

## STRATEGIC INITIATIVES

by [Steve Brown](#)

As the strategic planning season comes to an end for many banks, we took a survey of the top 10 visionary initiatives for 2007. Those that monitor our list every year will notice that there are more new items on the list compared to year's past. 10) Commercial Loan Credit Scoring – After careful research, some banks look to institute a 3rd party credit scoring system for their commercial customers. The object is to automatically approve the best credits and automatically reject the worst. Everything else will be scored, but have the review of the loan committee or senior credit officer. Adoption of credit scoring is a continuation of last year's major trend to centralize many credit functions. 9) Sell off insurance, mortgage, investment or other unpopular lines – We remember a time when it was an initiative to expand lines of business. Now, it seems, many banks are shedding business operations after finding them to have limited growth potential and low profitability. 8) Electronic Filing – In an effort to become more efficient, banks are scanning loan files and converting them into digital copies. 7) Acquire a Bank – While we believe acquisitions should only be a means to an end, many banks feel differently and continue to place this near the top of their list of initiatives. With multiples expected to drop in 2007 and amid heavy pressure from investment bankers, M&A interest is spiking. 6) Reduce CRE Concentrations – While many banks have a goal of expanding non-CRE lending lines to accomplish this, other popular paths include selling off CRE exposure or raising capital to mitigate risk. 5) Revamp Compensation Structure – Struggling to attract quality personnel, many banks are launching a variety of tactical initiatives to help capture and retain key employees. Increasing profit sharing, enhancing training and creating stand-alone subsidiaries managed by top performers are all planned for next year. 4) Relationship Profitability – Many banks do not know who their most profitable customers are across all product lines. As such, many are embarking on the installation of systems to report, monitor and manage this. 3) Increase Efficiency – With margin pressure increasing, many banks are cutting overhead and streamlining operations. Plan to accomplish this vary, but finding ways to increase productivity, while holding the line on headcount appear to be the most popular options. 2) Expand Internet Channels – More than 50% of our respondent banks said they expect to launch a major initiative to bolster their online capabilities. Most said they plan to allow the opening of commercial accounts online, provide electronic statements or get more "transactional" on their website. 1) Remote Capture – This item tops many banks initiative lists for the coming year. Bankers hope to extend remote capture capabilities in an effort to increase deposit share, while reducing costs. Check "electronification" is an initiative at more than 72% of banks we talked to. If you have other plans that are more bold or vibrant than the ones listed above, please send us an email and let us know. We are always interested in the changing face of banking and supporting customer needs. If not, hopefully some of the ideas inspire your bank.

## BANK NEWS

### Fed Hikes

No, not interest rates, but the Fed did announce that they will be raising service fees by approximately 1% on a variety of item and electronic processing services in 2007.

### Competition

Wachovia said it will close 200 branches across the country through the end of 2008, as it refocuses energies and efforts on faster growing states. The bank said it plans to open 130 branches next year, including 30 in CA.

### **Marketing Needed**

Independent banks should note that a new survey by JD Power and Associates finds 44% of small business owners say they have never been contacted by their primary bank.

### **Approved**

Citing an exception due to restructuring of its parent company, the FDIC said it would allow GMAC to sell off its ILC to a group of investors.

### **Deposit Vacuum**

Banks wondering where all the deposits have gone should take note that October marked the 1st time in history that mutual fund assets have reached \$10T. Over 300mm people are now invested in mutual funds.

### **Costly**

Studies find the average annual cost for companies (with less than 20 employees) to comply with government regulations is \$6,975 per employee.

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