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Financial Managers

update

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Liquidity risk management

Heightened scrutiny by examiners continues

Liquidity risk management is getting heightened scrutiny from examiners, due to concerns over the impact of market volatility and a fragile economy. The FDIC recently issued guidance warning financial institutions that they must effectively measure liquidity risks and have contingency funding plans in place for the current volatile environment.

Examiners are evaluating the ability of institutions to maintain access to funds and to liquidate assets in a "reasonable and cost-efficient manner."

The FDIC cautioned that many institutions have underestimated the difficulty of obtaining or retaining funding sources. Other regulators, including the OCC, OTS, and NCUA, are also closely monitoring liquidity concerns.

Brokered deposits

In its guidance, the FDIC instructed institutions to be particularly wary of risks related to brokered deposits and high-rate deposits. The guidance restricts the use of brokered deposits for some insured institutions, no doubt reacting to the high concentration of brokered funds in recent bank failures.

Mike Guglielmo, managing director, Darling Consulting Group, Newburyport, Mass., said that the portion of the FDIC's policy that addresses brokered deposits, much of which has already been in effect, is probably intended as a strong reminder to institutions that are bordering on "less than well capitalized" levels.

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Fannie, Freddie rescue

U.S. government seizes control to bolster GSEs

In a dramatic rescue move, the U.S. government at press time seized control of Fannie Mae and Freddie Mac, the nation's two giant mortgage-funding companies, in an effort to stabilize the deteriorating U.S. housing market.

The two companies, which together hold $5.4 trillion of guaranteed mortgage-backed securities and debt outstanding, provide mortgage funding for around three-quarters of new home mortgages in the nation.

Treasury secretary Henry Paulson, Jr., who engineered the plan, announced that the two companies were being placed under a government conservatorship, giving control of management to the Federal Housing Finance Agency (FHFA), the regulator of the two GSEs.

Such conservatorship is a statutory process designed to stabilize the troubled entities with the objective of returning them to normal business operations, officials explained.

The rescue package represents a massive federal intervention and could become one of the most costly financial bailouts in U.S. history.

A previous estimate by the Congressional Budget Office suggested that a federal rescue could cost taxpayers as much as $25 billion, while other observers suggested that in a worse-case scenario, it could total $100 billion.

"In the end, the ultimate cost to the taxpayer will depend on the business results of the GSEs going forward," Paulson said. He noted that prior to launching the plan, the Treasury consulted with Fed chairman Bernanke, in addition to other key government players.

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One man's ruminations

Community institutions: the next generation

Steve Williams, of Cornerstone Advisors in Scottsdale, Arizona, is one of my favorite commentators on financial institutions…especially community institutions.

He and others at Cornerstone publish a weekly e-mail newsletter called "Gonzo Banker," a "collection of observations, ruminations, predictions and random thoughts." If you've never seen it, I recommend you go to their website and subscribe. It's free, and the articles are always informative, slightly irreverent, usually provocative, and frequently humorous.

I found Steve's August 29 article, "Community Banks: The Next Generation," especially interesting and wondered how our members might react. So, I'm hoping many of you will take a look at it and share your reactions with me. The article is in the Industry News Archive of our web site under September 2 (www.fmsinc.org). I'm at dyingst@fmsinc.org.

Steve's article is a follow-up to one he published in June entitled "Surviving the Dark Ages of Banking"…also in our Archive, under July 2. In that piece, he lamented the current state of the industry, and castigated us a bit for being asleep at the wheel. He does, however, offer some "rules to live by" to get through the trough, which are certainly worth a look.

Stale assumptions

In this latest article, he claims that traditional community banks, and to a certain extent credit unions, are faced with an emerging identity crisis. He argues that our age-old strategic playbook has gone stale…very stale.

