

## THE SHARED SPACE FORUM AND GRAVITY

by [Steve Brown](#)

Isaac Newton is our muse. That whole falling apple bit touched off some serious thinking about gravity. The problem is that since Mr. Newton's explanation 300 years ago, few have advanced the cause of better understanding gravity. We think we know about gravity, but the reality is, we know very little. Is gravity caused by some group of elements? Is it derived by some weird force between particles? Does that stack of papers on your desk cause more or less gravitational pull on you? Someone needs to pick up the mantle on gravity from Newton and give the world another breakthrough. We wish we could help, but physics was never our strong suit. Closer to home, however, we need help in promoting a different set of theories. We wrote about a concept several years ago that has yet to be put into practice – the business incubating bank. We are looking for a bank or banks to partner with that would like to prove the concept that by providing shared office space to small businesses, banks can garner leadership in the business community, new balances and new loans. The problem is that office space is a large expense for many smaller professionals and entrepreneurs. While many business owners do O.K. with working out of their homes, there are times when you need office space, meeting rooms, larger production copiers, scanners, travel help, administrative assistance or research tools. Banks could go beyond just providing physical space, but also partnering with local professionals such as tax attorneys, accountants and strategic consultants. Given the more mobile workforce, we believe the idea is ripe to take off and may be perfect in attracting a portion of the small business market. If needed, banks can put important services (like cash management, foreign exchange and credit) closer to the customer and the goodwill generated would be amazing. Combine the rise of the small business with what we believe will be the downsizing of the branch, and we have an interesting combination. Take excess branch space and turn it into an incubator of sorts for banks to support their small business client. This is admittedly a different idea than giving away an iPod and needs some work. We are not sure how, or if banks charge for the service, or how the service is branded, but we have some ideas. We will be talking about this idea at our next High Performance Workshop coming up in June, but if any bank is interested in helping us brainstorm and quantify this opportunity, let us know and we will be holding a conference call in mid-June to further vet this idea. We would like to speak with a small number of banks, in different areas, that have the decision making power, the available space and propensity to test the idea before year end. Free of charge, we will provide the forum, the quantitative assistance and the support for implantation in exchange to see if this experiment will work. While we are not discovering gravity here, finding ways to attract more profitable customers always weighs heavy on us.

### BANK NEWS

#### **M&A**

ABN-Amro rejected a \$24.5B offer from Royal Bank of Scotland for its La Salle unit, shifting the momentum back to BofA. The recent bid was reportedly rejected due to "too many strings attached" to the deal.

#### **M&A**

Sterling Bancshares (TX) said it will acquire regional investment advisory and pension administration firm MBM Advisors for an undisclosed sum. MBM was founded in 1966 and has \$700mm in assets

under management. The move allows Sterling to offer more services to small business customers, while increasing non-interest income.

### **Competition**

KeyCorp (\$92B, OH) will be closing its Houston Finance office due to a restructuring plan. The close comes after KeyCorp has been losing money from subprime troubles.

### **Tightening Standards**

Washington Mutual is changing its terms that lead to making subprime loan defaults less likely. Some of the changes include fewer no document loans, not layering qualification terms to assist borrowers getting a loan, and getting rid of second mortgages.

### **Heading to the Net**

A recent study shows that by 2011 the amount of online banking customers will have grown by 55% and 76% of households with Internet access will do their banking online.

### **FHLB**

A new bill recently introduced in the house, if passed, will allow the FHLB to guarantee tax-exempt bonds. This will allow independent banks to finance local municipal projects.

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