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## Strength in Numbers or Strength in Size?

July is prime salmon season in Alaska and the bears have been out in force at Brooks Falls bringing new meaning to “all you can eat” during the annual spawning migration. After several trips to Alaska to photograph wildlife, Rick and I were finally able to capture the image we’ve been waiting for – a grizzly poised to catch a salmon mid-air! Having seen similar pictures over the years it had become something of a quest for us. What the pictures never show though is the “behind the camera” view. In this case it is a two-tier platform with dozens of tourists all jockeying for position to get the perfect photo in the one hour time limit they’re permitted. On one side of the railing it was pure Alaska at its best – on the other side it felt a bit like being on the midway at the Ohio State Fair. Our adventure also included sleeping in a tent for several nights and encountering a (very big!) bear on the trail. The bear encounter led to a race between Rick and me to see who could walk backward faster and the old adage is true, you don’t have to be faster than the bear, just faster than your spouse!



Another thing you don’t see in the photos is the collective struggle to survive going on between the salmon and the bears. In the pools below the falls, the salmon form in groups and attempt to get over the falls together to improve the overall odds of survival of the species. Bears on the other hand – not so much! They are solitary creatures and this annual competition often leads to squabbles; they are not good sharers. The fact that bears haven’t fished the salmon to extinction – or starved for lack of food, attests to the balance of nature and the eternal struggle of the “small and the many” against the “few and the large.”

Today, as the merger trend picks up momentum, we see a similar trend playing out in our industry. For a variety of reasons, community banks are trying to find the optimal size for survival. While the debate over how big is “big enough” is unsettled, many feel being bigger is their best chance for survival. It is easy to follow the trend line of the last 40 years and predict there will eventually be fewer, and larger, banks. What is unknown is how long the winnowing will take and what the optimal size will be. We’re still a long way from the European model of a few very large banks, and the last several years have taught us size alone does not guarantee survival.

Whether your bank follows the “strength in numbers” or “strength in size” approach, we want to continue to assist you in surviving and thriving. We’ve grown our capital base to provide larger limits on loans and fed funds lines; we’ve added new products like our mortgage processing, credit analysis, and regulatory compliance to help you reduce expenses and we’ve formed partnerships like Great Lakes Capital Markets Group to help you raise capital or chart a course toward independence or acquisition.

Alaskan summers are short and to make up for it the days are long. When you go to sleep in your hotel you can close the drapes and block out the sunlight at 11:00 PM or 4:00 AM; when you sleep in a tent, no such luck. So there were a few nights when I found myself not sleeping and considering what Tom back at the office had said, “Bears see tents and think ‘Twinkies!’” So despite the beauty of the scenery and awesomeness of the bears, I was happy to return to home, to my family and friends, and my bed. Enjoy the rest of your summer and be thankful mosquitos in the Midwest aren’t the size of robins!

*Charlotte Martin*

# And Now, a Collective Sigh of Relief

By: *Elizabeth Woodruff, VP Operations GLBB*

If you are in banking long enough you will endure a system conversion. Most of the time lots of hard work goes on internally with the hope your customers see minimal impact. You want it to be like ducks on a pond - they appear to be floating along effortlessly because we can't see how furiously they are paddling below the surface. The recent Pathway conversion was different in a good way – our customers helped paddle.

In August we converted our Bankers Pathway website to a new more robust engine with enhanced capabilities. Our Pathway website provides our client banks the ability to send and receive domestic and international wire transfers, process ACH files and much more. While there was an enormous amount of work going on behind the scenes, we could not have made this transition without our customer's involvement and support.

I often tell people I have the best job in the world because I work with the greatest clients. To a person, each of you responded enthusiastically when we communicated the changes, as well as the steps you would be required to complete. You took time to participate in training, referred to training materials, and practiced in advance.

For users the site provides enhanced features such as the ability to search past activity and export results. Pathway

administrators benefit from stronger security and controls. As the dust of the transition settles we will continue to add enhanced features and functions. Some of those enhancements will be designed to help you work more efficiently. Others will be part of our long term vision to provide new product developments to help you interface with your customers while creating revenue generating opportunities for you.

We welcome your feedback about your experience with the site. Most importantly, thank you for your patience through this transition and we are grateful for your continued support and for being the world's greatest customers!



Now in her eighth year at GLBB, **ELIZABETH WOODRUFF** is a veteran community banker with many successful conversions behind her. As good as the Pathway system is, it is only as good as the staff behind it, so thank you Elizabeth, Barb, Barbara, Joyce, Sonja and Van!

