

## National Director's Report



I think spring is here! The event which started me thinking of the season change is the fact that Peg & I recently returned, from the ICBA National Convention, in San Diego. As we stayed in California for a couple more days after the convention, the snow was all melted in our yard when we got home and now the drying weather has returned. The Convention marked a very busy year for all of our banks and ICBA. Because of the Frank/Dodd bill, there have been many meetings with regulators and Congress, to help develop fair rules for community banks. Just like you, I cannot

count the number of times I have been asked to comment on rules changes, or lobby for changes, as they relate to many issues facing our banks today. We have remained tireless in the effort. That is why I seem to always come back from the National Convention with an energized feeling . . . a feeling that we have accomplished a lot the last year, and that as community bankers working together, we can make positive progress. Our new ICBA Chairman, Sal Marranca, has a favorite saying which is: "We will continue to fight the good fight and to win." His to-do list as chairman is about more than facts, figures, and policies. It's about communication, inspiration, and leadership.

As I write this article, I am reminded of one success, which has taken place, which will greatly affect my bank. The FDIC assessment base changes, that took effect April 1st, will have a positive impact on my bank. Another win just announced: "ICBA thanks the Senate for passing this critical relief legislation, which will stop additional costly IRS form 1099 reporting requirements and unnecessary tax paperwork.

ICBA strongly opposed this reporting provision because it would have harmed Main Street businesses and jeopardized our fragile economic recovery. Thanks to the legislation passed today, Main Street community banks, and other small businesses, will not have to deal with yet another counterproductive IRS burden so they can continue to serve as America's financial foundation in cities and towns throughout the nation." This was a bipartisan effort on the part of congress.

I would like to personally thank Senator Thune for co-sponsoring legislation to delay the implementation of the provisions of the Durbin Amendment on debit card interchange fees. This legislation is still being debated. We, as bankers, need to weigh in on this debate and inform our Legislators of the impact it will have on our banks. Governor Daugaard is also very concerned about the negative impact the interchange rules will have on community banks and our customers.

Another event that happens every spring is Community Banking Month in April. It is a great time to recognize the important contributions community banks make not only to our local economy, but to the nation's economy, as well. The fact is that, in the wake of Wall Street reform, there is no better time for businesses and consumers in our communities to do business with a community bank. Not only do community banks offer the same products and services as larger institutions, but they are home grown and home raised companies that are deeply integrated into the fabric of our hometowns. I know that Ginger sent a marketing/media kit, to each of our member banks, with much information about Community Banking Month. You can also find other ideas at [www.icba.org](http://www.icba.org), as well. Think Spring!

Dick Behl  
ICBA Director for South Dakota

## President's Message



*'Spring is finally here!'* At least we hope it is! Every year no matter how long or hard the winter has been, we look forward to spring with renewed optimism. We can't wait to see the snow disappear and for the green grass to take its place. With the sounds of spring in the air, each morning we look for the sun to shine through and brighten our day.

Just as we bankers in rural South Dakota do, the majority of our customers look forward to spring with the same optimism. It doesn't really matter whether last year brought about a bumper crop and record profits, the inability to plant or a drought caused a cash flow shortage. With months of planning by our Ag producers, spring brings about renewed enthusiasm for their operations and the new production year.

As community bankers, we have seen many changes and challenges over the last several years that appear to threaten community banking as we know it. The financial disaster, caused by the 'too-big-to-fail' financial institutions, has led to increased regulation and community bank closings across the country. While the South Dakota economy has not experienced the same level of economic stress, we as community banks are faced with numerous challenges ahead.

While no one knows what the full effect of the Dodd-Frank financial reform bill will be, we are assured that community banking will not be immune from new regulations. We have already seen many regulation changes in the residential real estate and 1-4 family mortgage originations. With the intention of protecting the consumer, the regulations have brought on added cost that will be passed on to the consumer. In addition, some banks are no longer able to provide this service for their customers and communities. The Debit Interchange Legislation and the proposed Overdraft changes, if approved, will substantially reduce non-interest income and ultimately reduce the services we provide for our customers.

In addition to the new regulations, our customer base continues to be penetrated by the Farm Credit System. While ICBA continues to monitor the activities of the Farm Credit System, the fact remains that it is nearly impossible to compete with them because of the substantial tax benefits they receive due to their GSE status.

Despite all the regulations and challenges we face, community banks continue to be an integral part of the communities we serve. While it would be easy to let all of this control our future, we need to look forward with faith in who we are and be proud of what we provide to our communities. **April is Community Banking Month. Let's take 'Pride' in being a community banker!**



Timothy A. Prince  
President



## STATE BANK OF EAGLE BUTTE



Jerome and Helen Payne started State Bank of Eagle Butte, on February 1, 1960, after the Cheyenne River Sioux Tribe relocated to Eagle Butte, in the fall of 1959. Jerome designed the original building, which is located on Main Street, and a large addition was added in 1982.

There were originally four employees when the bank gained total assets of one million before the end of its first year. Jerome and Helen's son, Steve, started working in the bank, in 1962 after school, when he was a high school sophomore and during holiday breaks.

The community has grown from 300 people, in 1960, to over 4,000 residents today. The bank has grown to thirty seven million in present day assets. The third generation, of the family, is now active in the bank. Tammy Payne Gunville joined the bank in 1990 and Russel Payne joined in 2008.

State Bank of Eagle Butte currently has 19 full-time employees. Their insurance agency employs two individuals.

*\*\*\*Every issue of 'The Independent Community Bankers' will continue to feature one of our member banks.*

## ICBA COMMITTEE APPOINTMENTS

ICBA is our national voice for community banking. ICBSD, on the state level, is your local connection for grassroots lobbying, committee member participation and utilization of ICBA's numerous products and services. The follow individuals were recently appointed to represent South Dakota on 2011 - 2012 ICBA committees:

<b>Congressional Affairs</b>	<b>Timothy A. Prince</b> , SVP/Branch President American Bank & Trust, Miller
<b>Membership/Marketing</b>	<b>Dick Behl</b> , President The F&M State Bank, Scotland
<b>Payments &amp; Technology</b>	<b>Lynn Peterson</b> , SVP CorTrust Bank, N.A., Yankton
<b>Political Action</b>	<b>Jack Hopkins</b> , President/CEO * <b>Chairman</b> CorTrust Bank, N.A., Sioux Falls

*\*\*As PAC Chairman, Jack will also serve on the Policy Development Committee.*

## FROM THE TOP - *Sal Marranca, Chairman of ICBA*

### BE PART OF IT

Is your to-do list overflowing? Mine is - both at my community bank day job and as your new ICBA chairman.



ICBA and its leaders are deep into working toward the best outcome on regulations related to the Wall Street Reform Act. We're providing workable policy ideas to maintain equal, viable access to the nation's home financing system as the debate over Fannie Mae and Freddie Mac unfolds. We're acting to extend SBA-loan program incentives and

increase the guarantee on SBA loans to 90 percent; the tax-exempt eligibility for loans guaranteed by the Federal Home Loan Banks; and the \$30 million issuance allowance for popular tax-exempt qualified-small-issue bonds.

