

A FRIEND AND A PEER GROUP

by [Steve Brown](#)

When one of our Midwest clients ran into problems with servicing remote capture machines last year, he summoned his most trusted advisors; a support group of other bank CEOs from around the country. At a CA bank, funding costs have been soaring and the CEO there wanted to gather more information about both building a deposit sales culture and to see how the business reward checking package was working at other banks. Whether it is to work on loan pricing, delve into branch closure issues or just be told you have spinach in your teeth, our High Performance Bank Workshop gives you a sounding board of other bank executives that have no stake in your decision, have experience and can be brutally honest. The next one comes up in Marina del Rey in Los Angeles, September 27th and 28th. For non-CA bankers, that is less than 10min from the airport. In addition to an expanded session on product packaging and liability tactics, we will cover loan pricing and branching. For those that have been to these sessions in the past, this Workshop is going to be different on 2 counts (in addition to adding a half day). For the first, we will look into the future in an effort to answer the question of what banks will look like in 5Ys and what strategic changes need to take place today. Second, we will have a live focus group comprised of a panel of business customers. They will talk about banking, their needs and what banks can do to improve. If you have ever conducted a focus group on your own, you know that the price tag normally starts at around \$15k in order to independently and scientifically gather a group of unbiased customers, pose clear and unambiguous questions, record their answers and then interpret the outcomes. For this session, bankers will be able to submit questions ahead of time and ask others in real time. Finding out what it will take to move a customer away from a national bank, whether longer branch hours really make a difference or if reimbursement of non-system ATM fees is vital to winning new business will all be asked. In addition, we will spend a material amount of time finding out what these business clients desire when it comes to cash management. Like hiring a consultant for \$1,297, including meals, it is not only one of the better values in banking, but will give your bank one very important thing – perspective. Given the recent drop in bank equity prices, increased competition over loans / deposits and the need to cut costs to live in an industry of 3.00% net interest margins, it is important to find out where your bank stands and garner help if needed. If you are interested in attending the next session, we have 20 spots available for CEOs (or other senior managers) from around the country, so request a brochure today. Since we only allow 1 bank per geographical area (in order to allow you to talk freely), many cities are already spoken for, so please move quickly. A group of peers can be a potent weapon against the competition. It may not only tell you that you have proverbial spinach in your teeth, but it may also help you learn how to remove it.

LOAN TRADING

As of Thursday, loan spreads increased and credit risk was exacerbated due to the dramatic drop in liquidity. Residential construction all but ceased trading and many consumer loan subsectors hit their widest spreads in more than 3Ys. Now is the time to make sure you have confidence in your credit stress test and a back up liquidity plan.

BANK NEWS

M&A

Haverhill Bank (\$165mm, MA) will merge with Northeast Community Credit Union (\$99mm, MA). The new company will use the bank's name, while the bank's president will serve as the merged institution's Chairman and CEO, while the credit union's current CEO will serve as president of the new organization.

M&A

Cape Savings Bank (\$613mm, NJ) will acquire the HC of Boardwalk Bank (\$454mm, NJ) for approximately \$101mm, or roughly 1.95x book.

Earnings Hit

One of the largest banks in the world, HSBC, took a \$6.4B charge for bad loans through the first half of the year, a 63% increase from the same period last year. A subsidiary of HSBC was one of the largest subprime mortgage lenders in the U.S., which was the primary reason cited by the company for the increased loss provision.

Check 21

A 2007 ABA survey finds remote deposit is the #1 technology priority for community banks, with 58.3% of bank saying they either currently offer the service or will by the end of 2008. Experts say remote deposit costs for banks are approximately \$500 to \$1,500 per customer, with the cost of scanning machines at about 70% of that number.

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