

BBW News

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A MESSAGE FROM THE PRESIDENT

CEO's outlook on forward movement and the work still to be done

Early this month, Bankers' Bank of the West President and CEO Bill Mitchell responded to questions about community banking across BBW's service area, the evolving economic and regulatory environment affecting the industry, and the direction of the organization he leads:

Q How has the landscape changed for community banks?

A The economy has improved in the Rocky Mountain region and the West, and it remains relatively strong in the Great Plains area. Today's economy is not as good as it was five years ago, but it's better than 12 months ago, and definitely healthier than in 2008 and 2009. We are seeing encouraging signs.

An area that remains an unknown is the impact of regulatory reform. Bankers are all trying to figure out just what reform means.



Bill Mitchell
BBW President & CEO

As the effects of regulatory reform play out, in 2011 bankers need to continue with asset cleanup without losing sight of strategic issues, tweaking their models to ensure they can compete in the post-Great Recession world.

We need to be efficient and effective in delivering products to customers. Big banks still have some competitive advantages because "too big to fail" has yet to be eliminated. The impact of new legislation isn't fully understood yet, but that doesn't mean community banks can't move forward. Community banks are still the foundation of lending for small business and agriculture, the backbone of our great country.

Q What has changed at Bankers' Bank of the West since this time last year?

A From our perspective, we still have some cleanup to do—but we're very far into the process, and we certainly see the light at the end of the tunnel. Already 2011 looks better than 2010, which was a significant improvement over 2009. We believe 2012 will bring a return to traditional earnings, with 2011 trending better.

Looking ahead, BBW will be highly aggressive in visiting customers, identifying their needs, and determining how to effectively meet them. Getting out and visiting with our customers is a number-one priority for us this year.

The core function of bankers' banks hasn't changed. The reason BBW exists is to help community banks compete. We do this by providing aggregation to reduce pricing, sharing industry expertise, providing liquidity, and facilitating the mitigation of risk.

Q Give an example of what you mean by helping community banks compete.

A Just last month we adapted our cash letter product to achieve cost savings for our customers. What caused us to make

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Taking note

■ Migration met with accolades

The new image cash letter partnership announced by Bankers' Bank of the West in August 2010 was fully activated last month.

This new process, which leverages advanced technology and a well-established working relationship between LendingTools.com (LTI) and BBW, enables customers to use a single system—Bankers' Internet Data System, or BIDS—for all transactions. The arrangement will bring additional benefits over the coming months, including per-item cost reductions for cash letter customers.

All image cash letter banks migrated to the system by January 28, according to plan and without any interruption in service. BBW Vice President **Debbie Wendt** received numerous comments from image cash letter clients shortly after the switch. Examples are:

“It's faster.”

“Confirmations are received quickly.”

“The system is very user-friendly.”

“I want to use this same system for my FRB receipt items and returns.”

Debbie credited the smooth transition to good communication and the full cooperation of everyone involved in the project.

“Our customers were on board from the very beginning, and stayed in the loop every step of the way,” she said. “Our own Operations team exceeded expectations. And LTI pulled out all the stops to ensure a seamless process. We really owe this success to collaboration.”

■ When quality trumps quantity

Community bank customers are frequently surprised to learn BBW employs fewer than 50 people—individuals whose dedication and expertise keep this organization effective, efficient, and attuned to customers' needs.

Of BBW's 48 staff members, 23 have been on staff five years or longer, and 16 have surpassed a decade of service. While not the only measure of high performance, such staff longevity signals deep commitment to BBW's mission of partnership with community banks.

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Flexibility, non-interest income potential, and risk-free aspect among the most important advantages of Direct Merchant program

Jack Hitt, Vice President
Bankers' Bank of the West Bank Card Division

Bankers' Bank of the West's Direct Merchant program enables your community bank to offer competitive, state-of-the-art payment solutions to your commercial customers—solutions with the built-in technology, innovation, and industry track record of First Data.

With flexible processing choices, including a multitude of terminal applications and an array of Internet solutions, your bank is equipped to meet the needs of virtually any business.

Our Direct Merchant program can compete in the marketplace regardless of the size of your bank. BBW processes all applications, performs underwriting, and provides notice of approval with in 24 hours. BBW also provides customer advice, orders and oversees equipment installation as well as reprogramming, and manages the program with high-touch service.

And unlike many big-bank correspondent divisions, BBW is a non-competing partner to community banks. This important distinction means you receive the same pricing as BBW's other Direct Merchant program clients, and you continue to "own" your customer relationships at all times. In other words, BBW will neither

compete with you for your own customers nor give preferential pricing to a competitor institution—a claim very few correspondent service providers can make.

