



BankNotes

First Quarter News

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It's a Digital World

By Jennifer Griffith

My daughter recently hit a relatively significant milestone. She's a driver. Fortunately, she's a pretty good driver. This new milestone not only provides her with some independence, but it's quite freeing for her parents too! I no longer have to leave

work in the middle of the day to take her to the dentist. When I forget an ingredient, she happily runs to the store. She can pretty much manage her own athletic schedules and run her brother around town when he needs something, too.

All this independence and helpfulness created another opportunity for us: the opportunity to introduce her to digital banking. She's 16 years old and finds cash bothersome. She wants a phone and car keys. So when she's at the dentist or local market, she needs payment solutions that extend beyond cash.

First Merchants has all the tools she'll ever need and



more. They are safe, effective and easy to use. My personal experience has prompted me to share my own Top 5 picks for great bank tools that make family finances easy!

1. Mobile App: The First Merchants Mobile app is easy to download on a phone or tablet and keeps

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bank account information at your fingertips. For the family, it's easy to stay connected with real time information about balances or recent activity and to make transfers if I'm in need of a helpful errand.

2. Five free foreign ATM withdrawals per month (First Merchants ATMs are unlimited), up to \$20 per statement cycle. If she needs cash, she can access cash anytime, anywhere!

3. People Pay: Send money or claim money on the go! Share a lunch bill or offer some gas money.

4. Mobile Wallet: Use your phone at any participating retailers, in stores, in apps and on the go! All transactions are monitored by our risk and fraud detection systems.

5. Debit Card & Gold Standard Rewards: Even though my kid isn't yet 18, she has the convenience and protection of Mastercard benefits on her First Merchants Debit Card and earns rewards points with every purchase. She'll be able to earn points towards great brand name merchandise, gift cards and more!

Wherever she's headed, I'm grateful she'll be able to take care of unexpected bumps. I'll teach her how to change a tire (something my mom required me to learn) and her new First Merchants banking tools will give her a variety of payment choices to get her through the day.

We've spent 25 years letting you know about the power of our commercial banking solutions. Here's a small reminder that consumer banking has come a long way in the digital world and our consumer solutions will meet all your needs and more! 🏠

Jennifer Griffith is the Ohio Regional President of First Merchants Bank. If you'd like to learn more about our consumer banking solutions, please feel free to contact her directly at 614.583.2050 or by email at jgriffith@firstmerchants.com.



Donald Trump May Upend Economic Forecasts

By Mike Hicks

The economic forecast

for 2017 is consistent with other forecasts that project growth in the 2.1 to 2.3 percent range.

Most states, including those in the Midwest, are expected to have similar growth prospects for the year. With labor markets at full employment and the whispers of inflation

potential emerging in the data, the Federal Reserve raised rates by 0.25% in December, and signaled two or three more increases for 2017.

With the beginning of a return to monetary normalcy, Donald Trump enters the Presidency. Thus, the most interesting considerations for 2017 lie not in the economic forecasts, but in a frank assessment of policy changes that might influence our economy in the coming years. I begin with monetary policy.

The Taylor Rule is a monetary policy equation that takes into account actual inflation, the real market interest rate, excess inflation and the output gap as a means for setting the optimal policy interest rate. With the U.S. labor markets at full employment, there is no significant output gap. With inflation beneath targets, what matters in this equation are inflation and the real market interest rate, and, as useful as the Taylor Rule is, there are thousands of measures of inflation and market interest rates from which to choose. However, they all suggest interest rates should rise, so it is fair to say that a slow increase in policy interest rates will continue through 2017.

The impact of the interest rates will likely be modest, and may even stimulate investment in the short-run as new home buyers scramble to access low mortgage rates. Still, nearly all borrowing rates are at record lows, and it is difficult to imagine that serious changes

to investment will result from a slight tightening of the money supply. A much more volatile impact in 2017 may accompany Mr. Trump's policy goals for the first 100 days. I focus on two broad effects in 2017: confidence and business costs.

