

Sheshunoff™

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Dear *Self-Paced Bank Investment Training* Subscriber,

This update of *Self-Paced Bank Investment Training* provides training on two timely and important investment issues. The first issue is the opportunity to satisfy bond issue needs for municipalities under the American Recovery and Reinvestment Tax Act of 2009. The tax advantages afforded community banks under the act could lead to significant earnings potential. The second issue relates to the concern over determining market values for investments and other bank assets and liabilities where there are no observable market prices. In the current recessionary period, the methods discussed in this new chapter can provide investment managers with a set of tools to satisfy both regulatory and GAAP requirements. Each of these issues is discussed in more detail below.

- **New Chapter 6A, Lending to Municipalities.** President Barack Obama signed the \$787 billion American Recovery and Reinvestment Tax Act of 2009 on February 17, 2009. This legislation has a profound impact upon community banks, governments, and taxpayers. In this chapter, we delve into the act's influence on municipal bonds and how investment managers can realize a significant opportunity during 2009 and 2010. Effective immediately, banks can invest up to two percent of their total assets in general market municipals and have this investment treated as if it were a bank-qualified municipal loan. Then, with no ceiling on the amount that can be invested, the Act raises the ceiling on bank-qualified municipal debt from \$10 million to \$30 million. This chapter provides details on how an institution's investment manager and lenders can work together to take advantage of these opportunities.
- **New Chapter 14, Valuing Investments Using Economic Value Simulation and Value at Risk,** focuses on "market value" or "economic value" sensitivity simulation tools, as well as value at risk so investment managers can model the impact of future rate changes on investment values and meet FAS 157 GAAP rules. These tools are particularly important during severe economic downturns when actual price quotes for investments are not necessarily representative of market values.

We appreciate the opportunity to serve your information needs and hope you continue to find this material helpful. Integrating the enclosed materials into your binder will ensure that *Self-Paced Bank Investment Training* remains the definitive source on which to rely for guidance regarding investments for banks. If you have questions or would like information on an additional Sheshunoff product, please call client services at 1-800-456-2340, or visit our Web site at www.sheshunoff.com.

Please use the following instructions to update your manual.

Sincerely,

Linda Ofshe
Editor