Additional benefits of our Direct Merchant program include:

- Portfolio analysis and conversion support.
- Free merchant cost analysis.
- Dedicated service-oriented account representatives.
- Full array of electronic and touch-tone options featuring next-day settlement.
- Support of a wide range of applications, terminals and software.

Furthermore, BBW's Direct Merchant program empowers you, our community bank clients, to earn non-interest income with **no** risk to your bank—a crucial advantage in the current business environment.

For more information on this or other BBW card programs, visit www.bbwest.com or contact **Mary Ann Elliott-Supples** at 303-313-8128 (msupples@bbwest.com).

BANKERS' BANK OF THE WEST: *Bank Officer Territories*

While providing customer service is deemed a team effort and responsibility at BBW, all client banks are assigned a primary point of contact responsible for coordinating information and service delivery. This map illustrates a general (approximate) territory breakdown.

In addition to the contacts shown on the map, other officers with specialized expertise—in bank card products, for instance—often visit and counsel client banks. Vice President Patty Pinson and Assistant Vice President Mary Brown are the main cash management officers for states outside of Nebraska.

Of course you are welcome to call the main switchboard at any time for assistance. A listing of all BBW employees is available at www.bbwest.com.



In Denver, Colorado 303-291-3700 (800-873-4722)

In Lincoln, Nebraska 402-476-0400 (888-467-5544)

FHA Reverse Mortgage broadens financial options for elders seeking to relocate for physical, family or medical reasons

Tim Harder, Vice President
1st Reverse Mortgage USA

Imagine that one of your older depositors wants to sell her multi-level house and move into a home closer to family or medical facilities and more suitable to her lifestyle. Or maybe you have a customer with dreams of owning a ranch-style house on the golf course where someone else will mow the lawn and shovel the driveway.

But if these people are 62 years old or better, they may not qualify for—and may not want—a new mortgage. In that case, what choices do they have?

One option is to use a reverse mortgage to purchase the new home. By combining a reverse mortgage with a large down payment, the older individual can move into that new home without having a mortgage payment.

The Home Equity Conversion Mortgage, or HECM, which was created by the Federal Housing Administration/U.S. Department of Housing and Urban Development, has made possible the use of reverse mortgages in purchase transactions.

HECM has opened up new financial alternatives for seniors. At the same time, HECM offers community banks and their mortgage departments the opportunity to cross-sell bank and mortgage products directly to real estate professionals.

Community banks today are striving to capture more purchase transactions and new business channels to replace the refinance business from 2010. One viable path to new business is to offer the reverse mortgage for home purchase—a win for the older customer as well as the community bank.

The fact is that large national banks have provided reverse mortgages for years to retain their senior-aged customer base, attract new customers, and cross-sell products. By offering the FHA Reverse Mortgage program over the years, the big banks have established dominance among the fastest-growing demographic in the country. Even so, plenty of opportunity still exists for proactive community banks.

As you establish goals for the future, consider what a reverse mortgage program could mean for your bank. Augmenting your product offerings now to support the aging Baby Boomer population could net you more loyal customers today as well as a competitive edge over the long term.

To receive more information about the turnkey program available through 1st Reverse Mortgage USA®, a Bankers' Bank of the West-endorsed service provider, call your BBW correspondent officer or email info@bbwest.com.

POPULATION TRENDS IN THE U.S.

- In 2009, some 39 million Americans—13% of the U.S. population—were at least 65 years old.
- This year 76 million Americans will reach age 65.

Pew Research Center, "Growing Old in America: Expectations vs. Reality," June 2009.



Adventure ahead:

BANKERS' BANK OF THE WEST 2011 Bank Card Conference

It's a Jungle Out There:

How to be a Lion in This New Era of Bank Card

May 5 and 6, 2011

Embassy Suites Hotel · 1420 Stout Street · Denver | information at www.bbwest.com

BBW Capital Advisors launches a short-duration government bond fund

*Kendrik de Koning, Managing Director
BBW Capital Advisors*

With community banks facing the double whammy of weak loan demand and uncertain interest rates, the task of making decisions in the investment portfolio is as difficult as ever. The Fed signaled again last week that overnight rates would remain low for the foreseeable future, while the most tangible effect of “quantitative easing” thus far has been an **increase**—not a decrease, as intended—in mid- to long-term interest rates. The result has been a steeper yield curve, which is actually a very friendly atmosphere for the bank ready to take advantage.

The understandably nerve-racking part comes in the assumption of significant interest rate risk when investing too far on the yield curve. Worse is when bond durations actually extend in a rising rate environment, causing market values to drop even more than assumed at investment time. Many of the bonds being hawked by the bond salesmen today expose bankers to just these risks. Ironically, it is frequently those bonds being pitched as “defensive” that contain the most risk.

