ICBND Elects New Board at the 46th Annual Convention

The Independent Community Banks of North Dakota elected officers and new members to its board of directors during the group’s 46th Annual Convention and Exposition. The event was held at the Best Western Ramkota Hotel in Bismarck, August 11-13. Officers for the 2013-2014 year include:

- Chairman: Robert Larson, CEO/President of North Country Bank, Underwood;
- Chairman-Elect: Tim Porter, CFO of Bank of North Dakota, Bismarck;
- Vice Chairman: David Ludwig, President of Security First Bank of North Dakota, Bismarck;
- Immediate Past Chairman: Brenda Foster, Senior Vice President of First Western Bank & Trust, Minot;
- Past Chairman: Jerry Hauff, President of Cornerstone Bank, Bismarck;
- National Director: Howard Schaan, CEO/President, First State Bank of Harvey, Harvey;
- Northeast Director: Rick Beall, Vice President at Peoples State Bank, Minot;
- Northwest Director: Rick Harris, Vice President of First National Bank, Minnora;
- Southwest Director: David Mason, Business Banking Officer of American Bank Center, Bismarck;
- Southeast Director: Claire Seeffeldt, President of First National Bank, Minnora;
- Director at Large: Paige Bjornson, Senior Business Banker of Dacotah Bank, Valley City;
- Director at Large: Tim Karsky, Market President of Starion Financial, Bismarck;
- Director at Large: Rick Harris, Vice President of State Bank & Trust of Kenmare, Kenmare;
- Director at Large: Frank Brown, President, Bank of Glen Ullin, Glen Ullin; and
- President John A. Brown, ICBND, Bismarck.

William (Bill) Loving, ICBA Chairman and President/CEO of Pendleton Community Bank, Franklin, W.Va. addressed the membership during the Annual Business Luncheon and presented Brenda Foster and John Brown with the 2012 ICBND Association Royalty check in the amount of $47,108.77.

Senator Heidi Heitkamp addressed the attendees during the Business Luncheon along with Larry Jahnke, Deputy State Director with Representative Kevin Cramer’s office. Derek Weigel, Cornerstone Bank and member of ICBND’s Emerging Leaders Development Group spoke to attendees of his passion for community banking and the great opportunities the Emerging Leaders Development group has given him including his trip to the ICBA Washington DC Summit.

ICBND Convention was a Game Winner

The 2013 ICBND Annual Convention and Exposition lived up to its theme “In the Game to Win!” With 333 attendees, an outstanding speaker line up, lively entertainment and a packed vendor hall - everyone was a winner by the time everything was said and done.

Attendees loved the Monopoly theme and stated that this year’s convention had a great mix of exceptional speakers, vendor time and great entertainment.

If you were unavailable to attend this year’s convention, the most important part you missed (as stated by many of our attendees) was the extraordinary networking time with your fellow bankers and our outstanding associate members and vendors. Each year, “networking” is listed as one of the top reasons for coming to this grand event.

We will be sharing a highlights video of the convention on the home page of our website. Watch for an email that will take you right to it in the near future.

The ICBND Convention Committee is already working on next year’s event. The ICBND Board of Directors and Convention Committee will be reviewing the format very closely for next year. Our goal is to offer excellent educational opportunities not only for presidents, owners, officers and directors but also for your security officers, IT specialist, tellers, operations, and your young bankers involved with the Emerging Leaders Development Group. It is our goal to host a convention that will offer not only education but a fun networking environment that will continue the “community family” feeling of our North Dakota Independent Community Banks. We hope to see more employees from your bank experiencing this great annual event.

Mark your calendars now for next year’s convention...August 17-19, 2014.
This being my first comment article as your new ICBND Chairman, I would like to extend a huge “congratulations” to the ICBND staff for another fantastic convention. I have been attending the convention for many years, and it just gets better and better every year. I have heard comments from both vendors and bankers that the ICBND convention is one of the best. As I reflected on the reasons for this, it became obvious to me why this is.

The many hours of hard work by the staff, convention committee and the Emerging Leaders group to put together a first class convention has paid off. As the post-convention surveys come in, your comments, concerns and suggestions are reviewed and considered when planning for next year’s convention begins. Ours is a convention for the members, and the number one goal is to make this the best experience for you and your staff. If you have not completed your survey for this year’s convention, please do so soon.

Over the years, we have seen our members send more bank staff to the convention in order to take advantage of the educational opportunities as well as visit with the vendors that they do business with or those that can offer the bank new products and services. It also allows them the opportunity to develop new friendships and contacts within the industry as well as renew existing ones. This is a trend that I think is very important both to the future of ICBND but to strengthen the knowledge of our future bank leaders.

In walking around at the convention, I could not help but notice how all of the bankers were mingling, visiting, joking with each other, not as competitors, but as colleagues and fellow members of the ICBND. Willing to share with one another ideas on how to defeat the big banks and their aggressions on community banking. Willing to share with one another on what they have done to strengthen their communities and thus, their banks. Even though we are competitors, we are teammates…working as a team to continue our way of banking.

This is what our convention is all about.

When completing your budgets and planning for next year, please consider attending the convention next year as well as maybe sending members of your staff so that the flag of independent community banking can be carried over for years to come.