Many of the policy changes Mr. Trump proposes cannot have a direct economic effect in the short-run. Policies ranging from a repeal of the Affordable Care Act to a large infrastructure spending plan will have economic consequences, but not in 2017. The replacement of Obamacare will require a year or two of implementation. And as we so painfully learned in



2009, there is a vast dearth of shovel-ready infrastructure projects, even if the federal transportation financing mechanisms could deliver money to states and municipalities in a year or less. So, these broad and important policies hold little short-term effect. However, the anticipation of impacts may lead to a boost in consumer and business confidence in the short-run. That is arguably the cause of the current stock market rally.

Still, two major policy options hold promise for an immediate impact. The first of these is a reduction in corporate taxes from the current 35% to 15%. This reduction would move the U.S.A. from the highest corporate tax rate in the developed world to below average.



If this is accompanied by a large return of corporate holdings to the U.S.A., it could boost both investment and tax revenues in the short run. Long-term impact is less certain.

A second short-run impact would be a suspension or repeal of waves of regulations that have stifled investment and hiring in the U.S.A. These range from vaguely bizarre rules such as special business accommodations for miniature horses as a service animals (see 28 CFR 35.136) to the vastly damaging Department of Labor overtime rules and literally tens of thousands of pages of EPA regulations on energy efficiency standards for such troublesome energy users as public urinals and commercial furnace fans (307 pages, not counting technical appendices).

Many of these regulations are based in a law, but constructed by a bureaucracy which can operate a great latitude in imposing costs. Others are crafted by executive actions, which can be immediately reversed. The economic impact of these could be significant. These regulations increase the cost of production as much as \$10,500 per employee, according to one Small Business Administration study. More troubling, they act as a barrier to entry to new firms by increasing the fixed cost of compliance.

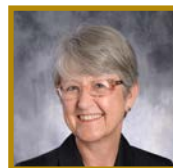
The cost of operating a single small business is much higher on a per dollar of revenue basis than a large firm. This stunts employment growth since small firms and new firms account for the vast majority of employment growth in the economy. Even a 25 percent reduction in business regulatory costs would have a significant and almost immediate impact upon the U.S. economy. Expect that immediate effort to be a hallmark of the Trump/Pence administration.

It is worth noting that many federal regulations make

consumers and businesses better off through safety and environmental regulation. However, at the margin, many of the newer policies likely have costs that exceed benefits. This is why previous Congresses did not act upon them, and the very public examples of economic harm are likely to help motivate broad bi-partisan support for many changes.

Economic forecasters offered a very unflattering prospectus for 2017, but in many ways the potential for change inherent in the 2016 presidential election offers the potential for very different economic changes in 2017 and beyond. 🏠

Michael J. Hicks, PhD, is the Director at the Center for Business and Economic Research at Ball State University. Dr. Hicks' views do not necessarily reflect the opinion of First Merchants Bank and First Merchants Corporation.



Elder Financial Abuse is on the Rise

By Lori Elliott

A recent study revealed

that more than a million older Americans lose \$2.6 billion annually to financial abuse.

The abuse comes from strangers, caregivers and even family members. In fact, AARP reports that about sixty percent of Adult Protective Services cases of financial abuse involve

a family member.

As seniors become more comfortable with internet, they become more exposed to internet fraud. Telemarketing scams, too, have been hurting our seniors with false offers involving medical care, investments, and sweepstakes. Seniors age 60 and older account for 49% of these victims.



There are several signs that your loved one may be a victim of elder financial abuse. Unusual activity in an older person's bank accounts, new "best friends" that accompany the older person to the bank, disappearance of valuable objects around the house, and sudden unpaid bills are just a few.



If you encounter any of these signs, talk to your loved one to prevent any further exploitation. The earlier you can detect financial abuse, the sooner you can put a stop to it and keep them from losing more.

