

TEENAGE ANGST AND BANKING

by [Steve Brown](#)

For banks that want to become more sales-centric, here is training idea A- assign a teenager to each participant and have participants try to get the teenager out of bed in the morning. Most salespeople are woefully unprepared for this test and will resort to pounding on the door and yelling threats, such as, "You are going to be late for school if you don't get up." After doing this for 20min, salespeople (and most parents) learn how moronic this approach is. It assumes that the teen wants to be in school in the first place and that sitting in a stuffy class room memorizing the atomic weight of dubnium (its 262 if you can stop laughing at the name) is preferred to a soft down pillow. While we are on this topic of selling and teenagers, we would like to bring up an effective product for banks that have a retail presence A- the teen account. Targeting customers between 13 to 18Ys of age maybe a barely profitable endeavor, but it helps capture new customers early. Studies show that a majority of teens retain their original banking relationship well into their 20's and often beyond. Further, while many banks have college-type accounts (18-year old minimum), less than 30% specifically target teens. This distinction is important, as teens and college age kids have different needs. Segmenting the customer base allows banks to offer a lower cost set of services and fulfill needs, while still retaining profitability. In addition to garnering new customers, having a teen account also attracts (and retains) parents who usually assist their children in establishing credit and good banking habits before going off to college. Our recommendation is to promote a bundled package of a very low interest earning savings account, a non-interest checking account (if over 16-years old), free debit card, free online banking, online statementing (only), limited checking and discounted student loans. The account package should come with a monthly fee of approximately \$5 that can be waived for balances over \$1k (or if linked to a parent account. Parents should also be allowed to set dollar limits on the teen's checking, ATM and POS transactions at account opening if possible. Finally, the bank should have a college-type account that the teen can transition to free of charge that offers expanded services. Analyzing these accounts at several banks, we have found that while average balances are exceedingly low at \$453 dollars, transaction volume (and hence risk) is also next to nothing. While interchange fees make up a portion of the revenue, most of the value comes as a result of non-interest and extra-long duration balances. As a result, these accounts are slightly profitable and are a great way to establish the brand and begin a relationship with a new client. Promotions geared around saving for a car, college, computer or reducing the tax burden (targeted at parents) have proven very effective and served to increase balances by 20% above average levels. For salespeople trying to get their teenager out of bed, we are still working on ideas, but we are pretty sure the most effective has to do with pancakes or iTunes downloads.

BANK NEWS

M&A

Spain's 3rd largest banking group, Banco Popular Espanol (\$126.5B) has acquired TotalBank (\$1.35B, FL) for \$300mm, or 2.3x book. This is the bank's first purchase in the U.S. and adds 14 branches to its already vast network.

Lending Competition

First Horizon National, the old First Tennessee, has formed a lending group to compete directly with community and other banks. The group will provide loans of \$5mm or more to franchisees for equipment financing, acquisitions and store openings.

Housing Sector Trouble

The latest data shows houses in foreclosure soared 87% last month, compared to a year earlier, as housing prices tanked. On the good news front, the June number is 7% lower than May's, which reached a 30 month high. The report showed NV had the highest foreclosure rate, more than 4x the national average.

CRE Loan Competition

Community bankers doing CRE lending should take note that Countrywide Financial has announced the launch of a new group that will focus its efforts on commercial lending. Indications are that the group expects to put \$1B in loans on the books in the next 12 months. By sector, the group will focus on retail, multifamily, industrial, mobile home parks, office, hotels, self storage and medical office buildings. Loan sizes run as small as \$1mm and fixed rate pricing is offered for 5, 7 and 10 years.

More CRE Competition

IndyMac has also recently started originating commercial loans, offering loan amounts as small as \$500k and fixed rate programs from 3Ys to 10Ys. The bank is focused on office, retail, mixed-use, light industrial, multi-tenant office, self-storage and owner occupied properties.

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