

# BBW News

a publication of Bankers' Bank of the West ■ www.bbwest.com ■ January 2009

## A MESSAGE FROM THE PRESIDENT:

### Pivotal moments in challenging times both past and present



Bill Mitchell  
BBW President and CEO

One of the defining moments in NASA's history was the Apollo 13 mission of 1970. For six trying days, NASA was faced with the daunting task of bringing home from space the three astronauts involved in the mission. I was an 11-year-old boy at the time, but I vividly remember waiting to hear news updates on the status of the astronauts and the spacecraft. The astronauts' lives were truly in peril. Yet to the world's astonishment, the astronauts made it home safely. The mission was deemed a "successful failure" and NASA's response to the adversity was hailed as its "finest hour."

While our own challenges are not as threatening as those endured by the Apollo 13 astronauts, our industry nevertheless faced significant obstacles in 2008. The year began with an economy stunted by the financial fallout from the Wall Street-driven sub-prime mortgage problems that started to surface the summer before. After months of sluggish growth, the situation deteriorated further in the third quarter as problems with FNMA, Freddie Mac, Lehman Brothers, Washington Mutual, Wachovia, Indy Mac, and a host of other large firms dominated the daily headlines.

We've now ended the year with what will most likely be declared two straight quarters of negative gross domestic product, further evidence of a struggling economy. On top of that, the need to interpret several quickly launched government programs during the final months of the year burdened community banks with a great deal of extra work.

So, how does the Apollo 13 reference apply to our industry? Doing well during good times is one thing. But how we deal with adversity during the tougher times is the real measure of success. As

part of the financial services industry, community banks have faced a troubled economy head-on. Community banks have provided liquidity to local businesses, all the while raising capital levels and loan loss reserves to help insulate banks from the economy as much as possible. And community bankers have been a calming influence for the communities they serve.

Bankers' Bank of the West has faced the same challenges as our customer banks, and we've met the challenges head-on as well. Even though our earnings were less than the record profit BBW earned 2007, the bank nonetheless was profitable in 2008 with risk-based capital increasing from 10.03 percent at year-end 2007 to more than 12.5 percent at the end of 2008. The bank's loan loss reserve increased as well to help buffer against potential future loan problems. In addition, BBW served as a source of liquidity for many banks in our market area.

While none of us would consider 2008 our "finest hour," the way our banks have dealt with the turbulent economy could be described as a defining moment for our industry. Certainly community banks deserve recognition for their vital role in turning around the economy. We at Bankers' Bank of the West look forward to standing shoulder-to-shoulder with our community banks in 2009 to confront whatever challenges lay ahead. ▲

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## Notes and news

### ■ On the international front

Bankers' Bank of the West has completed the testing process with the Federal Reserve Bank for international ACH transactions. Furthermore, BBW is an expedited international sending point for respondent bank customers. International ACH transactions include:

**Mexico:** debits and credits

**Canada:** credits

**Transatlantic** (United Kingdom, Austria, Germany and Switzerland): credits

Banks interested in processing international ACH transactions via BIDS are advised to call the BBW operations department at **1-800-873-4722** for instructions.

### ■ Positive trend to persist

Continued growth of the OnWe Network<sup>SM</sup> will yield greater cost savings and reduced clearing times for participating financial institutions in the year ahead. If your institution is not already part of the network, ask your BBW correspondent officer how you can benefit from membership.

### ■ Shareholder meeting plans

Bankers' Bank of the West Bancorp., Inc., will hold its annual shareholders' meeting at 2 pm Mountain Time on Feb. 20, 2009, at the Bankers' Bank of the West offices in Denver. Information packets will be mailed to shareholders this month.

### ■ A few words about ownership

Stock in Bankers' Bank of the West Bancorp, Inc., is owned entirely by community banking institutions. Shareholder banks enjoy certain advantages including eligibility for committee participation and service on the board of directors; discount on fed funds borrowing; and first consideration when purchasing fed funds and when buying or selling participation loans. Moreover, an investment in Bankers' Bank of the West Bancorp common stock is a commitment to a correspondent bank that does not compete in your market. To learn more about becoming a shareholder, call either your BBW correspondent officer or BBW CEO **Bill Mitchell, 303-291-3700**.

