiting any branch on April 12 Teach Kids to Save Day

Community Banking Month marketing signs in the lobbies and drive-up stations, highlighting employees at the branch locations.

## Social Media

Facebook—The bank focused on Community Banking month each week on its Facebook page. Posts highlighted what community banking means and

fun facts associated with Community Banking Month.

Blog—Articles highlighted the importance of community banks and the activities the bank is participating in, plus Teach Children to Save Day, with tips for parents on how to teach kids to save and tools available through the bank.

YouTube—Videos were posted to the bank's YouTube channel providing tips and education to the community. A video was also posted discussing community banking and its importance.

Twitter—The bank used Twitter to tweet activities in the branches and promote Community Banking Month. Once a week on the bank's Facebook and Twitter pages there was a fun fact about community banks.

## Web site

The bank's two primary Web site banner ads promoted Community Banking Month and the social media contests.

## TV

The bank conducted an interview

on Fox 11's "Living with Amy" show (similar to a local Martha Stewart show), discussing ways the bank can help save people time. During the show, the bank ran a commercial called "Around Town." It highlighted the community-minded nature of the bank's employees and showed how bank employees bump into bank customers all week long around town at different functions, sporting events, school activities, and local businesses. The actors in the commercial included a branch manager and director on the bank's board.

## Radio

The bank's radio ads during April promoted the concept, "Buy Local." The bank is a large supporter of Buy Local initiatives, and in conjunction with the radio ad campaign, the bank participated in a Buy Local contest involving bumper stickers.

## Direct Mail

The bank sent a direct mail postcard to non-customers in its market area, highlighting employees from several



branch locations. The postcard noted that the bank can do the same things as the larger commercial banks; however, customers are banking with someone they know and trust from the local communities.

### Community Events

During April, the Bank of Luxemburg sponsored the community Easter Egg Hunt along with the local chamber of commerce. The event drew in 215 kids between the ages of 0–10 and approximately 200 adults. The bank also sponsored a team to participate in the Brown County MS Walk and other activities around the community including Roar on the Shore with the local Lions club, a Girl Scout event, a Jaycees breakfast, chamber meetings, and economic development corporation meetings.

In Algoma the bank received the Rose Award for making a large investment in the community by remodeling and investing in one of its branch locations.

For more details, visit the bank's Web site at [www.bankofluxemburg.com](http://www.bankofluxemburg.com), where additional activities are posted on the bank's news page, blog, Facebook,

and Twitter accounts, as well as YouTube channel.

### Union State Bank Gets Creative

Union State Bank, West Salem, promoted April as Community Banking Month in the following ways at both locations:

- Drawing for a trip for two to La Crosse Day at the Milwaukee Brewers game on June 22, complete with coach transportation and a tailgate party
- Drawings for kids age 12 and younger to win a girls' and a boys' mountain bike
- Teaching second graders at West Salem Elementary School a financial literacy program on the importance of saving money and spending wisely (six classes, two sessions each)
- Newspaper ad promoting events and the ICBA "I Love My Community Bank Because ..." program
- Refreshments on Fridays, April 8 and 29
- Promoting all Community Banking Month activities in the bank's newsletter
- Promoting Community Banking Month with advertisements on WKBT

TV's Web site

- Promoting activities during a radio remote that Union State Bank sponsored at the Celebrate West Salem business show

- A press release to area media on Community Banking Month events and school presentations

Posters and drawings in both bank locations.

### Farmers Savings Bank Focuses on Next Gen

During the month of April Farmers Savings Bank participated in National Teach Children to Save Day. Some Farmers Savings Bank employees volunteered to read stories to students at area schools educating children on how to save money. The children enjoyed the visits from the bankers and were filled with questions and comments about how they like to save their money for something special. The bank employees look forward to this time of year and enjoy visiting with the children and listening to their plans to save money. 🐼



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# The Big Question: The Future of Community Banking

*Sal Marranca, ICBA Chairman and President and CEO of Cattaraugus County Bank, Little Valley, N.Y.*

Generational questions have hung heavily in the air for all community banks since the Wall Street financial crisis began nearly four years ago. Does community banking have a bright future? And more personally for all of us, does my community bank have a viable, profitable, and purposeful future?



There has been no shortage of people willing, sometimes even clamoring, to provide glib answers. You've heard their ominous predictions: Community banks can no longer compete in an industry rigged to big-bank regulatory advantages and economies of scale. The mounting costs and burdens of regulation will drive most community banks out of business. Deflated loan demand won't turn around. Technology and innovative products are becoming unaffordable. Fewer people will care whether community banks stay in business. As a result, a tsunami of mergers and consolidation will carry away all but the strongest, luckiest, or largest community banks. Blah, blah, blah!

Of course, many of these people divining a bleak future for community banks are well-meaning and sincerely worried. Some, including the cheerleaders of the policies and activities that triggered the financial crisis, are simply capitalizing on or fanning the fears of the moment. Still others have self-interest in beating the drums of perpetual gloom. Mostly their doleful predictions reflect the tenor of the times, that today's circumstances won't change or challenges can't be solved. I am glad George Washington didn't feel that way at Valley Forge or we all might still be speaking with British accents!

Recently one prediction that there will be fewer than 5,000 banks in five years, and fewer than 2,500 in 10 years, made a splash in the banking press. The

stunning prediction made great news, particularly in reflecting today's beleaguered community banking environment. That opinion was fair game to cover. Certainly it's reasonable to predict that consolidation in the banking industry will continue. No doubt community banks will face more challenges (regulatory and otherwise), but our institutions also will face opportunities. To say that consolidation will winnow the banking industry by one third over five years and by two thirds over 10 years is pessimistic to the point of defeatism. It's also not true.

