

## SPRING CLEANING

by [Steve Brown](#)

As most of our readers know, we affectionately refer to this portion of the Banc Investment Daily as the "Top Left.". In an effort to continually provide a fun and educational way to start every banker's morning, you may also know that we spend inordinate amounts of time researching, puzzling, thinking and debating about what goes into the Top Left each and every morning. Along the way, we collect lots and lots of small pieces of paper with ideas, banker or regulator anecdotes and all around crazy thoughts that never make it in. The problem is that over time, these pieces of paper pile up on our back shelves and the janitorial service gets grumpy. In an effort to clean up the shelves, we hereby dub today a spring cleaning day. Here are some tidbits that were good enough to be jotted down and collected, but never gelled into a big enough idea for a full Top Left. Online Banking: [1] a record 74% of Americans now pay at least one bill online, more than double the level just 4Y ago; [2] 85% of those who use online bill pay say it is faster and easier than paying by check; [3] the average online banking customer pays 11.5 bills per month; [4] customers using online bill pay also report using more of their bank's financial services overall than customers who remain offline; [5] customers with incomes above \$100k are more likely to pay bills through online banking sites than those with incomes below \$50k. Demographics: [6] 60% of recruiters say they have seen an increase in the number of executives who are changing professions as retirement nears; [7] the primary reasons cited for making a late-career job switch are boredom, an interest in remaining productive, intellectual challenge, insufficient savings and interaction with others; [8] primary job areas of interest include consulting projects, starting a business and temporary assignments. Technology: [9] experts say banks should incorporate IT risk as a best practice and not merely an annual requirement; [10] 70% of theft comes from inside the bank, yet banks outspend perimeter security vs. internal security by a margin estimated at 10 to 1. Directors: [11] banks seeking to ramp up director education may want to direct them to a new FRB web site that provides online director training. Dubbed "Resources for Bank Directors," the site includes data resources, publications, training, events and links to other regulatory agencies. Lending: [12] It takes 30mm calculations or more to accurately price a 10Y fixed rate loan - yet psychologists say the human mind can only handle about 4 to 6 at any one time. This is one key reason large banks rely heavily on loan pricing models; [13] while low, long-term interest rates in the U.S. remain about 100bp over most other countries. Without anywhere else to go, overseas investors are expected to continue to purchase our long-term debt, keeping yields low and the curve inverted. Customers: [14] in an effort to attract new customers and increase retention rates, about 150 credit unions and community banks have rolled out free ID theft recovery services to their customers over the past 15 months; [15] research shows that more than 10% of ID theft is caused by stolen mail or trash; [16] 40% of people say they do not shred bank statements before throwing them away,, 27% use the same password for their bank and credit card accounts, 12% write down their password, 5% send banking data in an unencrypted email. Thanks for helping us this morning with our spring cleaning and in mending fences with our janitorial service.

## BANK NEWS

**M&A**

East West Bancorp (\$10.8B, CA) will buy Desert Community Bank (\$533mm, CA) for about \$143mm, or 2.55x book. The acquisition gives East West 8 more branches carrying a low 1.66% cost of funds.

### **M&A**

Susquehanna Bancshares (\$8.2B, PA) will purchase regional investment advisory firm Widmann, Siff & CO (\$300mm, PA), for an undisclosed sum.

### **Counter Punch**

A consortium of banks including Royal Bank of Scotland, Fortis and Santander has now offered 10% more for ABN AMRO than bids from Barclays and Bank of America. Of note, under terms of the LaSalle deal, banks have 14 days to submit superior bids. If any banks do so, BofA has 5 days to match that bid. If it does not, it would be paid a \$200mm breakup fee. The fun is just beginning.

### **Low Income**

The New York State Mortgage Agency said it would begin offering 40Y fixed rate home mortgages to first time low income borrowers effective May 1st.

### **Competition**

Washington Mutual will test "contactless payment cards" as the bank follows JPMorgan and other large financial service providers already offering such services.

### **Customers**

National City Bank is out with a new report saying rising interest rates, mounting health care costs and higher fuel costs are all having a negative impact on small businesses. As such, the report indicated the economic outlook for such small businesses had "declined severely since mid-2006."

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