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Investment in Education Impacts Community and Bottom Line

UBB Customer Bank Does Both with iHELP® Student Loans

Community Development Bank, a UBB customer in Ogema, Minnesota, has partnered with student loan innovator Reunion Student Loan Finance Corporation (RSLFC) to provide higher education financing through their iHELP® private student loan program. iHELP was created to bridge the gap between a student's total out-of-pocket expense and the scholarships, federal loans and grants they receive. As the cost of education nationwide continues to rise, private financing has become increasingly necessary for families with college-bound teens. In 2016, more than two-thirds of students graduated with an average of \$35,000 of debt.



Dale Sandahl

Community Development Bank President, Dale Sandahl, had been considering ways to offer education loans in response to the demand he saw in his bank. "Frequently, we were asked by our customers about loans for their children, and in some cases themselves, for educational pursuits," he explained.

"Many of our customers are very loyal, and we are their first place to check for their financial needs." The bank recognized the importance of college education for its young people in the community and how important it would be to retain them as banking customers.

Bill Rosacker A Note from the President



Spring has finally arrived and with it marks the official start of our UBB event season. This year we wasted no time in kicking things off in record fashion. A conference best of 240 registered attendees, representing 10 different states attended our annual ALMEdge asset liability management user's conference on April 7th. We have a total of 14 UBB events planned throughout the year in addition to attending the annual conferences and conventions held by the 25 different state banking associations we support. Event season is one of the greatest times of the year as it provides us with another opportunity to connect with our customers, develop new relationships and support the outstanding work of the state banking associations.

UBB held its annual shareholder meeting on April 19th and with it unveiled the 2016 Annual Report, titled *Uniting for Your Success*. This annual report documents UBB's 2016 merger with Ohio based Great Lakes Bankers Bank (GLBB). It provides unique perspectives from both UBB & GLBB employees and customers about how the merger impacted them and why a combined bankers' bank is a major strength for the long term success of all the community banks UBB serves. If you haven't had an opportunity to view it yet, I encourage you to do so by visiting www.ubb.com and clicking on the News & Events link.

This issue's cover story was guest written by our iHELP® partner, Reunion Student Loan Finance Corporation (RSLFC). With high school graduation just around the corner, RSLFC shares a success story of how UBB customer, Community Development Bank, was able to implement the iHELP private student loan program at their bank and provide their customers with another source for continuing education funding. For additional information about the program, simply flip to the back of this newsletter or contact your UBB Correspondent Banking Officer.

Sorting through health care information and changes can be quite daunting. Our USource team breaks down the 21st Century Cures Act, what it means to small employers and highlights some of the fine print to be aware of when making adjustments to your health insurance options.

In our *Keeping the Community in Community Banking* feature, we highlight Wahoo State Bank, in Wahoo, NE, and learn how this city of 4,500 strong got its name, its link to former Late Show host David Letterman, and how the bank and its customers exhibit the true meaning of community.

In closing, to stay current with upcoming events, news or all things UBB, we encourage you to visit ubb.com. Thank you for your business and as always, UBB is **First for Your Success**.



While doing research on education loan products, Sandahl discovered the iHELP program through a United Bankers' Bank publication and reached out to RSLFC directly. After learning about their fully-insured program with various partnership opportunities and free enrollment, Community Development Bank decided to give it a try and was pleasantly surprised. "Working with RSLFC has been a seamless process with minimal burden for our bank staff and allows us to be able to provide a valuable resource for our customers and community," he explained.

The iHELP private student loan program was designed for community banks which have identified a need for higher education funding based on requests from their customers and local community. iHELP is an end-to-end private student loan solution providing exceptional personalized service for the bank's customers along with full lender support to ensure all compliance and

regulations are followed without the need for additional bank staffing.

Through iHELP, community banks have the opportunity to participate in the student loan space where performance has been impressive. On average, lenders receive a net return of 4.5% on an insured product (principal and interest are paid back to banks on defaulted loans). Since the program's inception in 2010, defaults have been less than 0.8%.

