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Inside This Issue:



**Message From
Charlotte Martin,
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PAGE 1

**SameDay Service
for FEDACH**
PAGE 2

The Rule of Three
PAGE 3

**Rod Steiger and
Ron Eschbach
Join Board**
PAGE 4

THE JOURNAL

Summer, 2013

“Take your passion, make it happen”

Is a line from the 1983 hit song, “Flashdance – What A Feeling.” I was still in college and it seemed like this song was constantly playing somewhere! While I can’t say I was a big fan of the song, once you hear it, it gets in your head and just stays there.

Now, some 30 years later the line resonates for a different reason. We are celebrating the 30th anniversary of Great Lakes Bankers Bank this year and “Taking your passion and making it happen” is exactly what Ray Campbell and the original board did by starting a bankers’ bank. They had a clear vision of what they wanted to provide community bankers – a correspondent bank dedicated to the needs of those bankers while never competing with them for business. We have grown from a noble concept to an accepted and trusted provider of correspondent services for over 60% of the community banks in our market.

In 1983, I was just beginning my career in banking as a teller at a large bank in Columbus. Two years later I joined the staff of ISBO, now GLBB. So while I have not been here since day one, I have been in banking for 30 years. During my career, the changes in our industry and our company have been profound. 30 years ago PCs were a curious novelty and today we can “bank” on our phones. Ray liked to recall that on opening day, we had a card table and a yellow legal pad to record transactions. Today, we electronically manage hundreds of millions of dollars on a daily basis for our clients.

What hasn’t changed is our commitment and passion for the business and our mission. “Serving, Preserving and Promoting Community Banking” still guides our daily actions. Over time we have added products to meet our clients’ needs. While we still manage excess liquidity for our banks, we can also help them secure long-term capital. When we started the bank, we acted on behalf of our clients. Today, with our consulting services, we can actively work with banks to help them grow and prosper.

A recent article in a trade publication featured comments from industry executives in correspondent banking. The article was titled “Banks returning to correspondent space as crisis drifts further into the rearview mirror,” describes how many large banks are returning to the correspondent market, after shedding clients at different times in years past. The article goes on to elaborate on this point. One quote even suggests one possible reason for the resurgence is it’s a way for large banks to off-load excess capacity for a fee while possibly helping them target acquisition opportunities.

Correspondent banking is still our passion and it is why we continue to make it happen. We knew during the economic crisis our clients would need us more than ever. Our conscious decision was to live out our mission statement and work proactively to help as many community banks survive as possible. Today, with an improving economy leading large banks back into the correspondent sector, we are confident community bankers will remember our consistent commitment to them over the last 30 years and remember us during the next 30.

While 30 years is a significant milestone, and one worthy of celebrating, we prefer to measure our progress by the acceptance our clients have given us. We were created for community banks, we exist solely for community banks and any success we celebrate is because you believe enough in us to be our customer. It is a business model which has held up well for 3 decades and we plan to be here for your successors over the next 3 decades. When I think back to where I was in 1983, it is good to know something I was involved in, banking, has proven to be more timeless than big hair and shoulder pads!

Charlotte Martin

SameDay Service for FEDACH

By: Elizabeth Woodruff



The Federal Reserve Bank recently announced the full implementation of FedACH SameDay Service. If you've ever had to apologize to an unhappy business customer when your bank somehow failed to release a payroll file on time, this is an exciting enhancement in the world of ACH! As always though, the devil's in the details. While the concept is intriguing, it will take some time before this product will save us all from having to admit we forgot to send a file.

Banks interested in the benefits of same day ACH files will want to give consideration to some of the details.

- While most SEC codes are now permitted for same day ACH, international transactions (IAT) and check truncation entries (TRC and TRX) are not eligible.
- Both business and consumer transactions, and both debits and credits are permitted.
- There are no dollar limits on transactions, other than those set by NACHA for check-conversion transactions.
- Banks must "opt in" to the service, and you can choose to "Send" files as an ODFI, "Receive" files as an RDFI, or both.
- For a transaction to be sent same day, both the Sending Bank (ODFI) and Receiving Bank (RDFI) must have previously opted in to the service.

In order to send that last minute payroll file, you must have already opted in as an ODFI, and you must consider how you will manage the payees within the file. Only those payments settling with another bank that has opted in as an RDFI will settle that day. The remaining payments in that file will settle according to the effective date of the items in the file, which will be the next business day at the earliest.

- How will you analyze the file to determine which payments would settle with eligible participants?
- Will you still want to send the remaining payments in that ACH file, or will you want to strip them out of the file and send wire transfers to those receivers?
- How will you alter the ACH file?
- Prior to implementing same-day service, you will want to talk with your originators and your ACH providers to determine how you will handle these files.

Similar to Check 21, this service is likely to be adopted gradually and few banks opted in on "day one." Until a number of regional and national players opt in, the service may have limited value to most community banks. That

said, as more banks opt in, the potential only grows. The list of participating institutions will be posted each month at www.frbsservices.org.

If you decide to receive files as an RDFI, you may receive additional files and you'll want to be aware of the timing of settlement and file delivery. Banks using Pathway to receive "combined" files will need to begin receiving individual files, and make sure you are posting files to your core as they are received.

