Plus:

Great Midwest Bank: A Family Affair .................... 4
Bank Evolution an ‘Interesting Ride’ ....................... 8
CBW Members Attend ICBA Washington Policy Summit .. 14
Banconomics .................................................. 20
Negotiating Data Processing Outsourcing Agreements:
Pointers for Community Banks .............................. 22
freedom of choice

Choose an EFT Network Invested in You

While some would like community financial institutions to have fewer choices and less control, SHAZAM believes that community financial institutions must remain in control of their own futures.

SHAZAM is owned and operated by community financial institutions. We understand who you are and what you believe in. We’re here for you, providing the cost-effective technology that makes you more effective.

You do have a choice in EFT networks. Choose the only EFT network invested in your success.

www.shazam.net  (800) 537-5427
Inside…

4 Great Midwest Bank: A Family Affair
8 Bank Evolution an ‘Interesting Ride’
14 CBW Members Attend ICBA Washington Policy Summit
20 Banconomics
22 Negotiating Data Processing Outsourcing

Agreements: Pointers for Community Banks

On our cover … Great Midwest Bank is a family affair for this family—from left, brothers Dennis Doyle, president; Dan Doyle, vice president-mortgage loans, and Andy Doyle, vice president-data/information systems. Father Michael J. is board chairman, brother Michael B. is vice president, and mother Carol is a director.

Why Do You Support CBW?

Jim Tubbs, CBW Chairman and President, State Bank of Cross Plains

Why do you support Community Bankers of Wisconsin? While we all generally agree on our association’s mission and core objectives, we each may emphasize different aspects. This issue contains two community bank profiles (p. 4 and p. 8), and our interviewees note the reasons they support CBW—for example, guidance, employee training, and political advocacy.

You will also find political advocacy news in this issue, specifically, CBW’s participation in the 2012 ICBA Washington Policy Summit in April, when your association representatives visited Wisconsin congressional leaders in their D.C. offices. As community bankers, we’re keenly aware of the importance of face-to-face meetings, especially in this digital age. Through its affiliation with the Independent Community Bankers of America, CBW provides this important opportunity to personally promote less regulation, underscore the differences between community banks and too-big-to-fail institutions, and advocate against expanded credit union powers, among other national issues.

Additional articles provide guidance about data processing outsource agreements, data security, and the importance of tracking the issue dates of municipal bonds. Several stories provide examples of member bank efforts and showcase their use of CBW promotional materials. Others observe bank anniversaries and note upcoming CBW educational offerings.

When it comes to educational offerings, another stellar prospect is the opportunity to attend one of three Member Appreciation Days:

• Thursday, June 28—Eau Claire Golf & Country Club, Altoona
• Wednesday, July 11—University Ridge Golf Course, Madison
• Wednesday, July 18—The Bull at Pinehurst Farms, Sheboygan Falls

Each features a CBW update and educational session, followed by golf in the afternoon and dinner.

I look forward to seeing you at our Member Appreciation Days, to reconnect with longtime colleagues, and to meet our association’s newer faces. These events are win-win opportunities where your participation helps strengthen our organization and where you receive valuable insights to apply in your bank.

Member Appreciation Days represent one of the reasons I support CBW. I value the opportunities our association provides to network, learn from one another, and build a team that stands up to the big banks, the credit unions with their tax advantages, and to the regulators who can level our playing field. I’m proud to be on CBW’s team with you.
Great Midwest Bank: A Family Affair

Mary Lou Santovec

“Family bank” is more than a marketing tag line for Great Midwest Bank. Four generations, including Dennis Doyle, the bank’s current president, have steered the Brookfield mutual through both heavy storms and calm seas.

Chartered in Milwaukee in 1935 by Doyle’s great-grandfather, A.F. Wanta, the bank has since opened eight offices in Milwaukee and the suburbs, Madison, and a Fox Valley office in Chilton in addition to its Brookfield headquarters.

From assets of $400,000 in 1936, one year after opening, to $520 million today, growth has been like the proverbial tortoise “slow and steady,” according to Doyle. “Asset quality has always been our priority more so than growth of the association or the pursuit of income.”

Part of that is due to the bank’s structure. “Being a mutual and not having the ability to raise capital through a stock offering, we have always maintained higher capital levels than the typical bank.” Doyle is proud of the fact that the bank’s current Tier One capital level is at 19 percent.

The laser-like focus on safety and soundness goes back to the original 1935 charter: “The objects of the association are to promote thrift by providing a convenient and safe method for people to save and invest money and to provide for the sound and economical financing of homes.” That philosophy is still true today, Doyle said. “Nothing has changed there.”

In its most recent quarter, the bank recorded $382 million in deposits and $395 million in its loan portfolio. The loan portfolio reflects the initial charter in its composition—most loans are in residential real estate. Loans for 1-4 family buildings make up 78 percent of the portfolio, while multi-family building loans are 14 percent. Consumer and construction loans comprise the remaining 8 percent.

As part of its service to the community, Great Midwest Bank has a presence with many housing-related organizations, such as a corporate walk for Habitat for Humanity, and member-

Realtors Value Bank’s Consistency, Customer Service

With the majority of its loan portfolio in mortgages, Great Midwest Bank counts many Milwaukee-area realtors as its customers. Two of them, Peter Stefaniak, owner/broker of the Stefaniak Group and Dave Schmidt, owner/broker of Dave Schmidt Realty, explained to Wisconsin Community Banking News why each has spent the past 15 years as customers of the bank.

For Stefaniak, it all boils down to one word, “consistency.” “I know what to expect and how they will take care of my customer.”

He’s also a fan of the local decision making. “Being local makes a huge difference. The people I’m working with [at the bank] are the people making the decision. There’s great value to me in personal service. I run my business that way.”

For Schmidt, good customer service is the key. “It’s an ‘old fashioned’ bank,” he said. “The tellers know who you are. You’re not a number.”

Having tested the waters with other banks, Schmidt noted that other financial institutions “make a lot of promises but the results generally aren’t there.

“With Great Midwest, there are very few surprises,” he said. “You deal with one person and there’s quick turnaround. When they say they will do something, you know they will do it.”

Stefaniak agreed, saying “part of it is in the end, the loans are sold again and again, and the homeowner is working with four or five lending institutions. These institutions don’t know your situation. The personal touch to me is so important.”

continued on page 6
FDIC Discusses the Future of Community Banking

At the end of May, I joined with over 60 bankers, trade association representatives, and banking regulators from Wisconsin and five other states, as well as the District of Columbia, at a meeting in Chicago to discuss the future of community banking. Martin J. Gruenberg, acting FDIC chairman, addressed the meeting and served as moderator for this half-day event.

The FDIC community banking regional roundtable meeting was structured as a panel discussion divided into two discussion areas. The first panel discussion addressed the financial and operational challenges and opportunities for community banks. The second panel addressed issues related to regulatory interaction between the FDIC and the community banking industry.

Representing Wisconsin on the panel discussions were Rick Busch, president, Royal Bank, Gays Mills; James Caldwell, president, First Citizens State Bank, Whitewater; and Dennis Meyer, president and CEO, Independence State Bank. Also in attendance from Wisconsin were E. David Locke, chairman and chief financial officer, McFarland State Bank; Tom Pamperin, president and CEO, Premier Community Bank, Marion; Butch Pomeroy, president, International Bank of Amherst; Rose Oswald Poels, president and CEO, WBA; and Peter Bildsten, secretary of the Wisconsin Department of Financial Institutions.

The meeting in Chicago was the third in a series of six regional meetings the FDIC is holding around the country as follow up to the Future of Community Banking conference held in Virginia in February of this year. One of the purposes of the roundtable meetings is for FDIC’s senior executives to hear first-hand about the concerns of bankers and what the FDIC can do to respond to those concerns.

FDIC Acting Chairman Gruenberg opened the roundtable discussions by addressing the importance of community banking in the United States. “Community banks play a crucial role in the financial system of the United States. Community banks with assets of less than $1 billion account for a little more than 10 percent of the banking assets in our country, but provide nearly 40 percent of all the small loans that insured financial institutions make to businesses and farms. Community banks play a crucial role in extending credit and providing financial services in rural communities, in small towns, and in inner-city neighborhoods. In many of those localities, if not for the community bank, there would be no easy access to an insured financial institution. In my view there is a clear public interest in maintaining a strong community bank sector in the U.S. financial system.”

In addition to the roundtable meetings, the FDIC is undertaking a series of other initiatives this year related to the future of community banks. One of these initiatives involves the FDIC’s Division of Insurance and Research undertaking a comprehensive review of the operation of community banking in the United States over the past 25 years and identifying the key challenges facing community banks, as well as the stories of successful community bank business models. Analysis of this information may lead to conclusions useful for community banks going forward. Another initiative involves the directors of the FDIC’s Division of Risk Management Supervision and Division of Depositor and Consumer Protection. These directors will review the examination process for both risk management and compliance supervision, as well as look at how the FDIC promulgates and releases rulemakings and guidance. The goal is to identify ways to improve the processes and communication while maintaining the agency’s supervisory standards.