The iHELP program is administered by RSLFC who performs all loan origination and servicing support to ensure a turnkey program for participating banks. ICBA banks can also expand their services to include student loan consolidation to college graduates, offering a single iHELP Consolidation Loan with a fixed or variable rate of interest. Through this program, banks not only meet the loan needs of their customers, but also generate fee income for their bank.

Sandahl is enthusiastic to encourage other banks to give the program a try. "The process is extremely easy for our staff and for our customers. Plus, it's created new customers and provided a new tool for retaining our current ones."

To date, partnering community banks, including Community Development Bank, have provided \$92 million in private student loans to families across the country.

Benefits of Becoming an iHELP Partner

Meet Customer Demand

With access to programs for both private student loans and consolidation loans, lenders can strengthen relationships with key consumers and reach new ones. Through consolidation, graduates can simplify their lives and possibly reduce monthly payments.

Great Benefits for your Customers

iHELP gives students, and their families, access to competitive rates, personalized service, an easy online application and flexible repayment options including no requirements for in-school payments.

Valuable Partnership

Program administered by RSLFC, a Preferred Service Provider with more than three decades of student loan expertise.

Profitable and Safe

A strong, fully insured asset with a solid return that diversifies a consumer loan portfolio. Additionally, it provides the opportunity to cultivate a new banking relationship with "prime" customers.

Hassle Free

Administration and compliance are managed by RSLFC; enrollment is simple and free with no monthly minimum charges, and support is provided for accounting, audits, sales and marketing.

Flexible Participation Options for Lenders

Originating Lender - generate fee income of \$15 per loan plus 0.125% in annual residuals.

Participating Bank - generate interest income estimated at LIBOR plus 4.50% - 5.0%, after expenses.

Referral Partner - generate referral fee income of \$30 per in-school and \$50 per consolidation loan.

The Fifth Pillar of BSA Compliance - Beneficial Ownership

By Suzanne Rosenthal, CAMS

The US Department of the Treasury recently issued a final rule regarding the beneficial ownership of entities utilizing the US banking system. This new rule was created in response to ongoing concerns about shell companies and transparency and includes a new beneficial ownership requirement along with amendments to existing customer due diligence (CDD) rules. Referred to as the Fifth Pillar of BSA

Compliance, this new rule will be joining the other four pillars consisting of - internal policies and procedures, a board appointed BSA Officer, employee training, and independent auditing and testing to create the foundation for the US Department of the Treasury's examination and enforcement practices.



Under this new rule, for any covered account opened by a legal entity customer on or after May 11, 2018, covered financial institutions will be required to adopt written procedures to obtain, verify, and record the identities of a legal entity customer's beneficial owner(s) at the time a new account is opened. This procedure requires the same identifying elements (name, address, date of birth, and identification number) as the financial institution's current customer identification program (CIP) and will need to be included in its anti-money laundering (AML) program. Exclusions to this requirement can be found in the rule itself.

The beneficial ownership definition consists of two prongs, the ownership prong and the control prong. Under the ownership prong, a beneficial owner is defined as each individual (if any) who, directly or indirectly, owns 25 percent or more of the equity interests of a legal entity customer. There can be between zero (0) and four (4) beneficial owners for any given legal entity. There may be situations, as well, where a 25 percent or greater ownership interest is not ultimately owned by an individual. Under the control prong, the bank will always need to identify a single individual with significant responsibility to control, manage, or direct the legal entity customer (this may or may not be an individual already identified under the ownership prong).

The AML Program requirements will explicitly require risk based procedures to conduct ongoing customer due diligence (CDD) to understand the nature and purpose of customer relationships and to develop a customer risk profile. This risk profile will be used to develop a baseline for when customer activity is evaluated for suspicious activity reporting. CDD will also explicitly require conducting ongoing risk-based monitoring to

identify and report suspicious activity and updating customer information, including beneficial ownership, as needed. The final rule in this respect codifies regulatory expectations which should already be a part of the bank's internal controls.

