

MISC CLEANUP

by [Steve Brown](#)

Throughout the year, we compile information from an amazingly deep well of resources and clandestine sources. We jot down notes from conversations, have a grand idea and read everything we can get our hands on. By the end of the year, we have created stacks of paper on the desk about a mile high, with the thought that some half-cooked concept or idea might eventually make its way into this publication. As the year kicks off, however, we find the stack getting a bit unwieldy and even downright dangerous. So, in an effort to reduce the clutter and risk of collapse to innocent bystanders, here are some random pieces of information we thought our independent bank readers might like to know. [1] Over the past 6Y, the FOMC has missed the mark on its GDP forecast by an average of 1 full percentage point. Now maybe you won't feel so bad about missing your budget. [2] New single family home sales fell 23% in the 3Q across the country and there is currently an inventory of 38k unsold homes in Phoenix, AZ right now (a 94% increase from last year). [3] A Yale economist found that housing prices over the past 5Y (adjusted for inflation) have risen at the fastest pace in 110Y. Back then, President McKinley was in office. [4] For the 2nd year in a row, surveys show brokers sitting in bank branches are the least satisfied of financial advisors. Try to find the happy ones because they can certainly impact your customers (that is if you have brokers sitting in your branches). [5] If you wondered how much the consumer was using their home as an ATM (and therefore propping up the economy), note that \$500B in equity was withdrawn from homes in 2005, 5x more than in 2001. [6] The percentage of loans requiring little or no documentation reached 62% of total mortgage origination recently. Note that industry insiders affectionately call these loans "liar's loans." [7] The 5 states with the biggest pension shortfalls are RI, CT, WV, AK and CO. It is also interesting to note that the city of Philadelphia can only fund 53% of its pension liabilities. [8] People have been found to be more receptive, the simpler the product and service offering. Bankers may want to review some of those fancy deposit or loan structures with little activity to see if they can be phased out. [9] By 2015, it is estimated that health care costs will consume 20% of the GDP. Defense spending on the other hand is running below 5%. [10] Studies have found that high-deductible health plans that include an employee controlled account can save employers an average of 6% vs. current plans. [11] Credit rating agency S&P has found that many loan defaults will begin to surface 3Y after the loan is made and that roughly 75% of defaults occur within 6Y. S&P is also predicting that loan defaults in general will increase over the next 24 months. [12] Some experts are predicting that a recession as bad as 1991 could push default rates on some loans as high as 17%. [13] Research finds people that work in teams of 3 have higher productivity than individuals working alone. The data also shows that teams of 5 are optimal. [14] Studies show 36% of people will switch banks and open a checking account if free credit report monitoring is provided. [15] Studies indicate that 63% of banks have a CIO and 25% say their current technology is less than desired. [16] Only 27% of banks will allow customers to apply for loans through their web site and only 8% allow customers to open deposit accounts online. [17] The banking industry's NIM has fallen to a 15Y low of 3.46%. [18] On average, a person with a credit score of less than 660 makes 4.64 late payments each year and utilizes close to 30% of all available credit they have. Meanwhile, someone with a score of 720 or higher makes less than 0.0042 late payments per year and has used up only 18% of their available credit. Thanks for letting us clean up the mess and we hope everyone found something of interest from this morning's stack.

BANK NEWS

Divestiture

Sterling Financial Corp (\$3.1B, PA) has sold 3 insurance businesses, indicating they were not meaningful contributors to the bottom-line. The businesses included an employee benefits insurance broker, human resources consulting and property and casualty insurance.

M&A

Electronic commerce company CheckFree Corp. will acquire Carreker Corp. for \$206mm. Carreker's primary business is to capture and convert checks to digital images and the company has more than 250 financial institution clients in the U.S., U.K., Europe and other countries.

M&A

Bank of the West announced they will purchase Contractor's Insurance Services (OR) for an undisclosed sum. The insurance company provides coverage for the building industry in the western states and South Carolina.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.