

# BBW News

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## A MESSAGE FROM THE PRESIDENT

### The wisdom of investing in training and human “capital”

**B**ankers' Bank of the West is proud to have organized and sponsored the “Loan Officer Financial Management Training” seminar held in Denver this month. The advanced course for experienced loan officers was led by **Kyle Enger**, an associate director of Pacific Coast Banking School at the University of Washington, a former presenter at the University of Colorado Graduate School of Banking and other premier banking schools, and a founding partner and principal of BBI Financial, LLC.

The two-day program focused on developing practical skills and entrepreneur-centric strategies in commercial lenders. I was pleased to see 33 bankers from Arizona, Colorado, Idaho, Montana, Nebraska, New Mexico, and Wyoming actively engaged in the training—the most geographically diverse of the five sessions sponsored by Bankers' Bank of the West to date.

Over the past two months, BBW also played an assisting role in the planning of three “Build, Buy or Sell” conferences presented by **BBW Capital Advisors**, our alliance partner in the field of capital markets. The three two-day sessions—held in Laramie, Lincoln and Colorado Springs—focused more than 80 community bank leaders on the economic challenges facing community banks and on the fiscal strategies and techniques available to them.

Being a longtime partner to independent banks, BBW constantly seeks out ways to help our community bank customers succeed. The centerpiece of our business is a robust menu of core products and services, which we maximize with

high-touch customer service, volume pricing, technology, and expertise.

Additionally, BBW frequently ventures outside the box to host issue-specific webinars, take part in trade associations, present conferences, participate in workshops, and sponsor training programs. We find that our contribution to value-added benefits like these ultimately helps our community bank clients compete effectively in their markets.

On the whole, training budgets have been tight for banks in recent years. Knowing that, I was all the more encouraged watching Kyle Enger at work with the 33 talented bankers. Their participation, I think, reflects a “can do” mindset and a vote of confidence in the communities they serve.

The decision-makers who advised their lenders to take the course have made a sound investment in the future of independent banking as well. Preparing the organization's up-and-coming leaders to tackle the issues of tomorrow is good business practice, after all.

The final quarter of the year is traditionally a time for evaluating progress and planning for what's to come. As you focus on your own bank's horizon, remember to build ongoing education and participation in industry events into your budget. We plan on playing a part in several of those events—and we hope to see you there.

We appreciate your business and the opportunity to be of service.



Bill Mitchell  
BBW President & CEO

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## Taking note

### ■ Talk about changes

Even if you've communicated with your customers about U.S. savings bonds being available for purchase only in electronic format as of Jan. 1, 2012, some people might need additional reminders to fully grasp and adapt to the inevitable.

If you suspect some of your customers will find the change confusing or difficult, know that a free toolkit created by the Treasury Department has provided free resources for you. The toolkit includes handouts for your customers, a newsletter article, graphic banners for your website or online banking site, and answers to frequently asked questions about the move away from paper issuance.

There's still time to educate your customers about the changes, familiarize them with the features of a TreasuryDirect account, and reassure them that your bank will continue to redeem paper bonds after the Jan. 1 switch. Visit [www.treasurydirect.gov](http://www.treasurydirect.gov) to access the toolkit.

### ■ Debit card – actions and reactions

As many industry veterans predicted, a number of big banks are considering or preparing for fee increases to make up for debit revenue reductions resulting from the implementation of the Durbin Amendment. Also as expected, mainstream consumer reactions to new fees recently imposed by Bank of America have been mostly negative according to national media reports.

Three months ago, Bankers' Bank of the West's Bank Card Division recommended that community banks take a wait-and-see approach to the debit environment. (BBW's July 2011 suggestions for community banks are posted at [www.bbwest.com/docs/Pointers\\_CommunityBanks\\_Durbin.pdf](http://www.bbwest.com/docs/Pointers_CommunityBanks_Durbin.pdf).)

Like most community banks in this region, BBW is monitoring debit-related developments carefully. The BBW Bank Card Division will continue to share significant new information affecting card program clients through website postings: Visit [www.bbwest.com](http://www.bbwest.com).

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Send correspondence to:



Bankers' Bank of the West  
Attention Jackie Tall  
1099 Eighteenth Street, Ste. 2700  
Denver, Colorado 80202  
Or email [jtall@bbwest.com](mailto:jtall@bbwest.com)

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## Independent Bankers of Colorado endorses merchant services program

In September, the Independent Bankers of Colorado, a not-for-profit advocate and trade association for independent community banking since 1973, endorsed the Bankers' Bank of the West merchant services program.

BBW's Bank Card Division has offered merchant services to community banks since 1992. Today it is the provider for more than 3,600 merchants across the Great Plains, Rocky Mountain, and western states region. BBW accommodates all available processing solutions including desktop terminals via analog or Ethernet, virtual terminals,

online stores, and wireless and third-party gateway solutions.

Among the more unusual aspects of BBW's merchant program, which is risk-free to the community bank, are value-added benefits like on-site training for employees of the merchant customer, expedited turnaround on new account approvals, and support from skilled help desk professionals and BBW staff.