BBW News is published by Bankers' Bank of the West as a service to respondent banks. Online versions are available at **www.bbwest.com**. Related correspondence should be directed to:



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## Bankers' Bank of the West Board of Directors

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## New opportunity in 2009: use of reverse mortgage for home purchase

Tim Harder, Vice President  
1st Reverse Mortgage USA

Imagine that a retired couple comes into your bank looking to sell their multi-level house with the intention of buying a new home more suitable to their current needs. Maybe they have their sights set on a patio home on the golf course or a ranch style home in a new senior community—something with a smaller yard to mow in the summer and a smaller driveway to shovel in the winter. Assuming your customers are 62 years old or better, they're probably not willing to take on a new mortgage payment.

Actually, this scenario already occurred, and similar situations will become commonplace as waves of Baby Boomers near retirement.

The great news for community banks is that recently signed legislation (HR 3221) allows reverse mortgages to be used in purchase transactions

effective Jan. 1, 2009. This means your older customers can now combine a reverse mortgage with a large down payment from the sale of their home to purchase their new home without the burden of a mortgage payment.

### Further growth possibilities

Now take this idea one step forward. By offering high-quality reverse mortgage products, your bank will have the opportunity to cross-promote both your bank services and your mortgage products directly to the real estate community. This affords you added opportunities to do more residential, construction and commercial lending in your community. In short, you can expand your bank's potential growth by marketing your reverse mortgage capabilities to the real estate and professional communities as well as to retirement-aged homeowners.

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## Simple recommendation for loss prevention: check and double-check

No matter how much technology has changed the tools we now use in banking, certain best practices remain as relevant today as they were decades ago. The need to verify withdrawal requests, for instance, has never been greater.

**Rosemary Fuentes**, vice president of the Electronic Funds Transfer Department at Bankers' Bank of the West, cautioned community banks to stay a step ahead of criminals who might try to impersonate their customers in sophisticated ways.

"We've become aware of efforts to commit wire fraud in our market area lately," Rosemary said. "And we know at least one bank has suffered a loss."

She pointed out that banks occasionally relax their procedures for well-known customers when taking wire requests. But a bank that honors a wire transfer on the basis of one incoming phone call is risking that the voice at the other end of the line truly belongs to a signer on the account—a dicey assumption given the clever tactics used by fraudsters.



**Rosemary Fuentes** has a 20-year background in fed funds and wire transfers. She has been with BBW since 1998.

Rosemary strongly recommended making a follow-up call to confirm the request is from a legitimate source.

One way to lessen the chance of fraud when you make such follow-up calls is to assign a unique password or identification number to each individual customer or each signer on a commercial account. Doing so will raise your confidence in the identity of that customer, assuming he or she refrains from disclosing the identifier to others.

"The time it takes to verify the request is worth it because those funds can't be recovered once they're gone," she said. "The question to ask yourself is, 'Can this bank afford to lose the money if I'm mistaken?'"

Similarly, Rosemary urged banks to always follow strict procedures before honoring signed and faxed withdrawal requests. After all, for every customer who's annoyed by such precautions, many others will be grateful for your efforts to safeguard their accounts. ▲

## New opportunity in 2009: use of reverse mortgage for home purchase

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For years, large national banks have found reverse mortgages to be one of the best ways to maintain and service their existing senior customer base, attract new customers, and cross-sell both banking and mortgage services. Now community banks can do the same—and perhaps achieve even greater success given the loyalty they typically enjoy—with help from the 1<sup>st</sup> Reverse Mortgage USA turnkey program.

Enhancements made to the FHA reverse mortgage program in 2008 all but guarantee that national banks will continue to cross-sell to the fastest growing demographic in the country: adults age 62 and up.

Progressive community banks are starting to take their cues from important trends and statistics, too.

Consider that even though FHA reverse mortgages have been in existence since 1989, the program's popularity has jumped in the past five years. More significantly, the number of FHA reverse mortgages has exploded since 2005.