The FDIC is expected to issue a report by the end of this year on the roundtable meetings, as well as on the progress made on these other initiatives.

As one Wisconsin community banker so eloquently stated, “In my 37 years of banking this is the first time that we have had this type of opportunity to have an open and frank dialogue like this with the FDIC Chairman. The community banking industry in the United States is unique like no other country in the world. We [community bankers and regulators] all want a safe and sound banking system. Communication and dialogue will be key, as well as a tiered regulatory structure that differentiates community banks from the large banks.”

I would like to thank the Wisconsin community bankers who took time out of their busy schedules to participate in this roundtable meeting. Hopefully the FDIC will heed the banker comments shared at this and the other roundtable meetings to produce a final report that does not just summarize their findings but actually identifies action steps to take to make sure our community banking industry prospers and thrives for years to come.
ship in housing counseling agencies. Tellers staff VITA (Volunteer Income Tax Assistance) sites where they help low-income consumers open statement savings accounts, so that the taxpayers can have their refunds or other checks automatically deposited into their new account. When asked why the bank gets involved with these activities, Doyle noted: “It’s rewarding to contribute to the health of the community.”

Working for Great Midwest is also rewarding for bank employees, said Jon Reetz, loan officer. “We’re on solid ground financially as a result of the sound business practices we’ve always employed. Great Midwest weathered the storm of the past several years as well as anyone in the area, much less the state. It gives me peace of mind and allows me to convey that sense of security to our customers, who really do appreciate that simple fact in today’s banking environment.”

Reetz, who previously worked for a large bank and has now been with Great Midwest for 10 years, appreciates Great Midwest’s ability to make decisions quickly. “Beyond that, we treat customers the way they should be treated! A breath of fresh air and a distinct competitive advantage in today’s environment!”

The Great Recession has brought many expansion and acquisition opportunities for banks like Great Midwest that stuck to their knitting during the financial crisis. “There are no active plans [for expansion] but we do evaluate opportunities as they arise.”

Still, even with the economy now appearing to move in the right direction, many challenges lie ahead for community bankers. Doyle’s top four are regulatory burdens, margin compression, the slowness of the recovery, and the uncertain future of Fannie Mae and Freddie Mac.

Membership in the Community Bankers of Wisconsin provides guidance and employee training activities that a small community bank couldn’t support on its own. But for Doyle and Great Midwest, CBW plays another key role—making sure that policymakers hear the voice of community bankers. “Political advocacy is so important in today’s environment and we love CBW’s affiliation with ICBA on a national level.” Educational training, networking, a resource for information, and a “wonderful staff” round out Doyle’s assessment of the association.

As a state savings bank, Great Midwest holds a philosophy not unlike that of community banks. “We feel we are similar to many community banks in that every day we wake up with our customers’ best interests in mind.”

The bank attributes its success to never having strayed from what A.F. Wanta first conceived during the height of the Depression, Doyle observed. “We always say that ‘We know who we are and, more importantly, know who we are not.’”

### Sports Fan(atic)

The word “fan” is considered slang for “fanatic,” a term that could definitely describe Dennis Doyle, Great Midwest Bank president. “I love coaching youth sports and have coached over 30 teams.” His two main objectives in coaching kids are pretty straightforward, “good sportsmanship and never fearing failure.”

It’s not surprising then that some of the bank’s community efforts include sponsoring youth sports. Badger basketball and football are also among his interests.

Despite being a direct descendent of the original owner, Doyle never expected nor received the red carpet treatment during his years at the bank. “My career at Great Midwest Bank started in the file room at 15 years of age. From there I worked in collections during college summer breaks.” Following graduation from the University of Wisconsin-Madison, he became a loan officer/branch manager/branch coordinator holding those positions for 15 years until he assumed the role of president in 2006.

To ensure Doyle is taking the bank in the direction that his great-grandfather set, he has the “pleasure of working with his father and three brothers,” Andy, Dan, and Michael B. who serve as vice presidents. His dad, Michael J., who's beginning his 50th year with the bank, is chairman of the board. His mother, Carol, is a director.

Married to his wife Kim for 18 years, the couple has two children, Taylor, a high school junior and Matt, an eighth grader.
Does your current insurance company see your bank as less sophisticated than it is?

No matter what size bank you are, Travelers will never treat you like a second-class citizen. For more than 110 years, our local presence and industry-leading underwriters have combined to offer a comprehensive suite of coverages designed to fit each client’s needs perfectly. Contact your independent agent today to learn more about our Travelers SelectOne for Community Banks, and stop being treated like you are just another mouth at the trough.
Bank Evolution an ‘Interesting Ride’

Mary Lou Santovec

The evolution of Citizens First Bank in Viroqua reads almost like a novel with multiple characters, locations, and plot twists. Part of Firsnabanco, Inc., a multi-bank holding company located in the Vernon County community of 4,400, Citizens First has its origins in First National Bank, a nationally chartered institution opened in 1907 by five local investors with $50,000 in capital.

The Ilstrups, a Minnesota banking family whose matriarch was the Gopher state’s first female bank president, acquired First National in 1969. Soon after, the family added Farmers State Bank in Viola, 12 miles to the east of Viroqua, to its portfolio. Both institutions were operated as stand-alone banks until 1983 when the holding company was formed and the two banks merged.

Always on the lookout for complementary acquisitions, the Ilstrups acquired Trempeleau’s Citizens State Bank in 1985. Firsnabanco, Inc. operated the Trempeleau bank (chartered in 1912) as a stand-alone bank until 2005. That year First National Bank’s national charter was merged into Citizens State Bank’s state charter and the headquarters moved to Viroqua.

Six years earlier, Firsnabanco purchased an M&I office in Sparta. In 2007, it built a new branch in Centerville, a small community north of Trempeleau.

“IT’s been kind of an interesting ride,” said Ron Moilien, CEO, who started his career with the former First National Bank in 1977 after graduating from the University of Wisconsin-La Crosse. He made the transition to his current position in 1989.

When a local pharmacy adjacent to the bank’s headquarters closed, the bank acquired it for its investment subsidiary. The renovated building received an honorable mention for its updated façade from the state’s Main Street program. (Viroqua was one of the first Wisconsin cities to receive a Main Street designation.)

Over the past 35 years Moilien has seen his share of changes in the banking industry. At the helm of Citizens First during the Great Recession, he acknowledged that the bank fared better than many because “we stayed close to home, to our markets.” He added, “We didn’t venture out [or] buy any [long distance] real estate participations.”

While Western Wisconsin did not escape the downturn unscathed, once the crisis eased “we found ourselves well poised to move forward [and] could concentrate on our markets.”

A Harris Bank branch in nearby Westby recently announced it was closing creating “some opportunities not only for us, but for our competitors.” While Firsnabanco has no immediate plans for further acquisitions, there’s always interest. And it would be a coming home of sorts for Moilien who grew up on a dairy farm near Westby.

Adopting a forward-thinking perspective, the holding company has recently acquired a piece of property in the Sparta market that they hope to break ground on within the next few years. The new building is expected to emphasize the bank’s commitment to the community, a message that needs to be said since the existing building had been the location of two previous financial institutions, M&I and before it, Western Federal Savings and Loan.

Citizens First currently has $154 million in assets, $133 million in deposits, and 50 employees. The loan portfolio of $114 million is a diversified mix of farm real estate loans (23 percent), ag operat-

continued on page 10

From the Barn to the Bank

From cows to cash, Ron Moilien took the hard work ethic he learned on his parents’ dairy farm and applied it to his banking career.

He admitted that the route to becoming a bank president wasn’t planned out. “When I got out of college in 1977, I knew I had to start doing something. Getting that first job was very important not only from a financial perspective but in finding out what you like and are good at, too.”

Working in the office next to Bill Ilstrup, Moilien had a chance to learn what his mentor thought of community banking. Moilien found that it fit his sensibilities and he quickly rose through the ranks.

Tapped to become CEO in 1989, the promotion was his “most difficult transition,” Moilien said. “I liked working with people and helping them prosper.” But as his plate got fuller with operations, liquidity and funding issues, and bond portfolio management, he had to make some hard choices.

He’s proud to be a member of the Community Bankers of Wisconsin and is grateful for the emphasis that CBW places on employee education. “CBW does a great job in helping community banks help their employees grow.”