Steve views the traditional community bank business model and strategic identity, built on dated assumptions, as crumbling and causing "tons of grief." Those assumptions:

- "We are at the center of our town's business community"
- "Our conservative local lending knowledge allows us to maintain superior credit quality"
- "We differentiate through our personal service that the big guys can't match"
- "We don't compete on price so we generate strong loan yields and low funding costs from our core deposits"
- "We attract experienced talent who don't like the headaches at large banks"
- "We're not efficient like the big guys, but we watch expenses closely"
- "We will build this baby up and then flip it for a nice 'three times book' liquidity event"

Steve debunks each of these assumptions, and addresses why he believes each has to be discarded. His perspectives deserve your review and thought.

New imperatives

Unlike many pundits, however, who predict community institutions will go extinct, he does not. He believes that community banking will adapt, but not with same stale strategic playbook.

He posits that the next generation of community banks must be driven by a new model, and offers several imperatives that he views as major components of that model:

- Deep industry knowledge and niches—getting excited about supporting real businesses and finding niches and perhaps specializing in certain industries
- Loans and business services—the next generation players will have to have a more balanced focus on loans, deposits and fee based services
- Technology and process 'in the cloud"—becoming more adept at virtual banking...tapping into Web-based systems and processes provided by third parties that can match the capabilities of the big players
- Industry collaboration to drive efficiency—collaborating more on how to deliver services and share resources with other community institutions…staying independent, but sharing common I.T. operations, delivery and risk management resources
- Training on steroids—with a likely shortage of experienced talent, significant credit, wealth management, payments, operations, and technology training will be a must
- Strategic liquidity events—when building up and selling the next wave of community banks, the big multiples are likely to go to the more creative niche players

Williams obviously believes going forward that the game will be markedly different, and only those that draft a new strategic identity and vision will prosper.

Please, take a look at his two pieces and let me know your reactions…are his ruminations old news? Are his criticisms unfair? Are his "imperatives" unrealistic? Unnecessary? Sophomoric? Let me know and we'll summarize your reactions in a future article.

Dick Yingst
President/CEO

Financial Managers update

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Fair value confusion

Auditor cites current FAS 157 implementation challenges

The application of fair value accounting principles under FAS 157 is currently causing some perplexing challenges and confusion for community institutions, an auditing specialist warns.

One development complicating the situation is that while recent accounting regulations have emphasized the importance of consistency in reporting, some audit firms seem to be interpreting the rules more aggressively than others.

Dan Trigg, national financial institutions practice leader at McGladrey & Pullen, LLP, Schaumburg, Ill., says that two key issues, affecting different institutions in varying degrees, involve the interpretation and application of impairment on investment securities, and also the application of FAS 157 to collateralized debt obligations (CDOs).

Impairment issues

The larger issue, affecting a wider number of institutions, involves the application of fair value accounting to other-than-temporary impairment (OTTI) on investment securities. A significant amount of confusion has arisen over how such impairment should be calculated, Trigg said.

"OTTI is the big deal right now," Trigg said. "It seems that several of the accounting firms are taking a hard stand (regarding OTTI) on the perpetual preferred (stock) issued by the GSEs—Fannie and Freddie."

The values of the GSE preferred stock have been down for some time, he said. "The question on perpetual preferred stock is: to determine OTTI, when will that stock value come back to what the original cost was?"

Significantly, many institutions are wrestling with the issue, which is addressed in FASB Staff Position No. 115-1, he said. "Here's my point: OTTI is a fact-and-circumstance-driven judgment area—there are no bright lines out there for determining yes or no."

Thus, an institution must make a judgment, and auditors ought to understand what that process is, he said.

"Objective documentation is absolutely critical," he added. "Institutions need to have a process in place and document their position as to why OTTI should be recognized or not."

However, frequently institutions aren't looking to take losses as OTTI charges, because they firmly believe the market will come back, he said. "What they're not thinking about is the duration period, and whether some of their actual principal value has been impaired."

The larger issue, affecting a wider number of institutions, involves the application of fair value accounting to other-than-temporary impairment on investment securities.

