



Great Lakes
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Charlotte Martin,
President & CEO**

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THE JOURNAL

Winter, 2013

“Home . . . is wherever I’m with you”

Is the closing line of the chorus in Edward Sharpe and The Magnetic Zeros tune “Home.” Whenever I hear it, I can’t help thinking about my son and his wife. Andy and Lianne are in their first house and spend a lot of time and energy making it into their home. They are into all things artisan – from decorating to food. If it’s handmade, it’s definitely better than anything produced in mass. Truth be told, I enjoy this in part because it reminds me of Rick and me building our life together. Since apples don’t fall far from the tree we’re not surprised by their interests. In past articles you’ve heard about our adventures remodeling, our attempts at jewelry making, photography and more. These days, I’ve become domesticated and am focused on mastering my new multi-stitch sewing/ embroidery machine. I think I may have finally found the perfect solution for my desire to be “crafty” albeit with limited artistic talents! Load cute pattern onto machine, push a button, change thread, and repeat . . . and then revel in my ability to create a masterpiece of stitchery.

This year we will celebrate the 30th anniversary of Great Lakes Bankers Bank. As I play with – er – learn this new machine, it is easy for me to imagine our history as the crafting of a quilt. When Ray, Vivian and the board started the bank, they had products that created the original squares. As time went by, they added products, employees, and clients, causing the quilt to grow. Later, Gale Ritchie joined the bank and, through his efforts, the quilt grew. Gale will be retiring in March and his work will continue through stitches added by others.

Still later, our quilt grew when we acquired F&M Credit Services. Gene McMahon and Dave Fenstermaker brought new skills to our sewing basket of services. We recognized healthy credit portfolios help maintain healthy banks and this has certainly proven to be true over the last five years! After 25 years, our company had grown to nearly \$100 million in assets with several times that amount under management through our various services. By weaving the resources of many banks into our cash management program and our loan participations, we were able to create a stronger thread collectively than any one bank could create individually.

The recent addition of Jeff Thompson and his compliance company will help the quilt stretch further and provide a protective cover for even more community banks. With Boenning & Scattergood, we created new squares for the quilt through Great Lakes Capital Markets Group. We will continue to look for partners to help us add strength and services.

While my aspirations to be an artisan will likely always be more fiction than reality, I take comfort in being a part of the creation of something very important – your bankers bank. I often mention our mission of serving, preserving and promoting community banking. We were created to serve your needs and long after our 30th year we will continue to provide you with the warmth, comfort and functionality you deserve – just like your grandmother’s favorite quilt does. It is quilting, I mean – quitting, time and I’m headed to my sewing lesson. While my work partner Tom would tell you I’m cutting it close, he always forgets “a stitch in time saves nine.”

The 7 Reasons to Work With an Investment Advisor to Handle Your Bank's Bond Portfolio

By Charles McQueen

Unbiased Advice

Advisors provide unbiased advice. This simple statement relates to the fact that a SEC registered investment advisor does not get a commission on bond transactions. An advisor is paid a fee for their advice. A broker marks up the cost of a bond (higher) to make a commission. This has the potential for a conflict of interest. The more a broker makes on a transaction, the less yield there is on the bond.

Having an advisor allows you to have a trusted business partner looking out for your best interests at all times.

Interests are Aligned

An advisor is looking at the long term effect of every action. There is not a short term desire to outperform the market and take long-term risk. The advisor's interests are aligned with yours as they want to work with you going forward. Both the advisor and the banker want an investment portfolio that performs well for years to come.

Constant Monitoring

An advisor does not sell you a bond and walk away. A good advisor will monitor and manage the portfolio as if it were their own.

For example, with low interest rates, it may be advisable for you to proactively sell higher coupon mortgage backed securities. Your advisors should constantly monitor the prepayment speeds of each mortgage backed security. If the prepayment speeds spike up, the bond should possibly be sold.

Experts in Bonds

An advisor should be an expert in bonds and bond management. They should know and ensure that if you buy a municipal bond (Especially Build America bonds) there should not be an extraordinary call at par.

Your advisor should know that auction rate securities are not good for banks. Advisors should know the difference in the credit risk of bonds and should provide a detailed analysis on the quality of your municipal bonds, and possibly proactively sell bonds that may have declining financial positions.

A professional bond manager is paid to know, understand and predict risks.



Correctly Invested

A bond manager needs to ensure you are invested correctly. This is a unique position to your bank. An advisor needs to understand as your balance sheet changes, you need to modify the risk position of your investment portfolio. As your loan mix changes, the investment portfolio needs to change. An advisor has detailed knowledge of your balance sheet management and interest rate risk position.

Fully Invested

To enhance earnings, your investment advisor should ensure that all excess cash is fully invested at all times. This will enhance your yield from Federal Funds up to the security yield.

Cost Effective Solution

An advisor should be a cost effective solution. When an advisor does their job, you will have stronger earnings and much lower risk.

By freeing yourself up from the broker calls and analysis of bonds, you are able to focus on other areas of the bank. Product and branch profitability will grow the bottom line. Strategic actions will catapult returns for years forward.

An investment advisor is more than just one person. An advisory firm is a group of highly trained professionals that are looking out for your best interest at all times. A good investment advisor has a formal investment committee and credit committee.