The beneficial ownership information should be treated like CIP information and be used to ensure the financial institution complies with other

requirements. For example, financial institutions should use this information to ensure they do not open accounts for individuals or entities subject to sanctions by the Office of Foreign Assets Control (OFAC). With respect to currency transaction reports (CTRs), financial institutions may use the beneficial ownership information to determine when transactions are on behalf of the same person where they were previously unable to do so. This information may also be used to aggregate transactions where appropriate and then used to determine if a suspicious activity report (SAR) should be filed if it appears multiple transactions were not conducted for any apparent business purpose, but for the sole purpose of attempting to avoid CTR filing requirements. FinCEN does not expect beneficial ownership information to be included in the financial institution's process for responding to requests under section 314(a) of the USA PATRIOT Act.

The final rule on beneficial ownership has far reaching implications. Financial institutions should plan accordingly to ensure their AML program reflects the changes that need to be made, that procedures have been documented and implemented, that employee education has been provided to all affected staff, and that they have appropriately budgeted for any expenses associated with compliance with this new rule.



For more information contact: 800.314.7782 or
Jeff.Thompson@ubb.com or Kassia.Holt@ubb.com.

United Bankers' Bank
Call Report (unaudited)
3/31/2017

Balance Sheet (000's)

Assets:

Cash and Due from Banks	\$ 92,825
Investments	\$ 179,791
Fed Funds Sold & Securities Purchased Under Agreement to Resell	\$ 31,317
Loans	
Outstanding	\$ 543,701
Loss Reserve	\$ (6,593)
Other Assets	\$ 28,282
TOTAL ASSETS	\$ 869,323

Liabilities and Capital:

Deposits	\$ 721,706
Fed Funds Purchased	\$ 3,868
Other Liabilities	\$ 50,020
Equity Capital	\$ 93,729
TOTAL LIABILITIES & CAPITAL	\$869,323

INCOME STATEMENT (YTD)

Interest Income	\$ 6,553
Interest Expense	\$ 908
Net Interest Income	\$ 5,645
Loss Provision	\$ —
Net Interest Income (After Provision)	\$ 5,645
Other Income	\$ 4,098
Total Income	\$ 9,743
Operating Expenses	\$ 7,917
Securities Gains (Losses)	\$ —
Net Income Before Taxes	\$ 1,826
Tax	\$ 647
NET INCOME	\$ 1,179



Family Members: My husband, Sam, and our three boys, Adam (13) and twins Jonathan and Alex (9).

Pets: We had a fantastic house rabbit, Simon, for 10 years who had free range in our home and was litter box trained. Jonathan may be getting a hamster for his birthday next month.

What do you listen to on your drive to work: Lately I've been listening to "Hamilton" any chance I get.

Interests: I love to read, cook, and travel. I also enjoy going to museums, movies, and plays/musicals.

If I could live anywhere in the world, I would live in: A canal house in the Jordaan, Amsterdam or a flat in Le Marais, Paris.

If I could have one super power (besides flying) it would be: Instead of a superpower, I'd like to be able to sleep 6 hours a night and feel completely rested.

Many people don't know that I: Swam with sharks in Belize last year.

If I was not working in banking I would: Love to be a travel and food writer.

I started working at UBB in: September, 2016.

My favorite part of working in banking is: Working with different clients and helping them to develop and improve their compliance programs.

The best advice I ever got was: Don't compromise yourself, you're all you've got.

First For Your Success means: Providing our customers with the tools and expert guidance they need to ensure their success.



Suzanne and husband, Sam.



Suzanne and Sam with sons (left to right) Adam, Alex and Jonathan in Montreal.



A New Health Insurance Option for Small Employers

The 21st Century Cures Act passed in December of 2016 focuses primarily on speeding up drug approvals and making innovative treatments more accessible. It also allows small employers with fewer than 50 full-time employees that don't sponsor a group health plan to fund employee Health Reimbursement Arrangements (HRAs) on a pre-tax basis. The employee can use these funds to pay for qualified out-of-pocket medical expenses and non-group plan health insurance premiums, including plans purchased on the exchanges.