We are fighting to correct the disconnect between regulators in Washington and the examiners in the field. Having to satisfy ever more burdensome regulations, even when they shouldn't apply to our business model, is hampering lending, impeding staff and hurting profitability.

We are defending the Farm Bill budget against proposed cuts, recommending improvements to USDA's business and industry-guaranteed loan program, and opposing devastating cuts to crop-insurance programs. We are urging Congress to extend the Guaranteed Rural Housing Loan Program past May 1st, keep tax-exempt credit unions from further impinging on our turf, guard against problems with the coming Consumer Financial Protection Bureau and more. And that's just the first page of the list.

But my to-do list as your chairman is about more than facts, figures and policies. It's about communication, inspiration and leadership. It's about showing you - and legislators, regulators, media, our supporters and our detractors - that the balance of power is shifting from Wall Street to Main Street. It's also about getting you to look up from your balance sheet and employee roster and strategic plan and to get involved in the big picture.

Did you know there were 7,000 registered lobbyists working Capitol Hill during the financial reform process? How many do you think were looking out for you, me and community banking? What we lack in numbers, we have to make up in passion, knowledge and persistence.

I am often asked, "Are you ready to be Chairman?" Yes, I am. I can do it, but only if you have my back - mine and those of your fellow community bankers. Call your legislator. Rally your staff and board. Educate your customers. Invest in your bank and your region as never before.

Know any non-ICBA community bankers? Tell them ICBA is the only national association focused solely on your bank and its place in your community, and its modest dues are franchise-value insurance for your bank. I'll be flying around the country with that message. Can you help me spread the same message?

Maybe you've thought about attending an educational institute or serving on a committee or nominating an employee for ICBA recognition. Step up and do it. What helps you and your community bank helps us all by making us stronger.

I am honored, humbled and excited to be ICBA Chairman. I'm going to work my tail off. I will not back down in preserving and extending the community bank franchise - our livelihood and the pride of our communities and our country. And the first thing on my to-do list is to ask you to join me!

*Sal Marranca is President/CEO of Cattaraugus County Bank in Little Valley, NY.*

## GREAT MIDWEST GET-TOGETHER

ICBSD recently hosted a very successful '*Great Midwest Get-Together*' reception at ICBA's National Convention, in San Diego, with Iowa, Minnesota, North Dakota and Wisconsin. We would like to extend a *Thank You* to the following banks, and companies, for their generous sponsorships and major role they played in its huge success:

**Platinum:** United Bankers' Bank

**Gold:** SHAZAM

**Silver:** Bank Financial Services Group, Bankers' Bank, Federal Home Loan Bank of Chicago/Des Moines, ICBA

**Bronze:** BancInsure, Conference of State Bank Supervisors, MBenefits/ECI, Travelers Insurance



## COMMUNITY BANKING MONTH

Now is a time of monumental change for the banking industry, as a whole. With Dodd-Frank now the law of the land, federal regulators are busy devising the rules that will, in many ways, change the way that many banks do business. One thing the law made crystal clear is that Main Street community banks are in a separate class from the Wall Street megabanks. Not only is this distinction important in Washington, it's also critical for those of us living in South Dakota!

**April is Community Banking Month!** Community banks are usually locally chartered and have assets that are typically less than \$10 billion. Most banks are community banks. They constitute 97 percent of all banks. The nearly 7,000 community banks, which include commercial banks, thrifts, and stock and mutual savings institutions, have more than 50,000 locations throughout the United States. They belong to networks that allow you to access your accounts wherever you are.

The special niche of community banks is serving the needs of local families, businesses and farmers, while the nation's megabanks are structured to place a priority on serving large corporations. You aren't just a number at a community bank. They have always considered character, family history and discretionary spending, when making loans. Because community banks are small businesses themselves, they understand the needs of small-business owners. In fact, community banks are the primary lenders to small businesses and farms. Even though they compose just over 23 percent of the banking industry by assets, community banks with less than \$10 billion in assets, make 56 percent of our nation's small business loans.

Many customers find the service at a community bank much more personal and friendly. That's because community banking is a relationship business and community banks put their customers first. Big, faceless banks can weather bad service, but community banks simply cannot do so. That's why, community banks offer a wide range of banking services and products designed to meet the needs of their customers. Research shows that average fees for checking accounts, and other depository services, are lower at community banks than at large, multi-state institutions.

As the future of big banking continues to take shape, South Dakota's businesses and consumers can take comfort in knowing that our community banks will always be there to help them fulfill their financial needs and reach for their dreams, just as they were before the big bank debacle.

ICBSD members, statewide, are taking time to celebrate what community banks are all about this month. We must continue to seize the moment to underscore what some of the following words really mean: '*community*', '*local*', '*main street*' and '*hometown*.' As your history, and traditions, continue to speak for themselves, people are constantly coming to the realization that bigger is *never* better.



## CALENDAR OF EVENTS

### COMMUNITY BANKING MONTH

April 01 - 30, 2011

ICBSD Members State-Wide

### ANNUAL RETREAT

July 28 - 30, 2011

Sylvan Lake Lodge, Custer State Park

### ANNUAL TECHNOLOGY CAREER DAY

September 27, 2011

Dakota State University, Madison

### ANNUAL CEO/DIRECTORS' CONFERENCE

October 19 - 20, 2011

Best Western Ramkota, Sioux Falls

### ICBA CONVENTION/TECHWORLD

March 11 - 15, 2012

Gaylord Opryland Hotel, Nashville, TN

### ANNUAL RETREAT

July 26 - 28, 2012

Sylvan Lake Lodge, Custer State Park

## ICBA ANNOUNCES 2011 - 2012 EXECUTIVE COMMITTEE

Chairman:	<b>Salvatore Marranca</b> , President/CEO Cattaraugus County Bank, Little Valley, NY
Chairman-Elect:	<b>Jeffrey L. Gerhart</b> , Chairman Bank of Newman Grove, Newman Grove, NE
Vice Chairman:	<b>William A. Loving, Jr.</b> , President/CEO Pendleton Community Bank, Franklin, WV
Secretary:	<b>Steven R. Gardner</b> , President/CEO Pacific Premier Bank, Costa Mesa, CA
Treasurer:	<b>Jack A. Hartings</b> , President/CEO The Peoples Bank Company, Coldwater, OH
President/CEO:	<b>Camden R. Fine</b> ICBA President/CEO Washington, D. C.
Immediate Past Chairman:	<b>James D. MacPhee</b> , CEO Kalamazoo County State Bank Schoolcraft, MI
Past Chairman:	<b>R. Michael Menzies</b> President/CEO Easton Bank and Trust Company Easton, MD
Past Chairman:	<b>Cynthia L. Blankenship</b> Vice Chairman/COO Bank of the West, Grapevine, TX
Director At Large:	<b>Rebeca Romero Rainey</b> Chairman/CEO Centinel Bank of Taos, Taos, NM
Director At Large:	<b>Noah W. Wilcox</b> President/CEO Grand Rapids State Bank Grand Rapids, MN

## ICBA ONLINE EDUCATION

ICBA's Online Education Center offers over 200 courses in subjects designed for community bankers. ICBA, in partnership with Vubiz, is excited to offer a wide range of online courses and programs to its membership, through its new Online Education Center.