Earlier this month ICBND had its first Enterprise Risk Management (ERM) Focus Group meeting in Fargo. We had thirteen members attend and with Mary Peter, our facilitator from Eide Bailly, talked about where each bank was in the ERM process and what we hoped to gain from working together in this process.

Utilizing Mary’s experience and expertise, the group established some guiding principal and set up a sample agenda for future meetings.

In his introduction, Tim LeClair pointed out the current “Banking in the Ninth” newsletter deals with risk and what the Federal Reserve Bank in Minneapolis sees as the current high and emerging risk list. Their only current risk with a high level of concern and significant exposure is seen as earnings risk. The Fed sees the trend of this risk increasing as banks deal with low earning, low interest rates, declining fee income and ever increasing compliance costs.

With the Fed keeping interest rates so low for such a long time banks may be looking in other than traditional areas for earnings. They mention investment securities risk, interest rate risk and vendor management. With the competition for lending the way it is in North Dakota looking at your bond portfolio to eke out a few more basis points is an alternative, if you understand and manage the duration and optionality of the investment and it fits in your risk scope.

It’s interesting the Fed supervisory staff additionally identified elevated credit risk in agricultural lending as well as commercial real estate (CRE). A lot of our banks depend on ag lending year in and year out, but lower commodity prices do affect cash flows and, of course, CRE loans have been on regulatory radar for several years. It appears that everything bankers’ do depends on Enterprise Risk Management, so if you are not too familiar with ERM, plan to attend our next meeting scheduled at 10:30 a.m. October 8 at the Eide Bailly offices in Fargo.

Even though we are not in a legislative year, I want to remind you to participate in fund raisers your local politicians conduct. We always want to stay in contact with them before we need their support!
2013 Hall of Fame Service Award Recipients

The following community bankers were honored for their continued support of community banking and were special guests at the closing banquet of the ICBND Annual Convention. Each received a certificate of appreciation and a gift.

American Bank Center, Bismarck
- Londa Schwartz, 30 Years

American Bank Center, Dickinson
- Cill Skabo, 20 Years

Bell State Bank & Trust, Fargo
- Vikki Nielsen, 20 Years
- Carol Radermacher, 20 Years
- Toni Maras, 20 Years
- Helen Schatz, 20 Years
- Ruth Pung, 40 Years

Citizens State Bank, Finley
- Gail Hauge, 30 Years

First National Bank, MIlnor
- Lynne Michels, 30 Years

First National Bank & Trust, Williston
- Rick Nichols, 20 Years/Retiring

First National Bank & Trust, Minot
- Patricia Yuds, 20 Years
- Kim Rosberg, 30 Years
- Jo Anne Isakson, 40 Years
- Curtis Zimbelman, 40 Years
- Judith Olson, 25 Years/Retiring
- Linda Schander, 30 Years

Great Plains National Bank, Ellendale
- Diane Henningsen, 30 Years

Liberty State Bank, Powers Lake
- Jane Sem, 20 Years
- Sandra Huseby, 20 Years
- Donna Griesbach, 20 Years
- Patricia Buen, 23 Years/Retiring

North Country Bank, Underwood
- Robert J. Larson, 30 Years

Thank you for stopping by our booth at the 46th annual convention. We greatly appreciate your support of the ICB Purchasing Exchange!

Sincerely,
Jess & Lacey
PULSE, a Discover Financial Service (NYSE: DFS) company, is a leading debit/ATM network. For more than 30 years, our growth has been driven by the superior value we deliver to our network participants. We provide value through a complete range of debit products and a clear focus on unsurpassed customer support, serving more than 6,300 financial institutions across the U.S. This includes 4,300 issuers with which we have direct relationships and more than 2,000 additional issuers through agreements with other debit networks.

Valley Mortgage, Inc.

Our team is committed to providing our clients with the highest quality financial services combined with the lowest rates available in your area. Our outstanding mortgage professionals will work with you one on one to ensure that you get a financial solution that is tailored specifically to meet your financing needs. Whether you are purchasing your dream home, refinancing an outstanding loan, or consolidating debt, our highly experienced team of loan officers can help you find the right loan program at the lowest rate no matter what your needs are. Our ultimate goal is to create lasting relationships with each of our clients so that we may continue providing excellent service for many years to come. Unlike many of the larger nationwide mortgage companies that are out there, all your information will be kept secure and private. Our name is trusted throughout the community.

Olson & Burns, PC produces ICBND’s legal newsletter, Community Bankers Advisor. The firm has a strong emphasis on a general commercial practice, regularly representing more than thirty North Dakota banks in litigation, bankruptcy, and transactional and regulatory matters. Olson & burns, PC does not represent debtors in bankruptcies or actions adverse to financial institutions.
Our Legacy Trees by Camden R. Fine, ICBA President and CEO

Have you planted a tree lately? With just a little attention early on, a seed or sapling can, once established, grow unaided into a mighty, towering tree. Before you know it, you’ll have created something magnificent—a legacy for the next generation to behold.

The planting of trees is an appropriate metaphor for the stewardship our individual institutions and our industry as a whole provide, for those working today and those soon following. For community bankers, such stewardship means building resilient and capable financial institutions to remain strong local economic engines. It involves helping your customers achieve their financial goals and dreams; and it’s about the work of building increasingly better communities in which to live and work.