An ICBA membership survey in February showed that 7 percent of community bank owners would seriously consider selling their institutions when market opportunities improve. The other 93 percent of community bankers were mostly considering whether to acquire another institution or possibly other institutions. That means, from the number of total financial institutions that exist today, about 520 community banks would be up for sale in the near future and that nearly 6,900 community banks would be looking to acquire them. In more positive terms, this shows a great majority of community bankers believe their institutions have a bright future that is worth continuing to pursue. Considering the pain, anxiety, and uncertainty that the financial crisis imposed on community banks, you could say the vast majority of community bankers are bullish about their industry.

ICBA's survey is a significant gauge of community bankers' outlooks and intentions. Unfortunately, it's not a viewpoint that fits the storylines repeated since the financial crisis or the echo chamber of legitimate worries over certain new regulations to come from the Dodd-Frank Wall Street Reform and Consumer Protection Act. The law's damaging debit interchange price control provisions and subsequent Federal Reserve regulations must be stopped. The Consumer Financial Protection Bureau must remain focused on the largest banks and nonbank financial firms, and ICBA is making progress to ensure that happens and to encourage officials

to create streamlined consumer regulations and disclosures for the mutual benefit of consumers and community financial institutions. It won't necessarily be easy or happen overnight, but we know we can do these things.

Like the majority of survey respondents, I'm optimistic about the future of my community bank and of community banking in general. The financial crisis didn't change the fact that community banks still have the first-rate products, nimble service, and expertise that people want and need. Megabanks and nonbanks will never be able to serve long-term customer relationships foremost as community banks do every day. And many Americans now understand and appreciate the differences between Main Street community banks and Wall Street financial institutions. That's an opportunity, not a crisis.

Industry pessimists seem to believe that small businesses and our overall U.S. economy won't rebound, but community bankers see the economy slowly beginning to revive at last.

Pessimists seem to think that regulatory burdens from the Dodd-Frank Act will fall disproportionately on community banks. But most community bankers know that most of the Dodd-Frank provisions aren't directed at community banks but at Wall Street banks and shadow nonbanks. For example, the act's considerable too-big-to-fail provisions will impose ongoing prudential regulation on the largest banks and nonbank financial firms, even possibly causing them to downsize and restructure in major ways. Numerous exemptions and bypass provisions for community banks are written into the law. And the Consumer Financial Protection Bureau must weigh the potential burden on small businesses and community banks of its proposed rulemaking.

Pessimists overlook that the law provides watershed statutory recognition that community banks should be regulated differently than Wall Street banks and nonbanks. After decades of educating Congress and regulators in Washington, policymakers widely recognize the uniquely constructive role that commu-

*continued on page 14*



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# Attention Lenders: Feeling trapped?

*You need earning assets but are paralyzed between regulatory constraints and budget volume expectations. You are not alone. We've been there too, side by side with the banks we serve, working through challenges of the past few years. Many stable banks are again looking to add loan volume. Collectively we can assist each other. We're here to reduce the barriers and help you connect to a strong network of Midwest banks also looking for additional interest margin.*

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nity banks play in our nation's financial arena. Most community bankers know they shouldn't give up just as policymakers are preparing to take concrete steps toward greater regulatory parity by adopting the decades-long goal of tiered industry regulation for large banks and community banks.

Yes, all community banks must address the cost and costly distractions of regulatory burdens as a competitive challenge. The pessimists also don't think community bankers will continue to find solutions in Washington and in the marketplace to these challenges, but most community bankers remember how they successfully navigated considerable technological, regulatory, and product line changes over the years. (Consider that a mere 15 years ago, few businesses had a Web site or used e-mail, and virtually no consumer carried a debit card or banked online.) The ability of community banks to adapt and find new solutions to challenges didn't end with the financial crisis. We don't need to solve every challenge today to know our institutions still have a bright future.

Like me, most community bankers have faith in themselves, in their customers, in America's small businesses, and in continual regeneration of America's entrepreneurs. My consumers and community will continue to need my bank's products and services and, most important, my team of employees who deliver those products and services with integrity and commitment to my customers.

As the recovery from the recession begins taking hold, now is an important time for all community bankers to plan for the future. Now is the right time for every community bank and its leadership to consider fundamental questions about themselves, their industry, and the future of their communities. Let's safeguard and finish the progress we started together in Washington and address the potential threats remaining with the Dodd-Frank Act. Let's find new ways through technology, creative management and organization, and new partnerships to address the real costs of ever-changing regulation. Let's restructure and prepare our institutions to continue to compete in an environment of ongoing change. Let's reinforce our community bank brand and values with our customers and our marketplace.

Community banks should continue to do what they've always done to be successful. We've done it in the past, so we can do it in the future. As an industry, we need to ask ourselves if our glass is half full or half empty. Will our community bank be on the lookout for opportunities to acquire or to be acquired?

A large majority of ICBA members answered that question and agree on the answer. 🐾

## TV Star to Appear at Shredding Day

BROOKFIELD—Kicking off North Shore Bank's annual free Community Shredding Day, the bank will host Brenden McDaniel of Action Organizing Services to chat about creating a clutter free environment.

McDaniel, who is featured on the television show, "Hoarders" on the A&E network, will present free de-cluttering seminars at the bank's Grafton branch at 2301 Wisconsin Ave., and at the Mequon branch, located at 10806 N. Port Washington Road. 🐾