Dan Trigg, National Financial Institutions Practice Leader
McGladrey & Pullen, LLP
Schaumburg, Ill.

But audit firms may see things differently.

"I know of at least one Big Four firm that basically drew a bright line in the sand and said, if your value has dropped 35% and has been outstanding in a loss position more than six months, you have OTTI," he said. "Well, that doesn't seem to fit the spirit of GAAP accounting, in my mind."

A second major accounting challenge involves figuring the fair value of CDOs whose underlying assets are trust-preferred securities issued by mid-tier banks that are still performing, Trigg said. "That is very inconsistent across the accounting firms, very inconsistent across the banking arena."

Significantly, a number of community institutions with weak loan demand have gotten involved with CDOs in pursuit of increased yields, and more community institutions are involved with CDOs than generally believed, Trigg said. "That surprised me."

He said he knows of at least five community institutions with assets of $600 million to $1.1 billion that have such CDOs in their portfolios.

"They made an investment decision that these CDOs had an increased yield that could improve the investment portfolio," he explained. "And when they looked at the underlying assets and saw that they were trust-preferred securities by well-run, mid-market banks, they decided to take that risk."

Cash flows

In these particular instances, both the CDO cash flows and interest rates are performing well, he said. "The cash flows of those CDOs indicate that there are no impairment issues."

But here's the problem. The market value, if you apply FAS 157, gives a different answer than if you apply EITF 99-20. Thus, bankers are basically saying: "auditors are making me take write-downs, but I think I have a basis to say that I don't have a write-down," Trigg said.

Unfortunately, although the CDOs in question appear to be in reasonably decent shape and are performing well, the institutions holding them must face the reality of the current marketplace—they are getting significantly less on the dollar than one might think, and less than desired.

Trigg explained that FAS 157 basically says you must use a principal market convention, and this has unfortunate consequences for the current market.

"Everybody has a self-fulfilling prophecy that says—hey, if the principal market and market value says you have 60 cents on the dollar, then that's what you write down to," he said. FMU

Fannie, Freddie rescue

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As part of the wide-ranging rescue plan:

- The two GSEs have been placed into conservatorship.
- New CEOs, supported by non-executive chairmen, have taken over management of the entities.
- Treasury and the FHFA have established contractual preferred stock purchase agreements between the Treasury and the conserved GSEs.
- Treasury is establishing a new secured lending credit facility that will be available to Fannie, Freddie and the Federal Home Loan Banks, serving as an "ultimate liquidity backstop."
- Treasury is initiating a temporary program to purchase GSE mortgage-backed securities to further support the current availability of mortgage financing.

Systemic risk

Paulson said that the program being undertaken is the best means of protecting financial markets and taxpayers from systemic risk posed by the current financial condition of the GSEs. He emphasized that the bailout is absolutely necessary.

"Fannie Mae and Freddie Mac are so large and so interwoven in our financial system that a failure of either of them would cause great turmoil in our financial markets here at home and around the globe," he said.

He explained that the continuing housing crisis also poses the biggest current risk to the U.S. economy. "Our economy and our markets will not recover until the bulk of this housing correction is behind us," he said.

Now that the bailout is underway, the primary mission of Fannie and Freddie will be to proactively work to increase the availability of mortgage finance, which includes examining the guaranty fee structure with an eye toward mortgage affordability, he said. "Because the GSEs are in conservatorship, they will no longer be managed with a strategy to maximize common shareholder returns, a strategy which historically encouraged risk-taking."

Significantly, however, Paulson noted that the conservatorship status does not eliminate the outstanding preferred stock held by financial institutions—it places preferred shareholders in second position, after the common stock shareholders, in absorbing losses.

In responding to the bailout, the Fed, FDIC, OCC and OTS said jointly that they have been assessing the common and preferred stock exposures of banks and thrifts to Fannie and Freddie. "The agencies believe that, while many institutions hold common or preferred shares of these two GSEs, only a limited number of smaller institutions have holdings that are significant compared to their capital," they said.