For you, this financial stewardship comes naturally. It’s inherent in what you do every day, and you do it far better than anyone else. Without your efforts, America’s remarkable and truly unique heritage of personal economic opportunity and liberty, though still undermined and beleaguered by financial overconcentration, could never last.

But no stewardship can be considered complete without nurturing the next generation of leaders. It’s an obligation for which we all share responsibility—to leave our families, institutions and society in increasingly capable hands. It can also be the most rewarding task we ever undertake.

Just as you are committed to developing your brightest employees as future leaders, ICBA is committed to developing the next generation on a national level. Early this month the association conducted its first Emerging Leaders Conference in Minneapolis. Dozens of young community bankers from across the country attended the intensive three-day conference. Together they participated in various discussions and peer networking sessions designed to advance their professional experience, skills and character.

Early feedback tells us that the conference was a great success. This is because ICBA is planning a continual series of programs. So look for similar programs in the future, including at ICBA’s national convention. We would love to hear your ideas as well.

Since becoming ICBA’s president and CEO nearly a decade ago, I’ve had the privilege of meeting so many smart, energetic and conscientious young community bankers. Their optimism and new ideas for our industry have been tremendously refreshing and uplifting. Our industry and our country will be in very good hands, as long as we do our part to pass on our own knowledge.

Community bank leaders are extremely busy responding to a whirlwind of urgent imperatives facing our institutions, our customers and our communities. So it’s understandable that if any of us have overlooked some of the career needs of the upcoming generation. However, our industry can no longer afford to put off its leadership development, succession planning and mentoring responsibilities. So look to ICBA as a partner in the endeavor.

Together we have a lot of worthwhile work to do. Fortunately, while nurturing future leaders requires special attention and commitment, the work we start, like planting a seedling, will gather its own momentum. Once established, it will grow almost by itself into something majestic. If so, that could be our most important and lasting legacy of all.

NOTE: The Independent Community Banks of North Dakota’s Emerging Leaders Development Group has been established for six years and is growing every year. This program was developed to do just what Cam Fine is emphasizing in his article. ICBND currently has 44 bankers as members of the Emerging Leaders. If you would like to know what we are about, please join us for our last meeting of 2013 at First State Bank in Grand Forks on October 11th. Registration for the session is enclosed with this newsletter or you can register on our website at www.icbnd.com. 2014 annual membership information will be sent to our association members December.

Camden R. Fine is President and CEO of ICBA. Reach him at cam.fine@icba.org.
In my travels, I’ve confirmed that regardless of where you live, the lifeblood of each and every community is its community banker and his or her desire to make their community a better place to live and work. This means that, as community bankers, we want to stand up for what is right, and we determine what is right based on a host of criteria—core values, beliefs, facts, common sense, morals and a higher purpose. Our conscience is with our community, plain and simple.

Community bankers by their very nature are evaluators, taking in all perspectives of a situation to come to a final conclusion. That’s how we make loans. We look at the facts surrounding the request and determine if a loan makes sense for us and the borrower. We don’t simply rely on a formula. This same strategy is employed when we are analyzing important policy issues, such as too-big-to-fail.

That’s why I am dismayed when others say that my fury against too-big-to-fail simply comes out of emotion—nothing could be further from the truth. Community bankers’ plates are full, and mine is no exception, so I don’t have time to simply get emotional over a topic. I need clear and hard facts to help me determine if it’s a case worth fighting for. And guess what—it is!

So here are some facts for anyone out there who might want to know more about how ending too-big-to-fail will support free markets and help our economy. I encourage you to share these facts with members of Congress, your regulators and the media so you can continue to enlighten stakeholders and average citizens about how too-big-to-fail affects them and their community.

- Too-big-to-fail distorts free markets, incentivizes risky behavior, leaves taxpayers on the hook for bailouts and creates unfair competitive advantages for the largest banks.
- Many studies show that too-big-to-fail financial firms do enjoy a funding advantage over the smaller institutions that do not have a government guarantee against failure. Both a study by two economists at the International Monetary Fund and a Bloomberg View analysis estimated their funding subsidy at approximately $83 billion a year. To bring the point closer home, the competitive advantage has been estimated at 20 to 80 basis points by another study. That’s clearly an advantage.
- FDIC data show that while megabanks have the lowest credit quality in the banking industry, they also have the lowest cost of funding. Large or interconnected institutions are too-big-to-prosecute for fear of destabilizing the economy, and their executives are too-big-to-jail. The very firms that have inflicted the most abuse on consumers and the most damage to our financial system and economy are effectively immune from being held responsible for their actions.
- But there is perhaps no greater reminder of the too-big-to-fail impact than the constant, oppressive regulatory burdens that community banks face on a daily basis.

For more facts and clarity, I encourage everyone to read the ICBA study on ending too-big-to-fail. You can find it at www.icba.org/tbtf.

With all of these facts stacked against too-big-to-fail, it’s hard for anyone not to see the clear direction we must take for the sake of our economy and the communities we proudly serve.
When you represent everyone...

You represent no one.

