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## SUPER DEPOSIT FEATURES

by [Steve Brown](#)

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We recently saw this picture of George Reeves as Superman. He did not look stronger than a locomotive or faster than a speeding bullet. In fact, he looked like your average puffed chest middle aged banker with a Krispy Kreme fetish, dressed up in a Halloween costume. This is a different perception than when we first saw him on TV where he seemed to be truly the Man of Steel. Things change and now the Superman of 2007 needs to put in a little more time on the inflatable ball working to get a "ripped core" (not to mention strengthening his tris, delts and lats). Like our view on body image, the perception of banking has changed as well. In Reeves' time, families had one checking account with their financial institution and everybody was happy. Now, the goal is to capture more of the relationship, as well as ancillary relationships. If Superman walked into the bank, a good account officer would not only open him up an account, but would want to make sure they were getting Clark Kent's balances, Ms. Lane's and even the Daily Planet's corporate account. While few bankers would disagree, there is still a shortage of banks using combined balances effectively. One of the advantages of offering a premium-style account is that this high service product comes with fees that can be waived for a high balance. Smart bankers know that they should also offer a combined balance feature to make this account more attractive. A combined balance feature accomplishes something very important. It reminds the salesperson to ask about other accounts that can be brought over from other institutions in order to waive fees. This forces the institution to become more of a selling organization and opens the door to talk about what other products the bank offers to better service the customer. One benefit of allowing customers to combine balances across products is that it entices them to sign up for more services (such as a revolving line of credit, retirement accounts, savings account or foreign currency transactions). With every additional product, profitability and retention are increased, while interest rate sensitivity is decreased. When BIG conducts a product audit for a bank client, one of the things we check for is the utilization of a combined balance feature. We find the proper use of combined balances in only about 65% of the banks we review. Banks should evaluate their use of a combined balance feature to make sure they have one in place. The next step is to make sure it is applied to the most profitable products and utilized in the correct manner (in order to provide incentives to customers to conduct more business). Independent banks that can pull this off can be considered "Super" in the modern day sense.

# BANK NEWS

## **M&A**

Intrust Bank (\$31.B, KS) will acquire First State Bank (\$39mm, KS) for an undisclosed amount.

## **M&A**

Gateway Financial Holdings (\$1.1B, NC) will acquire the Bank of Richmond (\$168mm, VA) for cash and stock of about \$55.8mm, or 3.05x book.

## **M&A**

UCBH Holdings (\$8.3B, CA) will acquire Chinese American Bank (\$322mm, NY) for cash and some stock of about \$130.7mm, or 2.85x book.

## **M&A**

Eastwood Bank (\$297mm, MN) will acquire 2 branches from Fortress Bank Minnesota (\$56mm, MN) for an undisclosed amount.

## **Joint Venture**

Wells Fargo has formed a joint venture with the Hispanic National Mortgage Association (HNMA) in an effort to expand its footprint within the Hispanic market. The new venture will offer mortgage lending products, bilingual support and other special services to assist Hispanic customers.

## **Interesting**

A new company is now offering so-called "deferral" loans. Under a deferral loan, borrowers are lent money for up to 3Y from a trustee account, that has been funded through home equity. The product allows borrowers to make house payments over a 1Y to 3Y time period and appeals to borrowers short on cash (such as those close to retirement, subprime borrowers, or those with income fluctuations due to pregnancy or illness).

## **Bank Promotions**

Several banks report success with their Dr. Martin Luther King Jr. or Black History month celebrations this week. Most promotions have revolved around the concepts of "freedom" and "equality" and have included essay contests, community awards and grants/donations.

## **Robbery Update**

The FBI reports cities with the most bank robberies in 2006 were Los Angeles (357), Boston (343), Philadelphia (292) and Seattle (74). The FBI also indicates that banks are frequently robbed on Thursday afternoons from 3-6pm, 93% of robbers are men, most wear hats and branches targeted are usually located in metropolitan or commercial areas (easier to getaway on foot). In addition, the vast majority of bank robbers are also drug users. On a positive note, only 2.1% of all robberies nationwide took place at banks (most happen on the streets of cities).

## **M&A**

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