Ron Moilien
Solutions that ICBA Securities can provide to your bank:

- **Bank Advisory** - Capital raises, mergers/acquisitions, strategic planning, valuations, ESOPs, stock options & more (offered through ICBA Securities' affiliate, Vining Sparks Community Bank Advisory Group, LLC)
- **Asset / Liability** - More than typical data analysis, reports & reviews, ALCO meetings (your partner all the way through review, strategy & execution)
- **Investment Portfolio** - Strategies, analysis, Fixed Income sales/support & investment subsidiary asset management support (offered through ICBA Securities' affiliate, Vining Sparks Asset Management, LLC)
- **Loan Trading** - Market makers in all loan types for community banks (SBA, USDA, Ag, Residential & Commercial, Performing & Non-Performing, etc), profit maximization, origination support, etc
- **Wholesale Funding** - Full-service wholesale funding support (issuing Brokered CDs, Repos/Reverse Repos, FHLB Advances Analysis, etc)
- **Interest Rate Products** - Increasing spread and income in the loan portfolio through interest rate swaps & support of all types (offered through ICBA Securities' affiliate, Vining Sparks Interest Rate Products, LLC)
- **Executive Benefits & BOLI** - Analysis, consulting, administration
- **Software & Support** - Online Portfolio Management, Asset/Liability Reporting, Bond Accounting, Safe Keeping, Total Return Modeling
- **Education & Research** - Ongoing education, industry leading research, proprietary analytics

A name you’ve known and trusted for over 20 years.

Providing Wisconsin Community Bankers comprehensive balance sheet solutions.

Your Wisconsin Balance Sheet Solutions Team:
Fred Kelly • Jonathan Ferebee • David Holsted
877-506-7075

ICBA Securities is a member of FINRA/SIPC

Securities execution services are offered by ICBA Securities Corporation a registered broker-dealer and Member FINRA/SIPC. Other services and products mentioned are not insured by SIPC and may be offered by separate but affiliated companies. Please visit our website for additional important disclosures and information. www.icbasecurities.com
Driving Community Success

Too often, community banks aren’t thought of as the catalyst behind a community’s success. But businesses and organizations that work with community banks tell a different story.

For Vernon Memorial Healthcare, the story is one of mutual support. According to Garith Steiner, the hospital’s CEO, “Vernon Memorial Healthcare appreciates the great working relationship it has with Citizens First Bank of Viroqua, [which] has a long history of focusing on the needs of the businesses and families in our communities.” Employees of the bank actively serve on the hospital’s corporate and foundation boards. The area’s quality of life has served to attract not just family practice physicians but surgeons (normally an impossible task) to the rural area.

Susan Noble, executive director of the nonprofit Vernon Economic Development Association (VEDA) seconded Steiner’s observation saying, “Citizens First Bank has been very supportive of business development in the region. It is a very critical partner in the region’s economic growth.”

Citizens First was one of five banks that helped VEDA obtain a $2.3 million Midwest Disaster Area bond to renovate the former NCR building, which closed in 2009. When NCR announced it was moving its printing work to Tennessee, 80 workers suddenly lost their jobs. Unable to negotiate an employee buyout, VEDA purchased the vacant facility with the intent to renovate it into a business incubator. Today it has three clients and a fourth space is under construction.

continued from page 8
Managing Vendor Relationships

What impact could your vendors have on your operations, reputation, legal liability, etc.? How well are they performing? Are they living up to their contractual requirements? Do you believe they will be able to continue to meet expected service levels?

In an effort to operate more effectively, many institutions choose to outsource various responsibilities and functions to third-party providers to leverage their expertise. In many cases, these services involve critical functions or information. Although management and the board of directors choose to outsource services or operations, their responsibility and liability for these services or operations are not eliminated.

As part of its responsibility to oversee vendor relationships, management should put in place an effective vendor management program to address these types of questions and concerns. The key elements of a comprehensive program are described below.

Risk Assessment
A thorough risk assessment is the first step in determining the extent and frequency of monitoring needed to oversee the vendor relationship. An appropriate risk assessment and rating definitions should be developed to evaluate the risk of the service provided and vendor relationship.

The evaluation should identify the operational risk associated with the vendor and service provided. This evaluation should consider the criticality of the service provided and the potential impact to the institution if the vendor is unable to deliver the service at an acceptable level. A determination should be made about the availability of other service providers along with the ease of transition. The following risks should also be evaluated: compliance, legal, market, and reputational. In addition, the risk evaluation should consider the vendor risk relative to confidential information.

Monitoring
Once the risk of the vendor and service provided has been determined, the vendor should be appropriately monitored. As part of the ongoing vendor management program, management should implement a documented process to monitor critical or high-risk vendors and relationships. A documented process can help ensure completion of the review, documentation of the results, and consistency. Generally this monitoring should be performed at least annually.

At a minimum, the focus of the monitoring should be to determine adherence to contractual requirements, the adequacy of the service provided, and the ability of the vendor to continue to deliver the service as expected. Depending on the nature of the service provided, the monitoring may include, but is not limited to, an evaluation of the following: audit and test reports; financial information; business continuity and disaster recovery test results; security policies, practices, controls, and training; hiring practices; and incident response procedures and actual incidents.

Management should ensure the evaluations are performed by those with the best expertise. For example, complex financial statements may be analyzed by a commercial loan officer or analyst and technical IT test results may be evaluated by the IT manager.

Reporting
A formal process should be in place to help ensure management and the board of directors understand the risks associated with the vendor relationships. The process should include updates on the results of the risk assessment, including identification of the critical or high-risk vendors and services, and the results of the performance monitoring.

Policy
A written vendor management policy, procedures, and documentation formats should be developed to address these key components of vendor management. In addition to the key components, the vendor management policy should address the following: responsibility for vendor management oversight, risk assessments, monitoring, reporting, and as requirements.

Conclusion
As more critical services, functions, and information are outsourced to third-party providers, the ongoing vendor management program becomes increasingly important. In addition, the current economic climate well as the evolving and pervasive security threats can impact the ability of vendors to deliver services at an acceptable level or prevent unauthorized access to or use of confidential information. Although service are outsourced, management and the board directors are still responsible for the delivery of the service, security of information, and liabilities that may result from the vendor relationship. For more information related to ongoing vendor management programs, refer to the following FFIEC Booklets: Management, Outsourcing Technology Services, and Supervision of Technology Service Providers. Addition information can be found in the Interagency Guideline Establishing Information Security Standar and the Gramm-Leach-Bliley Act.

Tammy Wollersheim,
Senior Manager
Wipfli LLP

WIPFLi
CPAs and Consultants
www.wipfli.com
our employees” and one of the drivers of the bank’s success.

Hiring decisions are made strategically with an emphasis on getting the best person rather than simply filling a position. The bank has even hired when a position wasn’t available simply to get a particular skill set.

Like most community banks, Citizens First has a significant presence in the area. For example: Moilien is chair of the hospital’s board, and front-line tellers and bookkeepers get paid to volunteer a few hours on company time for a reading program at the local school. Employees at the Trempeleau office volunteer for the rescue squad and the ski patrol.

“If you’re out and about in the community and doing what’s necessary to make the community do well, it exhibits commitment,” Moilien said. “People see it and it gets related back to the bank. People want to bank with people they know.

“If the community thrives, so do we. If people thrive, so do we.”

Strategic planning with an eye toward succession is something that the Ilstrup family emphasizes. The son of the original holding company president, Bill Ilstrup, is now chairman of the board. Bill’s grandson manages the branch in Centerville.

CBW Member Banks Use Complimentary Window Clings to Build Awareness

A number of member banks are using the CBW window clings in promoting local banking, shopping, and dining. Member banks are partnering with local businesses and chambers of commerce to distribute the window clings to area retailers, restaurants, visitors’ bureaus, and other organizations. When posted at multiple sites, the window clings reinforce the importance of building and supporting local economies.

The four-by-six inch window clings on peel-and-stick white vinyl were made available at no charge to CBW member banks.

CBW Offers Member Banks Free Monthly Consumer Column

Beginning in May, Community Bankers of Wisconsin has offered member banks a free column, Consumer Tips from Your Community Banker, suitable for customer newsletters, letters to editors, blogs, or on bank Web sites. Each issue explores a consumer financial topic and offers a Wisconsin perspective, including Wisconsin resources.

The first two issues, “How to Guard Against I.D. Theft,” and “Buying a Used Vehicle? Avoid Potential Headaches” included links to Wisconsin-specific resources offered by public agencies and organizations. Upcoming columns will focus on such topics as FAQs for first-time home buyers, scams to avoid, managing debt, the difference between a traditional and Roth IRA, and how to decide when to retire. Suggestions for column topics are welcome. Send your ideas to Jami Erickson at jami@communitybankers.org.
You’ll stay in the black with West Bend’s Association Plus program. That’s because you’ll get the popular Home and Highway® policy which offers a variety of terrific coverages, benefits, and discounts, including...

- A group discount just for members of the Community Bankers of Wisconsin.
- Coverage for just about everything you own: home, condo, or rental unit, as well as cars, truck, boat, motorcycle, snowmobile, jewelry, even umbrella coverage ... all on one policy with one premium, one bill, one deductible. And it’s all available from one local agent.
- Five percent of your annual premium back – in cash – if you don’t have a claim all year!
- Guaranteed replacement cost with no cap so if your home is destroyed by a fire or a tornado, West Bend will pay what it costs to replace it, even if it’s more than your policy’s limits.
- Automatic coverage for some of the costs you may incur, including most veterinarian expenses, if a beloved family pet is the victim of a covered accident.

