

# BBW News

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## A MESSAGE FROM THE PRESIDENT:

### Countering chaos by staying rational and determined



Bill Mitchell  
BBW President and CEO

*Take a deep breath and stay calm.* That's the best course of action for just about any aspect of our lives, including our jobs.

Without a doubt, obstacles are surfacing fast and furious. How else can we describe the changes and challenges coming our way as community bankers? After more than a decade and half of stability in the financial markets and our industry, we're now inundated with rapidly emerging changes that bring us new challenges almost daily.

The sub-prime meltdown that began in 2007 led to the failure of large investment firms and mortgage lenders. Then late last summer, the government's takeover of Fannie Mae and Freddie Mac through conservatorship left many community banks with significant losses. Complications mounted when the government instructed the "Big Nine" to accept capital through the Troubled Asset Relief Program. Next, the hurried rollout of the FDIC liquidity program added confusion to the landscape, and wave after wave of changes to both programs ratcheted up the confusion levels even further. The Federal Reserve's recent creation of an excess reserve program introduced yet an extra layer of complexity into bankers' lives.

Currently we're bracing for still another change, as a one-time 20-basis-point "special" FDIC assessment is under consideration—now, when earnings are suppressed for the industry, no less. In the background, meanwhile, rhetoric from our nation's capital hints that the next call to battle probably will be increased lending. Yet from reports I hear, field examiners are making any kind of lending very difficult these days.

Compounding the difficulties is a lack of understanding by almost everyone our country, including the media and our elected officials, of what caused

the country's problems. Although community banks did not play a role in this financial mess, they are generally painted with the same brush as those at fault—and considered guilty by association. The "witch hunt" in progress unfortunately demonstrates how quickly and deeply misinformation is impacting all of us. Trade groups are doing their best to fight public misperception, but the education of an entire country is a daunting challenge.

It was when three newspaper reporters and one television reporter recently interviewed me about so-called bank bailouts that I grasped the depth and breadth of public confusion. All four reporters were completely and appallingly misguided on the facts of the Capital Purchase Program. I even spoke to my son's fifth grade class about this subject. His classmates had been told that bank CEOs are taking government money and using it for their own personal use. Baseless suppositions like that are rooted in large-scale misinformation.

So how do we deal with all of the changes and challenges coming our way? We need to *take a deep breath and stay calm*. Some of our elected officials may be hyperventilating because they can't comprehend the facts and don't understand what needs to be done. But as community bankers, we need to stick to basic banking principles and maintain strong capital levels. Ultimately, the loans we make to small businesses and farmers will catalyze an economic recovery.

So with that in mind, *let's all take a deep breath and stay calm*. We will get through this; in fact, we've already made a start. ▲

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## Notes and news

### ■ Commercial lenders take note

An intensive skill-building course taken by more than 250 veteran, mid-career and aspiring commercial lenders since 2004 will be held **June 1-5** at the Bankers' Bank of the West offices in **Denver**. Used by several financial organizations as an educational model, **Commercial Lenders' Basic Training** remains unique in its effective integration of independent study, classroom instruction, team approach, and hands-on practice—including consultation with executives of a de facto business.

The small class size (12 maximum) facilitates learning, discussion and teamwork. Midway through the week, students start working in their assigned groups on preparing a loan package and, on the final day of class, make their presentation to the BBW loan committee.

Lodging for students is a convenient three-block walk from the course location; a complimentary continental breakfast as well as a light supper are served at the hotel. In addition, a group dinner and one lunch are included in the course fee. See page 3 for more information.

### ■ Springtime industry events ahead

Whatever the economic climate, savvy bankers seek out opportunities to keep abreast of trends and innovations affecting their business, learn from industry experts, and make professional contacts. Two industry-specific events on the horizon are:

NACHA Payments 2009 Conference  
*The Electronic Payments Association (nonprofit)*  
April 5-8 in Orlando, Florida  
Details at [www.nacha.org](http://www.nacha.org)

Nebraska Bankers Association Convention  
*Presentations, networking, awards, exhibitors*  
May 6-8 in Lincoln  
Details at [www.nebankers.org](http://www.nebankers.org)

“If you think education is expensive, try ignorance.”

—Derek Bok  
former president of Harvard University

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## Mastery of essential commercial lending skills a shrewd investment

Underlying our industry's understandable focus on credit quality is a plain lesson: There's no shortcut around tried-and-true lending principles.

That realization is what led **Bill Edwards**, a 40-year commercial lending veteran, to share with coming generations of bankers a solid foundation for commercial lending practices aimed at helping banks avoid losses and other problems.

Since 2004, Edwards' hands-on **Basic Training for Commercial Lenders** has prepared hundreds of bankers to make prudent commercial lending decisions, contribute to their banks' bottom line,

and progress into leadership positions. Having already sent five of its own lenders and credit analysts through the course, Bankers' Bank of the West continues to host it periodically so more community bankers can cultivate vital skills through this results-oriented program.