## Old Dogs & Old Tricks *By Tom Tenwalde*

Forty-one years ago this summer I was in my second assignment as a trainee. After six weeks of making every error a teller could, it was determined I should start learning to open new accounts. At the time I didn't think of it as selling or marketing, I was simply doing what the client requested – helping them to open a checking account. The branch manager I was working for had purchased boxes of the cheapest ball point pens ever made. His thinking was customers would take them after signing the forms and since our name and phone number were on them they would call us when they needed a loan. Being young and straight out of college, this struck me as a pretty lame marketing idea, especially since the pens leaked ink every time you tried to write with them.

Fast forward 41 years and you can't go anywhere in Columbus, or in Ohio and Michigan, and not be handed a green pen with the name of a local regional bank printed on it. They must have 100 million of them and seemingly

give handfuls to merchants. This same bank uses TV, print advertising, social media and every other marketing tool and here I am talking about their pens - who'd of thought it...!? The American Marketing Association defines marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." So even in this high tech era, the humble ink pen is still a marketing tool and a pretty effective one at that. (It is worth noting, they're pretty good pens and don't leak.)

So the next time you put on your logo wear, hand out a cheap pen, or offer a silent groan for your bank's ad in the school football program, remember they are a part of your bank's marketing. Better yet, the next time you're talking with a customer, think of yourself as the point of the marketing spear and hopefully it won't take you 41 years to figure out that old dogs can benefit from old tricks.

# BOLI Market Update

## Question: Great Lakes Bankers Bank

We know that many of our clients have bought some Bank Owned Life Insurance, and some of them have bought all of the BOLI that they are permitted under the regulatory guidelines. However, there are still many banks that have never bought this product. Can you offer some insight as to why they may not have bought BOLI Yet?

## Answer: Howard Edelstein & Tom Tubbs:

- For many banks, it just has not been the right time in their growth cycle yet to allocate investment dollars to this product as a financial arbitrage.
- Other banks have consistently had such strong loan demand that they are earning more by lending than they would by buying BOLI. You know, yield from lending is the only thing banks can do with their money which produces a higher yield than BOLI.
- Some of these banks have previously assumed that there was a lack of liquidity with money invested in BOLI. Not true. There is a high degree of liquidity in the BOLI policies bought from highly-rated life insurance companies.
- Some banks mistakenly think they must install an executive or director benefit linked to their purchase of BOLI. This is not required at all. Many banks do link the BOLI investment purchase with the installation of a non-qualified executive benefit, director deferral or retirement plan, without adding new benefits or even connecting it to existing non-qualified executive benefit programs.
- There have also been banks who are philosophically opposed to the idea of insuring the bank's employees for the benefit of the bank, rather than for the benefit of the employees' family members. In this instance, we alleviate the concern by providing a death benefit to the family in return for the employee's consent to be insured for the benefit of the bank.
- For those banks which are recently in formation (de novo), they wait until they have grown enough and have the cash flow before they take on a BOLI investment.



Howard Edelstein



Tom Tubbs

Banks are buying bank-owned life insurance because it provides an investment vehicle which is approved by banking regulators, and gives a bank the opportunity to put some of its core investment portfolio into a tax-deferred product, which contains, through the general account portfolio of a large mutual life insurance company, some higher yielding bank-ineligible investments that could not be acquired by the bank outside of the BOLI purchase.

Based on a clear understanding of the mechanics and operation of BOLI, banks which have not bought the product in the past have recently begun to examine it, and some may become first-time buyers based on the information provided above.

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**HOWARD EDELSTEIN** and **TOM TUBBS** are account executives in the Cleveland office of Executive Benefit Options (EBO) and have served Great Lake Bankers Bank in the establishment and ongoing support of its own BOLI program. They can be reached at 1-888-327-2654.



## Housing – The Hot Ticket, Again?

*By: Roger Baker, VP Mortgage Loan Processing, GLBB*

When we consider home sales and home values over the past 10 years we have seen 1-4 family housing on a veritable roller coaster. After ascending to a peak in late 2005 (7.8 million existing homes sold), the volume of home sales and their values plummeted steeply leading to the burst of the housing bubble. We hit the bottom in 2008 when the volume dropped by nearly 50% to 4.1 million existing homes.

Today we see sales volume trending upward while values are also rebounding. Existing home sales hit 5.13 million in 2013 and that trend continues in 2014. In some areas of Michigan and Ohio, homes are selling in days, not weeks or months, and – in many cases, sell above the list price. While the latest refi boom has apparently played itself out, peoples' confidence is now back and they're buying houses.



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**ROGER BAKER** is an experienced mortgage industry expert and is responsible for GLBB's secondary market program. Roger will be happy to discuss how you can increase mortgage volume while reducing expenses. He can be reached at (614) 962-6506 or at [roger@greatlakesbb.com](mailto:roger@greatlakesbb.com).