This is one transaction you don’t want to miss! To find out more, call an independent insurance agency in your area that represents West Bend. Visit thesilverlining.com for the name of the agency nearest you.
CBW Members Attend ICBA Washington Policy Summit

A number of Community Bankers of Wisconsin members attended the 2012 ICBA Washington Policy Summit in April, joining community bankers from across the country to meet with Washington policy makers and agency representatives. The Summit gave community bankers the opportunity to advocate for the industry face-to-face with elected officials and their staffs. These photos document meetings with Congressman Sean Duffy, Congressman Tom Petri, and Congressman Ron Kind.
We’re here to help grow your capital.

For more than 75 years, RSM McGladrey has been helping Wisconsin financial institutions maximize their growth potential in uncertain markets.

From loan review and strategic consulting to audit and tax planning, we provide innovative solutions to help guide our clients through these turbulent times.

So no matter what the economy may bring, we’re here to help you grow and prosper.

To learn more, contact John Behringer at John.Behringer@mcgladrey.com or 414.298.2855.

www.mcgladrey.com
From the Top
No More Surprises

Camden Fine, ICBA President and CEO

“The mistakes had been brewing for a while. … In hindsight, we took far too much risk. The strategy we had was barely vetted. It was barely monitored. It should never have happened.”

—Jamie Dimon, CEO of JPMorgan Chase & Co. on Meet the Press, May 13, 2012

You’ve heard it before, and now we hear it again. Wall Street’s financial “masters of the universe” got mired and mangled by another high-wire investment trading deal of their own creation. The self-inflicted losses are staggering, and risky trades were made that top management either didn’t know about or didn’t comprehend.

This time the surprise came from Jamie Dimon, the CEO hailed for upholding a prudently restrained risk-management ethos that had supposedly steered JPMorgan Chase & Co. safely through the last financial crisis. On April 13, Dimon said that big bets taken by the London office of JPMorgan were “a complete tempest in a teapot” (in retrospect, it was one hell of a big teapot). Then last month he announced those bets in complex credit default swaps had lost $2 billion (and counting) and proved “riskier” and “more volatile” than anyone at the nation’s largest financial firm fathomed, including the person who executed the exploded trade. And this is what they’re admitting, so far.

And community bankers wonder why they have crushing regulatory burdens?

A few high-powered JPMorgan executives have lost their jobs over this deal in synthetic derivatives (the word “synthetic” should never be used in the same sentence as the word “bank”). Unfortunately, these investment powder kegs, upon which today’s too-big-to-fail titans play their high-stakes profit games, have only gotten bigger and bigger. Nevertheless, “trust us” is what Wall Street tells us. We know what we’re doing. We’re taking all necessary precautions. We’re in control—until they aren’t! And then ka-boom!

Of course, similarly dangerous bets led to the recent Great Recession and a comprehensive restructuring of financial regulation that gave us the Dodd-Frank Wall Street Reform and Consumer Protection Act. Since then, Dimon and JPMorgan have been among the most vocal opponents of tighter regulations on the largest Wall Street financial firms, particularly Volcker Rule restrictions on proprietary trading. Now JPMorgan is the latest poster child exposing, once again, what’s so dangerous about too-big-to-fail megabanks—that nobody, not even regulators, can fully control the risks these unprecedentedly large and complex institutions generate. Sooner or later, these soulless machines will explode, individually or as a group, with costly and dangerous surprises for us all—particularly community banks.

Coincidentally, the same day Dimon announced JPMorgan’s huge trading losses—six weeks after he downplayed the $2.3 trillion-asset megabank’s investment portfolio risks—FDIC Acting Chairman Martin Gruenberg outlined more details on how the agency will use its Dodd-Frank powers to orderly resolve systemically important financial institutions that fail. However, Washington’s regulators have a long way to go, and ICBA has been urging them to move more quickly to downsize and cease or restrict the activities of too-big-to-fail institutions. A good start would be to separate high-stakes investment banking activities from commercial banking activities.

As the latest bombshell headlines from JPMorgan demonstrate again, we must liberate our financial system from the constant overhanging danger and doubt from too-big-to-fail institutions. It’s time to end these surprises from Wall Street. Because until we do, we will not have a truly free-market system.

CBW Legal & Compliance Consortium

Community Bankers of Wisconsin offers its Legal and Compliance Services Consortium to provide CBW members with fast, easy access to compliance and legal services at a flat annual fee. Godfrey & Kahn renders written or oral legal advice that can be maintained in bank records and provided to regulators. Consortium members become clients of Godfrey & Kahn.

Consortium members have received answers to questions related to permissible compensation arrangements for mortgage loan originators, honoring powers of attorney, access to safe deposit boxes, overdrafts, financial privacy, FDIC insurance coverage, flood insurance, federal and state consumer loan disclosures—and many more issues. Clients often request written advice and conclusions to follow-up on Godfrey & Kahn discussions.

Consortium members can rest assured that they have specialized legal advice backing up their unique compliance questions and concerns.

For more information, contact Jami Erickson at jami@communitybankers.org.
GOT LIQUIDITY?
NOW IS THE TIME TO THINK BOLI!

EBN has solutions to vastly improve your Bank’s bottom line

Put your excess liquidity to work with greater, stable returns. EBN has the time-tested BOLI solution with attractive, tax-free yields.

EBN’s BOLI solutions and service remain consistent. EBN utilizes the highest financial strength companies that provide stable long-term performance. EBN provides proactive service and answers to your BOLI questions through its team of experienced, local professionals.

EBN specializes in the design and administration of BOLI and Nonqualified Benefit programs. Find out why over 200 banks have chosen EBN to provide their proven, results-oriented BOLI solution.

626 E. Wisconsin Avenue • Suite 1000 • Milwaukee, WI 53202

800.780.4EBN • ebn-design.com
CBW’s Telephone/Webcast training sessions bring the latest regulatory information right to the desks of your bank employees:

Tuesday, June 19: Documenting Your Required Information Security Program
Thursday, June 21: Accounting/Auditing Series: Accounting and Auditing Reports to the Board
Friday, June 22: Problem Loan Techniques and Remediation
Tuesday, June 26: Understanding and Navigating ACH Rules for ODFIs
Thursday, June 28: Branch Performance Indexing
Tuesday, July 10: Capital Is Available: How Do You Find It?
Wednesday, July 11: Protecting the SBA Guaranty—Start to Finish
Thursday, July 12: Facebook and Community Banking: What Should Your Strategy Be?
Tuesday, July 17: Director Series—Asset/Liability Management for Directors

Wednesday, July 18: 10 Key Factors in Making Good Consumer Loan Decisions
Thursday, July 19: Call Report Preparation: RC-R Risk-Based Capital
Tuesday, July 24: Required Compliance Series—Regulatory Compliance for Deposit/Operations
Thursday, July 26: CRA Compliance and FAQs
Friday, July 27: New IRS Rules for Interest Reporting on Nonresident Alien Accounts: Effective with 2013 Tax Year
Monday, July 30: Responsibilities of the Board Secretary—Including Electronic Board Package Considerations
Tuesday, July 31: Dealing with Record/Documentation Retention and Destruction

2012 Member Appreciation Days Around the Corner

Mark your calendar now to attend one of the following CBW Member Appreciation Days!

Thursday, June 28—Eau Claire Golf & Country Club, Altoona
Wednesday, July 11—University Ridge Golf Course, Madison
Wednesday, July 18—The Bull at Pinehurst Farms, Sheboygan Falls

As a member of the Community Bankers of Wisconsin and in appreciation of your support and valued membership, you are invited to participate in our 11th Annual CBW Member Appreciation Days. The full-day event consists of a CBW update and an educational program followed by golf in the afternoon and dinner. To register, visit the CBW website: www.communitybankers.org.

Most conferences run from 2:00 p.m. to 3:30 p.m. However, the Director Series webinar on July 17 begins 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 e-mail sandy@communitybankers.org. Visit CBW’s Web site, select the desired workshop, and follow the link to register online.

CBW Member Bank Marketing Efforts Use CBW, ICBA Resources

CBW and ICBA affiliations can help community banks market themselves in myriad ways—with a variety of creative promotional materials and announcements. For example, Royal Bank is using the CBW “Go Local” image on its home page: http://www.royalbank-usa.com/

Above: Farmers Savings Bank, Mineral Point, created an ad to announce that its customers Joyce and Ken Von Rueden were among five winners of ICBA’s national “I Love My Community Bank Because 2.0” contest. Each winner received a $500 gift card for sharing why they love banking locally with their community bank. Pictured in the ad with the Von Ruedens is bank employee Theresa Ley.

Right: First National Bank, Park Falls, used CBW “Go Local” campaign materials in a billboard promoting its First National Insurance Agency.
CliftonLarsonAllen offers something different: exceptional capabilities, deep industry experience, and singular client service — all for financial institutions like yours.

Serving you from offices across the country and throughout Wisconsin.

