

MEMORANDUM

To: Subscribers to *Board of Directors Compliance Manual for Community Banks*

From: Ed Pace, Senior Vice President, Sheshunoff Information Services, Inc.

Subject: Highlights

CONTACT THE AUTHOR

Your author invites a two-way dialogue with subscribers. His email address is eepace@gmail.com. Please include a telephone number in your email. If you have subscription problems or would like information on another Sheshunoff product, please call client services at 1-800-456-2340. We also invite you to visit our website at www.sheshunoff.com.

THIS QUARTER'S SUPPORT PAPERS AND NEWSLETTERS

Support papers and newsletters are independent of your manuals and should be filed separately. We are sending you six independent papers this quarter:

- **White Paper: CRE Risk Management.** Most of this white paper was taken from a guidance letter from one of the bank regulatory agencies. We took their guidance paper, made changes so that it was easier to read, and published it as a white paper. If this is the first time you have seen this material you will find it quite illuminating.
- **White Paper: Conducting Fraud Investigations.** All banks occasionally face a need for an internal fraud or theft investigation. When faced with this situation the job absolutely must be done correctly. In this white paper we tell you how to conduct, manage, and control internal investigations.
- **HR Management Newsletter.** This is a semi-annual newsletter that reports on recent issues and happenings that relate to human resources management.
- **Legal and Regulatory Compliance Newsletter.** This is a recurring newsletter that reports on compliance and regulatory matters that cross our desks between updates.
- **Court Cases Newsletter.** This is also a recurring newsletter. It is based on bank court cases that were reported in the literature in the recent past.
- **Recommended Board Activities, Fourth Quarter 2008.** To help you comply with regulatory requirements we send you each quarter recommended agenda topics; then we place supporting papers on the CD. Here is a listing of this quarter's support papers on the CD:
 - Annual Review of Correspondent Banks
 - Strategic Planning Guidance
 - Financial Planning Guidance

THIS QUARTER'S MANUAL CHANGES

- **Interest Rate Futures and Historical Interest Rates.** This quarter we added to Chapter 8 a section on how to predict short term interest rates. We also added a section on historical interest rates.
- **Identity Theft and Pretext Calling.** This quarter we revised Chapter 15B. We made minor changes in the chapter, but mainly we added two exhibits. Exhibit 15B.1 is a 15-page paper on identity theft and pretext calling. Exhibit 15B.2 is a model ID Theft affidavit form. This affidavit should be executed each time a customer alleges ID theft. The form includes instructions for using it.
- **Model Loan Policies.** In Chapter 16C we added a model policy statement on ACH risk management.
- **Strategic Planning.** To help you with this year's strategic planning we reviewed two chapters.
 - First we reviewed Chapter 18 and decided it did not need changes. Please be aware that this is the place to start when developing a new (or revised) strategic plan.
 - Then we revised our model strategic plan (see revised Chapter 19). We suggest a bank officer use a computer to copy this chapter; then save it using a new name; and then continuously modify the sections and paragraphs of the model until the bank has a strategic plan. Done correctly, the first draft is a preliminary strategic plan, each new draft becomes an interim plan, and the final draft is a strategic plan for next year. There is no simpler way to write a community bank strategic plan.
- **Financial Planning.** This quarter we revised Chapter 20. This chapter explains how a bank goes about developing practical financial and capital plans. Whether your bank writes a strategic plan for next year or not, it most assuredly should prepare a financial plan and a budget that are practical and internally consistent.
- **Bank Performance Analysis.** In conjunction with our work on strategic and financial planning we also revised our chapter on how to analyze a bank's performance (see revised Chapter 22).

THE CD

We encourage you to copy the CD onto as many director-owned laptops as you can. Also, please feel free to copy then customize the files on the CD. The files are in Microsoft Word[®] format. Files on the CD include all of the manual's chapters as well as non manual papers organized as follows:

- Loan Management Papers (These papers significantly augment Chapter 16 of your manual.)
- White Papers (These papers cover a wide variety of topics with general interest to directors.)
- Board Support Papers (These papers are for the purpose of bringing board members up to speed on subjects that will be on the agenda for board meetings.)
- Newsletters (There are archived copies of three sets of newsletters: (1) A summary review of recent court cases, (2) A summary review of recent changes in legal and regulatory compliance requirements, and (3) HR Management news items and tips.)
- Strategic Planning Discussion Papers. (These papers cover topics that potentially have strategic significance to the board and to the bank.)
- Compliance Papers (This folder contains an extensive compliance library written in lay language. These papers contain detailed guidance on a wide variety of regulatory compliance topics. These papers significantly augment and extend your manual's Chapter 15.)

- Excel Files (This folder contains Excel formatted spreadsheets that work in conjunction with models that appear either in the manual or elsewhere on the CD.)