The Federal Trade Commission has an educational campaign, "Pass It On" that helps older adults avoid common scams: www.consumer.ftc.gov/features/feature-0030-pass-it-on

The Department of Justice has a website for enhancing public awareness about elder abuse.

Visit the elder justice website at:
www.justice.gov/elderjustice

Being aware and watchful for elderly financial abuse is very important for you, your elderly loved ones and society as a whole. The more alert we are to suspicious activity, the more equipped we'll be to put a stop to it. 🏠

Lori Elliott is a Retail Market Leader at First Merchants Bank. If you'd like to talk to Lori about financial elder abuse, contact her at 614.408.0262 or by email at lelliott@firstmerchants.com.

Running Imaginary Start-Up Gives High Schoolers Taste of Entrepreneurship

Not all high school students will be hanging out glued to their phones this summer. Some will be busy with product development, marketing and distribution as the CEO of their own company.

The Columbus-based Ohio Business Week Foundation is preparing to host more than 150 high school students this July at Ohio University for a week long residential business camp where high school students are immersed in entrepreneurial and business learning.

During Ohio Business Week (OBW) students across the state gather in teams to create hypothetical products and make them market ready. With guidance from volunteer corporate advisors and guest business speakers, each team will appoint key leaders of their company. As the week progresses, the teams will rely less on their advisors and more on their skills and instincts.

The week culminates with a competition between the teams for the best product and marketing plan including advertisements, websites and trade show displays.

As a non-profit, the Ohio Business Week Foundation relies heavily on local corporate support and volunteers. Executive Director, John Davis, explains that there are many ways for local entrepreneurs and businesses to support Ohio's next generation of community leaders. "Each student attends OBW thanks to a \$500 scholarship donated from a local business, civic organization or foundation. After acceptance each student is asked to pay a commitment fee of \$395 to help defray the cost of meals, housing and materials at the program. Providing a Company Advisor is another invaluable gift that is central to our success. Every student company needs an advisor to guide them in developing their product and act as a mentor in an unfamiliar world. As the heart and soul of the program, the advisor plays the most critical volunteer role in each student's experience."

OBW 2017 will be held July 16-22 at Ohio University. Participant applications, volunteer and sponsorship information are available online at www.ohiobusinessweek.org.





Ohio Banking Centers

Banking Center Highlight: Grandview

If you haven't taken the time to stop by one of our banking centers, Grandview would love to meet you! Located at 1669 W. 5th Avenue, our Grandview banking center is just a few minutes away from downtown Columbus. Grandview is a hub of industry, creativity and culture. It is home to over 4,000 diverse businesses, including independent breweries, art galleries, world class restaurants, sports and leisure facilities, manufacturing plants and cutting-edge salons. The population is steadily increasing in the area and is a good mix of single young professionals and families.

Kara Grant, Banking Center Manager, has been working in the banking industry for 14 years. She is inquisitive and loves to solve problems to help her customers meet their needs. Her team is like a big family and they like to have fun together. They enjoy building relationships with their customers and those in their community. Their varying interests and curiosities help them serve in the banking center with ease and satisfaction.

We thought we could share some fun facts about our Grandview team: Kara Grant is originally from Niagara Falls, New York. She is an Ohio State graduate and huge animal lover. She recently got a new puppy who is a Saint Bernard and Great Dane mix. Nicole Kauffman, Banking Center Customer Service Manager, is a huge hockey fan. Sam Johns, Service Associate, has been involved in the production of three short films, two of which have earned awards. Saiyma

Khaleque, Service Associate, was just accepted into Ohio State University's nursing program. Sarah Morrison, Service Associate, is currently writing a novel. Ashlie Thompson, Customer Service Representative, loves to bake and would one day like to open up her own bakery.

The Grandview banking center is also involved in the Grandview community. They are a Tri-Village Chamber member. Kara has been working with the Chamber for the past three years. The Upper Arlington and Grandview/Marble Cliff Chamber's merged last March into what is now the Tri-Village Chamber. There are around 700 members. Kara is a member ambassador and proactively connects with other members to help them achieve the benefits they are looking to obtain as members. She also seeks out new members. The banking center actively participates in luncheons, new member breakfasts, business expos and charity drives.