Madison, Wisconsin
608-662-8600
### Wisconsin Banconomics Benchmarks

#### Wisconsin Banking Indicators

<table>
<thead>
<tr>
<th></th>
<th>3/31/12 $ in 000's</th>
<th>3/31/11 $ in 000's</th>
<th>Change from One Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Banks</td>
<td>260</td>
<td>260</td>
<td>-</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>12,359</td>
<td>12,441</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$55,534,297</td>
<td>$55,033,379</td>
<td>0.9%</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>$46,377,391</td>
<td>$45,814,936</td>
<td>1.2%</td>
</tr>
<tr>
<td>Net Loans &amp; Leases</td>
<td>$37,309,452</td>
<td>$38,117,013</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Net interest income</td>
<td>$480,383</td>
<td>$472,879</td>
<td>1.6%</td>
</tr>
<tr>
<td>Total noninterest income</td>
<td>$166,325</td>
<td>$164,326</td>
<td>1.2%</td>
</tr>
<tr>
<td>Net Income (Year-to-date)</td>
<td>$126,268</td>
<td>$106,081</td>
<td>19.0%</td>
</tr>
</tbody>
</table>

#### Wisconsin Banking Performance Ratios

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitable Banks</td>
<td>92.31%</td>
<td>88.08%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Banks with Earnings Gains</td>
<td>68.08%</td>
<td>59.23%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>3.76%</td>
<td>3.73%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Noncurrent loans to loans</td>
<td>2.99%</td>
<td>3.09%</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Net charge-offs to loans</td>
<td>0.54%</td>
<td>0.71%</td>
<td>-23.9%</td>
</tr>
<tr>
<td>Loss allowance to loans</td>
<td>2.02%</td>
<td>1.95%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Net loans and leases to deposits</td>
<td>80.45%</td>
<td>83.20%</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>0.91%</td>
<td>0.77%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>8.05%</td>
<td>7.24%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Equity Capital to assets</td>
<td>11.36%</td>
<td>10.74%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

### Wisconsin Banconomics Lending Benchmarks

#### Wisconsin Lending Indicators

<table>
<thead>
<tr>
<th></th>
<th>3/31/12 $ in 000's</th>
<th>3/31/11 $ in 000's</th>
<th>Change from One Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Loans &amp; Leases</td>
<td>$37,309,452</td>
<td>$38,117,013</td>
<td>-2.1%</td>
</tr>
<tr>
<td>All real estate loans</td>
<td>$29,957,808</td>
<td>$30,536,237</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Construction and land development</td>
<td>$2,115,389</td>
<td>$2,595,693</td>
<td>-18.5%</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>$12,683,085</td>
<td>$12,836,167</td>
<td>-1.2%</td>
</tr>
<tr>
<td>1–4 family residential</td>
<td>$11,264,553</td>
<td>$11,361,247</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Farm loans</td>
<td>$1,024,214</td>
<td>$1,030,247</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Commercial &amp; industrial loans</td>
<td>$5,289,753</td>
<td>$5,433,929</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Loans to individuals</td>
<td>$1,077,109</td>
<td>$1,142,823</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Credit cards</td>
<td>$62,485</td>
<td>$64,220</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Small business loans of $1M or less</td>
<td>$6,038,827</td>
<td>$6,294,907</td>
<td>-4.1%</td>
</tr>
</tbody>
</table>
3 GENERAL SESSIONS
focus on Changes in Federal Government ACH Payments, Current Initiative Roundtables and an Industry Update. Customize your learning experience and achieve the knowledge you seek by switching between sessions featured in two tracks – one for beginning payments professionals (ideal for AAP candidates) and one for advanced payments professionals.

FUNDAMENTAL TRACK
• ACH Roles and Relationships
• RDFI Responsibilities
• Exception Handling
• ODFI Responsibilities and more.

ADVANCED TRACK
• Auditing Your Originators
• Suspect Transactions
• Compliance and Regulations
• Case Studies: You Be the Arbitrator
and more

FRAUD DAY WORKSHOP
WACHA is proud to announce a one day Fraud Workshop right after Payments University on August 22. Topics will include Account Takeover (corporate and consumer) and Criminal Activities in the Industry (phishing, stolen info, etc.). Industry experts from regulatory agencies will share their experiences on these topics, giving you the tools to take back to your institution.

Register online today at www.wachapayments.org
Negotiating Data Processing Outsourcing Agreements: Pointers for Community Banks

Rick Marcus, member of the Financial Institutions Practice Group at Godfrey & Kahn, S.C.

A community bank’s outsourcing agreement with a financial data processing company is perhaps the most financially significant contract the bank will ever sign. These contracts typically run from five to seven years, and fees paid by the bank to the vendor over the life of the contract may well run into millions of dollars.

The importance of a bank’s outsourcing contract and potential early termination penalties in connection with merger discussions cannot be overstated. The presence of a six-figure termination fee which the vendor is unwilling to waive often has bearing on the book value multiple a buyer will pay to the selling bank’s shareholders. Yet, it is our experience that community banks often fail to seriously negotiate key provisions in these agreements.

As financial data processing product and service offerings have become more robust and varied, it is not unusual for a community bank to be presented by an FIS, Fiserv, or Jack Henry with a lengthy core processing agreement, often including a number of addenda or schedules that cover different products and services. These vendors may be large, sophisticated companies with experienced in-house lawyers to negotiate their contracts. Not surprisingly, the contract forms presented to the bank often have been developed over many years with a view to protecting the vendor, not the bank, if things go wrong. The operations manager or other point person for the bank on this task often must review, negotiate, and suggest alternative wording for one hundred pages or more of dense contract language—a Herculean task.

Adding to this complicated burden is the fact that bank regulators are more concerned than ever about contracts between banks and service providers, and increasingly seem to expect more from banks when negotiating outsourcing contracts. The FFIEC, for example, has published its requirements regarding outsourcing technology services in general, as well as specific areas involved in these contracts such as information security. (See IT Examination Handbook, “Outsourcing Technology Services,” June 2004, at http://ITHandbook.ffiec.gov.)

The Consumer Financial Protection Bureau (CFPB) recently issued a Bulletin clarifying its view that banks may be held legally responsible for actions of their service providers, which end up harming consumers. The CFPB Bulletin recommends that financial institutions include in their outsourcing contracts provisions that “provide clear expectations about compliance by vendors with consumer protection laws and regulations, including appropriate and enforceable consequences for violating these responsibilities.”

The Bulletin also states that it is the responsibility of the financial institution to verify through due diligence that the service provider understands and is capable of complying with applicable laws. (See CFPB Bulletin 2012-03; April 13, 2012; Subject: Service Providers.)

Banks regularly retain consulting firms to comment on and suggest changes to outsourcing agreements. In our experience, consultants are helpful in negotiating financial aspects of the arrangement, and often are helpful in suggesting certain contractual protections for the bank to consider. But consultants often lack the expertise to identify important legal issues that these contracts present and that can put the bank at risk. And the regulatory environment in this area clearly is changing and increasing a financial institution’s duties and potential liabilities relating to third-party data service providers.

Listed below are four key areas in data processing outsourcing contracts that banks and their advisors should carefully review. This is only a small sample of the many issues that need to be addressed in these contracts.

Termination Fees. It is very difficult to define comprehensive, objective service levels for all of the products and services a core processing vendor provides. Service Level Agreements or “SLAs” are certainly good to have in the contract, but in the final analysis, whether the vendor is meeting the bank’s needs is in large part subjective.

Core processing contracts typically provide the bank with a right to terminate the agreement for a fee, typically 80 percent or more of the revenue stream the vendor stands to earn over the remaining life of the contract. Negotiating a manageable termination fee is an important opportunity for the bank to create a “line of retreat” should the relationship be unsuccessful.

In the early years of the contract, the bank is not going to lightly make the decision to terminate and go through another conversion. As the contract nears expiration, the vendor has less justification to exact a large termination fee. We therefore often propose a sliding scale, say (for a seven-year contract), 80 percent in years one and two, 60 percent in years three and four, 40 percent in year five, and 20 percent in years six and seven.

If the bank is acquired in a merger, a different termination fee can often be negotiated. The contract can also

Regulators are more concerned than ever about contracts between banks and service providers.
describe what happens if the acquiring bank is itself a customer of the vendor.

**Description of the Services.** The contract may not describe the services in detail, if at all. The contract may simply reference a schedule, which may list categories of services and the associated pricing, but not describe the services, or there may be addenda which describe the services but not in detail. The bank should try to incorporate in the contract a meaningful description of the service components. Reference to an outside document can be helpful, such as an RFP response or documentation presented during the sales process.

**Processing Errors.** It may seem obvious that the vendor should assume financial responsibility for processing errors, but contracts often state that the vendor's only responsibility to the bank is to reprocess the transaction at no charge. A processing error may result in a financial loss, for example, if a funds transfer is executed erroneously. The contract should clearly state that the vendor is required to bear responsibility for that kind of loss.

**Information Security.** The contract will likely have a clause addressing Gramm-Leach-Bliley compliance, but it may fall short of what the bank needs to mitigate risk and meet regulatory requirements. For example, the bank needs to control where its data will reside. Above all, the bank needs to be indemnified if there is a security breach on the vendor’s end. Indemnification should specifically include the cost of notifying affected individuals and buying them identity theft remediation services, and should also cover fines from regulators and card associations.

