

A Light at the End of the Tunnel

There is an ancient Chinese curse which reads “may you live in interesting times.” While some may say that this saying sounds exciting and adventurous, apparently the ancient Chinese civilizations did not aspire to such a lifestyle. What does this have to do with banking and money? Well, many financial market pundits have used this “curse” to describe the financial markets over the past 18 months. From the rescue of Bear Sterns in March of 2008 to the recapitalization of FNMA and FHLMC, the two largest housing market participants in our country, to the government participation and some would call the nationalization of such major US companies as General Motors and AIG these interesting times have morphed into difficult times for our country and for economies worldwide.

These difficult times have never been more evident than in the banking industry. During 2008 there were 25 bank failures including the likes of IndyMac Bank and Washington Mutual, two of the largest mortgage originators in our country. In addition, another 94 banks have failed during 2009 through September 18th including the first failure in the state of Nebraska since 1990, Sherman County Bank in Loup City back in March. In addition, as of the end of the second quarter there were another 416 banks listed on the FDIC’s Problem Bank List.

The aforementioned bank failures have in turn required the banking industry to recapitalize the FDIC Insurance Fund, the fund that protects depositors from losses in the case of a bank failure. We as bankers understand the importance of maintaining a strong Insurance Fund in an effort to maintain the confidence of our depositors and are committed to maintaining its solvency and strength through payment of these premiums by banks and not by any kind of taxpayer bailout.

My concern in this regard is that there is this huge transfer of revenue and wealth out of this nation’s heartland as community banks and bankers that for the most part did not participate in the products and services that were the root cause of this economic downturn and the corresponding bank failures, are now being penalized financially in the form of additional FDIC insurance premiums. I’ve never been about pointing fingers, but the reality is that this, in turn, robs our banks and our communities of resources that might have otherwise been available for lending activities, economic development and to drill down even further, the donations to local causes in communities throughout the Midwest. For Cattle Bank the incremental FDIC Insurance Premium year-over-year is over \$150,000 for the first nine months of the year, a thirteen-fold increase from a year ago.

One thing is for certain through all of this, and that is, there are better times ahead of us and the light at the end of the tunnel has begun to appear. Certainly, there are many economic indications that point towards an economic recovery. In the meantime we will continue to do what is right by our customers and communities that we serve, while weathering the current economic storm.

On a personal note in late August I celebrated my 20th year at the bank and I just want to publicly thank the Cattle family, my family, my co-workers, customers, friends and the community of Seward for a memorable 20 years. It’s never been about me, but rather about serving you. Thank You.