ABOUT MCQUEEN FINANCIAL: McQueen Financial Advisors, Inc. (MFA) is a leading nationwide provider of financial advisory services that has been serving financial institutions since 1999. An SEC-registered investment advisory firm, MFA works only for financial institutions. We provide our services to institutions throughout the United States, with assets ranging from \$20 million to over \$5 billion.

ABOUT CHARLES MCQUEEN: Charley McQueen founded McQueen Financial Advisors in 1999 to provide specialized services to financial institutions. Charley has more than 20 years of experience serving as a portfolio manager, asset liability management consultant and strategic consultant to financial institutions. Today, the company advises more than 300 clients and manages investment portfolios with a combined value of over \$3 billion. Charley is a graduate of Western Michigan University, with a BBA in Management and a minor in Economics.

“Hello, my name is Gale Ritchie, it is a pleasure to meet you.”

By Tom Tenwalde



For those of you who remember your first meeting with Gale Ritchie, you know the only thing missing in the above greeting is his broad and genuine smile. Gale is fond of saying “you only get one chance to make a good first impression” and he put all his energy into making your first impression of him a good one.

For more than forty years Gale has been making his good first impressions as a correspondent banker. Soon he will convert his energy to making a good first impression as a retiree. On March 31st Gale will retire from Great Lakes Bankers Bank and begin a new chapter in his life.

Gale began his career in banking with The Fourth Federal Reserve District. Along the way, Gale helped open the district's first regional check processing center in Columbus. Later Gale went on the road for the Fed providing community banks with an opportunity to clear their cash letter with the Fed rather than a banking competitor. Along the way, Gale became an industry expert in check processing while building a loyal base of clients and friends in Ohio.

In the 1980s, Gale's career journey took him down a new path. He began splitting his time between the newly formed Community Bankers Association of Ohio and the even newer Independent State Bank of Ohio (nka GLBB). In this role Gale introduced his banker friends to an association dedicated exclusively to the needs of community banks. He also showed many bankers the road to success by helping them understand how a correspondent bank owned by community banks is working for them without competing for their customers.

For years Gale has been the face of our company to many bankers. Gale will tell you it was never about us, it was always about his clients. Even though his accomplishments on behalf of his clients are too many to possibly mention, a few will give you an idea of the significant contributions he has made to his customers. Combining his passion for community banking with his understanding of check processing, he made the change to electronic cash letters an easy transition for his clients. Gale also used his skills to help banks enter the credit card market and when selling mortgage loans into the secondary market became popular,

he was there to help banks transition to this model. While Gale may have introduced hundreds of bankers to GLBB, his view is, it is a privilege and honor to represent our staff because of the great service they provide our clients.

Like the blues song, Gale could have introduced himself as “The Road's My Middle Name.” As a correspondent banker, Gale has driven nearly a million miles, (really) which is like driving around the earth 40 times, without leaving Ohio. For each mile driven, Gale has dozens of memories of the smiles he has left on your faces. Gale's retirement is anything but the end of the road for him. One of the first things he and his wife Raima look forward to doing is driving across the country so she can introduce him to California. If you have occasion to travel to Lake Erie during fishing season, be sure to stop by and visit Gale at the bait store he and his son opened near Marblehead - and yes, the name really is Hi-Way Bait and Tackle.

Gale, I feel privileged to consider you a friend, colleague, and confidant - you've taught me more than you will ever know. Your customers, co-workers, and friends salute you for a job well done and wish you the best as you begin your new journey. May the road rise up to meet you Gale. Vaya con Dios, mi amigo.



When Was the Last Time You Considered E-Disclosures?

By Jeff Thompson

I recently visited a bank that occasionally provides initial RESPA disclosures to its customers electronically. I was prompted to wonder how many smaller community banks have revisited their ability to distribute communications electronically rather than via paper.

On June 30, 2000, President Clinton signed the Electronic Signatures in Global and National Commerce Act (the E-SIGN Act) (15 U.S.C. 7001 et seq.). This law afforded the same protections for electronic documents as those that were previously instituted for paper documents. Nine months later the Federal Reserve published specific guidance for E-Sign as it applied to Regulations B, E, M, Z and DD. In 2008 HUD confirmed e-disclosure procedures were appropriate for RESPA related documents.

While many institutions jumped on the bandwagon when the E-Sign rules came along, most did not. Thinking back to 2001, did you have a web-site and were you offering electronic banking services? Did you offer loan applications via the internet? When taking phone applications did you use email as a means of customer correspondence? If you have not addressed the question of adopting E-disclosure policies and procedures, there is no time like the present.

While the sheer volume of required disclosures has dramatically increased with no indication the volume will lessen, so too has the level and ease of technology. Consider the material and operational cost of paper documentation and you will likely find an advantage in automating the distribution and storage of electronic documentation.

Of course there are rules to be followed but the requirements are not onerous. The easiest way to ensure compliance is to obtain written (electronic) authorization from your customer indicating acceptance of electronic disclosures and other documents. Once done, your servicing costs related to disclosure and document distributions will be significantly reduced!

For more information on the benefits of electronic notification you may contact Jeff Thompson at 515-927-8445 or by e-mail at jeff@communitybanksolutions.com.

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