The Learning Management System allows you to track your progress in a selection of courses ranging in subject area from Bank Compliance to Customer Service to Management. Courses include Regulation Z, Email Etiquette, Succession Planning, Staff Motivation, Stress Management, and Leadership for the Future.

Subjects covered in the Online Education Center include:

- \*Communication
- \*Compliance - General
- \*Compliance - Bank Specific
- \*Computer Skills
- \*Customer Service & Sales
- \*Finance
- \*Health & Safety
- \*Human Resources
- \*Management/Leadership
- \*Personal Development
- \*Security Skills
- \*Teller Training

Go to [www.icba.org/education](http://www.icba.org/education) to find out more about this best value in the marketplace!

### About Vubiz:

Vubiz is an award winning full service eLearning company that produces a wide variety of courses and end-to-end LMS solutions for organizations of any size. Serving hundreds of companies in North America, Vubiz is a leading eLearning organization whose goal is to exceed client expectations and to do so for less than their competition.

## NOMINATING COMMITTEE

The following individuals are serving on ICBSD's 2011 - 2012 Nominating Committee:

- |                    |  |
|--------------------|--|
| Lance Koth         | First Dakota National Bank, Mitchell<br><i>*Chairman</i> |
| John Beyers        | First State Bank of Roscoe                               |
| Lynn Peterson      | CorTrust Bank, N.A., Yankton                             |
| Ray Smith          | First National Bank of Philip                            |
| Troy Vander Stouwe | The First National Bank in Sioux Falls                   |
- ~~Please contact any of them if you have an interest in serving on the ICBSD Board of Directors.

## ICBA'S NIGHT OF GIVING

ICBA's National Convention Theme Party was all about giving back . . . from our Banking Community to the Local Community. Various charity stations were available.

David Johnson, and Claire Konold, participated in *Build-A-Bike* for children in impoverished areas.



Bill Voecks (and his wife, Caitlin) painted *Art from the Heart* murals for selected hospitals. They are all with Reliabank Dakota.

## LOBBYIST REPORT

The 2011 Legislative Session ended Monday, March 28th. The Governor had vetoed four bills.

**HB 1146** dictated that chiropractor's would have the same co-pay as medical doctors. The Governor's veto was over-ridden and the bill becomes law on July 1st.

**HB 1192** would increase fees for licensing vehicles and that too was over-ridden.

**SB 57** revised the investment fee for work comp but was sustained so it will not become law.

**SB 202** would have started a Work Compensation Advisory Board. This was style and form. The legislature didn't agree with the Governor.

The Legislature, coming out of Veto Day, felt they had established that they were not a rubber stamp for the Governor.

There were 454 pieces of legislation presented this Session. The House presented 256 bills, 53 House Commemoratives, 13 Concurrent Resolutions and 4 Joint Resolutions, with the Governor signing 111 House bills. In the Senate, there were 202 bills presented with 113 being signed. There were also 23 Senate Commemoratives, 9 Concurrent Resolutions, and 1 Joint Senate Resolution.

By far, the biggest issue was the 10% across-the-board budget cut, with Education and Medicaid causing the greatest concern. The cuts will be painful but to what extent we won't know for a while. Education and Healthcare are meeting and talking about the ramifications. Because there was talk of support from many fronts, for a sales tax increase, discussions include a ballot referendum to put that tax in place and avoid the painful cuts.

We traced 19 bills this Session and you will find a list, by title, below:

**HB 1025** revises certain provisions regarding references to the Internal Revenue Code.

**HB 1031** increases the national registry fee for real estate appraisers.

**HB 1100** prohibits certain business entities/affiliated persons from making political campaign contributions to state officeholders/candidates if business entity does contractual business with certain state agencies.

**HB 1131** lowers state sales and use tax on certain food items & increases rate of taxation for sales/use tax on certain goods/services

**HB 1160** regulates certain automatic periodic financial transfers for purpose of funding political contributions

**HB 1168** revises certain provisions regarding public records open to inspection and copying

**HB 1123** revises licensure fees for, and to prohibit certain harassment practices by, persons engaging in business of payday loans/title loans

**HB 1224** provides maximum finance charge for payday loans/title loans

**SB 14** requires mandatory reporting of abuse/neglect of elderly/disabled adults

**SB 44** revises certain provisions regarding representations and warranties in insurance/annuity applications

**SB 49** authorizes Real Estate Commission to commence actions for injunctions against certain individuals/entities that engage in practice of real estate without license issued & to provide for recovery of costs of injunction proceedings by commission

**SB 70** prohibits creation of private transfer fee obligations and to require certain procedures for notice/disclosure for existing private transfer fee obligations

**SB 110** revises certain provisions relating to collateral real estate mortgages

**SB 125** revises time period for computing unemployment insurance employer contribution rates

**SB 157** would have established an agricultural supplier's priority lien and was defeated

**SB 167** repeals certain sales/use tax exemptions

**SB 170** amends South Dakota Uniform Securities Act with certain provisions relating to fraud/civil liability

**SB 172** reduces interest rate applied for certain judgments/liens/damages

**SB 201** restricts application of certain foreign laws/legal codes/system with respect to state legal proceedings

You can see the results of each bill by going to the South Dakota Home Page and then under agencies go to the Legislative Research Council site. You are welcome to call me, anytime, with questions on any specific piece of legislation.

Thank You, so much, for allowing me to work with your association again this year. I hope to see many of you during the summer.

Lobbyist  
Dean Krogman

## 2011 Annual Retreat Preview

ICBSD looks forward to hosting another Annual Retreat, for its membership, and many guests. Registration packets will go out mid-May. In the meantime, here's a short preview, for your planning purposes:

1. We will be back at **The Golf Course at Red Rock** for the Thursday Golf Scramble.
2. **Will Rogers** will be with us on Friday morning.....Thanks to Lance Brown of Chicago!
3. **Jeffrey Gerhart**, ICBA Chairman-Elect, and his wife, Becky, of Newman Grove, NE will be our guests.
4. A **new Friday evening format** has been planned. For the first time, we will not be leaving the Sylvan property. A special dinner will be held in the Auditorium and, among other things, we will be entertained by **Gordy Pratt**.
5. A **Blue Bell Trail horseback ride** has been planned for **Saturday afternoon**.
6. **Friday and Saturday morning Presentations** are being finalized.
7. As always, we will have a great time **raising money for our ICBSD State PAC**.
8. Lodging can be reserved by calling Ginger, in the ICBSD office.