"Our economy and our markets will not recover until the bulk of this housing correction is behind us."

Henry Paulson, Jr., Treasury Secretary
Treasury Department
Washington, D.C.

Depository institutions are encouraged to contact their primary federal regulator, if they believe losses on holdings of Fannie or Freddie common or preferred shares—whether realized or unrealized—are likely to reduce their regulatory capital below the "well-capitalized" level, Paulson said.

The banking regulatory agencies said they are prepared to work with these institutions to develop capital-restoration plans pursuant to regulations concerning capital and prompt corrective action. "All institutions are reminded that investments in preferred stock and common stock with readily determinable fair value should be reported as available-for-sale equity security holdings, and that any net unrealized losses on these securities are deducted from regulatory capital," the regulators said.

Significantly, the impact of the GSEs' bailout could affect community institutions around the U.S. in both direct and indirect ways. Just days before the Treasury launched its rescue steps, a prominent industry strategist offered perspective on various possible impacts.

"Fannie and Freddie are absolutely mission-critical to mortgage home ownership in America," said Roy Hingston, portfolio strategist, Shay Financial, Miami, Fla. "They cannot be allowed to fail—that is not a question."

Hingston said (prior to the bailout) that many Americans and a lot of international people have been concerned about the strength of the U.S. banking industry in general, including some of the largest and most well known institutions—not just Fannie and Freddie. He cited Citibank, Bear Stearns, and Merrill Lynch as examples.

Common stock

He also pointed out that community institutions which invested heavily in common stock of the GSEs must face the dilemma that the stock has fallen to about $3 or $4 from about $50 to $60.

"It's been devastating," he said. "It's not enough of an investment that it would bring down the institution if Fannie or Freddie stock failed—nobody is over-invested in Fannie or Freddie." But there have been some people who had big common stock investments in Fannie and Freddie that have watched them erode, he said.

However, the challenges involving community institutions with GSE preferred stock are different. Hingston estimated that more than half his clients have exposure to either Fannie or Freddie preferred. "And those (stocks) have fallen precipitously (before the bailout), because while they are preferred stock, they are not that much above common in the liquidation situation," he said.

He pointed out, for example, that since Fannie's preferred stock came out at $25 per share, it dropped as low as $10, before recovering slightly. "The problem," he said, "is that's like a 50% decline—which leads to the question that the accountants want to ask: is it impaired?"

And the price for the preferred stock (prior to the bailout), trading at about 50 cents on the dollar, was saying that the market was ambivalent as to whether the stock may or may not be safe, he said. "They know it will either go to zero, or

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"It's not the brokered deposits that put the banks under—it's what they're supporting with the brokered deposits," Guglielmo explained.

He noted that in some respects the FDIC's regulatory enforcement has recently toughened, however. Over the past year, the FDIC appears to have tightened its stance based upon the significant amount of denied requests for waivers.

Guglielmo said that in previous years, if an institution dropped below the "well-capitalized" threshold and requested a waiver, this would often be granted provided the institution had a well defined plan and process in place. However, on a percentage basis, the number of approved waivers this year is significantly less than in years past, indicating either a toughening stance on enforcement, or perhaps the failure of institutions to articulate an effective funding plan.

Liquidity pool

"Look, the game's different—the ability to access funds easily through various alternatives has changed," he said. "The whole liquidity pool has shrunk, due to tightening standards and supply-demand factors."

The overall liquidity situation has become more serious over the past year, due to the credit crunch weighing down on institutions, he added. "Credit is clearly the number-one focus of examiners—but a close second cousin is liquidity."

He explained that large industry players are now hoarding liquidity, thus putting pressure on prices and also on the smaller institutions in terms of the liquidity avenues available to them.

"You've got a number of the big players who are also concerned about the stability of their funding sources and the safety of their principal—right now, cash is king," Guglielmo said.