Some Fine Print:

- In 2017, the maximum reimbursement for health expenses that can be provided through Qualified Small Employer Health Reimbursement Arrangement (QSE HRA) is \$4,950 for single coverage and \$10,000 for family coverage (amount will be adjusted annually for inflation). Like other HRAs, only the employer can contribute.
- The same terms must be offered to each employee. If you offer to pay 50 percent of premiums for the employee and any dependents, it may result in an employee with a spouse and children receiving more financially than an employee without dependents. This would still meet the requirements of the plan because they are receiving a benefit under the same terms (50 percent of the premium is being paid). But you cannot pay 100 percent of premiums for Officers and 50 percent for the rest of your staff.
- Notice of QSE HRA availability must be provided to the employee at least 90 days in advance of the start of the year, or at the start of the new employee's eligibility.



- The QSE HRA benefit amount must be reported on Employee Forms W-2 as non-taxable income.

I recommend researching individual plan premiums before you make the decision to drop your employee group health insurance plan because the individual market continues to be quite volatile.

While our government representatives plan to continue their efforts to improve health care, there is much uncertainty over what a new Repeal and Replace plan may look like following the lack of required majority support of the American Health Care Act. While I am a proponent of being proactive, how can you be proactive when you cannot anticipate what is ahead? Personally, I would assume nothing will change until it actually does.

"Back to the Basics" Webinars

USource's June webinar will focus on human resources basics that supervisors, branch managers, and new HR coordinators should understand to limit potential liability for the bank. Many positions besides the designated HR person have human resource responsibilities. Supervisors and branch managers should understand wage and hour regulations for breaks and compensable time, questions they should not ask applicants, the importance of ensuring the confidentiality of employee information, how to document disciplinary action, what is a reasonable accommodation, what it means to retaliate against an employee and much more.



This webinar will be presented on **Thursday, June 22nd at 10:00 CDT.**

Webinars are free for USource members and \$85 for non-members. To register, go to www.ubb.com/events.



Keeping the *Community* in Community Banking

Wahoo State Bank • Wahoo, Nebraska

Venture 25 miles north of Lincoln on Highway 77 through the Nebraska plains and you'll discover the historic community of Wahoo, Nebraska. Arriving visitors are immediately greeted by the city's welcome sign that features the five famous sons of Wahoo, consisting of a Hollywood producer, writer and actor, a Nobel Prize laureate, a children's author, a Pulitzer Prize winning composer, and a Baseball Hall of Famer.

Wahoo community pride runs deep throughout this city of 4,500 strong, and it was never more apparent than when famous son and Hall of Fame outfielder, Sam "Wahoo Sam" Crawford requested that his Hall of Fame enshrinement plaque read, "That's my hometown, and I'm proud of it."

To learn more about this historic city and how Wahoo State Bank is keeping the Community in Community Banking, we visited with bank President, Gregory Hohl and compiled the following Q & A.

What is your community most known for?

The name Wahoo is derived from a Native American word meaning "Burning Bush" and refers to the indigenous bushes characterized by bright red berries growing along the banks of the Wahoo Creek. Wahoo was also known for a number of years as the Official *Home Office* of the "Top Ten List" for the David Letterman Late Show. The town lobbied to be the official home office after Letterman mentioned on air that he liked the word "wahoo."

Wahoo is also the birthplace of who we call our "Five Famous Sons":

- Clarence Anderson, author and illustrator of children's books
- George Beadle, geneticist and Nobel Prize laureate
- "Wahoo Sam" Crawford, Hall of Fame baseball player
- Howard Hanson, Pulitzer Prize-winning composer
- Darryl Zanuck, Academy Award-winning movie producer and director

Our rural, farming community's location is near the 2 largest cities in Nebraska: 30 miles west of Omaha and 25 miles north of Lincoln

How is your bank involved in the community?