### **Will Rogers Coming to ICBSD's Annual Retreat!**

One of America's most beloved citizens will be highlighting **ICBSD's 2011 Annual Retreat, on July 28th - 30th**. Lance Brown, aka as **Will Rogers**, will be with us on Friday morning. He will be bringing the warmth and wit of one of America's great humorists with him. He puts special emphasis on how Rogers' wit and wisdom still apply to our lives today, some seventy-five years after his death. Using the Rogers' trademark trick roping to illustrate his points about politics, government, business and the human condition, Brown never breaks character. He takes you on a journey into the roots of American experience.

After years of performing as Will Rogers, Brown wears the role like a second skin. This performance brings you history, heroes and hilarity, a few rope tricks but mostly the irrepressible spirit of Will Rogers and hope for our troubled times. Lance wraps things up with a brief, but heart-rending, discussion of heroism, integrity and Will's down-to-earth take on life. As Will Rogers, Lance Brown leaves his audiences with inspiration, motivation and a lot of laughs.

**Jeffrey L. Gerhart**, ICBA Chairman-Elect, is Chairman of the Bank of Newman Grove, Newman Grove, NE and is a fourth generation banker. Jeff is Chairman of the Congressional Affairs Committee. He has served on numerous ICBA committees including Education, Federal Legislation, Payments and Technology, Regulatory Review and has been Chairman of the Policy Development Committee.

He is a past Chairman of the Nebraska Independent Community Bankers and served as a Class A board member of the Federal Reserve Bank of Kansas City from 1999 - 2004. Jeff also manages Gerhart Insurance Agency in Newman Grove.

He is President/Manager of Marbu Inc., a family-farming operation, and serves on various community boards. He received a bachelor's degree in business from the University of Nebraska and graduated from the Colorado Graduate School of Banking. Jeff, and his wife, Becky, have an adult son and daughter.

**Gordy Pratt** is known as '**The One Guy**.' He has been in the entertainment business since age 12. He has opened for Kenny Chesney, Michael Martin Murphy, Williams & Ree, the Beach Boys and the Nitty Gritty Dirt Band.

Gordy studied guitar at Ithaca College, Ithaca, NY, the Royal College of Music in London and the San Francisco Conservatory of Music. He raised a couple of great kids in the Black Hills and ended up starting a production company in Deadwood. Gordy started working solo, in 1994, when the '**ONE GUY**' was born. His stand-up musical comedy show is hysterically funny, musically strong and for children 'of all ages.'



## Golf For Guardianship

The Independent Community Bankers of South Dakota truly appreciates the opportunity to continue its long-established relationship with the 'Golf for Guardianship' program. Our member banks promote the purchase of a Golf Card, which entitles the holder to golf at a reduced rate on 87 state courses, this year.



## ICBA MORTGAGE SOLUTIONS: A New Partnership for Success

Spring brings thoughts of new growth and renewed energy. Given the complexity of today's lending market, this spring is a perfect time for community banks to plant new seeds for growth, renew activities to build relationships and clean out all the old programs and services that have not worked well.

This spring, ICBA Mortgage Solutions (ICBAMS) is ready to support the needs of community banks. Their secure, state-of-the-art lending program integrates multiple preferred investors with exceptional lending services.

Supported by dedicated and seasoned mortgage lending professionals, and a highly scalable platform, community banks are able to deliver loans through multiple mortgage fulfillment support channels – total fulfillment, primary fulfillment and custom fulfillments – as a wholesale, and/or, correspondent lender. Your community bank chooses what is best. You decide which seeds to plant and ICBAMS will be there to help grow those decisions.

ICBA Mortgage Solutions' program allows community banks to gain more control of the process and execute loans through a system that is both intuitive and user friendly. The new platform provides greater transparency and information management to help mitigate secondary market exposure and risk, while supporting a community bank's ability to compete. This single point of delivery program is supported by **one technology platform, one team and one process** specifically tailored to meet the needs of community banks.

For more information, call **ICBAMS** at **877-516-8665** or visit [www.icbams.com](http://www.icbams.com) and review their 'Frequently Asked Questions' page.

### ICBA Member Benefits:

- \* Manage operational risk & remain compliant
- \* Mitigate secondary market exposure & risk
- \* Increase fee income
- \* Reduce operational cost
- \* Grow market share
- \* Access advanced technology

## INDEPENDENT COMMUNITY BANKERS OF SOUTH DAKOTA

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## DIRECTOR'S COLUMN - *Raymond Smith*



How appropriate is it that I am writing this on April Fool's Day? I am not really known for my literary talent, but here goes. Recently, our bank was examined by the OCC. Incidentally, the exit meeting was today, April 1st. As we listened diligently to recommendations and were told things that we should have done, I kept waiting for one of them to stand up and say "APRIL FOOL'S!" But nothing happened. It became very clear that we can continue to expect more scrutiny, more regulation and more cost to comply. More than ever, we need to voice our opinions to our Congressional delegation. You can do that through ICBSD or contact them directly.

Finally, there is an Act that implements something good for community banks. Lower deposit-insurance assessment premiums take effect, in April, for the nation's community banks. ICBA has long advocated for the change, which was enacted in the Wall Street Reform Act. The new system will lower assessments for 98 percent of institutions, with less than \$10 billion in assets, and will save community banks roughly \$4.5 billion over the next three years while allowing them to reinvest those savings in their communities.

*April is Community Banking Month!* Most bankers work hard each and every day to serve the needs of our customers and communities. Banks not only serve in the economics of their community, but they are asked continuously to donate time and money to every cause, and are very happy to oblige these needs. We are very important to our communities. I don't need to tell bankers that. You all know what you have done for your communities. But we need to take pride in what we do, and celebrate it in some way with our customers and communities.

Decisions are made by those who show up! I am serving on the ICBSD nomination committee and we are still looking for applicants to serve as directors, for the coming year. I know many of you that are reading this are saying to yourself, "I already served, so I should not have to do it again." Or "I just don't have the time". Our By-Laws do not limit you to serving just once. So if you have some leadership skills and a passion for banking, you will make time, especially in this monumental time of change in our industry, as well as the upcoming transition within our own state association. If you are interested in serving your industry, please call Lance Koth, Chairman of the nominating committee.

Serving as an ICBSD board member is a rewarding experience. It is a pleasure to meet other bankers from across our great state. I also look forward to meeting more of you. I do want to hear what you have to say about our industry needs and where you think our association should be headed. Thank You!

~~Ray Smith is CEO/President, of the First National Bank in Philip, and is currently an ICBSD 3-Year Director.

## ICBA's 2011 Policy Priorities

The Independent Community Bankers of America recently announced its top legislative and regulatory priorities, for the upcoming year, at its Convention in San Diego.