Grow your bank with us.
Balzer Joins Cornerstone Bank
Diane Balzer has joined Cornerstone Bank as a Mortgage Loan Underwriter in Bismarck. She comes to Cornerstone with over 26 years of mortgage loan underwriting experience.

Mainwaring Joins ASB&T Staff
American State Bank & Trust President/CEO Dave Hanson announced the recent addition of Joan Mainwaring to the ASB&T Real Estate Department. Mainwaring joins the staff as a Real Estate Loan Officer. She has 32 years of mortgage banking experience. Among her responsibilities will be to develop a secondary mortgage market program for ASB&T. Mainwaring said, “I look forward to the bank being able to offer even more programs for its home loan customers.” Originally from College Park, Maryland, she and her family have travelled extensively with her husband’s military career.

Starion Financial Hires Dowling as EVP of Business Banking
Tim Dowling has joined Starion Financial as the executive vice president of business banking. He is located in the bank’s downtown Bismarck location. In his role, Dowling partners with the

Stalion Financial’s Lee Weisbeck Graduates from School of Banking
Lee Weisbeck, business banking officer VP, graduated from the 63rd annual school session of the Graduate School of Banking at Colorado (GSBC). Weisbeck graduated with honors, which is a special designation for students who graduate in the top 10% of their class based on intercession projects and exam scores. During his three years of GSBC coursework, Weisbeck attended foundational core classes and electives, including expanded programming on technology. He also completed a strategic topic project. He has been with the bank for more than six years and earned his business administration degree from the University of Mary.

Johnson Joins Cornerstone Bank
Kim Johnson has joined Cornerstone Bank as a Mortgage Loan Processor in Bismarck. She comes to the bank with one year of mortgage loan processing experience and 20 years of past sales and customer service experience.

Entzel Joins Cornerstone Bank
Lesley Entzel has joined Cornerstone Bank as Mortgage Loan Processor in Bismarck. She comes to the bank with one year of banking experience plus over 3 years of customer service experience.

Carlson Joins Cornerstone Bank
Pete Fullerton, President/CEO, announces on behalf of Cornerstone Bank, that Rob Carlson has joined the bank as its Vice President/Mortgage Banking. Rob comes to Cornerstone with over 13 years experience in the financial services industry including 12 years in mortgage. His most recent positions include Area Sales Manager of US Bank Home Mortgage for North Dakota and prior to that he was a Home Mortgage Consultant with Wells Fargo Home Mortgage in Fargo. He has been ranked among the top 2% of producers in the country receiving national sales awards during his tenure at both Wells Fargo and US Bank. He is also dedicated to helping children with dyslexia in his personal life.

Neuberger Joins Cornerstone Bank
Dillon Neuberger has joined Cornerstone Bank as a Mortgage Loan Originator. He will be located in Minot at a new Loan Production Office. Dillon comes to Cornerstone with over 6 years of Mortgage originating experience. He was a President’s Club winner at US Bank, which means he was in the top 50 in the nation for purchase volume out of over 2,000 loan officers. He is native of Beulah and attended NDSU. He is also a member of the Young Professionals, Minot Chamber of Commerce and the Board of Realtors.

Dillon Neuberger
Graduate School of Banking in Washington State, earning a Master of Business Administration and Finance. He also completed a strategic topic project. He has been with the bank for more than six years and earned his business administration degree from the University of Mary.

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Western State Bank Hires Six Mortgage Loan Processors
Western State Bank recently hired six Mortgage Loan Processors that will be responsible for processing secondary market real estate loans for all bank locations.

Kate Kringle, Mortgage Loan Processor, has over 10 years of banking experience, primarily in retail and mortgage banking. She spent the last four years as a Mortgage Loan Processor at Cornerstone Bank.

Kelly Engstrom, Mortgage Loan Processor, has over six years of banking experience. Prior to joining Western, she spent the last three years as a Mortgage Loan Processor at Cornerstone Bank.

Sereena Fisher, Mortgage Loan Processor, has previous experience working as a Legal Assistant, Realtor, and Mortgage Loan Processor.
Laura Zito, Assistant Mortgage Loan Processor, has over five years of banking and customer service experience. She previously worked as a Loan Servicing specialist at Wells Fargo Home Mortgage and a Customer Service Representative at Cornerstone Bank.

Sandvold and Ogaard Promoted at ASB&T
American State Bank & Trust Co. President/CEO Dave Hanson recently announced the promotion of employees Medrein Sandvold and Ryan Ogaard. Sandvold has been employed at ASB&T for more than 37 years. She has worked in a variety of positions in her years at the bank, including 10 years as Marketing Officer and most recently 7 years as Electronic Banking Officers. She has been promoted to Assistant Vice President and Electronic Banking and Bookkeeping Manager. She is a lifelong Williston resident and attended the University of North Dakota-Williston, now Williston State College. For the past 11 years she has been the Executive Secretary for the Basin United Way and is active as the treasurer for the Williston Community Library Foundation and James Memorial Foundation treasurer. Sandvold is a graduate of Leadership Williston through the Williston Area Chamber of Commerce and is also a graduate of the Dakota School of Banking.

Kari Thiele, Assistant Mortgage Loan Processor, plays a vital role in the mortgage process where she works with investors to get the loans funded by the investor once they have closed. She previously worked as an Assistant Mortgage Loan Processor and has ten years of customer service experience.