## Wisconsin Banconomics Benchmarks

Commercial & Savings Institutions Less Than \$10B	3/31/11 \$ in 000's	Change from One Year Ago	Change from Last Quarter
<b>Wisconsin Banking Indicators</b>	<b>Total (Sum)</b>	<b>%</b>	<b>%</b>
Number of Banks	270	-3.2% ↓	-1.5% ↓
Number of Employees	18,781	-1.7% ↓	-0.3% ↓
Total Assets	\$75,832,616	-5.4% ↓	-2.0% ↓
Total Deposits	\$61,599,974	-3.8% ↓	-2.4% ↓
Net Loans & Leases	\$52,732,375	-7.8% ↓	-2.8% ↓
Net interest income	\$667,358	-1.4% ↓	-75.6% ↓
Total noninterest income	\$233,176	17.4% ↑	-74.8% ↓
Net Income (Year-to-date)	\$127,169	62.2% ↑	189.2% ↑
<b>Wisconsin Banking Performance Ratios</b>	<b>%</b>	<b>%</b>	<b>%</b>
Profitable Banks	87.41	4.2% ↑	11.4% ↑
Banks with Earnings Gains	58.89	40.4% ↑	-11.8% ↓
Net Interest Margin	3.82	4.4% ↑	0.5% ↑
Noncurrent loans to loans	3.72	-1.6% ↓	-7.0% ↓
Net charge-offs to loans	1.38	76.9% ↑	-0.7% ↓
Loss allowance to loans	2.34	13.0% ↑	-2.1% ↓
Net loans and leases to deposits	85.60	-4.2% ↓	-0.5% ↓
Return on Assets	0.67	71.8% ↑	1016.7% ↑
Return on Equity	6.54	65.2% ↑	1067.9% ↑
Equity Capital to assets	10.32	3.9% ↑	3.3% ↑

## Wisconsin Banconomics Lending Benchmarks

Commercial & Savings Institutions Less Than \$10B	3/31/11 \$ in 000's	Change from One Year Ago	Change from Last Quarter
<b>Wisconsin Lending Indicators</b>	<b>Total (Sum)</b>	<b>%</b>	<b>%</b>
Net Loans & Leases	\$52,732,375	-7.8% ↓	-2.8% ↓
All real estate loans	\$41,668,184	-8.1% ↓	-3.4% ↓
Construction and land development	\$3,634,317	-26.4% ↓	-7.8% ↓
Commercial real estate	\$15,871,608	-4.3% ↓	-1.6% ↓
1-4 family residential	\$16,664,054	-8.5% ↓	-4.9% ↓
Farm loans	\$1,047,048	6.5% ↑	-2.2% ↓
Commercial & industrial loans	\$6,541,305	7.1% ↑	-1.2% ↓
Loans to individuals	\$3,875,593	4.0% ↑	0.8% ↑
Credit cards	\$2,120,967	-6.8% ↓	6.3% ↑
Small business loans of \$1M or less	\$7,329,531	8.4% ↑	-3.1% ↓

# An Investor's Guide to FedSpeak: How the Bond Market Reacted in 2004

Jim Reber, President and CEO, ICBA Securities

It's hard to believe, but as of this writing it has now been seven full years since the Federal Reserve's Federal Open Market Committee (FOMC) last voted to raise interest rates. The date was June 30, 2004.



Interest rates bottomed out a year earlier in June 2003, when Fed Funds were set at 1.0 percent, a generational low. The Treasury market, especially shorter maturities, responded in kind, and money-market yields were barely equal to Fed Funds. The curve was steep, to be sure, which signaled investor skepticism over longer term inflation risk. Sound familiar?

While we may be months and quarters away from the next actual Fed hike, it may be time to review how the bond market reacted to Fed statements in the months leading up to the June 2004 move. It's interesting to note how far ahead of the FOMC that bond investors can actually get when they attempt to read between the lines. It could also be helpful to your investing strategies as we approach the inevitable tightening cycle.

## Top O' the Market

On June 30, 2003, if you were a portfolio manager, you had both a lot of unrealized gains in your portfolio and low available yields. The two-year Treasury note yielded 1.3 percent, and one had to go out to five years to get to a 2.5 percent yield. Our senses have been numbed by the past two years, but the yields mentioned above were the lowest the bond market had seen in at least 50 years.

The FOMC's statements that accompanied their meetings were of the "downside risks outweigh the probability of sustained growth" variety. GDP growth was positive, and we clearly weren't in a recession, but inflation was hovering around 2.0 percent and falling.

By the end of 2003, economic growth was improving, but not yet to the FOMC's satisfaction. However, inflation was beginning to show signs of returning, so the Fed's statements were essentially unchanged for the rest of the year. The bond market sensed a shift was approaching, and the two-year Treasury bond's yield had risen 52 basis points to 1.82 percent by December 31.

## Change in Tenor

About this time, the FOMC's statements shifted to subtle warnings. The March 31, 2004 release stated "... upside and downside risks ... are roughly equal" but it "... can be patient in removing its policy accommodation." By the May 4, 2004 meeting, the language was less ambiguous. It read, in part, "the Committee believes that policy accommodation [read: low rates] can be removed at a pace that is likely to be measured."

The bond market was battered as investors began building in full expectations for rate hikes sooner rather than later. The two-year's yield rose to 2.2 percent, even though Fed Funds was still anchored at 1.0 percent. This is an enormous difference between the two, which is normally about 45 basis points.

## Flattening of the Curve

The first shoe fell on June 30, 2004. Fed Funds rose to 1.25 percent after the FOMC's statement that repeated the "likely to be measured" phrase from May, and added the sentence "The Committee will respond to changes ... to fulfill its obligation to maintain price stability."

By the close on June 30, the two-year had risen all the way to 2.68 percent. Clearly, the short end of the market was many meetings ahead of the Fed. As

is typical in a rising rate environment, yields on the longer end rose much less. The final accounting is that for the 12-month period ending June 30, 2004, the two- to ten-year curve flattened by 31 basis points. And that was followed by additional flattening through 2006.

## Conclusions

These should be pretty obvious. One, when this FOMC's language removes the "for an extended period" language to their press releases, it will be a clear signal to the market that rate hikes are coming sooner rather than later. For another, the steepness of today's curve will certainly begin to undo itself.

Less subtle are the effects on your portfolio. Normally, as rates rise, yield spreads tighten, and durations extend. The drop in market prices is often as pronounced on short (for example, two-year maturities) as they are on longer ones, compliments of the flattening curve.