"Now more than ever, community banks are America's financial foundation," said Salvatore Marranca, recently elected ICBA Chairman. ICBA's 2011 policy priorities address the needs of Main Street community banks and their customers. As the regulations come out of the Dodd-Frank Wall Street Reform legislation, ICBA will push for a fair and balanced approach that doesn't harm community banks and their customers. We will work with regulators to put a hard stop on overly harsh and burdensome exams, support legislation that halts the Fed's proposed rule on debit interchange and work to ensure a financially strong, impartial secondary mortgage market that allows community banks to lend to their local customers."

*In addition to working on behalf of Main Street, as the regulatory agencies work to write the 243 rules from Dodd-Frank, ICBA's 2011 top priorities are:*

- \* **Opposing the Federal Reserve's flawed debit interchange price-fixing proposal, which advantages big box retailers at the expense of community banks and their customers.**
- \* **Ensuring that the new Consumer Financial Protection Bureau (CFPB) is focused on the true source of risk to consumers - the shadow banking industry.**
- \* **Supporting housing finance reform that doesn't disrupt the fragile economic recovery.**
- \* **Supporting common-sense lending.**
- \* **Moderating the overzealous exam environment to better enable community banks to lend and aid economic recovery.**
- \* **Opposing the Financial Accounting Standards Board's (FASB) fair value accounting proposal, which would distort the operations of community banks.**
- \* **Advocating for tax reforms that promote robust economic activity, a vibrant community banking sector and foster saving and investment.**
- \* **Advocating provisions found in the Communities First Act (CFA) legislation that would mitigate the disproportionate regulatory and tax burdens imposed on community banks, their customers and their communities.**
- \* **Ensuring community banks retain the ability to offer a variety of overdraft coverage services.**
- \* **Ensuring that the too-big-to-fail provisions of the Dodd-Frank Wall Street Reform Act are effectively implemented in order to create a level playing field.**
- \* **Keeping the Farm Credit System (FCS) focused on agricultural lending.**
- \* **Opposing expanded powers for credit unions, particularly the proposal to raise the cap on 'member business loans,' and urging Congress to end credit unions' unfair and unjustified tax exemption.**



## Ginger Snaps

- #1. **Community Banking Month** is being celebrated again, nationwide, this month! It has definitely become a tradition all across our country. Never before, on a national scale, has the difference between the 'too-big-to-fail' banks, and our 'community' banks, been more evident than it is right now. So it is a perfect time to share that fact with your community and outlying area.
- #2. Believe it or not, it is time again to start thinking about your **Annual Retreat**, on **July 28 - 30**, at **Sylvan Lake Lodge/Auditorium**. You will find some of this year's features previewed in this newsletter. It is *definitely* not too early to reserve your lodging by calling me at 605-996-9329. Let me know of questions before you receive your registration packet about mid-May. *Please be thinking about your Silent PAC Auction contribution!*
- #3. All ICBSD member banks are encouraged to participate in the '**Golf For Guardianship**' program. Everyone should have recently received information as to how your bank can participate. There is also a brief overview of the program in this newsletter. This is ICBSD's 14th year, as a sponsor, of this very worth-while endeavor.
- #4. Please let our **Nomination Chairman, Lance Koth**, know if you are interested in serving on ICBSD's Board of Directors. You will find the **2011 - 2012 Nominating Committee** highlighted in this newsletter issue.
- #5. Be sure you have **October 19 - 20** marked on your calendar. Our **Annual CEO/Directors' Conference** will again be held at the Sioux Falls Best Western Ramkota. Conference details will be coming in our June newsletter and registration material will be available mid-summer.

# Grinding to a . . . ?

## MBS Prepayments Begin to Slow

By Jim Reber

It was only a few short months ago that interest rates were hitting their cyclical lows. This time through, we can add the adjective "generational" to the above statement. The long and winding road downward for all rates was paved by a number of participants. The cast certainly included Ben Bernanke and the Federal Reserve, but in reality they were just reacting to fact and inference they had gathered about the strength, or lack thereof, of the global economy.

It's not altogether clear where rates are headed. For most of the last two years, the interest rate curve has been predicting a substantial rise in rates. Eventually today's investors will be proven right, but they've been wrong for about three years now. In the meantime, as rates have been quite low since 2008, prepayments on mortgage loans have been a topic of great debate among lenders, borrowers and mortgage-backed securities (MBS) investors. Still, as rates have risen since November 2010, it's time to look at the MBS market's reaction.

### Prepayment Variables

Rational borrowers will prepay their debt and will refinance it when they can cut their costs. You and I do it, corporations do it, and certainly governments do it. The MBS market, which is larger than even the Treasury's, is now old and deep enough for analysts to track prepayment histories. These records make their way into price that investors pay for the resulting securities.

In the past it was assumed that if a borrower could save about 75 basis points on his or her loan, and was expected to be in the house for about four more years, then the borrower would prepay the loan and take out a new, cheaper one. Interest rates fell in 1995, '98 and 2003, and each time mortgage securities showed a rash of prepayments, which makes complete sense. This time, even though mortgage rates are lower than at any period in 50 years, pre-payments are much tamer.

The culprit is property values. Housing prices peaked in 2006, and most metro areas are about 30 percent below their high water marks. So, unless a homeowner can pony up almost half of the cost of the house as a down payment, these record low rates are simply an irritant.

### Recent Results

Let's use a very common financing vehicle as an example: a conforming 30-year fixed rate loan. The entire population of those loans with a borrower's rate of about 6.5 percent has prepaid over the last year at an annual rate of about 32 percent. In the last 120 days that speed has slowed down by about one-fifth. However, if roughly one in three of a group of loans repaying in a year sounds fast, consider the 2003 experience.

That year, that same pool of loans averaged prepayment speeds of over 52 percent. And, please note that in 2003 the average posted rate for conforming loans was 5.83; in 2010, the average rate was more than a full percentage point lower, at 4.69. This is proof of the dearth of homeowner equity that has persisted since 2007. This also suggests that any additional creep-up in mortgage interest rates from here would further shut down the refinance machine.

### How to Take Advantage

For investors in MBS who are exposed to, or are worried by, rising rates, there are essentially three strategies that can be followed to minimize the exposure. None are cure-alls, but are easily accomplished, and are used by hundreds of community banks.

First, a bank can purchase floating rate securities. The current availability of ARMs is such that the vast majority is of the 'hybrid' variety, which means they will have a fixed rate period of from three to ten years before becoming true ARMs. Most will also have noticeable premium prices as well. They also may have paltry yields for a few years.

Next, there are plenty of short stated final securities around. Fifteen-year and ten-year MBS pools are available, as are short maturity CMO tranches. Many of these will have average lives of well under five years.

*Continued top of next column*

And then there's the premium pool story. One of our recent recommendations is a 15-year 4.5 percent pool issued by either Fannie Mae or Freddie Mac. The price on it has recently been around 105, so a buyer will need to be aware of that. However, the prepayments have recently slowed by about one-third, and if rates rise even another 50 basis points, we can anticipate more slowing. This will cause the yield to improve as the premium has more time to be amortized.