We focus on supporting as many worthy organizations, projects and programs as possible within our staffing, time and financial resource capabilities. Our support consists of helping with events, serving on boards and donating financially. To date, the total number of community organizations the bank supports is 130.



Wahoo Bank Employees



Greg and Cynthia Hohl

Bank Name:

Wahoo State Bank

Bank Charter Location:

Wahoo, Nebraska

Bank Representative:

Greg Hohl

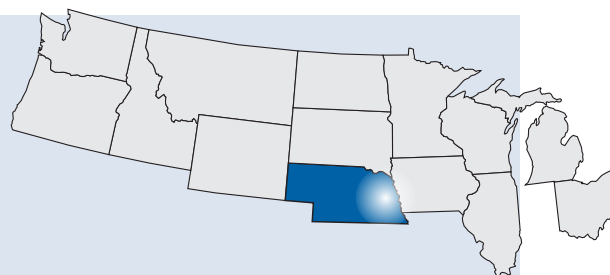
Asset Size: \$72 million

Number of Locations: 1

Number of Employees: 18

Year Bank was Incorporated: 1932

City Population: 4,500



Some of the programs we've implemented are:

1. Wahoo State Bank Bucks- Employees log volunteer time and the bank pays \$2 per hour served up to \$100 per year to use for Wahoo State Bank logo wear. We expect over 50% participation this year.

2. Green For Jeans - Our "Green for Jeans" program allows employees to pay \$2 to wear jeans on Fridays (or khaki shorts in the summer) with a bank logo shirt or Nebraska Husker shirt on game days! Each month, the proceeds are donated along with a match from the bank to a local charity. Some of the organizations we have donated to include Salvation Army, Saunders County Food Pantry, Saunders County CASA, Survivor Safety, Take Downs for the Troops, Community Red Cross Blood Drive, Relay for Life (American Cancer Society), School Backpack Program, Wahoo Community Chest and local families experiencing difficulties.

3. Customer Appreciation and Community Bank Celebration - Each year in June we hold an open house and serve locally made Wahoo Wieners in Wahoo Bakery hot dog buns, with DQ sundaes. The free food, drawings for \$25 gift certificates to local merchants, and free paper shredding attract up to 800 people to the event.

What do you like best about your community?

I couldn't ask for a better place to live, work and raise a family. The quality of life is a strong selling point for our community. Wahoo is filled with caring, hardworking, genuine people of outstanding integrity and values. This was never more evident than on November 18, 2016 when our 138 year old historic bank building experienced a devastating fire that resulted in the complete loss of the building. Literally hundreds of people reached out to our bank with tangible and intangible acts of help, assistance, service, love and support.

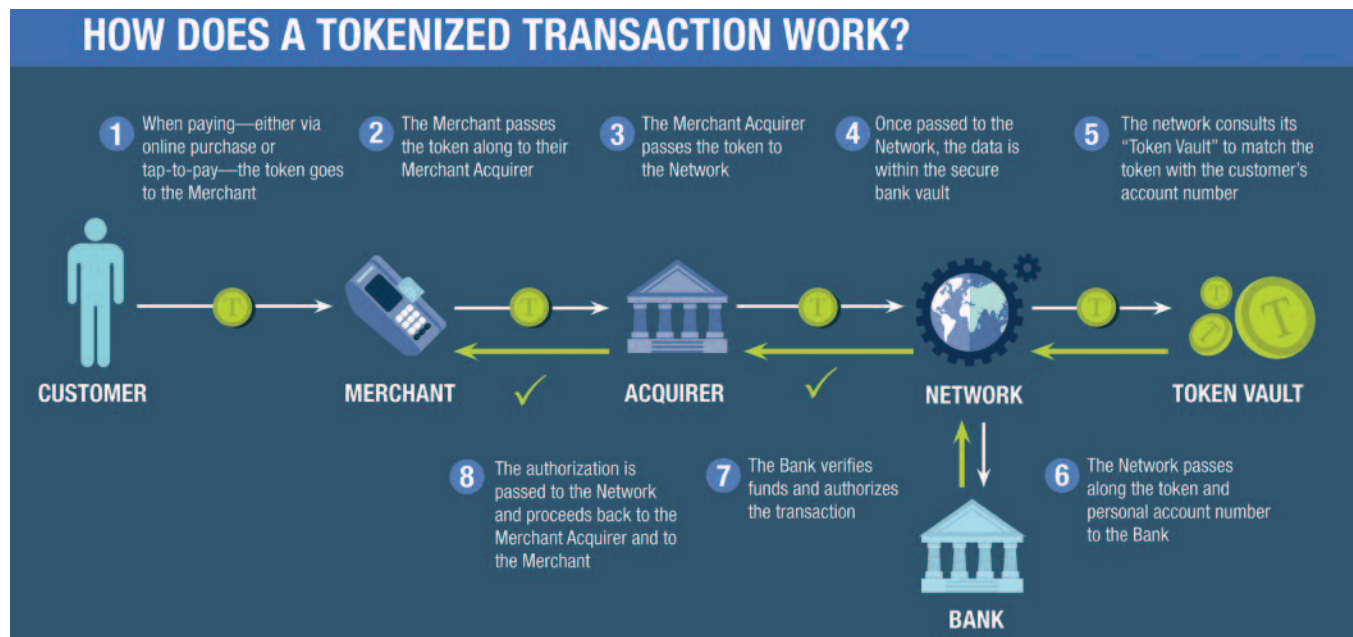
What do you like best about being a community banker at Wahoo State Bank?

