

PUTTING THE MYRRH IN SECURED FED FUNDS

by [Steve Brown](#)

The 3 Wise Men got lucky. Like most men, they waited until the last minute to do their holiday shopping. As fortune would have it however, they were able to pull it off. While last minute shopping can be effective, when it comes to gift giving, we suggest CFOs do a little more planning. As CFOs work through their shopping list, one thing to complete in December is getting our Secured Fed Funds program approved. Priced at Fed Funds + 50bp, this is a gift that will surely make your shareholders happy with its extra earnings. This successful program is in its 8th year with us and has been reviewed by countless banks and entities. This program allows your bank to invest on an overnight basis in Fed Funds, are guaranteed by an investment-grade bank and secured by conditional U.S. government receivables (tax refunds). Each year, households that could use a little extra cashflow, get their taxes done early (either by a tax professional or by one of the popular tax software applications). After the tax return has been submitted, accepted and fraud checked, these households are then eligible for a loan against this refund. One of our client banks, Pacific Capital (\$7B, CA) provides loans for 8 to 15 days and is repaid by the IRS. The size of the funding and the resulting liquidity needs for Pacific Capital is where the Program comes in. To this end, we invite any of our bank readers to participate on a first come, first served basis (you don't have to be a member of PCBB). The Program will start during the middle of January and run until March (borrowing days are intermittent). On days when Pacific Capital is borrowing, banks either wire their investment into PCBB or have their account automatically debited. We then allocate that day's overnight Fed Funds borrowings on a pro rata basis among participants. Collateral is reported online each borrowing day and will be a minimum of 102% above any outstanding borrowing. This collateral is a conditional receivable from the U.S. government (the pending IRS refund) and a UCC filing perfects investor security interest. The collateral is self-liquidating (automatically paid by the IRS without request) usually within 7 days. If your bank is one of the 60+ that were in the program last year, you will automatically be sent an Offering Memorandum and an Uncommitted Line form today. If not, but your bank is interested in bringing happiness to your shareholders, then send us an e-mail for the information and kick 2007 off to a profitable start. At a current 5.75% overnight rate, this also beats most other investments available to banks right now. This year, don't wait until the last minute to secure the gift of gold. Be proactive and get this program approved in order to earn a little extra on your liquidity. Besides, shareholders really don't know what to do with frankincense and myrrh anyway.

BANK NEWS

M&A

Franklin Bank (\$5.2B, TX) will acquire First National Bank of Bryan (\$517mm, TX) for \$134mm in cash, or about 2.72x book.

M&A

Commerce Bancshares (\$15B, MO) will acquire the HC of Bank South (\$124mm, OK) for \$26.2mm in stock, or about 2.2x book.

M&A

First Charter Corp. (\$4.4B, NC) will sell its benefits record keeping and administrative unit (Southeastern Employee Benefits Services) for an undisclosed amount. The sale is expected to result in a pre-tax gain of \$900k.

M&A

Bank of America said strong demand for its free online equity trading service (for customers that leave \$25k in deposits) has led the bank to accelerate its rollout. The offer is available beginning today in 30 states with the rest coming by 1Q 2007.

M&A

Wells Fargo will purchase EFC partners, a Dallas-based company that provides cash loans to small to middle sized businesses based on receivables generations (factoring) and hard assets. Wells has made a series of small, strategic acquisitions that garners the bank not only more middle market customers, but expertise in associated lines of businesses.

M&A

The insurance subsidiary of Bank of the West (\$57B, CA) will acquire St. Paul Agency Inc. for an undisclosed sum. St. Paul offers commercial, personal life, health and other insurance products to 3,500 accounts.

Branching

Wilshire State Bank (\$1.9B, CA) has filed to open a branch in NJ it has agreed to purchase for an undisclosed sum from Royal Bank America (\$1.2B, PA). The branch contains approximately \$6mm in deposits.

Customers

In an effort to get new clients, banks have ramped up their marketing tactics. We did a survey and found that for the month of Nov., popular giveaway items were: TVs, DVDs, iPods, tailgate parties, grocery cart filling contests and drawings for a new car.

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