Converting to a new core processing solution is a daunting challenge for a community bank on many fronts. Don’t forget that the contract with the vendor is an important piece of the overall puzzle, and a lawyer experienced in these transactions can provide valuable help.

Rick Marcus may be reached at 414-287-9640 or at rsmarcus@gklaw.com.

---

**Bank Celebrates Community Banking Month**

Throughout April, First Bank Financial Centre (FBFC), Oconomowoc, celebrated Community Banking Month with its sixth annual “Random Acts of Kindness” effort. Teams from each branch and the corporate office performed different random acts of kindness each week in the communities they serve.

During the week of April 5, employees from the Germantown branch donated funds to the Germantown Police and their “Night Out for Safety” event, while Hartland employees purchased Hartland Chamber of Commerce and Culver’s gift certificates and distributed them to randomly chosen people in downtown Hartland.

Week two of these random events found the Brown Street office in Oconomowoc delivering freshly baked cookies to roughly 30 businesses in the surrounding area, while the Summit branch in Oconomowoc purchased and delivered personal hygiene items to the Men’s Shelter operated by the Salvation Army. Meanwhile, the West Bend branch donated and delivered snacks, art, and cleaning supplies to the Boys and Girls Club.

Employees from the corporate office started off week three by distributing free car wash coupons to lucky recipients at Herr’s Mobil in Oconomowoc. This same week employees from the Hartford branch took turns walking dogs at the Washington County Humane Society.

**What was our WHEDA Advantage®?**

**WHEDA’s low interest rate!**

Now is the time to take advantage of WHEDA’s low, 30-year fixed interest rate. The WHEDA Advantage has everything your first-time buyers need to become successful homeowners including down payment assistance, job-loss mortgage protection, access to educational resources, quick loan approval and more.

**Discover the WHEDA Advantage!** Income and purchase price limits apply. Interest rates are subject to change daily. To learn more, go to [www.wheda.com/MortgageLenders/](http://www.wheda.com/MortgageLenders/).
Why It’s Important to Pay Attention to Muni Issue Dates

Jim Reber, President/CEO of ICBA Securities

What a difference a year and a half makes! The single best-performing bond sector in which banks invest continues to be tax-free municipal bonds. The rally has now continued into its 18th consecutive month, which is quite impressive considering that interest rates actually rose in most products in both March 2011 and March 2012.

You will recall that the stage was set for this rally on the heels of several commentaries, in late 2010, which predicted wholesale deterioration in municipal finance quality. Muni bond funds, which are the domain of retail investors, actually experienced net withdrawals every week for 29 consecutive weeks in this period.

However, another concurrent factor in the big sell-off in munis right at the end of 2010 was the expiration of a number of provisions in the main stimulus legislation proposed to make the $30 million limit permanent. BQ is almost always the muni sector of choice for banks, as they are permitted to deduct most of the carrying costs of those issues.

There was another surprise in the ARRA that benefitted financial institutions. The Act allows banks to purchase up to two percent of their assets in non-BQ paper, but treat them as if they were BQ, as long as the bonds were “new money” and issued in 2009 or 2010. These are known colloquially as “2 percent bonds.”

Finally, munis that were issued in 2009 and 2010 are exempt from the dreaded Alternative Minimum Tax (AMT) if they are either new money, or refinance debt from 2004 or later. This provision applies to both BQ and general market issues.

Legislative Grab Bag

One of the most visible additions to the municipal sector from the ARRA was the Build America Bonds (BABs). These are a special type of taxable munis, in which the issuer is reimbursed for 35 percent of its interest cost directly from the Federal Treasury. There were $187 billion of these printed in 2009 and 2010, after which the door closed. Taxable munis are issued in much smaller batches these days, as only $26 billion were created in all of 2011.

Also in the ARRA was the provision to grow the size of a bank-qualified (BQ) issue from $10 million annually to $30 million. This, too, sunset at the end of 2010, although there is ICBA-backed legislation proposed to make the $30 million limit permanent. BQ is almost always the muni sector of choice for banks, as they are permitted to deduct most of the carrying costs of those issues.

There was another surprise in the ARRA that benefitted financial institutions. The Act allows banks to purchase up to two percent of their assets in non-BQ paper, but treat them as if they were BQ, as long as the bonds were “new money” and issued in 2009 or 2010. These are known colloquially as “2 percent bonds.”

Finally, munis that were issued in 2009 and 2010 are exempt from the dreaded Alternative Minimum Tax (AMT) if they are either new money, or refinance debt from 2004 or later. This provision applies to both BQ and general market issues.

Age Matters

There seems to be a thread of commonality running through all these products. You are correct if you guessed that the issue date of 2009 and 2010 is, and will remain, important. By “issue date,” we mean “First Settle Date” as it appears on a typical Bloomberg description page.

All of the benefits described above will continue to attach to a bond that was first settled between January 1, 2009, and December 31, 2010, regardless of who has owned that bond in the past. So pay close attention to that variable. Broker/dealers diligently search for, and enthusiastically market, bonds which fit these criteria.

This does not (yet) mean that an investor will need to pay up for these benefits. For the time being, the supply of all high-quality municipals is tight, and the tax-equivalent yields for BABs, 2 percent bonds, AMT-exempts, and garden variety BQs are all just about in line with one another. And research suggests that the rally in munis overall still may have some time to run.

Swaps Can Help

A residual of the lack of supply is that even bonds with less-than-ideal credit ratings may be easily sold. Many hundreds of billions of bonds that were purchased prior to 2009, and were once AAA/Aaa-rated, are now either marginally investment grade or simply non-rated.

As many of these outstanding bonds are now candidates for refinancing thanks to the long rally, various investors are willing to purchase this paper with the expectation of being taken out at a near-term call date. The replacement bonds can include some of the products discussed here.

So, spend some time reviewing your muni portfolio, and you may be able to trade up into higher-quality substitutes. Be sure to have your broker explain why a given issue may qualify to be a “2 percent” or “AMT exempt” bond. And be aware of the good things that attach to munis born in 2009 and 2010.

ICBA Securities has enhanced its Municipal Monitoring Report with subscriptions to MuniPOINTS and MuniDATA. These sources allow for improved documentation on your munis. Contact your ICBA Securities sales rep or visit www.icbasecurities.com for further information.

Jim Reber can be reached at 800-422-6442 or jreber@icbasecurities.com.
How Huge Banks Threaten the Economy

Note from Cam Fine, ICBA president and CEO:


Our nation is at a fork in the road … [One path leads to a continuation of the status quo, where some financial institutions are ordained by government policy to be “too big to fail” (TBTF) and where the rules of market capitalism are undermined … . The other—the path to long-term prosperity—is the one we’ll be on when we truly end TBTF.

Two years ago our lawmakers passed the Dodd–Frank Wall Street Reform and Consumer Protection Act, [to] “protect the American taxpayer by ending bailouts” … but it does little to roll back a massive increase of U.S. banking industry concentration.

Since the early 1970s, the share of assets controlled by the five largest banking institutions in the U.S. has tripled to 52 percent from 17 percent … .

The phrase “too big to fail” … really means too complex to manage. Not just for top bank executives, but … too big and complex for bank supervisors to exert regulatory discipline … .

TBTF … creates the impression that these banks cannot fail. Nothing could be further from the truth. Suffice it to say, institutions holding one third of U.S. banking system assets did essentially fail in 2008-09, surviving only with extraordinary government assistance … .

Once Dodd-Frank is fully implemented, the regulatory environment will likely differ in several ways. After learning from past mistakes, bank regulators … are unlikely to permit the more egregious banking practices … .

Ultimately, the most likely outcome will be an eventual return to the practice of willful blindness. By that, we mean that after a few years of good economic times, bankers, their customers and creditors, and regulators—believing that Dodd-Frank is working as intended—will fail to fully recognize the scope of the risks undertaken and we will experience another financial crisis … .

Is there a better alternative?

Yes, reducing the size and complexity of the largest banks. Though it sounds radical, restructuring is a far less drastic solution than quasi-nationalization, as happened in 2008–09 … .

American businesses reconfigure their organizational structures all the time, selling divisions that management deems no longer essential to the enterprise’s core activities … .

We can select the road to enhanced financial efficiency by breaking up TBTF banks—now. Or we can continue down the current path … where we almost certainly will face the prospect of again using taxpayer funds to rescue big banks.

Wisconsin Community Banking News
May/June 2012

Community Involvement

Steph and Bob Priboth joined the contest on behalf of the March of Dimes, to carry on the legacy of Brody, one of their triplets, who was taken from them several months after his birth.