Many institutions also are being challenged by Federal Home Loan Banks, as some have been tightening standards, increasing haircuts, and widening spreads. While much of the trend involving tightened liquidity is due to the big players' issues, it generally is affecting everyone, he said.

"They (FHLBs) want to ensure they are managing in a safe and sound fashion as well, and are therefore being cautious to make sure they are lending to stronger banks and that banks can afford the borrowings," he said.

Also, due to the current housing crisis in the U.S., market values of some underlying securities that banks were using as collateral with the FHLBs have declined, causing in some cases margin calls and reduced borrowing limits, he explained.

"The key issue is to make sure you understand your liquidity needs, your liquidity sources, and how they can be affected by various factors."

Mike Guglielmo, Managing Director
Darling Consulting Group
Newburyport, Mass.

To be sure, regulators have pointed out that the challenge of managing liquidity risks has become increasingly complex for community institutions in recent years, due to significant changes in the capital markets, consumer behaviors, and international market factors.

Most banks, thrifts and credit unions regularly use wholesale funding sources and off-balance sheet sources of liquidity, and nearly all have had to adjust to a decline in core deposit growth.

Significantly, in its guidance, the FDIC also placed some restrictions on high-rate deposits. Institutions that are "less than well capitalized" are precluded from offering deposit interest rates that are significantly higher than the prevailing rates in an institution's normal market area or the national rate.

Institutions that use volatile, credit sensitive, or concentrated funding sources are generally expected to hold capital above regulatory minimum levels to compensate for the elevated levels of liquidity risk present in their operations, the FDIC said.

Individuals responsible for managing an institution's liquidity should be familiar with all aspects of such restrictions and limitations set forth in FDIC regulations, the agency said.

Further, the guidance said that institutions must have contingency funding plans that outline practical and realistic funding alternatives which can be implemented as access to funding is reduced. The plans must include provisions for diversification of funding and capital-raising initiatives, and incorporate events that could rapidly affect an institution's liquidity.

It pointed out that funding decisions can be influenced by unplanned events, such as: the inability to fund asset growth; difficulty renewing or replacing funding as it matures; the exercise of options by customers to withdraw deposits or to draw down lines of credit; legal or operational risks; the demise of a business line; and market disruptions.

"The key issue is to make sure you understand your liquidity needs, your liquidity sources, and how they can be affected by various factors," Guglielmo said.

Ensuring effectiveness

He said it's prudent for institutions to evaluate the effectiveness of their liquidity risk management process. The ALCO should ensure that it has adequately determined:

- The amount of operational, reserve, and contingency liquidity that is available
- The accessibility of that liquidity and its relative cost
- The change in the need for liquidity and cash availability, in the event that economic or market conditions change
- The type of crisis or events that could affect operational needs
- Actions that would be taken during a liquidity crisis, and whether there is a sufficient early-warning system
- The adequacy of current controls and processes to ensure

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Regulatory and Accounting Checklist

*These proposals may be accessed through the FMS Web site at **www.fmsinc.org.** Go to the Members Only section and follow the Regulations/Proposals link for direct access to the following documents.*