To request an analysis or more details on the program, email [bankcards@bbwest.com](mailto:bankcards@bbwest.com).

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WIRE PAYMENTS:

## Financial institutions directed to prepare to receive new wire message format beginning November 21

Next month, the Federal Reserve Bank (the Fed) will implement a new wire message format designed to accommodate extended remittance information, enable enhanced payment notification and tracking, and facilitate better cover payments and alignment to SWIFT.

The crux of the new format release is a business code known as the Customer Transfer Plus (CTP) message, which incorporates new data elements and modified edit rules. The Fed will continue to support both the new CTP message and the existing Customer Transfer (CTR) message with which most financial institutions are already familiar.

Assuming your bank is online, you must be capable of receiving both CTP and CTR messages when the format release goes into effect Nov. 21 because as of that date, financial institutions will be able to choose either type of message for any customer transfer. Additionally, your bank's internal systems must be capable of handling other minor changes in the release that will affect messages of either type.

LendingTools.com, creator of the Bankers Internet Data System (BIDS), has confirmed that BIDS will be ready to receive both types of messages on day one. BBW is communicating directly with BIDS customers to ensure a smooth transition to the new format release.

Community banks may want to verify that their core processor and any third-party applications are compliant.

BBW urges you to make time now to review the applicable recommendations, testing and certification requirements, and answers to frequently asked questions published by the Fed. For your convenience, links to several of those pertinent documents have been posted at [www.bbwest.com/fedwire.html](http://www.bbwest.com/fedwire.html).

### Why is a new message format needed?

*The new format incorporates advances identified as important by businesses—among other things, better integration with bank cash management systems and the capacity for including additional remittance information in a standard format.*

*A simpler, better-functioning wire system is seen as key to ensuring that wire transfers remain a desirable channel for electronic payments, especially in the business-to-business context.*

*The data suggests that enhancements to wire systems could result in a shift in corporate check volume to wire, particularly for those high-value payments that are well-suited to the built-in speed, security and finality of wire transfer systems.*

*Moreover, focus group research reveals a willingness on the part of businesses to pay for expanded wire capabilities.*

Source: [www.frbservices.org/files/communications/pdf/research/wire\\_transfer\\_research\\_final.pdf](http://www.frbservices.org/files/communications/pdf/research/wire_transfer_research_final.pdf).

## Convergence of demographic trends, economic pressures signal growth opportunities for community banks

Tim Harder, Vice President  
1st Reverse Mortgage USA

**A** need for financial options for those most affected by the prolonged economic slump has created opportunities for financial problem solvers. Community banks, being among the most trusted and approachable providers of financial services in the U.S., are uniquely positioned to help mature homeowners, build customer base, and establish an additional revenue stream by making reverse mortgages part of their product mix.

### \$3.3 trillion in home equity

An analysis by RiskSpan, Inc., a leading provider of analytical software and advisory services to whole loan and structured finance investors, notes that individuals age 62+ held \$3.3 trillion in home equity as of year-end 2010,\* a figure that could—even accounting for slight to flat appreciation—double over the next couple of decades with the aging of the Baby Boomer generation. Basing its estimate on U.S. Census data, RiskSpan maintains in the same report that “the population of seniors aged 62 and over is projected to grow from its current level of 50 million to 83 million by 2030.”

### A flexible option

A reverse mortgage enables older homeowners (age 62 or better) to convert part of the equity in their homes into tax-free cash without having to sell the home, give up title, or take on a new monthly mortgage payment. The reverse mortgage payment stream is literally “reversed.” Instead of making monthly payments to a lender, the lender makes payments to the homeowner.

The homeowner retains a few important obligations with a reverse mortgage. Those responsibilities include paying property taxes, insurance and any homeowners’ association dues, and continuing normal and customary upkeep of the property.

The funds the homeowner is eligible to receive depends on his or her age (or for couples, the age of the younger spouse); the appraised home value;

and interest rates. Generally, the older you are and the more valuable your home, the more money you are likely to receive.

### Uses of a reverse mortgage

Other than the need to pay off any existing liens on your property—for example, a prior mortgage, a home equity loan, a tax lien or similar obligation—there are virtually no restrictions on how a reverse mortgage may be used. A few common uses of funds are debt payment; daily living expenses; medical expenses; prescription drug costs; home improvements; aging in place; new home purchase; and wealth management.

### An avenue for financial institutions

As a result of the growing market, it has become imperative that community banks become more informed about the reverse mortgage program—and, more importantly, become a resource for their customers to secure a reverse mortgage.

Education is the key to success in offering reverse mortgages. Members of the 1st Reverse Mortgage USA Lender Network® have a turnkey opportunity to make reverse mortgages available to their mature customers, attract new clients, and create an additional income stream—all with little to no investment and minimal program maintenance.

Our staff is guided by these principles: Simplicity of workflow, ongoing training and support, and honoring and maintaining the integrity of the



Tim Harder

relationship between you and your clients.

