

METACOGNITION IN ONLINE BANKING

by [Steve Brown](#)

Humans have the ability to consciously reflect on their processes and strategies. This ability to "mull over" what one knows, or metacognition, is particularly relevant when it comes to online banking behavior. Technology has continually advanced and more people than ever now check their account balances, pay bills, apply for loans and purchase insurance through their friendly neighborhood bank's online portal. As users have become more adept at online banking, they are slowly morphing their behavior as well. Where once people only checked balances and paid bills, they now purchase CDs, buy and sell stock, apply for credit cards or other loans, manage their business payroll, purchase insurance and even transfer money between accounts (both inside and outside their bank). In short, people are not only becoming more comfortable with online banking, but becoming more interactive. In addition, people have expanded their channel selection, given advances in such technological gadgetry such as hand held mobile banking devices, kiosks, ATM machines and personal computers. Information is power and people have grown to appreciate gaining more control over their finances. While convenience and time saving are still the primary reasons people bank online, a heavy push by ING (has raised \$52B in deposits thorough the internet) and other internet-based banks is changing behavior. Banks will need to adjust their strategy to retain critical deposits and loan relationships. Now that we know this information, there are many things community banks may want to consider in order to create an enhanced online banking experience for their customers. Users want to be able to find information quickly and easily. Breaking information into major categories, such as products and services, managing accounts and achieving goals are all helpful starting points. In addition, bankers should ensure basic account information is immediately available (such as account activity and balances) as soon as users sign onto the system. Bankers should not forget that feedback is also important. Screens should change and information should be provided to the customer when transactions are processed. Adding a nifty graphic at the top of the page showing the percent complete for a given process is a nice touch that is highly appreciated by users. Bankers should have someone outside their banking family go to the site to see if terminology used is unambiguous and simple. If your mom cannot figure out what you are saying, customers won't be able to either. Contact information, easy identification of mistakes, indication that information has been updated, meaningful instructions, information to answer questions, clear information about security measures, pop up boxes that ask for user confirmation on possible negative actions (i.e. overdrafting an account if requested transfer occurs), page titles, indicating required and optional data, minimizing multiple inputs and sprinkling in graphics are all important features to ensure a well rounded online banking experience. As you consider whether your online banking site already has most of these features, consider also how various user strategies may be heading as you reflect on where to add features or drive future development.

BANK NEWS

M&A

M&T Bank (\$58B, NY) will purchase Partners Trust (\$3.3B, NY) for \$555mm or roughly 1.09x book. The move adds 33 branches to M&T's existing franchise.

M&A

PNC (\$112B, PA) will acquire 5 bank HC Sterling Financial (\$3.3B, PA) for \$565mm in cash or stock, or about 1.53x book. Sterling has 67 branches in PA, MD and DE.

BofA Earnings

America's 2nd largest bank reported an increase in profits of 5.2%, slightly beating analyst estimates. Investment banking and private equity provided the largest portion of the increase, while additional credit card loss reserves acted as a drag on earnings. Of note, the bank reported higher loan losses in their commercial and small business lines. Finally, NIM decreased for the 4th consecutive quarter, falling from 2.85% to a record low of 2.59%.

Wamu Earnings

The Bank reported an 8% increase in income and substantially beat analyst's estimates. NIM expanded 11bp to 2.90% due to more efficient funding. Loan loss allowances jumped by 66%.

Transfer Service

Wells Fargo said it will cut or waive remittance fees for its customers and offer money transfer services to recipients without bank accounts in 5 countries.

OCC Website

The OCC launched a new website (www.HelpWithMyBank.gov) designed to provide bank customers with basic financial information and assistance.

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