If your bank is seeking promising avenues for growth, we invite you to inquire about the easy-to-implement reverse mortgage program available through 1<sup>st</sup> Reverse Mortgage USA, an alliance partner endorsed by Bankers' Bank of the West. Simply call your BBW correspondent officer or email your request to [info@bbwest.com](mailto:info@bbwest.com).▲

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## Organization advances common interests among image exchange providers

*Ellen Heffner, Director, Product Management  
Electronic Check Clearing House Organization*

ECCHO, the Electronic Check Clearing House Organization, is a not-for-profit corporation that provides rules for private sector image exchange. Created in 1990 and chartered as a national clearinghouse, ECCHO has three primary functions:

- 1 to provide education on image exchange;
- 2 to serve as an advocate for industry objectives; and
- 3 to create and maintain rules for check image exchange for all ECCHO members.

Every depository financial institution in the U.S. is eligible for membership, and today ECCHO has more than 1,500 members across the country.

ECCHO also has broad relationships with private sector image exchange providers, many of them offering ECCHO rules coverage to their members through a Sponsoring Organization (SO) arrangement.

An ECCHO SO is a financial institution or non-financial institution that has signed a SO agreement with ECCHO and wishes to encourage their member institutions to exchange image files with other ECCHO members under the protection of the Rules. And while the SO may sponsor their members for rules coverage with ECCHO, it is the

SO that continues to have the primary relationship with their member institutions.

One of the key benefits of ECCHO membership is the ability to participate, either directly or through an approved SO, in the only national consensus process for check image exchange rules. The rules development process is designed to be inclusive, and members and sponsors provide input into the process through operations committee meetings.

Sponsors and members participate in the operations committee, which provides the primary forum for analysis, research and consensus building for all rules-related issues. This participation provides added benefits in that institutions of all sizes and at all stages of check image implementation can benefit from the experiences of the larger group.

The ECCHO Rules provide the legal framework for exchange and can mitigate potential legal and operational risks. The added benefit here is that members have rules coverage without incurring potentially significant and ongoing legal expenses. But the key benefit is that all ECCHO members, regardless of membership type, have equal coverage under the ECCHO rules.

Institutions of all sizes are ECCHO members. Following are data that shows how the ECCHO

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## Organization advances common interests among image exchange providers

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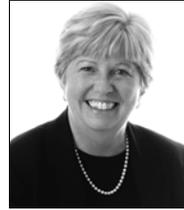
member institutions break out based on total deposits:

- 88 percent of members have total deposits less than \$1 billion.
- 82 percent of members have total deposits less than \$500 million.
- 50 percent of members have total deposits less than \$100 million.

With many members currently being sponsored for rules coverage through a Sponsoring Organization relationship, ECCHO now has 100 sponsors including 19 bankers' banks and 10 of the regional ACH payments associations. Membership fees are on a flat-tiered rate based on deposit size.

Over the coming weeks, every bank using BBW's transit services will receive a call from a BBW cash management officer regarding ECCHO member-

ship. At that time the officers will answer each customer's questions, detail the principal advantages of membership, and explain the process of enrolling under the sponsorship of Bankers' Bank of the West.



Clockwise from upper left: **Mary Brown, Patty Pinson and Jon Dittenber** will share ECCHO membership information with



their transit bank clients soon. While all BBW correspondent officers are familiar with BBW's cash management solutions, these three bring special expertise to the operations side of banking.

Visit [www.eccho.org](http://www.eccho.org) to learn more. ▲

## BBW Capital Advisors announces additions to interest rate group

*Kendrik de Koning, BBW Capital Advisors*

BBW Capital Advisors is pleased to announce two new members of our team, adding further to our capabilities in balance sheet risk analysis and strategic planning. Now, maybe more than ever, banks are focusing on measuring, evaluating, and managing risks embedded in their balance sheets, and BBW Capital is here to support western bankers with leading edge resources.

**Kent Westerbeck**, Ph.D., joins BBW Capital as senior interest rate risk advisor following a 35-year career in banking largely focused on risk measurement and management. During his 16 years with LaSalle Bank/ABN Amro, Kent led all facets of interest rate risk management for that \$260 billion institution. Prior to LaSalle, he was with Continental Bank, where he worked in corporate planning and asset/liability and financial risk management. Kent has expertise in the creation of market-based interest rate risk measurement processes; management of convexity risk resulting from mortgage-related activities and core deposits; measurement and management of mortgage servicing rights risk; establishment of ROE-focused performance measurement process for products and business lines; creation of capital allocation processes;

establishment of funds transfer pricing process that matches interest rate risk measurement process; and creation of hedge accounting programs. Importantly, he has successfully applied these risk management approaches to banks of all sizes.