Jamy Mills, Assistant Mortgage Loan Processor, has four years of banking experience. She studied abroad this past summer in Europe through the NDSU College of business and will be graduating from NDSU in May of 2014.

Starion Financial Relocates
Insurance Agent Jody Saum, insurance agent at Starion Financial, has relocated to the bank’s Mandan branch after spending several months at the Bismarck location. He will continue to service clients in both Bismarck and Mandan. He is a licensed North Dakota Insurance and Financial Representative with more than 13 years of industry experience. Mills is currently attending Bismarck State College to earn his associate’s degree in business management.

Bjornson Promoted to Senior Business Banker
Dick Gulmon, Dacotah Bank Market President, recently announced the promotion of Paige E. Bjornson to senior business banker. Bjornson’s primary responsibilities include commercial lending, customer relations, community contact and partnerships, supervisory and staffing duties, branch management team, branch operational planning and implementation. She graduated from NDSU with a bachelor of science degree in business administration and minors in economics, psychology and accounting. In 2005 Paige graduated from Dakota School of Banking and in 2006 American Bankers Association national Commercial Lending School.

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Jody Saum has been named branch manager at Bell State Bank & Trust in Fargo. In her position, Saum will retain and expand existing personal deposits and loan relationships with customers. Additionally, she will supervise the branch to provide a superior level of customer service and promote company values and culture. Originally from Canby, MN, she has been with the bank for 32 years.

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Ogaard came to ASB&T from Minot in 2009 as an IT Officer and has now been named Vice President and Chief Information Officer. While in Minot, Ogaard worked for the Minot Area Development Corporation SRT. He is a North Dakota native and graduate of Alexandria Technical College in Alexandria, MN and Regis University in Denver, CO. Ogaard is a past president of the Basin United Way and is active in First Lutheran Church. He is also a professional magician. He is very active in the Williston Community as a volunteer for several events and organizations. In January, he was named the Community Spirit Award winner from the Williston Area Chamber of Commerce.

Saum Named Branch Manager at Bell State Bank & Trust in Fargo
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Johnson to Chair Federal Reserve Advisory Council
The Federal Reserve Bank of Minneapolis has named Brian Johnson, Choice Financial CEO, chair of its Community Depository Institutions Advisory Council. As chair of the Minneapolis Fed’s Council, Johnson will represent the Ninth Federal Reserve District at semi-annual meetings with the Board of Governors of the Federal Reserve System in Washington, DC. Johnson has been with Choice Financial since 1999. Prior to becoming CEO, he was chief operating officer, and has also served as president of the bank’s Walhalla location, chief credit officer, and market president for the bank’s two locations in Grand Forks. He is a member of the company’s board of directors, senior credit committee and executive management team. Johnson graduated from Jamestown University with a business management and economics degree.

Deeton Hired at Bell State Bank & Trust
Glen Deeton has been hired as a mortgage loan officer at Bell State Bank & Trust. In his position, Deeton will originate home mortgages and assist borrowers with the lending process. Originally from Baker, MN, Deeton earned a degree in business administration from Moorhead State University. He was previously employed with Wells Fargo, first spending 22 years in personal banking and most recently as a home mortgage consultant for the past 12 years.

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Congratulations to the Winners at the 46th Annual Convention

Education Session Cash Drawings:
- $100 Cash: Kelly Fischer, United Community Bank
- $100 Cash: Glenda Korgel, Garrison State Bank & Trust
- $50 Cash: Jon Munch, First National Bank
- $50 Cash: Dean Bergstedt, The Union Bank
- $50 Cash: DeWayne Streyle, United Community Bank
- $50 Cash: Ryan Grussing, CornerStone Bank

PAC Raffle:
- Coach Straw Tote: Dave Ludwig, Security First Bank of North Dakota
- Coach Leather Tote and Wallet: Anita Quaglia, Bank of North Dakota
- Margaretville Mixed Drink Maker: Steve Stenehjem, First International Bank & Trust
- 10CT Rose Gold Cognac Diamond and White Diamond Ring and Necklace: Randy Streifel, Liberty State Bank
- Sterling Silver Peridot and White Sapphire Ring, Necklace, Earring Set: Randy Streifel, Liberty State Bank
- Scheels Outfitter Nano Extreme Rod with Pflueger Supreme Reel/Line: Jon Marchell, First State Bank
- SkyCaddie SGX W: Jim Goetz, Security First Bank of North Dakota
- Scheels Outfitter IconHunter 10x42 Binoculars: Jim Pearson, Kindred State Bank
- TaylorMade R1 Driver w/TaylorMade Lethal Golf Balls: Bob Larson, North Country Bank
- UND Under Armour Sweatshirt and Novelty Pillow with Sioux Logo: Linda Beall, Peoples State Bank of Velva

Preferred Customer Drawing:
- $1,000 Cash: Bob Larson, North Country Bank

Walk-A-Thon:
- $50 Cash: Rick Beall, Peoples State Bank of Velva
- $50 Cash: Brock Deslauriers, First International Bank & Trust
- $75 Cash: Collin Ferguson, First National Bank
- $100 Cash: Todd Vangsness, United Community Bank of North Dakota