The recommendations therefore are to stay attuned to the Fed's statements as are they are released, since they have become less opaque under the Bernanke regime. And continue to monitor your portfolio's price volatility, especially in the "rates up" scenarios.

Jim Reber can be reached at 800-422-6442 or [jreber@icbasecurities.com](mailto:jreber@icbasecurities.com).

ICBA Securities' clearing broker Vining Sparks publishes a periodical real-time analysis of major economic press releases, *Economic Flash*. Contact your ICBA Securities sales rep or visit [www.icbasecurities.com](http://www.icbasecurities.com) to enroll in this series.

## 100 Years 'For All the People'

Union State Bank, Kewaunee, which celebrated its 100<sup>th</sup> birthday on March 12, traces its history to Farmers and Merchants State Bank. Its first marketing slogan was "A Bank of the People, By the People and For the People — A Bank For All the People."

After merging with the Dairyman's

State Bank in 1934 to form Union State Bank, the slogans changed with the times. Over the years they included:

"Union State Bank, where rail and water meet" and "Union State Bank, the bank and a half [where] we give you our all and then some."

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# Conservative Management Drives Success of First Community Bank

Mary Lou Santovec

The United States is rife with communities that began and grew up along railroad routes. Whenever a train would stop in a particular area, local entrepreneurs would open a general store and later, a combination hotel and restaurant to take advantage of the regular supply of travel-weary customers.

The city of Milton was one of those communities. Situated at the junction of two railroads, entrepreneurs at the turn of the last century launched a variety of businesses along Merchant Row. When a group of local business leaders saw a need for a financial institution in the small community north of Janesville, the Farmer's Bank was launched, opening its doors on July 17, 1911.

And 100 years later, the same bank in just about the same location is still going strong. The only changes that have occurred are to the name and ownership. "Essentially we've been in the same location for 100 years," said William Albright, the bank's president.

From 1911 to 1989, bank was managed by a trust and served the community under the Farmer's name. But when the trust's beneficiary wanted to convert his inheritance into cash, a group of four Milton area businessmen purchased the bank in 1989, renaming it First Community Bank to take advantage of what was and continues to be its focus on the community. The Subchapter S bank currently has 10 shareholders; none from the original founding families.

Albright, who was employed by Valley Bank when the Appleton-based financial institution was purchased by M&I, decided he wanted to work for a bank with a family culture. "I'm more of a community banker than an employee of a larger bank." Albright was named president of First Community in 1988.

The Milton bank has weathered many challenges over the past century. It has survived the Great Depression, the Great Recession, the closing of Milton College, and even the closing of General Motors plant in Janesville although the

latter incident did startle the bank. "We feel our market area is north Rock County. We've done well, but have had issues to deal with [regarding GM's closure]."

The closing of Milton College during the 1980s wasn't as economically stressful for the bank as was the recent GM plant closing. "The college was financed outside of the community." The bank saw the ramifications of the closing in the college employees who banked locally rather than in the small student body.

Albright noted that the bank has survived the repeated shocks because of its conservative nature. "Our bank has always operated on a conservative management style." And with only one location to support, "we've also had fairly low overhead."

In 1997, First Community expanded its footprint simply by knocking out walls between two adjoining buildings. Albright's current office was once part of a drugstore that went out of business. The other building was a former showroom for a contracting business.

During the remodeling, local contractors attempted to salvage parts for reuse. The tin ceiling in Albright's office came from the drugstore. Other touches of history adorning the bank's interior include copies of calendars that were distributed to customers during the 1920s and 1930s. Albright also has a set of metal banks that were given out as premiums on display in his office. The earliest one was handed out in 1926.

The bank currently has \$75 million in assets, \$64 million in deposits, and 21 employees, a substantial increase from the \$3.25 million in deposits during its 50<sup>th</sup> anniversary in 1961. Its loan portfolio of \$48 million includes a good cross-section of residential, agricultural, consumer, and commercial real estate loans.

Although expansion has been discussed, "the right opportunity hasn't been brought forward where we want



William Albright, the president, holding some of the banks that First Community used to hand out to its customers back in the 1920s-30s

to move to another location." But that hasn't kept the bank from continuing to grow. Besides offering the traditional checking and savings accounts, First Community Bank also offers online banking, remote deposit capture, and a brokerage.

"We were the first or one of the first in the community to offer online banking and remote deposit capture. We could see that online banking and remote deposit capture were clearly in our future as those methods were becoming the way that consumers and businesses utilize financial institutions."

Like the majority of community banks, First Community willingly supports local activities. "We have our stamp on all the community activities that go on and help wherever we can."

A bank's centennial anniversary is always something to celebrate. But in keeping with its culture, First Community Bank has planned a low-key year. Each month there will be something offered to "give thanks to the community" rather than emphasizing one large event. In June, the community is invited to an ice cream social. In honor of its milestone, the bank has also contributed money to a new youth center in town and to Treyton's Field, to honor a young boy killed by a drunk driver.

Future plans include doing more of the same that keeps the bank on a steady course. "We plan to continue on serving the local businesses and consumers in north Rock County." 🐾



*Michael Glinski, Ajay Ganju, Brett Patten, Kent Musbach, Levi Lura, Josh Hunt, Marc Gall, Dennis Romero.*