In his role with BBW Capital, Kent will work with western bankers to identify, measure and reduce risk in a manner that bankers will find comprehensible, user-friendly, effective, and profitable.

Joining the group as a financial analyst is **Jian Chen**, who brings substantial experience in portfolio analysis, operations, and balance sheet analytics. Jian, who earned her master's degree in finance from the University of Denver, comes to BBW Capital from a leading Denver-based investment management company where she developed a wide range of analytical skills. Jian works with clients' investment portfolios to optimize the tradeoffs between liquidity, risk, and reward, and with asset/liability management solutions that seek to achieve the same goal for the entire balance sheet. ▲

*Please contact BBW Capital Advisors at 800-997-0718 with any inquiry, large or small, related to risk management and the capital markets.*

## Two influential career bankers retire from Bankers' Bank of the West

*With every new year come fresh opportunities.*

*Starting this year, two of BBW's veteran officers will have a good deal of unstructured time for any opportunities they care to pursue. Following are excerpts from interviews with Bob Rossel and Jim Williams, who officially retired from BBW Dec. 31.*

### Robert "Bob" Rossel Bankers' Bank of the West Lincoln Office

Born and raised in Buffalo, N.Y., **Bob Rossel** moved to Nebraska shortly after graduating from high school to serve a four-year stint in the Air Force at Offutt Air Force Base in Bellevue. Upon



completion of his service, he made the Cornhusker state his permanent home, launching his banking career in 1970 and marrying his wife, LoyAnn, the next summer. The Rossels have two daughters and one son.

With a three-decade background in both commercial and correspondent banking, Bob was sought out as a well-rounded addition to BBW's Lincoln team, which he joined in 2003. Bob described himself as fortunate to have met and developed friendships with many bankers during his tenure.

What made his job with BBW even more rewarding, Bob said, was his high level of confidence in the specialists who provided daily support for the products and services he sold.

"The BBW staff performs as a team, always putting the customer first," he said. "The company takes this very seriously and provides these service levels continuously."

Bob expects he'll enjoy the luxury of free time that retirement will bring. He and LoyAnn are planning a January trip to Maui for some beachside leisure and whale-watching.

Closer to home, he expects to continue volunteering with service organizations such as the Salvation

Army and Habitat for Humanity.

The Rossels also look forward to driving their recently restored 1969 Mustang Mach 1 to car shows this summer.

"It's a way for us to relive our past and perhaps try to pretend we're still young, which is obviously not the case," Bob said.

Still, many of Bob's longtime colleagues would be quick to remind him that when it comes to retirement, the quality of miles on the odometer is much more important than their number. So enjoy the scenery wherever the road takes you, Bob. ▲

### Jim Williams Bankers' Bank of West Administrative HQ

Although known best in banking circles as a chief financial officer with a sound intellect and even



disposition, **Jim Williams** had amassed credentials both related and unrelated to the financial services industry before coming to BBW.

In 1966 Jim enlisted in the Navy as a Hospital Corpsman, spending 13 months of his four-year service in Vietnam. Jim was awarded a National Defense Medal, Vietnam Service Medal, Vietnam Campaign Medal with three campaign stars, Navy Commendation Medal with Combat V for Valor, and Navy Unit Commendation. Further, he was named Navy Serviceman of the Year 1969 for the First Naval District for "meritorious valor in Vietnam above and beyond the call of duty."

Upon his Naval discharge in 1970, Jim returned to his native Colorado to settle in Florence and secure a position at the First National Bank of Florence, where he worked for 19 years. There he took advantage of coursework and on-the-job training to progress from teller-bookkeeper trainee to executive vice president and cashier. Jim's

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## Considerations when weighing whether or how to use WiFi at your bank

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### ① Create a separate network.

If the users of the wireless network do not need access to the bank's network, then create a separate network with Internet access and connect the wireless solution to that segment. If the users are employees, then obviously this doesn't apply.