~ICBA Securities can consult with you regarding an ideal mix of mortgage-related securities for your institution. Also available is a comprehensive financial analysis, the Performance Profile. Contact your ICBA Securities sales representative or visit [www.icbasecurities.com](http://www.icbasecurities.com) for more information.

*Jim Reber is President/CEO of ICBA Securities and can be reached at 800-422-6442 or [jreber@icbasecurities.com](mailto:jreber@icbasecurities.com).*

## FINE POINTS - by Camden R. Fine



### FINANCIAL REFORM - PART II

The first heavy shoe to drop in Washington in response to the nation's worst financial crisis since the Great Depression was last summer's Wall Street Reform Act. From the beginning of the financial reform debate more than three years ago, policymakers from both parties put nearly everything on the table for consideration - except the status quo. Good ideas, bad ideas and even terrible ideas were proposed and debated. Primarily because of lobbying by community bankers, several pro-community-bank ideas were ultimately adopted in the broader legislation.

Now Congress is preparing to drop the second huge shoe, one that everyone knows must come - ending the government's conservatorship of Fannie Mae and Freddie Mac. In February, the Obama administration outlined three possible policy approaches to reconfigure not just Fannie Mae and Freddie Mac but the government's overall secondary market role. At stake, of course, is the stability, openness and, ultimately, effectiveness of the secondary market, including the ability of community banks to remain viable mortgage-market participants.

The administration's surprisingly open-ended options put nearly everything on the table - except the status quo. A smaller government role in the secondary market is a given, but Congress will decide just how small over the next several months. Obviously, the worst outcome would be a new secondary market dominated by too-big-to-fail financial institutions that would essentially shoulder community banks out of mortgage lending. (Yes, Wall Street's hive of lobbyists is still busily buzzing in Washington.)

Fortunately, ICBA has a much better alternative. Last month we recommended that Fannie Mae and Freddie Mac transition to a cooperative organizational model, one similar to the Federal Home Loan Bank system. For several important reasons inherent to its governance structure - most critically a one-company, one-vote requirement - such cooperatives would deploy private capital in a safe, efficient and impartial way that would prevent future government bailouts in all but catastrophic market downturns. By their rules and structure, the co-ops would pursue only conservatively underwritten long-term fixed-rate mortgages.

Our cooperative proposal will have lots of competition in Washington, and many policymakers won't be familiar enough with the model's advantages. We'll have to explain not just why our proposal is a constructive, sensible policy but why it's the best among several other possible approaches.

But no doubt we can do it. Members of Congress and Obama administration officials remember how community banks continued providing responsible, safe mortgages throughout the subprime market madness. They want to ensure that community banks remain strong, full participants in the mortgage market. We just have to win them over on how and why our proposal would be best.

From the first round of Wall Street reform, we still have policymakers' ears. Let's keep tugging at them.

*Reach Camden R. Fine at [cam.fine@icba.org](mailto:cam.fine@icba.org).*

## Is Your Job a Rose or a Briar? Health Care and The Federal Government Are the Places to Be

Since the beginning of the recession the U.S. has lost more than 7,000,000 jobs and average weekly earnings of workers with a job have expanded by a mere 0.6% annually (adjusted for inflation). However, this macro data masks the “thrill of victory and agony of defeat” for workers in certain industries. First the Agony: Construction workers have endured the most pain since the recession began with the industry losing in excess of 2,000,000 jobs and earnings advancing by slightly more than 0.5% annually. Much like construction, manufacturing has lost more than 2,000,000 jobs and at the same time workers in this sector have endured an annual price adjusted earnings growth of slightly more than 0.5%. Since the economic downturn, retail trade has lost more than 1,000,000 jobs with workers experiencing almost 1.0% per year in inflation adjusted earnings growth. Now the Thrill: Health Care has been a sector that has enjoyed significant gains compared to others with almost 1,000,000 new jobs and wage increases averaging almost 1.5% annually. The federal government increased its employment level by almost 100,000 jobs and grew its average price adjusted yearly earnings by 1.8%. Colleges and universities expanded employment by approximately 70,000 jobs and increased average annual inflation adjusted earnings by 1.2%. While the financial services industry lost more than 80,000 jobs, workers in this industry experienced an annual rate of growth in earnings of approximately 1.8% after adjustment for inflation. Within each of these industries, data show that the better educated have experienced significantly fewer job losses and much higher earnings growth with college educated ending the decade earning \$50,000 per year more than the high school dropout and an unemployment rate fully ten percent lower than those dropping out of high school. Ernie Goss.

### MAINSTREET RESULTS

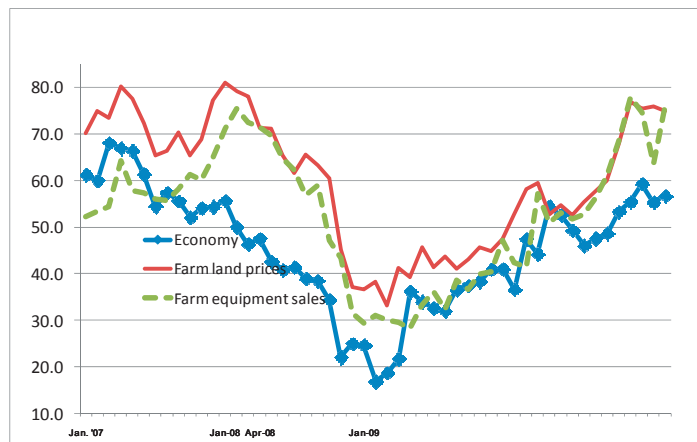
#### Rural Mainstreet Economy Expansion Quickens Farmland Prices and Farm Equipment Sales Continue to Soar

Tables 1 below summarizes the findings from the March survey with an index above 50.0 indicating growth and an index below 50.0 signifying weakness. [Index > 50.0 indicates expansion]

Table 1: The Mainstreet Economy	Mar 2010	Feb 2011	Mar 2011
Area Economic Index	47.4	55.3	56.7
Loan volume	55.2	39.0	47.1
Checking deposits	56.2	67.8	68.7
Certificate of deposits	54.4	50.8	45.5
Farm land prices	58.2	75.9	75.0
Farm equipment area sales	41.4	63.5	75.9
Home sales	46.5	44.0	52.3
Hiring in the area	45.7	52.5	56.0
Retail Business	42.4	47.5	53.0
Economy 6 months from now	54.3	70.9	65.2

- Pace of Rural Mainstreet economic expansion quickens for March.
- Home sales increase for first time since end of federal tax credit.
- Farm equipment sales expansion remains very strong.
- Strong farm cash receipts reduce loan volumes.
- Almost 50 percent of bankers think that the problem of “too big to fail” has grown over the past three years.