If you'd like to talk to Kara Grant, Banking Center Manager further please give her a call at 614.408.0266 or by email at kgrant@firstmerchants.com.



Pictured above from left to right: Nicole Kauffman, Kara Grant, Sam Johns, Sarah Morrison, Saiyma Khaleque and Ashlie Thompson



Retirement

Barb Atherton Retires After 20 Years as Ambassador of First Impressions

After 20 years of serving as our Ambassador of First Impressions at Commerce and First Merchants, our lovely Barb Atherton has left us for a well-deserved retirement.

Barb has been a rock to our customers and employees and the office will not be the same without her. She has always been a dedicated member of our team, and the first smile anyone sees when they walk through the door.

Because of her amicable nature, she has developed many life-long friendships over the years. She has been an inspiring mentor to many and is truly a gem that we will all miss.

We wish her the very best and thank her for bringing her kindness, bright and bubbly personality and occasional dancing to the bank.

On Thursday, December 15, we celebrated with Barb in the bank lobby with customers and employees coming together. We heard stories from previous employees and customers, and we presented Barb with a signed Ohio State football helmet from Coach Urban Meyer himself. If you know Barb, and how big of an Ohio State fan she is, she absolutely loved this gift.

Congratulations to Barb on her well deserved retirement!





Healthcare Practitioners: New Year, New Goals

By Justin Baker

While each practice is different and can have a variety of monthly, quarterly and annual goals, we will focus on just three such goals: Annual Collections, New Patients, and Practice Staffing.

Annual Collections

According to the Bureau of Economic Analysis, as of December 19, 2016, the Gross Domestic Product has increased in each successive quarter of 2016 at .8%, 1.4% and 3.2% through the first three quarters of the year. Hopefully, these increases have correlated into patients spending more at your office. If you are not seeing any increase in collections in your practice, it may be time to review your systems and marketing programs to give your practice the boost it needs to meet you annual collection expectations for the coming year.

New Patients

New patients are vital to any dental practice, regardless of the size of specialty of the practice. In order to achieve a steady flow of new patients, a practice needs to have a marketing program that consists of multiple strategies. One important strategy every practice should be implementing is a strong internal referral program through existing patients and staff. This type of program is often less expensive than external marketing campaigns and is often a better return on your investment dollars. If you're not

As I am writing this the cold days of December are dwindling down and the New Year is fast approaching. It's hard to believe that the year is almost over, but it's also a good time to review your goals for the year and work on setting new goals for 2017.

receiving the number of new patients you desire, strengthening your internal referral program is a good place to start.

Practice Staffing

Outside of the clinical side of your practice, the next area that typically takes up the most time is management of the staff. There are many dimensions to this, including; when to hire a new staff member, when to let someone go, as well as staff development and training. Oftentimes I hear from clients that one of their biggest stressors in the practice is dealing with their staff. In order to accomplish the goal of having a great practice, sometimes adding or letting go of a staff member is necessary. I have often heard one of the hardest things is letting go of a good staff member; however, in order to go from good to great, this might be necessary.

Running a successful and profitable dental office comes with its own set of unique challenges and rewards. Setting monthly, quarterly and annual goals for your practice is one way to track and monitor trends to ensure your practice's continued success. In setting those goals it's often helpful to use the S.M.A.R.T. development method. This method ensures your goals are Specific, Measurable, Attainable, Relevant and Time Bound. 🏠

Justin Baker is a Relationship Manager at First Merchants Bank. If you'd like to discuss your New Year's goals with Justin, call him at 614.583.2182 or email him at jrbaker@firstmerchants.com.