For all participants, settlement will occur at 5:00 PM, with returns settling at 5:30 PM. Consider how this could impact the management of your account balance in your Federal Reserve or Correspondent account. Many banks settle their daily activity through their GLBB account. Because your end of day settlement could impact our master account with the Federal Reserve, we request that you include us in your discussions as you decide to opt in to the service, as well as notifying us if you anticipate sending a same day file.

If you do opt in, and as critical mass is reached in the market, there may be additional revenue opportunities with your business clients. For example, you may be able to market services to help them transfer funds same day, for their own corporate concentration accounts or other uses that they might ordinarily fund with more expensive wire transfers.

We strongly recommend that you contact your Fed rep to make sure you have all of the information you need, including pricing and deadlines, before you get started. As always, we're also here to assist you and answer any questions you have regarding the impact this service would have on your settlement with GLBB.

ABOUT ELIZABETH WOODRUFF: Ms. Woodruff is the VP of Operations at GLBB. She has previously been an organizing member of a De Novo bank. Prior to that, she had worked at a leading thrift in Columbus.

"The Rule of Three"

By Tom Tenwalde

Nearly 20 years ago, when my oldest son was a Boy Scout, he taught me about the "rule of three for deer." He explained you are most likely to see a deer close to an area with three natural attributes: Water, Woods, and Grazing (an open area). It turns out there is also a "Rule of Three" for writing, aviation, comedy, and more.

I'd like to add another "Rule of Three." Recently, I mentioned to one of our partners in Great Lakes Capital Markets Group ("GLCMG") that I'd like to be a community banker for the next 50 years. After decades of decline, our states are poised for an economic renaissance. The "shale play" for gas and oil in Ohio, and now Michigan, has been gaining momentum over the last few years. Now the talk is, in time, the United States could become energy independent. As exciting as this is for our economic prospects, our second economic advantage is our direct access to 84% of North America's surface fresh water. The only larger source is the polar ice caps. The third of our advantages is a skilled labor force. While our two states are 4% of the total 50, they contain 7% of the population. Education statistics show we have a larger percent of our work force with high school diplomas than the national average and are comparable with the national ratio for college education.

Tom Dooley, Senior Vice President of Boenning & Scattergood ("B&S"), has been a tireless proponent of community banking for years. He recognized that growth in the region as a result of the shale gas boom could potentially create capital issues for these banks. Boenning & Scattergood recently underwrote an investment vehicle to raise up to \$30MM to help benefit community banks located in the shale region. One of the objectives of the fund will be to purchase stock in banks in the shale area. In addition, if a bank is growing and needs capital, the investment vehicle could provide needed funds to take down a portion of the stock offering. B&S will serve as the exclusive placement agent for the fund.

Given time and anticipated success, Tom sees the initial fund as the first, not the last. It speaks to their commitment to community banks' success in our market. It is this type of thinking which makes them a critical component of GLCMG. The next 50 years hold the promise of great things for our economy. GLCMG, through the joint efforts of Great



Lakes Bankers Bank, Boenning & Scattergood, and McQueen Financial Advisors, is committed to helping your community bank grow and thrive as our regional economy expands based on our Rule of Three: Fossil Fuel, Fresh Water, and Skilled Labor.

ABOUT THOMAS TENWALDE: Thomas Tenwalde is the Chairman & CEO of Bankers Bancshares, Inc. and the Chairman of Great Lakes Bankers Bank. In his 40 year career he has served in a variety of roles in the financial services industry. Today he focuses on strategic initiatives for BBI and its subsidiaries.



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GLBB JOURNAL

SUMMER 2013

Rod Steiger and Ron Eschbach Join Board

Ron Eschbach & Rod Steiger have joined the board of Great Lakes Bankers Bank. They will also serve on the boards of Bankers Bancshares, Inc. and Great Lakes Banc Consulting.

Mr. Eschbach is President and CEO of The Antwerp Exchange Bank located in Antwerp, Ohio. Established in 1893, the Exchange Bank has \$92 million in assets and operates two offices in Paulding County. Mr. Eschbach states, "I'm pleased to be a member of the board at Great Lakes – they are our correspondent bank and we find them to be exactly what we are looking for in a correspondent – a bank that has our interests as theirs, first and foremost." Tom Tenwalde remarked, "We have had the pleasure to work with Ron over many years and he has been a loyal client and strong supporter of our mission. Along with being a shareholder his bank uses most of our services. He will be a great addition to our board(s)."

Charlotte Martin, President & CEO of GLBB states, "Mr. Steiger is a strong addition to our board. He has experience working in large banks and community banks. His background in and understanding of commercial lending has already shown itself to be a strength as a board member." Mr. Steiger began his banking career at National City and later served as President & CEO of the Savings Bank in Orrville. Prior to joining Wayne Savings Bank in 2011 as the President and CEO, he had most recently been the CEO of the Dunlop Community Hospital in Orrville. Mr. Steiger noted, "I'm looking forward to serving on the board of GLBB. I strongly support their mission and have found them easy to work with as a correspondent."