## Rural Mainstreet, Jan. '07 – March '11



The March overall index for the Rural Mainstreet economy moved above growth neutral 50.0 for a fifth straight month indicating that the rural agriculturally dependent areas of the region continue to expand at a solid pace, according to this month’s survey of bank CEOs in a 10-state region. Overall: The Rural Mainstreet Index (RMI), which ranges between 0 and 100, advanced to a healthy 56.7 from February’s 55.3. This compares to a much weaker reading of 47.4 in March 2010. “Expanding global and domestic economic growth is pushing the Rural Mainstreet economy into solid growth territory,” Goss and Bill McQuillan, CEO of CNB Community Bank of Greeley, Neb., created the monthly economic survey in 2005.

**Farming:** The farmland price index remained above growth neutral for the 14th straight month slipping slightly to a strong 75.0 from 75.9 in February. The farm equipment sales index ballooned to 75.9 from 63.5 in February. Farm implement producers and dealers are experiencing a banner year as farmers spend their higher income. According to Michael Johnson, CEO of the Swedish American Bank in Courtland, Kan., “We had an 80 acre tract that sold two years ago for \$3,000 an acre. Same land resold last week for \$5,000 per acre.” But some concerns were raised. Cameron Mathis head of the Tilden Bank in Creighton, Neb., is concerned that escalating fuel prices could boost farm input prices to levels significantly cutting into farm income.

**Banking:** The loan volume index for March rose to 47.1 from February’s 39.0. The checking deposit index increased to 68.7 from 67.8 in February, while the index for certificates of deposit and other savings instruments slipped to 45.5 from 50.8 in February. This month bankers were asked how the recently passed Dodd–Frank Wall Street Reform and Consumer Protection Act would likely affect community banks. Of the bankers expressing an opinion, 96 percent expect to charge customers additional fees to cover their higher transaction costs associated with the portion of the bill which caps the swipe fees charged for debit card transactions. In fact, 99 percent of bankers advocate modification or further analysis of the portion of the bill. This month bankers were also asked how government action since the financial meltdown in 2008 has affected “too big to fail” (TBTF). Only 4percent of the bankers think that TBTF is a smaller problem today than in 2008. Almost half, or 48 percent, think TBTF is a bigger problem today than three years ago. According to Larry Winum, president of Glenwood State Bank in Glenwood, Iowa, “The only way to truly eliminate TBTF is to downsize all bank and non-bank financial institutions to a level that they will no longer cause a “systemic risk” to the entire economy.” Ken Henstorf, president of the First National Bank in Shenandoah, Iowa indicated that only “lip service” had been paid to TBTF. Henstorf said that TBTF banks are bigger today than in 2008.

**Jobs:** For a fourth straight month the Rural Mainstreet economy added jobs with a March index of 56.2 from 52.5 in February. Rural areas are clearly outpacing the urban areas in terms of job growth. Even with recent job gains, the Rural Mainstreet economy has 206,000 fewer jobs today (4.4 percent) than before the recession.

**Confidence:** The economic confidence index, which reflects expectations for the economy six months out, was down, but a still strong 65.2 from 70.9 in February. The confidence index has been trending higher over the past year and is well above last March’s reading of 54.3. **Home and retail sales:** For the first time since June of last year, the home sales index climbed above growth neutral. The March index increased to 52.3 from 44.0 in February. Home sales have been on the decline since the tax credit for first-time home buyers ended last April.

Each month, community bank presidents and CEOs in nonurban, agriculturally and energy-dependent portions of the 10-state area are surveyed regarding current economic conditions in their communities and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wyoming are included. This survey represents an early snapshot of the economy of rural, agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy.

## MAINSTREET ON YOUR STREET

### COLORADO

For a third straight month, Colorado’s Rural Mainstreet Index (RMI) moved above growth neutral. The March reading rose to 55.5 from February’s 51.8. The March farmland and ranchland price index was unchanged from February’s 69.1. Colorado’s farm equipment sales index soared to 74.9 from 60.6 in February. The rate of job gains for Rural Mainstreet Colorado over the past 12 months was 0.4 percent.

### ILLINOIS

For a 11th straight month, Illinois’ RMI remained above growth neutral. The March index stood at 56.6, down from 62.5 in February. For a 14th straight month, farmland prices advanced above growth neutral with a March reading of 75.5, up from February’s 69.3. Farm equipment sales for March climbed to 75.8 from 67.5 in February. Jim Ashworth, president of Carlinville National Bank in Carlinville, said that, “While our local economy in general remains mired, we enter an interesting planting season as land prices continue to rise as higher cash rents follow grain prices.” The rate of job gains for Rural Mainstreet Illinois over the past 12 months was 0.5 percent.

### IOWA

The RMI for Iowa inched upward to 57.3 from February’s 57.2. The farmland price index slipped to 75.5 from 77.5 in February. The state’s farm equipment sales index jumped to 76.4 from February’s 65.1. The rate of job gains for Rural Mainstreet Iowa over the past 12 months was 1.6 percent.

### KANSAS

The RMI for Kansas was above growth neutral 50.0 for the month. However, the index dipped to a still healthy 55.9 from 58.0 in February. The farmland price index declined to 74.4 from February’s 78.2. The March agricultural equipment sales index rose to 75.3 from February’s 65.7. Dale Bradley, CEO of The Citizens State Bank in Miltonvale, said, “A very fragile economy.” He is concerned about upcoming mortgage failures, higher fuel prices, along with state governments in the red. He also reported that much of the wheat in Kansas is in fair to poor condition. The rate of job losses for Rural Mainstreet Kansas over the past 12

months was 0.5 percent.

### MINNESOTA

The March RMI for Minnesota dipped to 57.2 from 58.7 in February. Minnesota’s farmland price index declined to a still robust 75.4 from February’s 78.8. The agricultural equipment sales index stood at 76.3, up significantly from 66.3 in February. The rate of job gains for Rural Mainstreet Minnesota over the past 12 months was 1.5 percent.

### MISSOURI

The RMI for Missouri rose to a regional low of 51.5 from February’s 50.0. The farmland price index for Missouri expanded to 76.6 from 71.5 in February. The March farm equipment sales index jumped to 71.5 from 59.1 in February. The rate of job losses for Rural Mainstreet Missouri over the past 12 months was 2.9 percent.

### NEBRASKA

The March RMI for Nebraska advanced to 58.7 from February’s 57.2. The farmland price index slipped to 76.6 from 77.6 in February. The farm equipment sales index decreased to 65.1 from February’s 76.1. The rate of job gains for Rural Mainstreet Nebraska over the past 12 months was 3.2 percent.

### NORTH DAKOTA

The North Dakota RMI for March climbed to a regional high of 66.3 from 59.7 in February. The farmland price index expanded to 83.0 from 79.6 in February. Farm equipment sales for March rocketed to 83.9 from 67.2 in February. The rate of job gains for Rural Mainstreet North Dakota over the past 12 months was 10.2 percent.