PAC Fundraiser—Heads/Tails Game
- $1,000 Cash - Jan Larson, North Country Bank

PAC Fundraiser—Board of Director Wine Raffle
- Missy Fiest-Erickson, Peoples State Bank of Velva

Golf Tournament
- Longest Putt Front Nine: Greg Asheim, Bankers Equipment Service
- Longest Putt Back Nine: Dan Saville, Kinetic Leasing
- Longest Drive Front Women: Mary Aldrich, Minnkota
- Longest Drive Front Men: Kris Ahmann, Bank of North Dakota
- Longest Drive Back Women: Sarah Getzlaff, Security First Bank of North Dakota
- Longest Drive Back Men: Justin Corey, IBIS Insurance

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Rick Beall and Missy Fiest-Erickson, Peoples State Bank of Velva
A Tax Break for North Dakota Taxpayers!

Thanks to legislation passed during the 2011 and 2013 legislative sessions, North Dakota taxpayers have a special tax break.

For individuals, the tax credit is available for contributions to qualified North Dakota endowment funds—contributions of $5,000 or more are eligible for a 40% tax credit. The credit is available for contributions up to $25,000 per person, or $50,000 for couples. When the advantages of gifting appreciated property are coupled with the tax credit, the reduced cost to support a North Dakota endowment is very appealing.

Another method of funding endowment is to use the federal IRA Rollover provision:

- Direct your IRA/retirement account manager to distribute funds to the endowment fund of a North Dakota charity,
- The funds will come out of your IRA/retirement account without federal tax,
- The rollover will be considered taxable ND income; however,
- The distributed funds will be eligible for the 40% ND Tax Credit.

The maximum that can come out of an IRA/retirement account this year is $100,000 and you must be aged 70 1/2 or older to utilize the IRA rollover provision. In addition to the various tax benefits, the distribution qualifies for your Required Minimum distribution from your IRA/retirement account. This provision expires on December 31, 2013 so any distributions must be completed before year-end.

Any unused credit can be carried forward for another three (3) years.

The 2013 legislation means banks are now taxed as a regular business—either as a corporation or S corporation. That means contributions to endowment funds are eligible for the same 40% North Dakota tax credit. Contributions to create endowment funds for scholarships have the benefit of state participation.

When an endowment is created with one of the state education institution foundations, it is permanently endowed and the earnings are used to fund scholarships for students in programs that will help grow the North Dakota economy. Generations of students will benefit from the investment.

If you would like to hear more about the specifics of the North Dakota Tax Credit and/or the IRA/retirement account distribution, please email Gordon.Binek@bismarckstate.edu or call 701-224-5700.
ICBA: CFPB Should Expand on Mortgage Rule Accommodations to Minimize Impact on Community Bank Customers

The Independent Community Bankers of America (ICBA) released this statement following the Consumer Financial Protection Bureau’s (CFPB) release of finalized amendments and clarifications to the comprehensive mortgage rules it released in January:

The CFPB has taken important measures to minimize the negative impact of new mortgage regulations on borrowers and the community banks that serve them. However, additional changes to the final rules will help ensure that excessive regulatory burdens do not harm borrowers and the mortgage-lending system by driving community banks from the market. ICBA supports the CFPB’s accommodations for balloon-payment mortgage loans but believes all community bank balloon mortgage loans should be considered qualified mortgages if they are held in portfolio, or at least the definition of ‘rural’ should be expanded to more accurately incorporate community banks that serve rural communities. Community banks provide balloon mortgage loans as a service so their customers can receive financing even if they have atypical property or financial institutions. Curtailing community banks’ ability to serve these customers would only harm underserved communities and our housing recovery.

The bureau’s updated rules will also make it easier for certain small lenders to qualify for an exemption from a requirement to maintain escrow accounts on higher-priced mortgage loans. However, ICBA continues to advocate that the CFPB exempt all portfolio loans from the escrow requirements for higher-priced mortgage loans because community banks retain a vested interest in the loans they hold in portfolio. ICBA looks forward to continuing to work with the CFPB to ensure its mortgage regulations do not inhibit the community banking industry from meeting the mortgage credit needs of customers and communities throughout the nation.

Kelly Fischer, United Community Banks of North Dakota receives his Service Award from Brenda Foster for his time as a Director on the ICBND Board of Directors

Mary Erman, Starion Financial receives her Service Award from Brenda Foster for her time as a member of the ICBND Board of Directors and Executive Committee

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After months of speculation regarding regulatory oversight of consumer financial products, the Consumer Financial Protection Bureau (CFPB) released the initial results of its 2012 inquiry into overdraft programs in June 13, 2013. Based on information received from banks in its initial study survey, along with feedback from the public, the CFPB announced that it will continue to study the issue before addressing any policy changes.

And while CFPB Director Richard Cordray affirmed that overdrafts can provide consumers with needed access to funds, he expressed concern about program policies and procedures that can be “highly complex and difficult for consumers to understand, yet greatly affect whether and how often an account holder will incur overdraft fees.”

According to the CFPB study, there is a significant difference in the procedures used by banks to determine when a transaction might overdraw a customer’s account and whether or not the customer would be charged an overdraft fee. These include:

- how a bank promotes enrollment in automatic transfers from linked deposit accounts or credit lines to avoid overdrafts; and
- how a bank screens new account applicants.