BBW Capital Advisors has created a solution designed specifically to address the risks and opportunities presented by today’s interest rate market: The **TransWestern Institutional Short Duration Government Bond Fund** (ticker: TWSGX) is a 20% risk-weighted registered mutual fund that consists of a diversified portfolio of 100% government (treasury and agency-backed) obligations. It is priced daily, and is actively and professionally managed to produce optimal returns for a conservative risk profile.

The Fund is not intended to be a replacement for Fed Funds Sold, but rather should be purchased in lieu of buying longer investments that present uncertain interest rate risk. The Fund also compares favorably to assuming credit risk, such as that inherent in overnight bank investments currently being marketed throughout the region, which, beyond the \$250,000 FDIC coverage, are typically unsecured.

For a prospectus and further details, go to www.TransWesternFunds.com, or call BBW Capital Advisors at 303-864-1213.

CEO’s outlook on forward movement and the work still to be done

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the change was feedback from our customers. By moving to a more user-friendly system, we were able to provide a winning solution—the result of a collaborative effort between our customer base, BBW, and our partner, LendingTools.com. All cash letter customers migrated to the new system in January, and the reaction has been completely positive. Ultimately, our customers will enjoy cost savings.

Q What are your expectations of BBW this year?

A As we put asset issues completely behind us, we’ll need to make sure we’ve learned what caused the issues—and ensure we’ve taken the proper steps to prevent similar problems in the future, insofar as that’s possible. On the other hand, we need to keep things in perspective and understand and focus on

our purpose: helping community banks meet the needs of their customers. It’s time now to move forward.

Community banks founded BBW, and our purpose will always be to provide them with essential products and services. Through technology and aggregation, we’ll continue to find ways to deliver products more efficiently and at a lower cost. We’ll also research what our customers will need in the future, and adapt accordingly so we’re prepared to help them compete and succeed in the years ahead.

We’re proud of the strong capital and liquidity levels we’ve attained. We’ll remain very conservative while always looking for ways to improve this organization, our products, and the service we provide to customers. I expect this bank to demonstrate across the board to current and potential customers the benefits of dealing with BBW and the value we bring to community banks.

A quick refresher on “Travel Rule” basics

The Bank Secrecy Act rule [31 CFR 103.33(g)], commonly known as the Travel Rule, has been in effect since 1996. Yet even 15 years after its effective date, the Travel Rule is not fully understood by many bankers.

Issued by the U.S. Treasury’s Financial Crimes Enforcement Network (FinCEN), the Travel Rule requires that all financial institutions include specific information in funds transmittals of \$3,000 (or the foreign equivalent) or more. The intent of the Rule is to deter, and facilitate the investigation and prosecution of, financial crimes (including money laundering) by preserving

information about people sending and receiving funds through funds transfer systems.

The Travel Rule requires your bank, when acting on behalf of the transmitter of funds, to include and send the following information in the transmittal order:

- Complete true name of your customer, the transmitter. **Using an abbreviated name, code name, or pseudonym would not be in compliance with the Travel Rule.**
- Your transmitting customer’s account number at your bank. Be sure to use your **customer’s account number**, not your bank’s.

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Service partner helps community banks turn the corner from “doing more with less” to “doing more for your bottom line”

Community banks have been tested to find ways to “do more with less” since effects of the economic downturn first became apparent. In some cases, difficult decisions regarding people and staffing have been made to cut overall operating costs for the bank. Many banks have taken a step beyond expense reductions and placed additional emphasis on driving new revenues for the bank.

Optimum System Products, an endorsed alliance partner of Bankers’ Bank of the West since 2003, can help you achieve your efficiency goals by handling what is often an overlooked area in terms of expense reduction: print and supply management.

Whether you have one or many locations, your bank will reap benefits by outsourcing your print and supply needs to Optimum, a service-oriented business that has helped reduce costs and frustration for hundreds of community financial institutions since 1985. You can expect Optimum to:

- Save your bank 15% to 30% annually on all of your printing-related expenses.
- Facilitate effective inventory management through built-in tracking of cost center expenses—a system that manages inventory as an asset and then expenses items at the time of usage.

- Eliminate print and supply shortages, overstocking, obsolescence, and last-minute ordering by providing web-based ordering and inventory management tools.
- Provide print on demand services for last-minute projects and presentations.
- Enable you to identify usage by cost centers and track usage trends with the use of robust and flexible real-time reporting capabilities.
- Support your business continuity plan by maintaining next-day availability of all inventoried items in the event of a disaster.

