

INTELLIGENT WEBDESIGN

by [Steve Brown](#)

One of the most perplexing questions in banking is how to better fund yourself. Every banker looks for that magic bullet that will miraculously raise umpteen millions in non-maturity, non-interest bearing deposits. Like the unicorn or the Texas Rangers in a World Series, a solid deposit strategy is often elusive. One often talked about strategy is Internet banking. While we are not fans of pure Internet deposit gathering because of the high rates required, we are huge fans for banks to increase the efficiency of their websites. Too many banks underutilize their sites thinking that it will not make much of a difference. The reality is that more than 60% of a bank's customers now visit the website and more than 75% of vendors, potential employees, media and other groups that are within a bank's "sphere of influence," check up on the bank via its website. For every bank we have risk to (be it credit, operations or reputational), we review a bank's website. While we can't say it makes a difference in a decision, we can say a good website leaves a very favorable impression. So, what is it that makes a quality website? It boils down to 3 things: beauty, substance and actionability. For the first 3 seconds when the reader views the website, they make a subconscious decision if they are going to commit more time. A well designed site that is pleasing to the eye entices the reader to learn more about the bank and its products. After layout and design, the next most important aspect of a site is substance. Here is where the user is engaged and is the difference between a "pretty site" and a "useful" one. These days, it takes more than a list of current financial stories or a bank's history to engage the reader. A bank's site must present a viewpoint that is either unique and strikes the curiosity of the reader, or solves a problem for the reader. Displaying products is from the 1990's. Now, a bank must present a solution. The 3rd most important aspect is actionability. This occurs after the first 10 seconds when a reader reviews the site and decide they want to learn more. Material containing distinct action items actually can stretch this time period out to 15 or more seconds of engagement before the decision centers of the brain inform consciousness of what action to take (i.e., save the material for later, reread immediately to clarify, etc.). If a bank's reader has made it this far, the website has done its job and it is among the best in the industry. Being successful at informing the website user and positively promoting a bank's brand is really all that you can expect a site to do. Take a look at your bank's website and make sure that it moves the user through the 3 distinct phases of usability. If it does, chances are your site adds to your bank's success, instead of detracts from it.

BANK NEWS

Hedging

The FDIC is reporting that as of the 4Q of 2006, out of a total of 7,402 commercial banks in the U.S., nearly 1,000 had conducted derivatives activities (917 to be exact). For those keeping score, that equates to about 1 in every 8 banks and about 10% more than the prior year.

Retail

The Federal Reserve NY came out with their "Role of Retail Banking in the U.S." research paper and we were a little disappointed with the substance. We can save you 18-pages of reading by summarizing the conclusions of the Fed by saying - Retail was important, remains important and will remain important, just to a lesser extent than it is today. We are not believers in large branch delivery networks for retail and do believe that the face of banking has fundamentally changed with the rise of the Internet-only bank and technology like remote capture/imaging. Regardless, the report is mildly

interesting, particularly the graphics that show banks lose marketshare in both loans and deposits as the yield curve gets flatter (deposits are more correlated) and the conclusion that the recent expansion of retail banking, may in fact have created more risk for the industry should the consumer materially weaken.

Farm Bill

Given that the current U.S. farm policy expires in Sept., it seems every Congressional Subcommittee is debating a revision. In addition to the normal Ag banking issues such as subsidies, guarantees and production controls that indirectly affect banks. There are several issues on the table regarding the Farm Credit System and the type, amount and structure of loans they can make to farmers that often displace bank lending. In similar vein, at stake for banks is whether the Farm Credit System will be allowed to make more mortgage loans in competition with banks. Currently, they are authorized to make loans in small communities of less than 2,500 people. On the table is a change to move the size of the town up to 50k.

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