## HOME FIELD ADVANTAGE: BOSC

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- Tuesday, June 14:** Mandatory Compliance Training Series: Job-Specific BSA Training for Operations Staff
- Thursday, June 16:** IT from an HR Perspective
- Tuesday, June 21:** Red Flags in Residential Appraisal Compliance
- Thursday, June 23:** Social Media for Bankers: Risks, Best Practices, Compliance
- Tuesday, June 28:** Personal Account Documentation and Signature Cards
- Thursday, June 30:** Health Care Reform Issues for Community Banks
- Wednesday, July 6:** Consumer Lending Series: Identifying and Avoiding Lender Liability Pitfalls
- Thursday, July 7:** Director Series: Ownership Issues for Directors
- Tuesday, July 12:** Best Practices for Board Package Preparation
- Thursday, July 14:** What Are Those Business Financial Statements Telling Me?
- Friday, July 15:** Regulation Z Update and Rule Changes: Including the 2011 Revised Examination Manual
- Tuesday, July 19:** Call Report Preparation: RC-R Risk-Based Capital
- Wednesday, July 20:** Assessing New Remote Deposit Channels: Risk Mitigation, Fraud Prevention, and Regulatory Compliance
- Thursday, July 21:** Identifying Responding to Fraud and Forgery in an Electronic Payments World
- Tuesday, July 26:** Business Signature Cards and Resolutions
- Thursday, July 28:** Safe Deposit Legal Issues

Most conferences run from 2:00 p.m. to 3:30 p.m. However, the Ownership Issues for Directors session on July 8, and the Regulation Z Update on July 15 begin at 10:00 a.m. For questions on any of these conferences or about the Webcast itself, please call Sandy Gruber at (608) 833-4229 or email [sandy@communitybankers.org](mailto:sandy@communitybankers.org). Visit CBW's Web site, select the desired workshop, and follow the link to register online. 🐾

## CBW Welcomes New Associate Members

Community Bankers of Wisconsin Associate Members offer valuable products and services to help community banks serve their customers. The following Associate Members have joined CBW since April 1, 2011.

Visit [www.communitybankers.org](http://www.communitybankers.org) to learn more or contact Shannon Schlueter at 608-833-2385.

### Corporate Business Systems, LLC, Madison, WI

Mike Blake  
608-224-0918  
[mblake@corpbussystems.com](mailto:mblake@corpbussystems.com)

Corporate Business Systems specializes in the support of print devices, printer cost assessment, and management tools. CBS sells and services scanners, multifunctional printers, and full-color print devices.

### DCI (Data Center, Inc.), Hutchinson, KS

Mark Harris  
620-694-6800  
[mharris@datacenterinc.com](mailto:mharris@datacenterinc.com)

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### Golden Rule Coins, Geneva, IL

Ron Beckstrom  
630-675-5161

[beckson@sbcglobal.net](mailto:beckson@sbcglobal.net)

Golden Rule Coins assists bank customers in evaluating or liquidating their coin and currency holdings. They can assist in a trust issue, inheritance, or just a single coin that someone is curious about.

### iHELP Private Student Loan Program, Sioux Falls, SD

Ann Anderson  
800-858-0426

[aanderson@ihelploan.com](mailto:aanderson@ihelploan.com)

The iHELP private student loan program is designed to provide inexpensive funding to cover the "gap" between the cost of education and the amount students can borrow under federal student loan programs. iHELP is powered by Student Loan Finance Corporation, a 10 PSP with the ICBA and insured by ReliaMax Surety Company.

### VerityThree, Inc., McHenry, IL

Jonathon Smith  
815-385-4474

[jsmith@veritythree.com](mailto:jsmith@veritythree.com)

VerityThree, Inc. specializes in strategic technology consulting and technology management services for community banks. Services include network management, cloud computing, disaster recovery, penetration and vulnerability testing, and regulatory/compliance auditing. 🐾

## 10th Annual CBW Member Appreciation Days!

Sign up now for one of CBW's Member Appreciation Days! These popular events offer a morning program, lunch, and an afternoon of golf.

Thursday, June 30, Eau Claire Golf & Country Club

Wednesday, July 13, Wild Rock Golf Club at The Wilderness, Wisconsin Dells

Tuesday, July 19, The Bog, Saukville

Additional individuals from your bank may attend based on space availability. Please refer to the registration form for prices at each location.

Several CBW Gold and Silver Corporate Member companies have generously contributed to co-sponsor this year's events. Gold sponsoring companies are Executive Benefits Network, ICBA, McGladrey, PULSE, Travelers, and Wipfli LLP. Silver sponsoring companies are BOSC, Inc., Shazam, and West Bend.

To view the online brochure and agenda, go to [www.communitybankers.org](http://www.communitybankers.org) and click on the link in the box headed "What's New." 🐾

## Bank's Largesse Supports Local Charities

WAUWATOSA—In honor of its 90<sup>th</sup> anniversary, WaterStone Bank (formerly Wauwatosa Savings Bank) gave away \$90,000 to local charities and schools during April.

From 280 possible charities, community members voted online for their favorite organization. The top vote getters received a one-time donation from the bank. The top winner received

\$30,000 and four charities or schools with the next highest vote totals received \$15,000 each.

The top vote getter was Sophia's Heart. The nonprofit, named for Milwaukee native Danny Gokey's late wife Sophia, seeks to eliminate poverty and homelessness among children, youth, and families, received \$30,000. Gokey was a third-place finalist on American Idol. The other four winners were St. Roman Parish School, Wisconsin Lutheran High School, Greendale High

School Marching Band, and the German Immersion Foundation.

## Bank Provides Discount Coupon for Downtown Businesses

BELOIT—Pundits will quip that the state has only two seasons, winter and road construction. But when road construction disrupts a business district, the result can be financially devastating.

From April 21 through April 30, Blackhawk Bank offered a 10 percent

## Noteworthy Community Bank Anniversaries

Congratulations to the following Wisconsin community banks, which celebrate key charter anniversaries in the second quarter of 2011:

### 120 Years

American National Bank, Beaver Dam, on June 30

### 115 Years

Bank of Brodhead, on April 30

### 105 Years

The Pineries Bank, Stevens Point, June 1

### 100 Years

Security State Bank, Iron River, on June 6

### 25 Years

The Bank of Alma, on June 20

### 15 Years

West Pointe Bank, Oshkosh, on April 22



Daryll Lund, CBW president and CEO, presents a centennial bank plaque to Jack Novak (left), chairman of the board, and Jeffrey Kleiman (right), president, Union State Bank, Kewaunee.