### SOUTH DAKOTA

For a fifth straight month, the RMI for South Dakota was above growth neutral. The index for March climbed to 57.7 from February’s 56.6. The farmland price index dipped to 75.8 from 77.0 in February. South Dakota’s farm equipment sales index for March was 76.7, up from 64.5 in February. The rate of job gains for Rural Mainstreet South Dakota over the past 12 months was 1.2 percent.

### WYOMING

The Wyoming RMI for March was unchanged from February’s 57.2. The March farmland and ranchland price index slipped to 75.5 from 77.5 in February. The state’s agricultural equipment sales soared to 76.4 from February’s 65.1. The rate of job gains for Rural Mainstreet Wyoming over the past 12 months was 1.5 percent.

Table 2: The Rural Mainstreet Economy, February 2011

	Modified	Put on Hold	Leave as is
Would it be helpful if the “Durbin Amendment” of the Dodd Frank bill were modified, or at least put on hold & studied?	39%	60%	1%
	Yes	No	Not Sure
If the debit card Durbin amendment is fully enacted, would you have to charge an additional fee to your customers?	78%	3%	19%
	a bigger problem today	risks have not changed	a smaller problem today
Compared to 2008, actions by the Federal Government and banking regulators have meant that “too big to fail” is...	48%	48%	4%

## THE BULLISH NEWS

- The Labor Department said Thursday the number of people seeking benefits dropped 10,000 to 382,000 in the week ending April 2. That’s the third drop in four weeks.
- The average rate on the 15-year fixed mortgage increased to 4.10% from 4.09%. It reached 3.57% in November, the lowest level on records dating back to 1991.
- The nation’s unemployment rate dipped to 8.8% for March with 216,000 jobs added.

## THE BEARISH NEWS

- The Producer Price Index increased 1.6% in February. This rise followed advances of 0.8% in January and 0.9% in December.
- Oil surged to \$110.30 per barrel, reaching a new 30-month high last week. As a result, the average U.S. price of a gallon of gasoline has jumped 19 cents over the past three weeks.
- The Consumer Price Index increased 0.5% in March.
- The average sale price of a U.S. homes in February 2011 had dropped to just over \$156,000. That’s a decline of nearly \$49,000, or 24 percent, and the lowest average in more than 13 years.

## WHAT TO WATCH

- CPI: The BLS releases the consumer price index for March on April 15 and April on May 13. Upturns in the core index, which excludes food and energy will push the Federal Reserve to begin raising interest rates in 2011.
- Jobs: On Friday May 6, the U.S. BLS will release the employment report for April. Another positive report (new jobs greater than 200,000) will be bullish for stock prices and negative for bonds pushing interest rates high.
- The overall U.S. economy: On April 28, the U.S. BEA releases its advance estimate for Quarter 1 GDP growth. Annualized growth of less than 1.5% will be viewed negatively by equity markets (stocks) and positively by bond markets.

## THE OUTLOOK

### FROM GOSS:

- Long term interest rates will begin to climb markedly this summer as the economy improves and the Fed pulls back on QE2. I expect more rates to rise by one percent by the end of summer. Borrow now, not later
- If oil prices rise above \$120 per barrel and remain there for any length of time, U.S. economic growth will slow even as inflation becomes a bigger problem
- China reported its first quarterly trade deficit since 2004 on Sunday as surging prices for commodities pushed up its import bill. This is not good for U.S. exports since it will put pressure on the Chinese to continue to keep their

currency weak against the dollar. This will make U.S. goods more expensive in China.

### OTHER FORECASTS:

- CEO of Conference Board. “However, the widespread expectation is that after a brief contraction in the first half of 2011, reconstruction and spending will spur the economy in the second half of the year. But, a return to a strong economic expansion is not guaranteed even if the recovery resumes.”

### NATIONAL ASSOCIATION FOR BUSINESS ECONOMICS (NABE) SURVEY:

- The National Association for Business Economics surveyed its members on a number of policy issues. The respondents expressed concern about rising fiscal budget deficits, and are eager for the president and Congress to curb federal spending. At the top of the list is a desire to curb health-care spending and for some form of comprehensive tax reform. In general, the survey respondents support the recommendations of the Bowles-Simpson commission. There is a high degree of skepticism, though, as 71 percent of those surveyed think that meaningful deficit reduction measures would not pass through Congress this year.

## GOSS EGGS (RECENT DUMB ECONOMIC MOVES)

- The recent agreement among the Democrat Senate, Republican House and Obama Administration to reduce this year’s spending by a mere \$38.5 billion (slightly more than one-half of one percent of this year’s federal spending) can be only viewed as dodging fiscal responsibility.

## BANKER READING ROOM

“Have community banks reduced home foreclosure rates?” Compared with mortgage brokers and universal banks, community banks have stronger incentives to originate high-quality residential home loans. Using RealtyTrac database on resident foreclosures between 2005 and 2008, we show that county-level foreclosure rates are lower in counties with greater community bank presence. This finding is robust to a host of county-level economic and demographic control variables and after controlling for possible endogeneity of community bank presence. <http://tiny.cc/bwsxb>

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**85%**

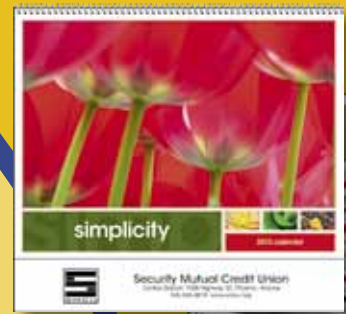
of all home calendar users do business with the firm that supplied their advertising calendar.

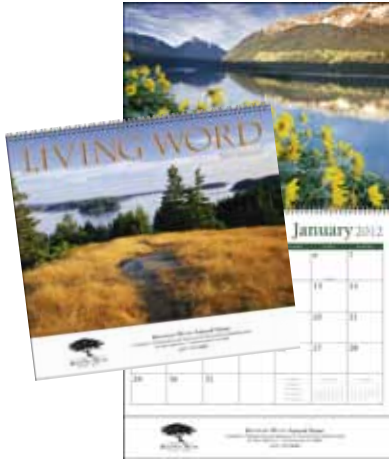
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No. 1652 - Living Word



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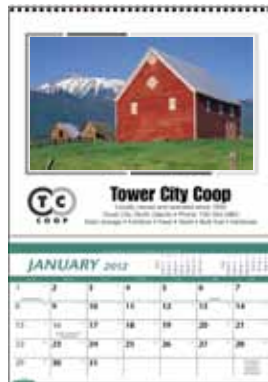
No. 7007 - Puppies & Kittens



No. 5323 - Stick Up Calendar



No. 8001 - Monthly Pocket Planner



No. 4000 - Farm Pocket



No. 7077 - Garden Walk



No. 3208 - Wildlife Art



No. 6201 - Span-A-Year



No. 6251 - Time Management Span-A-Year

**Additional calendar styles available.  
Samples available upon request.**