Graduates of the course frequently describe it as directly applicable to their responsibilities and vital to their career paths. To download details and a complete registration packet for the next session—to be held in Denver the first week in June—go to [www.bbwest.com/information/BasicTrainingComplete2009.pdf](http://www.bbwest.com/information/BasicTrainingComplete2009.pdf). ▲

## Reverse mortgages: what you don't know may hurt your customers

*Tim Harder, Vice President  
1st Reverse Mortgage USA*

With so much positive information on reverse mortgages bearing out that the intelligently designed reverse mortgage is a safe and viable financial option for today's seniors, I'm perplexed that more community banks are not offering reverse mortgages to their older customer base. Possible reasons might include misunderstandings about this FHA-insured program, indecision over how to implement a new program, and uncertainty about the potential demand.

I believe there's a direct link between education—which has always been the key to the success of any reverse mortgage program—and the stable growth of the reverse mortgage industry since 2003. Education also explains why several of the nation's largest bank groups have fully endorsed and implemented reverse mortgages programs. They see value in providing needed financial options for our elders, especially in today's tough economy.

Regardless of the reason, if your bank has decided not to become a reverse mortgage resource at this time, please consider these quotes from seniors who went to their local bank to inquire about reverse mortgages:

*“I have a comfortable life. I own my home, I have friends and family, and my day-to-day needs are met. But at 82 years old, I would*

*go to bed every night worrying that if my family or I had any urgent needs, I would not have the money I would need. Well, I have only used \$3,000 of the \$133,000 in my reverse mortgage line of credit, but I have never slept so well in my life.”*

*—J.J. of Broomfield, Colorado*

*“My husband died. I was three months behind on both my mortgage and car lease. I was behind on my property taxes; the homeowners association had placed a lien on my home, and my phone had been disconnected. The reverse mortgage did not just save my home, it saved my life.”*

*—G.H. of Surprise, Arizona*

As a trusted advisor to your senior customers and their adult children, you are relied on as a financial expert. Your decision to offer, or not offer, reverse mortgages will define the range of financial tools available from your bank for older customers. In this sense, the assortment of solutions offered by your bank makes a statement that could affect the financial future of your customers in a positive or negative way.

*For more information on 1st Reverse Mortgage USA's straightforward, easy-to-implement turnkey reverse mortgage program, contact your calling officer at Bankers' Bank of the West, or email [info@bbwest.com](mailto:info@bbwest.com). ▲*

## Avenues open for improving efficiencies, shrinking soft costs

*Pamela Grammer, Sales Account Executive  
Optimum System Products*

**A**s an important player in the ever-changing banking industry, you've become adept at staying competitive in a tumultuous market while keeping a keen eye on controlling expenses and increasing profitability and efficiencies.

An alliance partner of Bankers' Bank of the West since 2003, Optimum System Products takes pride in having helped financial institutions nationwide do just that for over 20 years. More than 1,500 small, medium and large community financial institutions across the country have taken advantage of Optimum's ability to boost their bottom line through aggregate purchasing. The result has been a reduction of soft costs and improved control of cost centers.

Basic economics dictates the importance of purchasing power; however, community banks know all too well that there is no easy solution. Purchasing supplies individually leads to overpayment not just in the cost of products, but in time, labor and space as well. Simply put, buying 60,000 envelopes for the next six months will result in a better price than buying 10,000 each month.

Unfortunately, drawbacks such as lack of storage space and an unattractive up-front fiscal hit discourage most banks from taking full advantage of economies of scale. Optimum's aggregate purchasing power frees you of these constraints.

Reducing soft costs is another byproduct of Optimum's focus on increasing profitability. The true cost of purchasing—from locating, pricing and ordering to receiving, distributing and payment—cannot be ignored. Figures indicate these steps average an additional \$100 per order in soft costs. If 312 orders were placed in one year, the total annual estimate of soft costs equates to \$31,200. Redistributing these functions to one supplier often results in a savings in excess of \$25,600.

As products are electronically requisitioned by the client bank from Optimum's warehouse, their cost is assessed to the appropriate cost center. Optimum expenses products through a prepaid asset account as those supplies are consumed. Each month the client bank receives reports detailing the distribution of these costs, documenting their chargeback and comparing totals to monthly budgets. This not only gives your cost centers greater control over their day-to-day operations but also gives your head office increased control over their expenditures and budgets.

So now the question becomes: Why wouldn't you take advantage of Optimum's ability to improve your bottom line, manage your inventory, and control your costs? ▲

*To learn how Optimum System Products can help your bank increase efficiencies, call **Pamela Grammer** at 303-514-9396. For more information about this Bankers' Bank of the West alliance partner, visit [www.optimumsystem.com](http://www.optimumsystem.com).*

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## Well-priced safekeeping services delivered with professionalism

**BBW** is the custodian bank for 117 safekeeping customers in four states. The total par value held is approximately \$3 billion, representing 6,287 securities. Reasons often cited by our customers for choosing BBW for safekeeping services include:

- Excellent track record for on-time payment of principal and interest with a high rate of accuracy.
- Practice of balancing of payments ahead of time, facilitating trouble-free reconciliation with bond accounting reports.