While nothing in the report implies that banks should be precluded from offering overdraft coverage for account holders, the CFPB plans further analysis of its findings regarding the number of consumers who are incurring heavy overdraft fees or account closures—along with the wide variations in practices and procedures used by financial institutions—to determine whether they are harming consumers.

Compliant financial products provide a valuable consumer resource

While some may view the frequent tendency to overdraw a checking account as a lack of financial sophistication or even lack of judgment, it is important to remember that many Americans struggle financially and rely on alternative financial services regularly to accommodate unexpected expenses—or merely to make it until the next pay day.

According to a survey released by Bankrate.com, nearly three-quarters of Americans are living paycheck to paycheck, with little to no emergency savings. Fewer than one in four surveyed had enough of a cushion to cover unexpected medical expenses or other emergency situations.

A fully disclosed overdraft program that clearly defines the rules by which an account holder may access an overdraft service establishes a straightforward approach of responsible use and helps customers avoid less attractive choices of meeting their liquidity needs, such as deferring bill payment or resorting to payday lenders.

Protecting your customers and your bank with full disclosure

In today’s highly regulated environment, maintaining compliance requirements can be challenging; but it must remain a priority to avoid increased regulatory scrutiny.

As the industry anticipates the CFPB’s final ruling on overdraft programs, you can ensure that your overdraft processes and procedures are compliant with all regulatory and consumer protection concerns by providing the following:

- complete transparency regarding fees and program procedures;
- clearly established overdraft limits;
- transaction clearing policies that avoid maximizing overdrafts and related fees created by the clearing order;
- the ability to easily monitor excessive usages; and
- communication materials that outline alternative financial products that more appropriately fit the needs of excessive overdraft users.

This simple combination will result in fewer regulatory concerns and stronger account holder relationships; along with the ability to maintain a healthy bottom line without having to raise fees or initiate new service charges.
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Chairman Robert Larson, North Country Bank addresses the attendees at the ICBND Annual Closing Banquet

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Evolving Risk Retention Rule by Ann M. Grochala, ICBA Vice President

Regulators Propose Expanded Exemptions from Credit Risk Retention Standards

More than two years after releasing a proposal to ensure that securitizers retain an economic interest in the credit risk of the assets they securitize, financial regulators recently went back to the drawing board. In late August, regulators released a revised proposed qualified residential mortgage rule, or QRM rule, that requires securitizers that issue securities backed by certain mortgage loans to retain some of the risk of the loans.

The good news for community banks is that the new QRM rule appears to be worth the wait—regulators took a softer touch than they did with the initial rule they proposed in March 2011. More loans would be exempt from the credit risk-retention standards, which will reduce the potential impact of the new rulemaking on the mortgage market.

Time flies

It’s been a couple years, so let’s back up and start from scratch. The proposed rule would implement the risk-retention standard established by the Dodd-Frank Wall Street Reform Act, which requires securitizers to retain at least 5 percent of any loan securitized, unless it is determined to be a “qualified” loan. While this would apply to any asset-backed securitization, most important for community banks are those consisting of residential mortgages.

The question over which residential mortgages would be deemed QRMs, and receive the exemption has been the chief concern of many in the financial-services and housing industries. If standards were too strict, many traditional mortgage providers would be forced out of the housing market, restricting residential mortgage credit.

For its part, ICBA urged regulators to scuttle the proposal and take a do-over. In an August 2011 comment letter, ICBA called on the agencies to broaden the definition of which loans qualify for an exemption from the risk-retention rules. Too narrow a definition of these “qualified residential mortgages” (QRMs) would make it nearly impossible for many lower-income and first-time homebuyers to obtain affordable mortgages. ICBA also wrote that the agencies should not include a specific down-payment requirement in any final rule, and it urged regulators to ensure that the QRM definition is consistent with other relevant regulations in particular the qualified mortgage (QM) definition.

Aging well

While not exactly fine wine, the updated “skin in the game” proposal has become more potable for community banks as it has matured. The new proposed rule broadens the QRM definition by including QM loans, as recently defined under the Consumer Financial Protection Bureau’s ability-to-repay rules.

Loans backed by Fannie Mae and Freddie Mac while those housing finance enterprises are under government conservatorship would also be included in the QRM standard—which incorporates the vast majority of residential mortgages originated and sold by community banks. Further, as requested by ICBA, regulators removed a provision that would have required securitizers to retain a stake in mortgages with down payments of less than 20 percent.

The new proposal also requests comment on an alternative definition of QRM that would include certain underwriting standards in addition to the QM criteria, including a 70 percent loan-to-value requirement.

More to come

It’s too soon for a victory lap, but regulators have taken positive steps with their updated QRM proposal. ICBA continues to review the proposed rule and will file comments by the deadline at the end of the month—which will be here in no time.

Ann Grochala is ICBA Vice President of Lending and Housing Policy. Reach her at ann.grochala@icba.org.
Communicating With Your Regulator: An Insider’s Perspective
By Bart Smith, Performance Trust

Since I’ve joined Performance Trust, an institutional broker/dealer, bankers have been continually asking me how they can better communicate with their regulators. Whether it’s an individual loan, a new investment product, or even the expansion of a new business activity, I’ve found that bank managers are often reluctant or even fearful to reach out to their regulators and discuss what they’re doing.