### ② Don't broadcast the SSID.

The SSID is the name of the wireless network that is broadcasted so wireless cards can connect. Turn the broadcast off and force users to manually input the name.

### ③ Encrypt the connection.

Always use the strongest encryption available so that data is not being broadcast in the clear via the wireless network.

### ④ Use MAC address filtering.

Most wireless access points have the ability to filter who can connect by MAC address, which is the unique permanently assigned address

embedded in the client hardware. By configuring which MAC addresses are allowed to connect, the wireless access point will then deny all other connections.

### ⑤ DHCP reservations.

Network administrators can also control what IP addresses are assigned based on MAC addresses.

If you're not familiar with the terminology, talk with your IT staff about it. Or if you have any questions or comments about this month's topic—or suggestions for future technology topics—feel free to email me at [joseph@dtginc.net](mailto:joseph@dtginc.net). ▲

*Joseph Hornsey has worked in the financial services industry as an information technology consultant for eight years. His company, Dominion Technology Group, is an endorsed alliance partner of Bankers' Bank of the West. The firm specializes in IT solutions for independent banks, payment processing companies and lending institutions.*

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## Two influential career bankers retire from Bankers' Bank of the West

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community involvement during this period included service as mayor pro-tem for the City of Florence and 15 years as a volunteer fireman.

In 1989 he was appointed vice president and cashier by the Independent State Bank of Colorado, an independent correspondent bank now known as Bankers' Bank of the West. During Jim's tenure, the bank grew from \$18 million to more than \$500 in assets and promoted him to senior vice president and cashier.

"I want to thank all of the BBW staff who've made this an enjoyable and challenging place to work over the years," Jim said.

"I especially want to thank Roger Reiling as my mentor and friend over the years and Bill Mitchell for his friendship and stewardship of BBW this past year and a half. Both will continue to leave positive impacts on this bank for a long time. I'll also miss the daily contact with bankers who've been a loyal and supportive asset to BBW."

Jim and his wife, Christine, have purchased a home in Pueblo. They look forward to living near their four children, watching their four granddaughters grow, and traveling to historic sites in the Southwest.

Jim has agreed to remaining with BBW on a part-time consulting basis until the transition is complete. Once fully settled in his new home, he plans to become more involved with volunteer service and church activities.

And while happily anticipating the freedom associated with retirement, Jim said he would entertain working with community banks on a limited basis for operations reviews of policies and procedures.

He did mention a couple of aspects of full-time employment will be easy to give up, though.

"No disrespect to anyone, but I'm definitely not going to miss examinations, audits and regulations," Jim said. "Lastly, I won't miss getting up at 4 a.m." ▲

## Considerations when weighing whether or how to use WiFi at your bank

Joseph Hornsey, VP of Network and Internet Services  
Dominion Technology Group, Inc.

In the last year, I've been asked frequently about the feasibility of using wireless networking technology within banks. So I thought now would be a good time to address this in the newsletter, and to provide some guidelines to help you deploy wireless networks at your institutions.

First, you need to have a good reason to deploy a wireless solution. Putting WiFi (a wireless network) on your network opens the institution to some pretty significant security risks as well as increased scrutiny in your next examination. Some of the scenarios I think qualify as "good reasons" are:

- A computer needs to be put in a part of the building where it is not feasible to run cable.
- A wireless network is created as a separate network to provide auditors and other third parties access to the Internet without connecting them to the bank's network.
- Some employees use laptops and need the freedom to connect wireless within any of the bank's offices.
- Two buildings must be connected; however, it is not possible or financially feasible to run fiber,

and leased lines are not available or cost-effective.

Of course there may be other good reasons for deploying WiFi; I'm only listing a few I've seen.

As I mentioned before, wireless solutions are inherently risky from a security perspective because once the hardware is in place, the bank is, in effect, broadcasting access to its network to anyone who wishes to connect. This doesn't mean, however, that it can't be locked down in a way that mitigates those risks.

If your bank decides a wireless network is a good idea, here are a few things you can do to lock it down:

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Bankers' Bank of the West is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through Dec. 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules.

Please route to:  Head of Operations  Lending Officers  Cashier  Inv. Officer



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