- Accurate and timely notifications of corporate actions such as securities, stock splits, default issues, and mergers.
- Responsive handling of research requests—typically in a day or less.
- Ease of using BIDS to pull month-end reports and view daily debits and credits from Safekeeping.

BBW would appreciate the opportunity to provide custodian services for your bank. To discuss your needs, call **Sandy Gerck** at 303-313-8102. ▲

## New credit card venture expands choices and growth opportunities

Mary Ann Elliott-Supples, SVP of Bank Cards & Electronic Support Services  
Bankers' Bank of the West

**B**ankers' Bank of the West is preparing to launch a partnership that will afford our customer banks a broader range of options as well as additional support for their credit card programs. I'm pleased to announce that risk-free credit card issuance for BBW will be provided by **5Star Bank** beginning April 1.

Among the advantages that set **5Star Bank** apart from other providers are its spectrum of card products, the channels it makes available to agent banks, and its capacity as an institution.

### Consumer & business card products

- Platinum and Classic consumer cards
- Both unsecured and secured cards
- Business, T&E, Fleet, and Purchasing cards
- Cards branded with your bank logo
- Guarantee Program
- Rewards Program
- No credit risk, fraud risk, or capital investments
- **5Star Bank** incurs all charge-offs

### Multiple channels for increasing penetration

- "Take one" applications
- Hotlink from your website to **5Star Bank's** website for online applications and payments
- Tiered pricing: earn 17 to 25 basis points
- Special handling of VIP requests
- Guarantee Program
- Access to account information 24 hours a day, 7 days a week
- Additional marketing support including deposit statement inserts, convenience checks, and upgrades to Platinum

### About 5Star Bank

- **5Star Bank** belongs to the Armed Forces Benefit Association (AFBA), which was established in 1947 by General Dwight D. Eisenhower as a nonprofit life insurance

company to guarantee protection to beneficiaries.

- **5Star Bank** was formed in 1990 under the industrial banking laws of the State of Colorado to provide high-quality, competitively priced credit cards nationwide.
- Both **5Star Bank** and its fully integrated card member-servicing platform are located in Colorado Springs.

Bankers' Bank of the West looks forward to sharing the benefits of this new relationship with banks like yours. It's important to note that our customer banks receive professional back-office support from our Bank Cards Department as well. To discuss your needs, call me at **800-601-8630**, or send an email to [msupples@bbwest.com](mailto:msupples@bbwest.com). ▲

### On the human resources radar screen

Beverly Agy, VP of Human Resources  
Bankers' Bank of the West

This year, a long slate of legislation has HR ramifications for employers. If your bank isn't already familiar with the laws listed below, consider consulting with an attorney or other professional.

- Economic Growth and Tax Relief Reconciliation Act 2001, or EGTRRA. *Amendments to pension provisions.*
- Genetic Information Nondiscrimination Act 2008, or GINA.
- Michelle's Law. *Takes effect Oct. 9, 2009.*
- Health Insurance Portability and Accountability Act 1996, or HIPPA. *Title I and Title II.*
- Children's Health Insurance Program Reauthorization Act of 2009, or CHIPRA. *Extension.*
- American Recovery and Reinvestment Act of 2009, or ARRA. *Deals with COBRA administration and unemployment compensation, among other things.*

This list is not all-inclusive but rather an indication of the need for HR departments to be vigilant, informed, and always in compliance. ▲



## Time to re-examine your mortgage lending solutions?

*Andrew-John Starrett, Account Executive  
1st Advantage Mortgage*

**S**ince its inception in 1988, 1st Advantage Mortgage has built a reputation as a quality lender throughout the Midwest. To complement those services, 1st Advantage established the wholesale/correspondent lending division in 1999. In February 2008, 1st Advantage joined forces with Draper and Kramer, a privately held real estate service company established in 1893.

If you're like most community banks we serve, your customer base consists of individuals with impeccable credit as well as those with a more challenging financial background. 1st Advantage Mortgage has the right programs to meet the varied needs of those customers. As your account executive, I'll work with you to tailor loans to suit each situation. Our full spectrum of products and programs includes:

- Loans for purchases and refinancing
- Interest-only mortgages
- Low adjustable- and fixed-rate mortgages
- VA, FHA and conventional loans

- Loans for homes just recently off the market
- Residential loans for primary properties, secondary homes and investment properties

1st Advantage has established itself in the marketplace by providing the highest level of service while offering a wide variety of products to take the inconvenience out of the lending process. We want to cultivate partners, not just customers. That's why 1st Advantage Mortgage works with you to develop long-term solutions. And banks choosing to partner with us can expect to receive exceptional pricing and excellent customer service.

If you're interested in learning more about how 1<sup>st</sup> Advantage Mortgage can work with your bank, feel free to contact me directly, or get in touch with your BBW calling officer. ▲

*1<sup>st</sup> Advantage Mortgage is a Bankers' Bank of the West alliance partner, a relationship established in 2003. Andrew-John Starrett, account executive with 1<sup>st</sup> Advantage, has seven years of experience in sales and operations for the mortgage industry. His phone number is 763-370-0048; email address is [aj.starrett@1amdelivers.com](mailto:aj.starrett@1amdelivers.com).*

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



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