That’s a problem. Failing to enlist regulatory support for strategic initiatives can be extremely risky and could result in examination criticisms, possible violations, and even enforcement issues. While the regulators will not always say “yes,” it’s better to hear their objections ahead of time than to run the risk of a regulatory slow-down later.

So, how can you effectively communicate with a regulator in order to come out ahead? The answer may lie in a simple communication strategy that focuses on “Opportunity,” “Risk,” “Control,” and “Assessment,” or “ORCA” for short. It’s a communication code that, if used properly, can help unlock productive conversations with your regulators by merging your objective, which is to pursue potentially profitable business opportunities, with the regulators’ objective, which is to control and manage excessive risk.

Let’s examine each of the four components of an ORCA strategy in turn.

**OPPORTUNITY**
Whenever you begin discussing something with your regulator, you should always start by fully explaining the Opportunity. Let’s say you want to increase your municipal bond concentration limits or expand your mortgage division. These activities could increase profitability and diversify revenue sources. They are also very reasonable and appropriate opportunities for your organization to consider. However, if you bring this to your regulator, they will always question your motivation. They will look past the obvious and try to determine if this is an appropriate initiative. It’s important that you don’t get offended by these assumptions. Your job is to factually and dispassionately explain your plan and describe why it would be a good thing for your organization. There are perfectly good reasons for pursuing all types of business opportunities, and this initial step is about making sure that your regulator understands and appreciates the beneficial purpose of your actions.

**RISKS**
Now, even though your regulator may understand the benefits of the opportunity, the whole time you are talking about those benefits, they are thinking, “What about the Risks?” Don’t even give them the chance to ask you about these; instead, without skipping a beat, you need to immediately follow your presentation of the opportunity with a thorough explanation of the risks. They will look past the obvious and try to determine if this.
deliberate in this discussion. You need to think of every possible issue that could negatively impact your opportunity. Don’t try to understate anything. If you do, they will likely pick up on that and this will damage your credibility. The goal here is to let them know that you understand the implications of your actions and that you’re fully prepared to take appropriate measures to mitigate any threat. A proper evaluation of risk will not only help you with your regulator, it will also help with your own internal evaluation of the strategy.

CONTROLS
At this point, you’ve discussed the opportunity and you’ve fully identified the risk. The regulators are impressed, but they always place more importance on the risk rather than the reward. The challenge for you now is to move their focus away from the risk toward the opportunity. The power to do this lies in your ability to describe your Controls. What kind of policies and procedures will you put in place to mitigate the risk? Will the policies include appropriate benchmarks and parameters? Does your management team have the expertise to pursue the activity? Will the activities be consistent with regulatory guidelines? These are important considerations for the regulators. You should fully consider their opinions, but be prepared to push back if their suggestions are not reasonable and cost-effective. Your ability to manage and control the risk is going to be the key in their consideration. They need to be convinced that you can properly administrate the opportunity in a cost-effective way that will manage risk and benefit your organization.

ASSESSMENT
If you’ve made it this far in the conversation, you’ve nearly won them over. They were suspicious of the opportunity and concerned about the risk, but you’ve shown them that you’re serious about instituting proper controls. Now, you need to take one final step by discussing your Assessment process. You must show them that in addition to controlling risk, you’re also going to Assess and Monitor your performance on an ongoing basis. In other words, you’re not just setting the operating parameters; you’re also establishing a process to monitor your performance within those parameters. This is important to the regulators. It’s also important to your Board; providing meaningful tools that track ongoing performance is essential to help them fulfill their fiduciary obligations. Whether it be the performance of a single loan or the management of an entire investment portfolio, systems that measure actual performance against defined objectives are essential to high quality oversight.

CONCLUSION
This may all seem fairly simple, but many times bankers become so enthusiastic about the upside of an opportunity that they pursue it without a full evaluation of the risk. As a result, controls are often inadequate and the assessment process is nonexistent or ineffective. Regulators have frequently seen the downside of this recipe and this experience with other institutions forms the basis for their cynicism about yours.

Your mission is to move them beyond these concerns by showing them that you are an institution that can successfully manage its activities. You should not be afraid or reluctant to meet with them. If you prepare yourself and formulate your discussion around this simple ORCA acronym (Opportunity, Risk, Control and Assessment), you will be able to answer their questions and be more likely to get the support that you’re seeking. At a minimum, you’ll gain their respect and increase their confidence in your management team and your organization.
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Send cover letter and resume by October 7, 2013 to: CWND/LCRDC, 200 1st Ave NW, Mandan, ND 58554 or email to nguy@communityworksnd.org

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Western State Bank, Attn: Credit Department Manager, PO Box 617, West Fargo, ND 58078 or email to mark.jensen@westernbanks.com
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Oct 16: Critical Risk Factors in Loan Portfolio Management
Oct 22: Dealing with Adverse Action: What to Do & When to Do It
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The Community Banker can be an effective advertising vehicle for companies marketing to the financial industry. If your company would like more information on how to place an ad in the Community Banker, please contact Katie Schimetz at the ICBND office at 701-258-7121 or toll free 1-800-862-0672.

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