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discount of up to \$10 to shoppers of 25 downtown Beloit businesses affected by a reconstruction project on State Street. The discount coupons, offered in conjunction with the Downtown Beloit Association, have been well received. The construction began March 7 and is expected to conclude by June 2.



Don Curtis (left), presents the \$500 third-place prize to Barb and Mark Schultze of OccuPaws Guide Dog Association. Guide dogs in training are Barron, Barry, and Gordie.

## Bank Sponsors Online Charity Voting

CROSS PLAINS—State Bank of Cross Plains recently announced the winners of its Charity Champion online voting promotion. From April 4 through May

18, the bank celebrated Dane County nonprofit organizations by launching [www.statebankcharitychampion.com](http://www.statebankcharitychampion.com)—a microsite where individuals could champion a charity, gather votes, and win money for their charity. There were 61 entries and 112,127 votes cast with three winners: Brianna Kuelz who championed Common Threads Family Resource Center, Brian Lee for Rainbird Foundation, and Don Curtis for OccuPaws Guide Dog Association.

“The community involvement in this social media campaign was overwhelming,” stated Dawn Ferguson, vice president of sales and marketing. “We are thrilled that State Bank can make an impact on three wonderful organizations and celebrate nonprofits.”

The organizations have wide-ranging missions. Common Threads Family Resource Center enhances the development of children with emotional, behavioral, cognitive, and sensory challenges, and provides their families with support and direction. Rainbird Foundation is committed to the end of child abuse. OccuPaws Guide Dog Association has a mission to place fully trained guide dogs of excellent health and temperament with Wisconsin residents who have visual impairments.

## Bank Honored for School Partnership

MADISON – Ten business and industry partnerships that encourage students to learn about the workplace and various careers received Business Friends of Education awards during the 75<sup>th</sup> annual Wisconsin Association for Career and Technical Education conference held in Appleton in April.

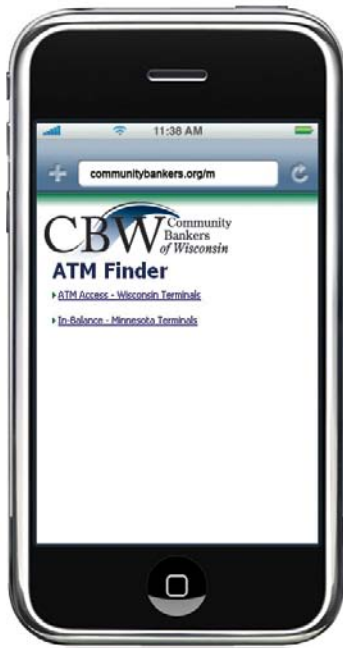
The award, provided by the Wisconsin Department of Public Instruction, recognizes the importance of partnering with local schools to grow Wisconsin’s economy through public education.

The First Bank of Baldwin was one of the 10 businesses honored. The bank is an active partner in Northwest Wisconsin schools, supporting financial education and money management activities. Bank staff offer field trip opportunities, job shadowing, and classroom instruction for finance students. The bank has also assisted with Baldwin-Woodville High School’s Reality Store and provides employment for finance youth apprenticeship students. Steve Perry, vice president, accepted the award for the bank.

## Bank Employees Give Teddy Bears to Fire Department

WAUKESHA—Waukesha State Bank’s employee volunteer group, Helping Hearts, delivered teddy bears to the Waukesha Fire Department to be used to comfort children when they respond to accidents or other emergency situations. New bears are kept in the fire department’s rigs and are given to children who are involved in a traumatic event. The bear typically comforts and quiets the children.

Employees dressed 25 bears in themed costumes, including a variety of superheroes like Batman, ballerinas, and even a “Biggest Loser” bear. Cheri Lynott, the bank’s coordinator for this volunteer activity and operations manager for Waukesha State Bank’s Wealth Management Services, explained, “Employees enjoyed competing for the ‘most creative’ bear in a bank-wide vote, with many of our staff members partnering to create amazing, one-of-a-kind bears.”



### Customers Enjoy Expanded Surcharge-Free Network AND Easy Ways to Locate Participating ATMs

CBW’s ATM Access network has partnered with the In Balance® Alliance offered by the Independent Community Bankers of Minnesota, to expand surcharge-free access. Cardholders traveling across the Wisconsin-Minnesota border can now freely withdraw money at 900 ATMs.

Cardholders driving anywhere in the two states can find the closest surcharge-free ATMs by connecting to the Internet via their BlackBerry® or other mobile device. Cardholders can also visit the CBW website ([www.communitybankers.org](http://www.communitybankers.org)) to search for participating ATMs by city or participating community bank. To learn more, call CBW at 608-833-4229.

# Monona State Bank Partners with Mandli Communications, SBA to Create Jobs

U.S. Sen. Herb Kohl was at Mandli Communications in Madison on June 1, to discuss the availability of small business loans. In addition to Senator Kohl's remarks, Eric Ness, Wisconsin's SBA Director, presented Raymond J. Mandli, president of Mandli Communications, with an honorable mention in the 2011 Wisconsin Small Business Person of the Year awards given out annually by the U.S. Small Business Administration.

Senator Kohl spoke about the vital role that small and medium sized businesses like Mandli Communications are playing in the recovery of our national economy. He stressed the importance of the SBA's loan program to help small businesses grow and continue to add new jobs to our economy. He has been involved with various small business lending bills including the creation of a \$30 billion Small Business Lending Fund that helps community banks increase their lending capacity to small business. Senator Kohl praised the work that Monona State Bank and other community banks in Wisconsin and across the country are doing to get our economy back on track.

