

GRANDMASTER OF DEPOSITS

by [Steve Brown](#)

If you want to be really good at something, experts suggest you must engage in "effortful learning." That term was coined when a 1938 study by Dutch psychologist Adriaan de Groot found that the difference between chess masters and ordinary players is not intelligence, analytical ability or creativity; but rather "structured knowledge." Better chess players analyze the same number of moves and to the same extent as ordinary players, they just analyze a higher number of winning moves. In other words, experts focus on tactics and strategies that matter. Experience counts, but higher quality experience counts more. This helps explain why there are a greater number of chess masters today than at any time in the past and that their level of play is higher. The advent of computer chess programs and online databases has taught quality experience at a faster rate. In the world of banking, we have found the difference between an average deposit manager and a great deposit manager is the latter has created and implemented many more products. Part marketer, part statistician and part financial analyst, a successful deposit manager usually strives to evaluate 3 new products or promotions at any given time in an attempt to figure out what works and what doesn't. Since the DDA & MMDA market is not the same as it was 5Ys ago, deposit managers must reevaluate their current positions and continue to test penetration, price elasticities, cannibalization, conversion, volume increase and competitive reaction. Banks that have deposit managers may have to consider giving them more freedom to make mistakes and try new creative products. For banks that don't have deposit managers, they may want to consider our Liability Coach service that handles product structure, pricing, tiering and competitive positioning. Regardless of who handles the work, the important point is to keep challenging the bank to gain enhanced structured knowledge of deposits. In interviewing more than 200 deposit managers over the last several years, evidence indicates that no one is born with the natural ability to place non-rate sensitive deposits. The skills and talent derived in this field are made, not born. For 2007, banks will have to apply a greater amount of resources to deposit gathering if they want to maintain margins. To obtain a Grand Master status in deposits, make sure your deposit manager has the freedom and the resources required to experiment and continually learn from experience.

BANK NEWS

Restructuring

Home Federal Bancorp (\$862mm, IN) said it will sell its mortgage lending division, liquidate \$66mm in securities and take a pretax loss of \$2.4mm, as it shifts its focus toward commercial banking.

Sold

National City said it sold its non-prime residential mortgage unit, First Franklin, to Merrill Lynch for \$1.3B.

Trustworthy

A recent ABA study finds 66% of consumers say they trust banks more than any other institution for protecting their personal records. Coming in a distant 2nd were government agencies at 11%.

Reduced Perks

Citigroup is reducing the loyalty rewards on many of its credit card programs, following a similar move by AMEX.

Chasm

Over the last 40 years, the gap between the wealthiest households and the rest of the population has widened significantly. In the early 60's, the top 1% of households held 125x the overall median wealth in the US. The latest data show this has widened to nearly 190x today.

Exposed

The Department of Education experienced a software glitch on its Direct Loan Servicing System, exposing personal information on nearly 21k students. A routine software upgrade was the cause of the problem. No incidents of ID theft have been reported as a result.

Insider Trading

Of nearly 90 large corporate mergers announced in the past year, 41% were found to have suspicious trading in the weeks ahead of the deal, according to the New York Times. The pattern indicates that there has likely been an increase in insider trading.

Growth

As available supermarket and store locations have dried up, studies show more banks have begun opening branches at universities, corporate campuses, airports and hospitals as they seek to increase their customer base.

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