For more information on the Bankers’ Bank of the West-endorsed 1st Reverse Mortgage USA Lender Network, call Tim Harder at **303-854-3030** or email [tharder@1strmusa.com](mailto:tharder@1strmusa.com).

\* “RiskSpan Q4 2010 Reverse Market Index Demonstrates Less Than Expected Decline in Total Senior Equity,” *Riskspan Analysis Report*. March 2011, Volume 11, Issue 3.

[[www.riskspan.com/sites/default/files/RiskSpan%20Analysis\\_Mar2011.pdf](http://www.riskspan.com/sites/default/files/RiskSpan%20Analysis_Mar2011.pdf).]

## Beware of misrepresentation of Durbin Amendment requirements: Make sure your merchants know the facts

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

**C**ertain competitors have misinterpreted the Durbin Amendment in discussions with community banks' merchant customers. In several cases, merchants have been told that their terminals will not support the requirements of the new amendment and that their terminals are out of compliance. **This claim is entirely false.**

Unfortunately, misrepresentations by a handful of competitors have caused some merchants to become so alarmed that they've moved to other programs without being aware that they've actually signed a new contract.

Contrary to the misinformation being conveyed by these few vendors, the Durbin Amendment does not affect the merchant's terminal. These are the facts to keep in mind:

1. Any changes to pricing to the merchant will be systematic.
2. Merchants are allowed to "request an alternative payment." This is permitted and should

be in line with the merchant's policies and procedures—not a terminal change.

3. In the case of merchants using BBW's pinned debit program, networks are built onto the merchant account via BBW's processor.
4. Merchants are allowed to set the minimum transaction amount on credit card transactions not to exceed \$10. Setting of the minimum transaction amount is based on the merchant's policies and procedures—it is not done on their terminal.

Remember too that Bankers' Bank of the West's community bank clients—and their merchant customers using BBW's merchant program—will be notified if and when terminals are no longer compliant or no longer being manufactured.

Finally, Bankers' Bank of the West will always make available new solutions for any change affecting their equipment.

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## Tech corner — tips on using social media sensibly

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tactics, it offers some distinct advantages over paid advertising. As a rule, hard costs of social media are minimal, results are measurable, and the cycle for carrying out a plan is highly compressed. You can use such advantages to amplify your current marketing program and reach new audiences.

Achieving top-of-mind awareness is a good use of social media. You could begin by putting a current, compliance-approved promotion on your website, in at least two locations on each page. This placement strategy ensures that when a visitor clicks through 8 pages, your promotion makes 16 impressions.

Next, tweet about the promotion at least once a day, directing prospects to your website or a web ad. Each tweet equals one impression; if a prospect clicks the link you provided, you've made another.

On your Facebook page, conduct a simple "like" contest. Visitors who respond by liking your article

about the promotion or replying to it have taken an action, which is an important step beyond passively noticing a message.

By providing them with information to read and a forum for discussing your promotion, you involve customers and prospects in what your bank is doing, bringing them closer to your bank than is possible through traditional advertising alone.

Remember, simplicity is key with small-business social media. Start by creating a plan of attack. Use social media and online tools in ways that reinforce your brand and complement your overall strategic plan.

Above all, be genuine and consistent wherever you have a presence—in your lobby, at a customer appreciation event, on your website, and in social media. Sincerity will appeal to your target customers no matter where or how you approach them. That will *never* change.

## TECH CORNER:

*Tips from BBW's Information Technology Staff*

**Question: My bank is ready to grow our online presence. Can we make the plunge into social media on our own, or will we need outside professional help?**

**Answer:** The importance of an online presence is both exaggerated and underestimated, depending on which business gurus you follow. Many SEO (search engine optimization) companies promise amazing results and thousands of website hits a day. Additionally, many self-proclaimed social media marketing experts insist they can help your business hit the right social footprint.

All of this would-be brilliance can be expensive. Besides, even if your social media consultants achieve the difficult-to-measure benchmarks they lay out, the extra exposure might not contribute to your bank's overall goals.

How do you know if you added more business through your Facebook promotion? Who are all these people networking with you on LinkedIn? Really, what should you be doing on Twitter?

Instead of becoming bogged down and overwhelmed, most community banks are better off starting with the basics. Get off to a good start by

working closely with your compliance officer and IT experts; they need to be involved.

Always keep your eyes on the prize: Your website and your involvement in any social media should be focused on your current and prospective customers. If your bank's personality, or brand, appeals to your prospect, it follows that s/he will respond if you make an impression—provided you repeat the impression multiple times.

Back when traditional advertising was king, many experts pegged the number of impressions—that is, the number of exposures to your product or company—needed to elicit a response from a consumer at about seven. Today that estimate has risen to 20 or more impressions if you want to achieve top-of-mind awareness.

Impressions can take a wide variety of forms, from a promotional mailing to a radio commercial to a sponsorship to a tweet.

Although use of social media represents just one of many tools in a well-balanced mix of marketing

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Bankers' Bank of the West  
1099 Eighteenth St. ■ Ste. 2700  
Denver, CO 80202