Charity Online Voting Competition

CROSS PLAINS—State Bank of Cross Plains announced the winners of their Charity Champion 2.0 online voting contest. From April 2–May 20, the bank celebrated Dane County non-profit organizations with an online voting competition on their Facebook page, www.facebook.com/statebankofcrossplains. Individuals could champion a charity, gather votes, and win money for their charity. There were 38 entries and 33,863 votes cast with the three winners being Steph Priboth who championed for the Madison Division of the March of Dimes, Julie Sheldon for the Madison Chapter of the Leukemia & Lymphoma Society, and Marsha Olson for the Verona Aquatic Club.

“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 non-profits.”

FBFC Helps Diverse Causes

OCONOMOWOC—First Bank Financial Centre has contributed to numerous community events and efforts in recent months, including the following:

$1,000 to Oconomowoc High School’s Post Prom event this spring—Following prom, kids are transported back to the YMCA at Pabst Farms for food, prizes, entertainment, and more, sponsored by the fundraising efforts of the Post Prom committee. Students who don’t attend prom are also welcome to attend, for a nominal fee.

$5,000 to the Lake Area Free Clinic—LAFChelps individuals and families who lack health insurance and whose income is at, or below, 200 percent of the federal poverty level. Clinic clients receive the medical attention and practical information they need to maintain their health in a friendly and caring atmosphere. Thanks to the generosity of volunteers and the community, the clinic has helped meet the basic health care needs of thousands in the Lake Country and Waukesha County areas.

$1,000 to Operation Celebrate Freedom to help sponsor the 2012 Ride for Freedom on May 19—This is the third annual Ride for Freedom, held at the Wisconsin Harley-Davidson in Oconomowoc. Three fourths of the proceeds from this event benefited Fisher House, while the other 25 percent went to other local veterans organizations.

$1,000 to the Family Center of Washington County—to help sponsor the 2012 Joe Schmidt Memorial Stomp, an annual 5K walk/run benefiting the Full Shelf Food Pantry in Washington County, in addition to providing much needed supplies to the Family Center.

$1,500 to the Oconomowoc Concerts in the Park—Each summer, the Oconomowoc Parks, Recreation, and Forestry Department puts together a series of concerts, held at the Oconomowoc City Beach Band Shell.

Bank Takes Swipe at Breast Cancer

MADISON—Wisconsin Community Bank (WCB) offers new and existing customers an opportunity to help women with breast cancer in the area. Every time a customer uses its new Pink Ribbon Debit Card to make a purchase, WCB makes a contribution to Breast Cancer Recovery Foundation in Madison.

Pink Ribbon Debit Cards are free and available with all WCB personal checking accounts. For each swipe, the bank makes a contribution at no cost to the customer. In a sense, customers can help raise funds locally to help women with breast cancer in the area. The success of the program is literally in the hands of the customer, according to Thomas J. Wilkinson, CEO of Wisconsin Community Bank. “Every time they swipe the card, we all take a swipe against a deadly disease right here at home, a disease that has likely touched everyone in some way.”

Breast Cancer Recovery Foundation serves women who have been diagnosed with breast cancer and have either completed their treatment or are currently in treatment. Among its services are Infinite Boundaries Retreats, which are four-day wellness retreats, as well as more specialized retreats for women who have advanced disease or metastatic breast cancer. The organization also provides educational offerings and an annual conference for breast cancer survivors, their friends, and family.
Special to Wisconsin Community Bankers

Peter Bildsten, Secretary, Wisconsin Department of Financial Institutions

Editor’s note: In April, Secretary Bildsten penned a note to Community Bankers of Wisconsin. A shortened version appears here.

Since being appointed Secretary of DFI in January 2011, I have made it a priority to reach out to the Wisconsin banking community. DFI has held dozens of meetings with bank executives, including a meeting with the CBW Board of Directors. Those listening sessions included 10 roundtable meetings in cities across the state. More than 250 bankers—many from CBW-member institutions—attended and engaged in dialogue with me, Banking Administrator Mike Mach, and Executive Assistant Eric Knight.

A key component of those discussions was DFI sharing some “lessons learned” from the recession that began in 2008. The banks that thrived during the recession had a number of things in common, among them:

• A diligent commitment to prudent expense management.
• The presence of strong outside directors on their boards.
• An unwavering focus on making quality loans.

DFI also gave its views of the recent national mortgage servicing agreement that resulted in Wisconsin receiving just over $140 million in settlement funds. Nearly 82 percent will go to consumers who were impacted by mortgage servicing inadequacies. In addition, part of the proceeds will be matched by DFI to fund a $1 million program to demolish abandoned houses in neighborhoods across Wisconsin.

Some bankers raised concerns about DFI’s Banking Letters 40 and 40A regarding nonaccrual of loan interest. Based on that feedback, DFI has reviewed the provisions of those letters to determine what changes may be appropriate.

DFI also discussed its commitment to promoting financial literacy, especially among Wisconsin’s young people. Governor Walker formed the Governor’s Council on Financial Literacy last April [and] DFI, through its Office of Financial Literacy, works closely with the Council to sponsor and promote financial literacy initiatives in our schools, communities, and workplaces.

A point I heard repeatedly was that most Wisconsin bankers are concerned with the inaccurate perception that some people have that “banks are not lending.” I go out of my way to refute that statement whenever I encounter it, because I know most banks are able, willing and, yes, eager to make quality loans.

Thank you for your efforts at strengthening Wisconsin’s banking community. I look forward to having more dialogue with members of CBW in the weeks and months ahead.

CBW Has New Associate Member

DCI (Data Center, Inc.) has joined Community Bankers of Wisconsin as an associate member. Contact is Mark Harris at 620-694-6800 or mharris@datacenterinc.com.

DCI’s iCore360® award-winning core processing technology is backed by personal, honest attention you can trust. The firm offers Web/cloud-based, single-source relational data and automation, as well as new account origination and lending platforms; personalized workflow templates; online/mobile banking; RDC; ATM/card services and network; paperless banking; and more. Services are easy to use, integrated, and secure, in-house/hosted. Owned and trusted by bankers nationwide for nearly 50 years.

CBW Management Conference & Expo

WISCONSIN DELLS—Mark your calendars now to attend Community Bankers of Wisconsin’s 2012 Management Conference and Expo, set for Tuesday through Thursday, Sept. 11–13, 2012 at Wilderness Resort, Wisconsin Dells.

The annual event offers industry updates from experts on the economy, technology, customer relationships, branding, and other topics, along with a comprehensive vendor fair and plenty of opportunities to learn by networking and mentoring. That’s not all! The event, which kicks off with a golf outing, includes the association’s annual meeting and election of officers. It also features a banquet along with the presentation of the Community Banker of the Year award and bank employee Lifetime Service Awards.

Begin to plan now to ensure that you don’t miss CBW’s annual signature event. Watch your mailbox for details and registration information.

Rep. Ringhand Visits New Glarus

NEW GLARUS—Wisconsin State Representative Janis Ringhand visited The Bank of New Glarus in April to discuss pending legislation, job creation bills, and Wisconsin’s economic outlook. Ringhand knows first-hand some of the challenges community banks face having worked in an Evansville bank for several years.

The Bank of New Glarus officers told Representative Ringhand that, contrary to media reports, community banks like the Sugar River Banks and The Bank of New Glarus are making loans to area businesses and farmers. “We also have
a strong demand for mortgages,” added bank President and CEO Phil Whitehead, “and mortgage refinancing is also keeping our lenders busy.”

Sugar River Banks and The Bank of New Glarus have full-service offices in Belleville, Brodhead, Juda, Monroe, and New Glarus.

**The Personal Touch**

OCONOMOWOC—Focusing on attracting and retaining good employees, First Business Financial Centre recognizes the anniversary of its employees’ hiring date in a rather unique fashion. Mark Mohr, the bank’s CEO, personally delivers an anniversary card with a hand-drawn picture on the envelope relating to the employee’s interests outside of work. With more than 200 employees to honor, Mohr’s efforts take time, but the CEO believes that one of his duties as a leader is to ensure that his employees know they matter. In a Milwaukee Journal Sentinel article, he’s quoted as saying, “One of the things I always say is everybody here is of equal importance. Employees have different levels of responsibility, but everybody is equally important because, when the day is done, it’s about our customers. And I can’t think of a single position here that you’re not interacting with a customer, either externally or internally.”

**First Business Reports Increase in Net Income**

MADISON—First Business Financial Services, Inc., the parent company of First Business Bank and First Business Bank-Milwaukee, reported net income of $2.2 million or 84 cents per share during first quarter net earnings of $1.2 million, or $0.55 per common share, compared to $0.3 million, or $0.15 per common share, in the first quarter of 2011. Gains in net interest income and strong mortgage fee income, combined with contained overhead expenses to realize this increase. Included in these results were $0.4 million in gains from other real estate owned, which contributed $0.20 per share.

“Our first quarter results greatly exceeded the forecasts we established at the end of 2011,” said President and CEO J. Scott Sitter. “We have benefited from a low and stable interest rate environment, which has allowed us to strategically structure our balance sheet to enhance net interest income. During the quarter, our mortgage department capitalized on a surge in activity, which resulted in a 356 percent increase in our mortgage fee income.”