Ray Mandli discussed the small business loan his company received through the Small Business Administration with the help of Monona State Bank and the Wisconsin Business Development Corporation. He explained how this loan, along with additional funding from Monona State Bank, allowed his company to retain more than 40 jobs and create more than 20 additional jobs. The company is already working with Monona State Bank on the next phase of their expansion, which will allow them to grow their business into new areas and create more technology-based jobs in Wisconsin.

Monona State Bank's vice president, business banking, Ted Gunderson, spoke about the importance of partnering with a lender who knows you and your business and the value community banks play in helping small businesses grow. He described how community banks can take the time necessary to navigate the application process required by the SBA because they understand

that the loan does a lot more than make a profit for the bank. It also allows companies to add jobs and improve the local economy. Unlike many of the national and regional banks where you may get assigned a new business banker every year, Gunderson has worked with Mandli Communications for more than 12 years

and knows the company's history and how it plans to grow, so he can tailor financial products and services to meet its financial needs. Gunderson stated that the Mandli partnership clearly demonstrates how community banks have the experience and resources, capital, and tools to partner with sophisticated and growing technology companies such as Mandli Communications.

Sen. Kohl has worked on the small business lending bill, which has helped thousands of small business owners obtain loans. In the first week this legislation was implemented, nearly 60 Wisconsin small business owners received more than \$30 million in loans. Additionally, Sen. Kohl has helped address



*Ted Gunderson, Monona State Bank, with Sen. Herb Kohl looking on.*

the credit crunch through the creation of a \$30 billion Small Business Lending Fund to help community banks increase their lending capacity to small business.

Mandli Communications designs and develops specialized digital imaging and data collection equipment for departments of transportation worldwide.

Monona State Bank is a \$335 million community bank founded in 1991 by local business owners who are committed to supporting projects and organizations that make the area a great place to live, work, and raise a family. Monona State Bank has three full service community banks located in Monona and Cottage Grove. More information can be found online at [mononabank.com](http://mononabank.com).

## CHANGING SCENE

### First Manitowoc Sees Net Income Increase

MANITOWOC—The first quarter of 2011 brought good news to First Manitowoc Bancorp. The holding company of Bank First National reported a net income of \$2.5 million or 37 cents per share. This compares with \$2.2 million or 33 cents per share during the first quarter of 2010.

Increases were seen in core deposits of 7 percent or \$40 million on a year-over-year basis. Loans also increased by 7 percent or \$41 million.

The bank has 13 offices in Manitowoc, Brown, Sheboygan, and Winnebago counties.

### First Quarter Good for First Business Bank

MADISON—First Business Bank announced a net income of \$1.3 million or 42 cents per share during the first quarter that ended March 31. This contrasts to \$899,000 or 35 cents per share during the same time period in 2010.

### Oconomowoc Bancshares Reports Earnings Increase

OCONOMOWOC—Oconomowoc Bancshares, Inc., the parent company of First Bank Financial Centre, reported a very successful 2010 with earnings of

\$4.4 million or \$13.09 per share up from \$2.5 million or \$7.46 per share in 2009, a 75 percent increase.

"2010 was one of the most successful years in the 151-year history of First Bank Financial Centre," said Mark Mohr, president and CEO. "We strengthened the financial condition of our bank the old-fashioned way: improving earnings, growing core deposits, and building a strong capital base."

## First Business Moves

APPLETON—First Business Bank has moved to 300 N. Broadway in Green Bay. The offices are downtown on the second floor of the Chamber of Commerce building.

## North Shore Launches Facebook App

BROOKFIELD—With an eye to serving the younger generations, North Shore Bank is introducing a Facebook app (application) to the 4,000 contacts it has on Facebook, LinkedIn, and Twitter. The new app will allow customers to link to the bank's regular online banking site, as well as access account summaries and transfer funds among North Shore accounts.

The platform for the app is enabled by Fiserv.

## Comments Sought

WASHINGTON, DC—As the Consumer Financial Protection Bureau implements its Know Before You Owe project, it will continue to seek feedback on drafts of a disclosure form that consolidates the Truth in Lending and the Good Faith Estimate forms into a single form. The CFPB has already spoken to and heard from many community bankers, and the bureau has received valuable feedback from them on the prototype forms.

Throughout the summer, the CFPB will be revising and sharing the draft disclosure forms on their Web site ([www.consumerfinance.gov/knowbeforeyouowe](http://www.consumerfinance.gov/knowbeforeyouowe)). Community bankers can assist the CFPB by sending their thoughts throughout the revision process about what will work for community banks. Send your feedback either on the Web site linked above or via e-mail at [KnowBeforeYouOwe@treasury.gov](mailto:KnowBeforeYouOwe@treasury.gov).

## Web Site Encourages Early Saving

MADISON—Hannah McMunn, a young Park Bank employee and customer, has launched a Web site that educates teens and young adults about the value of investing for retirement.

The site, [www.irakids.com](http://www.irakids.com), includes information on retirement accounts, resources on saving for retirement and college, as well as information for parents and guardians.

McMunn, a 16-year-old junior at Verona High School and a part-time employee at the bank, will be featured on the public television show, "BizKid\$," for her creativity.

## Community Bankers School Set for July

The July 10–15 session Community Bankers School will take place at Illinois Wesleyan University in Bloomington, Ill. This is an intensive program designed for today's community bank professional. Students gain:

Background and experience for broader responsibilities and greater effectiveness

Broad understanding of the overall deposit, credit, and investment functions of a community bank

Appreciation for customer service and an active business-development program

Insight into a community bank's overall operations, responsibilities, and techniques for integrating technology into the bank's strategic plan

The opportunity to compare and share experiences with peers, instruc-

tors, and senior bankers

A student notebook containing course outlines, supplemental reading materials, and sample forms

The ability to immediately contribute to the overall success of their bank.

For more information on the class schedule and a registration form please visit: <http://library.constantcontact.com/download/get/file/1101560471886-115/CBS11.pdf>.