Optimum has worked with community banks and state banking associations for more than 25 years, and the company continually seeks more efficient ways to increase the community bank’s bottom line. To illustrate the value of a relationship with Optimum, the account executive for your market area is offering to perform a free survey analysis for your bank for the purpose of establishing benchmark pricing your bank has received versus the national average.

To request a complimentary analysis or more information on how Optimum System Products can enhance your bottom line, contact account executive **Pam Grammer** at **303-514-9396** or pgrammer@optimumcompanies.com.

Spring conference brings together industry experts to tackle topics particularly relevant to cashiers, financial officers and operations managers

Planning for an educational event for bank operations professionals began with a single thought: **What information will help prepare community bankers for the challenges they face in 2011?** Responses to that question formed the foundation of the conference agenda.

which session is more convenient for them, knowing the content of both will be the same.

Bank cashiers, operations professionals and financial officers in BBW’s 11-state service area, whether customers or not, are encouraged to attend.

Presenters with extensive backgrounds in key topic areas were recruited to share their knowledge at the Bankers’ Bank of the West **Operations Conference 2011: Insight and Information From Industry Experts.**



Nationally known experts who will present at the **Bankers’ Bank of the West Operations Conference 2011** include, from left: Chuck Floyd (Viewpointe, LLC); Mary Thorson (Ascella Compliance); and Scott Miller (Electronic Check Clearing House Organization).

Created to deliver current industry information to individuals who oversee or manage bank operations in the Great Plains and western states region served by BBW, the conference will be held in two locations—one in March and one in April—but will feature identical agendas and presenters. Thus, participants may register for either the Kearney or Denver event, depending on

“We want as many banks as possible to benefit from this conference,” said BBW Vice President **Patty Pinson**, whose area of specialty is cash management. “Judging by the response we’ve gotten so far, we may fill both sessions quickly—so I’m making a lot of

phone calls and telling everyone who’s interested to sign up soon.”

Patty said that she and her fellow cash management officers will be happy to take calls (303-291-3700) from banks inquiring about the conference. Logistics and registration information can be downloaded at www.bbwest.com.

BANKERS’ BANK OF THE WEST Operations Conference 2011: Insight and Information From Industry Experts

Program Highlights

- **How New ECCHO Rules Apply to (and Benefit) You**
Ellen Heffner and Scott Miller, the Electronic Check Clearing House Organization
- **Protect Your Bank: Essential Legal and Contractual Safeguards to Consider Before Adopting Remote Deposit Capture**
Cheryl Yavornitzki, Electronic Payments Relationship Manager, LendingTools.com
- **ACH Rules Update: Understanding Rules Simplification and Impacts of New Rules Changes**
Chuck Floyd, Manager of Education, Viewpointe, LLC
- **Compliance Double Threat Treat: FDIC Overdraft Program Guidance & Overdraft Program Advertising Requirements**
Mary Thorson, SVP, Ascella Compliance

ONE event ... **TWO** identical sessions to choose from: **THURSDAY, MARCH 24**IN DENVER, COLORADO
TUESDAY, APRIL 19.....IN KEARNEY, NEBRASKA

All conference details & registration form are posted at www.bbwest.com

A quick refresher on “Travel Rule” basics

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- Your customer’s actual physical address of record. **Substituting your bank’s address or a post office box would not be in compliance with the Travel Rule.** The true physical address is particularly crucial when sending international wires.
- The amount of the transmittal.
- The date the transmittal order was executed.
- The identity of the recipient’s financial institution.

Information to be retained when your bank receives a funds transfer includes:

- The complete name of the recipient.
- The address of the recipient.
- The account number of the recipient.
- Any other specific identifying information received on the recipient with the transmittal order.

When your bank originates domestic or international wires on the Bankers Internet Data System (BIDS), accurately completing the required fields

will help ensure your compliance with BSA requirements. Keep in mind that although the system may allow a user to submit, for example, an incorrect transmitter name, the sending bank remains responsible for the accuracy of the information.

Quarterly BIDS archival CDs capture full wire information in electronic form under the wire summaries and raw wire data reports; therefore, the CDs may meet your recordkeeping requirements. Be sure to work closely your own BSA officer to understand all aspects of the Travel Rule and ensure consistent and continuous compliance at your bank.

This article is meant to be only a general review of BSA rule [31 CFR 103.33(g)]. It is not comprehensive. Any bank may contact its primary Bank Secrecy Act exam authority for answers to specific questions. Following are two websites that contain more in-depth information regarding the Rule, FinCEN programs, and efforts to prevent money laundering:

- www.ffiec.gov/bsa_aml_infobase/pages_manual/OLM_025.htm
- www.fincen.gov

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



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*See pages 4 and 7
for a look at what's ahead!*