**Working Group for Debit Networks**

WESTWOOD, NJ—The Secure Remote Payment Council (SRPc) formed a working group in April to define and adopt a POS and ATM solution for chip and PIN acceptance for PIN debit networks. The goal of this collaborative effort is to provide interoperable adoption of chip and PIN debit payments to the industry, while supporting innovation, choice, and the proven track record of PIN security in reducing payment fraud.

The debit networks have a long history of collaboratively working together—especially with regard to improving security and defining standards that maintain the integrity and quality of the U.S. payment industry. The working group includes leading PIN debit networks such as SHAZAM®, PULSE, and others.

The Secure Remote Payment Council (SRPc) is a non-profit, inter-industry association that supports the growth, development and market adoption of debit-based Internet, eCommerce, and mobile channel payment methods. For additional information, visit www.SecureRemotePaymentCouncil.org.

**First Business Launches Event for Innovators**

OSHKOSH—First Business Bank-Northeast and Insight Publications created an event to help innovators capitalize on great ideas. The event, called THINC! Innovation, consisted of two back-to-back events.

THINC! (Technology and Human Innovation Networking Conference) part one, sponsored by Insight Publications, featured four thought leaders who shared their innovative stories—affirming how disruptive ideas are challenging the status quo all over the region.

The THINC! part two, sponsored by First Business focused on strategies to secure capital for innovations with potential. It featured a representative of the Wisconsin Economic Development Corporation discussing how the state can support capitalization, a presentation from Alan Klapmeier, CEO of Kestrel Aircraft, and a session led by the Wisconsin Technology Council. The event took place in May at the EAA in Oshkosh.

**Royal Bank Opens New Branch**

CAMP DOUGLAS—The Royal Bank in Camp Douglas recently held a ribbon-cutting ceremony at its new building at 201 Main St., across the parking lot from the former location. The bank broke ground for the new building last September and moved in this February.

Royal Bank has 15 offices in south central Wisconsin and about 100 employees, including four in Camp Douglas.
Nate Zastrow: Indie Banker of the Month

The May issue of ICBA's Independent Banker magazine featured Nate Zastrow, senior vice president, First Bank Financial Centre, Oconomowoc, as Indie Banker of the Month. The article focused on the bank's successful efforts to revitalize Oconomowoc's downtown through a revolving business loan pool to provide seed capital for start-ups. As a result, eight new businesses have so far opened their doors downtown.

15 Minutes with Christopher Eager

The May issue of ICBA's Independent Banker magazine also contained a Q-and-A feature about Christopher Eager, president, Union Bank & Trust, Evansville.

Asked why the bank contributed $250,000 to a new senior and community center, Eager responded: “We have been in business here since 1897 and felt that this was something that was sorely needed by the community and that it was our obligation to contribute. If you think about it, over 115 years, it's really only about $2,175 per year.”

Joannes Joins Town Bank

HARTLAND—John Joannes has joined Town Bank as vice president of commercial banking.

King Joins Port Washington

PORT WASHINGTON—Christine King has joined Port Washington State Bank as vice president and branch manager of the bank's Saukville location.

With 31 years of experience, King was most recently the branch manager of M&I's Saukville branch.

Boerner Named Office President

SHEBOYGAN—Community Bank & Trust has promoted Branden Boerner to office president for the bank's Elkhart Lake office.

Formerly a senior credit analyst with the Sheboygan-based bank, Boerner earned a bachelor's degree in business administration/finance from Augustana College.

Weber a Top US Mortgage Originator

MIDDLETON—Jason Weber, mortgage banking officer at Starion Financial, has been named among the top mortgage originators in the country according to two major trade publications.

Weber ranked 76th in the country for loans closed and 120th for dollar volume according to Scotsman Guide. Mortgage Executive Magazine also listed him 97th overall.

Last year, Weber closed 258 home loans for $68.5 million in volume. This spring, he was named the top producing mortgage banker at Starion Financial for the third year in a row.

Gottlieb Joins River Cities

STEVENS POINT—River Cities Bank has hired Timothy Gottlieb as vice president at its Stevens Point branch office. He is responsible for developing business relationships and administering business loans. Gottlieb has over 14 years of banking experience, 10 of those years in commercial lending. He holds a bachelor's degree in business administration from the University of Wisconsin-Stevens Point.

Pearson Promoted

WISCONSIN DELLS—Kim Pearson has been promoted to assistant vice president and retail sales manager at the Bank of Wisconsin Dells. She has worked at the bank for three years and has 18 years of banking experience.

OSB Announces New Hires

OOSTBURG—Oostburg State Bank has added three new staff members.

Tom Leibham was named vice president-lending, responsible for providing retail lending services and assisting in developing additional retail lending programs. He has over 15 years of bank experience working in retail lending and loan operations. Leibham holds a bachelor's degree in business administration from the University of Wisconsin-Milwaukee.

Shannon Stahl was named assistant vice president-loan administration and will be responsible for the overall retail loan processing function including documentation, compliance, and supervision. She has over 15 years of financial institution experience with an extensive background in loan regulations, compliance, and processing.

Kim Pearson

Timothy Gottlieb

Jason Weber

Tom Leibham

Shannon Stahl
Cindy Walvoord was named portfolio manager, responsible for commercial loan documentation, policies, procedures, and other duties related to commercial lending.

**Hoesch Promoted, and Vander Loop Promoted**

MADISON—First Business Bank has hired Josh Hoesch as assistant vice president and promoted Erin Vander Loop to commercial real estate officer. First Business Bank is part of First Business Financial Services, Inc. (NASDAQ:FBIZ).

Hoesch has over seven years of commercial banking experience, with an emphasis on manufacturing, distribution, and service companies. Previously he was with BMO Harris Bank, working with businesses in the Greater Chicago Area. Hoesch has a bachelor’s degree in accounting and business management from Trinity International University.

Vander Loop joined First Business as a credit analyst and appraisal reviewer in 2009 and in 2011 joined the business development team as a commercial real estate lending associate. Prior to that, she worked for Grandbridge Real Estate Capital as a real estate analyst, underwriting loans and analyzing commercial real estate projects. She is a graduate of the University of Wisconsin—Madison with a degree in real estate and urban land economics.

**Wolfe Elected NADCO Chair**

MONONA—Wisconsin Business Development (WBD) announced that its president, Joe Wolfe, has been selected to serve a second, one-year term as the chair of the board of directors of the National Association of Development Companies (NADCO).

NADCO is the trade association of Certified Development Companies (CDCs), which 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 American small businesses grow while benefiting communities through tax base expansion, business growth, and job creation.

**Waukesha State Bank Names Grulke Manager**

WAUKESHA—Waukesha State Bank has named Mitch Grulke as bank manager of its Brookfield office. In his new position, Grulke is responsible for all aspects of daily operations, including business development, personnel, customer service, lending and relationship management, and community service.

Grulke is a 2009 graduate from the University of Wisconsin-Whitewater with a bachelor’s degree in business administration and a major in economics.

**Aupperle Joins First National Bank**

PLATTEVILLE—First National Bank has hired Dan Aupperle as senior vice president and senior lending officer. He has over 30 years of banking and lending experience, including community bank president positions in Colorado, Dodgeville, and most recently, Pigeon Falls. He holds an MBA from the University of Wisconsin-Madison.

---

**ADVERTISER INDEX**

<table>
<thead>
<tr>
<th>Advertiser</th>
<th>Phone</th>
<th>Fax</th>
<th>Email</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shazam</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATM Access Network</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travelers Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICBA Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankers’ Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wipfli LLP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young &amp; Associates, Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Bend</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>McGladrey</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBW Legal Consortium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Benefits Network</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CliftonLarsonAllen</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
With its customers under water, Diebold went where it had to go. Above and beyond.

In the aftermath of Hurricane Katrina, Diebold assembled a comprehensive unit to respond to every customer without exception. It's another example of Diebold doing more to build relationships. Relationships that have inspired us to become leaders and innovators in the banking industry for more than 150 years.

For the entire story, visit diebold.com/boldservice.

1.800.806.6827  diebold.com  requests@diebold.com
For the ninth straight year CBW is sponsoring the Community Bankers for Compliance Program (CBC) in 2012 with Young & Associates, a nationally recognized compliance consulting firm that specializes in community banking. The CBC program is CBW’s most highly rated educational program.

The CBC program includes quarterly full-day seminars based on the most recent industry and regulatory developments, access to the Young & Associates toll-free compliance hotline, and a CBC Members Only website hosted by Young & Associates that provides timely compliance information and tools.

The quarterly compliance seminars offer peer networking and include a regulatory update and a comprehensive discussion of one or more compliance regulations. Attendees receive a compliance manual each quarter that is generally in excess of 200 pages that can and is used as a reference to the changing regulations and as a training manual for other employees.

If you have questions, contact:
Sandy Gruber at 608-833-2384, sandy@communitybankers.org
or Rick McGuigan at 608-833-2382, rick@communitybankers.org

Community Bankers Financial Services offers a wide variety of products and services for the benefit of you, our members. For additional information on any of our financial institution programs call CBFS at 888-403-2600.