We play a key role by serving as an economic engine and thereby impacting our community and the lives of the people we serve. As key stakeholders, we are truly invested in our community and committed to helping Wahoo and the surrounding area grow, prosper and thrive.

Apple Pay and Samsung Pay are coming to UBB!

By now there is a good chance that you've heard of the new payment process term, Tokenization. Tokenization is the process of taking the card's primary account number (PAN) and replacing it with a different value to create a more secure payment channel. Since the actual account number is not stored anywhere, only the Token, it provides better security. While this process will make it easier for merchants to validate transactions, it does not eliminate Payment Card Industry Data Security Standard (PCI DSS) compliance. Understanding how it fits into the payments world can be confusing, especially considering the various technical terms.

Below is a depiction of how the Tokenization process works.



<http://www.paymentscardsandmobile.com/payment-card-tokenization>

As people transition to more electronic forms of payment, it is expected that the use of cash will decrease from 67 percent to 56 percent of transactions by 2020. Market research firm, eMarketer, expects digital payments to skyrocket from about \$9 billion in 2015 to \$210.5 billion by 2019. With these trends emerging and on the rise so quickly, it only makes sense to start looking ahead to be prepared for all of these technological changes and understand how they will affect the payment industry and more importantly community banks.

UBB will be rolling out Tokenization to its customers along with the launch of Apple Pay and Samsung Pay. Apple Pay can be used on an iPhone or Apple Watch and can only be used with Near Field Communication (NFC) terminals. Samsung Pay can be used with new higher-end Samsung phones and works with both NFC and Magnetic Secure Transmission (MST), making it

accepted at more terminals. These digital wallets* provide several ways to pay for goods and services while maintaining a higher level of security. While the roll-out for Tokenization will take some time, we're excited to offer our customers a much broader product offering. This is just one of many steps the Bank Card Services Department is taking to better serve the needs of our community bank customers.

Watch for more details as we get closer to a live date for Tokenization. In the meantime, UBB will continue to develop and grow our Bank Card product line to help our agent banks be successful.

*A digital wallet refers to electronic devices and programs used for making payments for purchases digitally, without presenting a physical credit card, debit card, or cash. The term digital wallet may refer to both an electronic device that stores payment information (such as a smartphone) and the program or app used to make the payment (such as Apple Pay, Google Wallet, Samsung Pay, or PayPal).



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Strengthening Your Community and Your Bottom Line

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- ✓ **Safe** - 100% of principal and interest are insured
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 - **Participating Bank** - generate interest income
 - **Referral Partner** - generate referral fee income

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