Payment Card Industry Data Security Standard

By Susan Adams

The Payment Card Industry Data Security Standard (PCI DSS) is a proprietary information security standard for organizations that handle branded credit cards from the major card schemes including Visa, MasterCard, American Express, Discover and JCB. The PCI standard is mandated by the card brands and administered by the Payment Card Industry Security Standards Council. The standard was created to increase controls around cardholder data to reduce credit card fraud. Validation of compliance is performed annually, either by an external Qualified Security Assessor (QSA) that creates a Report on Compliance (ROC) for organizations handling large volumes of transactions, or by Self-Assessment Questionnaire (SAQ) for companies handling smaller volumes.



Learning that an intruder has accessed your system and stolen sensitive data can be a shock. You might feel violated and maybe even anxious about the investigation. Rest assured that you are not the first, only, or last organization to experience a data compromise.

First Merchants Bank and our processor, Elavon, use Trustwave for this assessment and certification.

Here are some of the impacts and costs of a data breach, and the importance of PCI DSS to small businesses:

1. The cost of forensic analysis and reporting can range from \$20–50,000;
2. Notifications to customers can be thousands of dollars;
3. The cost of credit monitoring and counseling services will impact the customers.
4. There could be fines and assessments to the business by the Payment Card Brands for the breach;
5. Costs of re-issuing payment cards may be levied by the banks;
6. There could be legal liability and a potential for lawsuits;
7. The cost of upgrading a point of sale system to be compliant;
8. Negative publicity and press;
9. The loss of customer confidence.

These fines may be levied 30 to 90 days after the close of the investigation, and any details are NOT shared.

Remember, you would not be the first, only, or last organization to experience a data compromise, so the best practice for PCI DSS compliance is to continually improve processes to ensure ongoing compliance, rather than treating compliance as a point in time project. 🏠

Susan Adams is Merchant Card Services Officer II in Ohio for First Merchants Bank. If you'd like to discuss PCI DSS with Susan, call her at 614.583.2196 or email her at sadams@firstmerchants.com.



New Year's Resolutions

By Ben Hartings

The top New Year's

Resolutions for 2016 according to Nielson Ratings service were:

1. Stay fit and healthy
2. Lose weight
3. Enjoy life to the fullest
4. Spend less, save more

5. Spend more times with family and friends

The same poll stated that at the end of 2015, 76% of the respondents did not keep their prior year resolution. Why such a failure rate? I think it may not be a failure of resolution, but rather a failure of definition. How do you define success?

Linda Galindo, who is an author and expert on accountability, taught an executive leadership class at The University of Dayton where she outlined that goals and resolutions are our responsibility to set—and, more important, that we are accountable to keep and



achieve them. Perhaps our challenge is not in setting the resolution, but rather in understanding where “keeping” that resolution is taking us. Where is our compass pointing?

To say it another way, where is that compass taking you? What does success look like for you? How do you define success? If you don't know what success looks like, it's impossible to set your compass (goals

and resolutions) that will get you to that definition.

In her course, Mrs. Galindo taught that our success can be broken down into the segments or roles of our lives—for example, husband, mother, father, daughter, banker, accountant, business owner, engineer, service technician, etc. How do you define success in those roles?

First, set those in priority—which are most important to you? Then take only the top three of four segments or roles, and set goals or resolutions for those. Set goals or resolutions for the highest priorities in your life—these are your priorities and not your neighbors, or your boss's. They are yours. Now go achieve them.

Most importantly, write them down and share them with three to five people you trust. Ask them to keep you accountable to your newly-defined “success.” Give them permission to call or email you monthly and check in. Give them permission to ask, “Are you achieving the goals you set out to meet your priorities? What is stopping you? What can I do to help?”

This year as you set resolutions, take a little more time to contemplate what setting and achieving a New Year's resolution might do for you. What direction is your compass pointing and how does that New Year's Resolution help you achieve your personal definition of success? Then ask others to hold you accountable. And, hopefully, in reflection on 2017, you'll be one of the 24% who achieve their resolution! 🏠

Ben Hartings is a Relationship Manager for First Merchants Bank in Ohio. If you would like to connect with him, please call 614.583.2141 or email bhartings@firstmerchants.com.