Reducing Complexity in Reporting Financial Instruments **Comments due**: Sept. 19, 2008	**IASB:** The International Accounting Standards Board recently issued a discussion paper on reducing complexity in reporting financial instruments. The paper is designed to gather information to assist accounting policy-makers in deciding how to proceed in developing new standards that are principle-based and less complex than today's requirements.
Prompt Corrective Action **Comments due**: Sept. 29, 2008	**NCUA:** The NCUA has proposed a rule implementing a statutory amendment to the definition of "net worth" concerning how it applies solely to NCUA's system of regulatory capital standards, known as "prompt corrective action."
Basel II, Standardized Approach **Comments due**: Oct. 27, 2008	**FDIC/Fed/OCC/OTS**: The banking agencies issued an interagency proposal for a standardized framework under Basel II that would be an option for the majority of institutions. The proposal takes a risk-based approach and includes more risk buckets, but it also requires a capital charge for operational risk.
Earnings per Share **Comments due**: Dec. 5, 2008	**FASB:** The FASB issued a revised exposure draft proposal, *Earnings per Share*, which would amend FAS 128. The proposed statement seeks to improve financial reporting by clarifying and simplifying the method of calculating earnings per share, while promoting international convergence of accounting standards.
Truth in Lending **Final rule.** No comments necessary	**Fed:** The Fed issued a final rule amending Regulation Z, which implements the Truth in Lending Act and Home Ownership and Equity Protection Act. The changes are designed to protect consumers from unfair or deceptive lending, and to provide them with transaction-specific disclosures, among other things.
Home Mortgage Disclosure **Comments closed**: Aug. 29, 2008	**Fed:** The Fed proposes to amend Regulation C, Home Mortgage Disclosure, in order to revise the rules for reporting price information on higher-priced loans. The definition for higher-priced loans would conform to the Truth in Lending rule.
Member Business Loans **Comments closed:** Aug. 25, 2008	**NCUA:** The NCUA has issued an advance proposal of proposed rulemaking concerning member business loans. It is considering revising provisions related to loan-to-value ratio requirements, collateral and security requirements, and other issues.
Risk-based Pricing Notices **Comments closed**: Aug. 18, 2008	**Fed/FTC:** The Federal Reserve and FTC proposed rules that would implement the risk-based pricing provisions in section 311 of the Fair and Accurate Credit Transactions Act of 2003. Under the proposal, a creditor would be required to provide a risk-based pricing notice to a consumer who has been given materially less favorable credit terms, based on a credit report.
Underserved Areas **Comments closed**: Aug. 18, 2008	**NCUA:** The NCUA issued a proposal to change the existing process of approving multiple group credit unions' service to underserved areas under the *Chartering and Field of Membership Manual* for federal credit unions
Disclosure of Loss Contingencies **Comments closed**: Aug. 8, 2008	**FASB:** The FASB issued an exposure draft proposal concerning disclosure of certain loss contingencies, which amends FAS 5, *Accounting for Contingencies*, and FAS 141-R, *Business Combinations*. The disclosures required by the proposal would be effective for annual financial statements for fiscal years ending after Dec. 15, 2008.

Liquidity risk management

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that action plans are successfully implemented.

Guglielmo said that many community institutions are unprepared for closely adhering to the FDIC's liquidity risk management guidelines.

"A lot of banks don't have the sufficient diversification of funding sources," he said. "Right now, I think they're kind of waking up with a hangover."

Such institutions may have relied traditionally on one or two alternatives for obtaining liquidity. For example, some community institutions don't utilize the repo market or Federal Home Loan Bank advances for funding, he said. "So as a result, they are not as well equipped as others who have more diversified funding sources."

"There are a number of institutions that really don't know how much liquidity they have available to them—so a lot of them don't realize they have a problem until late in the game," he added.

He suggested six steps that institutions should take to strengthen the liquidity risk-management process: determine how much liquidity you have; estimate how much you need; establish an early warning system; stress-test funding needs and availability; outline management's response for liquidity events; and document your process and periodically test liquidity sources.

"Surprisingly, a lot of community institutions have not thought through this exercise," he said.

Also, institutions must recognize that when they need liquidity the most is precisely the time when it's most difficult to obtain. So it's imperative to develop an effective liquidity contingency crisis plan.

"A lot of banks are under-prepared," Guglielmo said.

Interested FMS members may review the guidance on liquidity risk management in the FDIC section of the News Archive on the FMS Web site at www.fmsinc.org. FMU

Fannie, Freddie rescue

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it will go back to $25—but they don't know which."

"Banking is a business of confidence—people have to be confident that their money is safe, or they'll move it," he said.