## Bank Offers Patriot Express Loans

OCONOMOWOC—As Wisconsin's #1 Community Bank SBA (Small Business Administration) lender for two years running, First Bank Financial Centre now offers the SBA Patriot Express Loan.

Developed to stimulate business ownership among U.S. veterans, this program offers a faster application process, about the half of the paperwork of a regular SBA loan, and a lower interest rate. Applicable to veterans, active reservists, and/or their spouses, this loan can be revolving credit or a term loan. Only financial institutions with PLP (preferred lending) status through the Small Business Administration can complete these loans.

## Showcasing the Arts

BROOKFIELD—The Grafton branch of North Shore Bank is featuring the work of a local artist each month. During the month of April, the branch, located at 2301 Wisconsin Ave., featured Bonnie Paruch, a gallery owner in Sister Bay who has won national awards for her work. Paruch spoke at the Grafton bank on April 30, 2011. 🐾

## PEOPLE

### Thomson Retires

NEW GLARUS—After 37 years with The Bank of New Glarus and Sugar River Banks, Mary Thomson is retiring. She started with the bank in 1973 as a bookkeeper and soon became a teller. With continuing education and training she became the first woman CFO for the bank in 2002, a position she held until 2006 when she reduced her hours. Among her successes: introducing in-house computing for operations, enduring Y2K testing, and continuing to

ensure the latest technology was in place.

### FBFC Welcomes Christopher Zirbes

OCONOMOWOC—First Bank Financial Centre (FBFC) recently welcomed Christopher Zirbes to its team as commercial lender, vice president.

With more than a dozen years experience in business banking and



*Christopher Zirbes*

commercial relationships, Zirbes works closely with manufacturing companies; suppliers, wholesalers, and distributors. "Working with clients on a daily basis to help meet their business lending needs is truly rewarding" he stated, "Watching a business grow and succeed is one of my favorite parts of the job."

## Roeser Joins Bank First National

MANITOWOC—First Maniwoc Bancorp welcomes Joel Roeser as vice president of business banking at Bank First National. Bringing more than 26 years of experience with him to his new position, Roeser will be responsible for helping grow business banking in the bank's northern region market.

## New VP of Compliance

SUN PRAIRIE—The Bank of Sun Prairie recently announced that Anne Pingry has been hired as vice president of compliance. Pingry comes to the bank with over 22 years of experience in the banking industry.



*Anne Pingry*

## Imhoff New SVP

CROSS PLAINS—The State Bank of Cross Plains has promoted Dan Imhoff to senior vice president of residential lending. He joined the bank in 2003 as vice president-residential mortgage manager and has over 30 years of experience in the combined fields of mortgage lending, real estate, management, construction, and title insurance, in which he maintains professional licenses.



*Dan Imhoff*

## Rhyner New Head of Wausau Bank

WAUSAU—Kathy Rhyner was named president of the Bank of Wausau.

## Huber Joins Waukesha State Bank

WAUKESHA—John Huber has joined the commercial banking department of Waukesha State Bank as vice president, commercial banking officer. In his new role, Huber will prospect, develop, and manage commercial portfolios.

A banking veteran with more than 26 years of experience, Huber comes to Waukesha State Bank from PNC where he served as vice president, relationship manager. Huber holds a bachelor's degree in economics from the University of Wisconsin-Madison, as well as a bachelor's degree in accounting from Lakeland College in Milwaukee. He also attended the Graduate School of Banking and the Commercial Lending School.



*John Huber*

## Burgess Honored by SBA

LACROSSE—The Wisconsin district office of the Small Business Administration recently honored Steve Burgess, president and CEO of State Bank Financial, as Financial Services Champion. Each year, the SBA honors state businesses that help improve the financial climate for Wisconsin businesses.



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## La Macchia Hires Two Managers

MILWAUKEE—Kay Clabault recently joined La Macchia Group as director of project development and Kyle Edwards joined the group as design project manager.



*l-r: Kay Clabault, Kyle Edwards*

## WBD President Elected NADCO Chair

Joe Wolfe, Wisconsin Business Development Finance Corp. (WBD) president, is the new chairman of The National Association of Development Companies (NADCO). “We appreciate the opportunity to serve Wisconsin and help businesses nationwide gain the access to capital that can foster economic recovery,” Wolfe said. “Working with the SBA and our lending partners, we are helping these businesses finance the future.”

NADCO is the trade association of Certified Development Companies (CDCs) - companies that have been certified by the Small Business Administration (SBA) to provide financing for small businesses under the SBA 504 Program. The SBA 504 Loan Program is SBA’s economic development financing program that helps U.S. small businesses grow while benefiting communities through tax base expansion, business growth, and job creation. SBA 504 loans are available at fixed interest rates for terms of 10 to 20 years and allow all types of small, for-profit businesses to purchase and/or renovate capital assets including land, buildings, and equipment.

WBD Finance Corp. partners with Wisconsin financial institutions and has funded more than \$2 billion of community development projects, which have created more than 64,000 jobs statewide. WBD has eight offices across the state; to learn more, visit [www.wbd.org](http://www.wbd.org).

## Noted on the Bank of Alma Web site

The Bank of Alma’s March 2011 newsletter, Money Matters, contains a report, “Your Input Does Count,” about a customer survey, including a few customer comments along with the bank’s response:

*Why put your hours on a survey that has to be returned?* Good point, but we do offer hour stickers, so please stop in and pick one up. Our hours are also on our Web site.

*Wish you’d offer an ATM card..* Our debit card can be used for purchases, as well as at an ATM as long as [the vendors] honor VISA, which most, of course, do.

*Why do you charge to count coin?* We only charge noncustomers for this service.

*A dating service that matches poor singles with rich singles!* What a great idea and we need to work on that!

Money Matters is available on the Bank of Alma Web site: [www.bankofalma.net](http://www.bankofalma.net).

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