The Leadership Challenge

By Sarah McCurdy

Kouzes and Barry Posner, had quarterly meetings to discuss the book with follow-up activities, completed a 360 personal evaluation of leadership skills, and ended with a final group project.

It was a rewarding experience and I thought it would be a great time to share with others some of the lessons that were absorbed in the hope of passing on some inspiration as we look towards making a positive impact in 2017.

It was clear from the book that we all have the ability to lead. As studies have proven, the best organizations (varying across industries) encourage all their employees, regardless of title, to act like leaders. The expectation is that every employee takes ownership of their role, looks for opportunities to challenge themselves and others, holds close the values of their organization and inspires others to do the same. These are things we can utilize in both our work and personal lives.

I challenge you to remember these simple, yet sometimes easily forgettable, “practices” from the book:

1. Model the Way – Clarify your values, express and share those values, and set an example for others to follow.
2. Inspire a Shared Vision – Imagine the future and the possibilities, and enlist others to help you achieve those goals.

This past December I was honored to complete a year-long internal leadership program offered at First Merchants Bank. During the year we read the book, “The Leadership Challenge” by James

3. Challenge the Process – Search for opportunities and make an initiative to get them done. Don’t be fearful to take risks, and when things don’t turn out as expected or accidents are made, don’t be scared to talk about them and learn from them.

4. Enable Others to Act – Foster collaboration by creating trust within your organization, and strengthen others through competence and confidence to enhance others’ self-determination.

5. Encourage the Heart – Recognize contributions and always expect the best. Recognize successes through personal acts, and always celebrate victories and moments when the values of the organization are shown in exemplary ways. 🏠

If you would like more information about The Leadership Challenge, contact Sarah McCurdy, Relationship Manager in the Ohio market, at First Merchants Bank, at 614.583.2164 or by email at smccurdy@firstmerchants.com.



First Merchants Bank

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BankNotes

Visit One of Our Convenient Locations

Clintonville: 3245 N. High Street – 614.408.0470

Graceland: 5090 N. High Street – 614.408.0480

Grandview: 1669 W. 5th Avenue – 614.408.0250

Karl Road: 1616 E. Dublin–Granville Road – 614.408.0410

Olentangy: 3650 Olentangy River Road – 614.583.2200

Reynoldsburg: 6950 E. Main Street – 614.408.0375

Sawmill: 5811 Sawmill Road – 614.408.0274



Residential Rentals

By **Graham Montigny**

Mortgages for investment properties are somewhat easier to obtain due to some recent changes to underwriting practices. Today, the rent from the property will be credited to other income to help qualify for debt ratio calculations. This is

also known as the ability to repay. Prior to this change, no credit for the lease would be applied to the ability to repay until 12 months of ownerships had passed. That meant there had to be enough other income to carry the new rental house payment without the new rent being considered. Now the new rent is credited to present income and, with rents being as high as they are in many markets, the new home is a positive contributor to income on the day of closing.

That leaves the largest hurdle to enter the residential investment real estate market being the down payment. Today, 80% financing (20% down) is possible for a single family rental home, and 75% (25% down) for a 2–4 unit home.

There are many benefits to real estate investing, so only a short list is offered here:

The first is “passive” income in the form of appreciation of the home. Nothing is guaranteed to go up in value but, in general, real estate tends to increase in value over time. Recent home appreciation rates in many markets are 5% or more per year.

The second benefit is depreciation of the home. Under present IRS tax code (IRS publication 527) most real estate is depreciated over 27.5 years. That means while the property is usually going up in value, the owner gets to deduct against other incomes 3.636% of the purchase price per year.

The final benefits are stability and durability. If the home is properly maintained, a home can have a life span far beyond that of any human. 🏠

If you are interested in entering the residential real estate investment market, contact Graham Montigny, Mortgage Consultant, NMLS# 195412 in the Ohio market, at 614.583.2151 or email at gmontigny@firstmerchants.com