Paulson said that in coming months the two GSEs will modestly increase their MBS portfolios through the end of 2009 in order to promote stability in the secondary mortgage market and lower the cost of funding. Then, in 2010, their portfolios will begin to be reduced gradually at the rate of 10% per year, largely through natural run-off, as a way to address the problem of systemic risk.

Looking to the future, he said that since the GSEs are chartered by Congress, only that body can address certain issues. "The new Congress and the next administration must decide what role government in general, and these entities in particular, should play in the housing market," he said.

There is a consensus today that the GSEs pose a systemic risk, and they cannot continue in their current form, he said. "Government support needs to be either explicit or non-existent, and structured to resolve the conflict between public and private purposes."

Interested FMS members may review details on the bailout package in the banking industry trends/issues section of the News Archive on the FMS Web site at www.fmsinc.org. FMU

Competitive strategy

Shifting to organic growth from branch expansion

A recent FMS White Paper explains how community banks, thrifts and credit unions can successfully integrate and execute an organic growth strategy, which can help shore up the institution's position, supporting long-term viability and sustained growth.

The paper, "Strategy for today's competitive marketplace," points out that merger and acquisition activity within the financial services industry has slowed to a crawl in 2008. Despite this trend, many banking executives often make the mistake of seeing mergers, acquisitions or de novo branching as the most probable means to grow their businesses.

Fortunately, however, current marketplace realities also have prompted other institutions to take a different approach by shifting their attention to organic growth opportunities. "As margins are squeezed and spending is more carefully regulated, organic growth has become the most viable option for those who simply cannot afford a costly expansionary strategy," the paper says.

The report, authored by Brady Walen, director of marketing, Market Insights, Chicago, Ill., explains that before an institution can hope to deepen relationships with current customers and build loyalty, it must first thoroughly understand its current customer base.

Collecting and using customer data thus becomes a critical element to understanding customers, deepening relationships and increasing share of wallet. The goal is to identify trends among the most attractive or profitable segments.

"Effective organic growth strategies require this level of deep understanding, as each customer does not present the same level of opportunity," the paper says.

Interested FMS members may review the White Paper by accessing the Members Only section of the FMS Web site at www.fmsinc.org. Or, members may call Aletha Galloway at 312-578-1300 to request a copy. FMU

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FMS Calendar

Webinars

Sept. 25	Pricing Loans & Deposits for Growth
Oct. 7	How to Apply Investment Basics in the Current Crisis Market
Oct. 8	Commercial Real Estate (CRE) Stress Testing
Oct. 9	Internal Fraud and Embezzlement: Lessons from the Trenches
Oct. 20	Loan Impairment
Oct. 22	Commercial Mortgage Backed Securities: An Emerging Asset Class for Community Banks

Workshops

San Antonio, TX

Oct. 20-21	Best Practices in SOX & FDICIA
Oct. 22-23	The CFO Exchange

Atlanta, GA

Nov. 17-18	Leveraging Your ALM Modeling Process
Nov. 19-20	Risk/Return Management Basics

Boston, MA

Dec. 8-9	The Building Blocks of ALM for Credit Unions
Dec. 9-10	SEC Reporting & Update
Dec. 10-11	Strategies for Growing Core Deposits

For more information, visit www.fmsinc.org/education.

Webinar

Commercial Mortgage Backed Securities:

An Emerging Asset Class for Community Banks

October 22, 2008
2:00 p.m. EDT, 1:00 p.m. CDT, 12:00 p.m. MDT, 11:00 a.m. PDT

Despite the recent turmoil in the credit markets, the outlook for commercial mortgage backed securities (CMBS) is still positive.

As with any security, there are risks and rewards to weigh and community banks have only recently begun to consider AAA-rated CMBS classes due to the yield and convexity advantages this asset class offers. This convenient webinar will help you:

- Examine the history of the CMBS market from a structural and credit perspective
- Discuss both the risks and rewards of CMBS
- Walk through evaluations of specific CMBS bonds to determine how CMBS can help manage the portfolio duration and convexity

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