

GAME OF POKER ANYONE?

by [Steve Brown](#)

The expression "put your money where your mouth is" probably originates from the game of poker. It describes a call to place money in the ante, or "pot." Corporate America is full of companies that shy away from the essence of that expression - boasting a product or service but lacking execution and commitment. There are some notable exceptions. For example, Land's End's commitment to quality is exemplified in its guarantee, which reads: "if you're not satisfied with any item, simply return it to us at any time for an exchange or refund of its purchase price... Whatever. Whenever. Always." BMW has its own brand of guarantee called Ultimate Service, where owners pay nothing for vehicle maintenance service for 4Ys or 50k miles, whichever comes first. Both Land's End and BMW compete on quality. They may charge for the cost of returns and maintenance in the price of the product, but that value proposition is very compelling to the customer because of the expressed written commitment of superior quality. Should banks take a page from these companies and compete on quality of service? The answer is unequivocally "yes" and, as our readers know, we have been supporting this for years. We would like to take the opportunity to show you how we put our money where our mouth is. Many community banks are facing competition on loans from national banks that offer competitively priced, long-term, fixed-rate options to borrowers. Our clients have challenged us to find ways to help them generate fee income. To support both, we recently rolled out our Bankers Loan Processing program ("BLP") BLP gives banks an easy way to originate long-term fixed rate loans, while keeping a floating rate asset on their own balance sheet. Community bankers should note that the Program has also been designed to do so without the need for hedge accounting. In similar fashion, BLP gives community banks an option to be compensated with an up-front fee. Long-term fixed-rate loans can be more profitable for community banks for a host of reasons including: longer expected life, lower probability of default, lower cost of client retention and higher cross-sell opportunities. In addition, difficult to find C&I loans are right under a bank's nose - disguised as CRE in the form of a small-business, owner-occupied, real-estate secured loan. What we mean by this is that the cash flow on these loans is generated by a business enterprise (a medical practice, a car dealership or a host of other businesses) that provides an additional security interest in real estate property. To prove to readers just how great BLP is and to help us build loan volume, through the next 2 months (until Nov. 1st) BIG will pay the referring bank 25bp on the portion of a long-term loan a bank is willing to sell to us. Note that the fee or premium will be paid whether or not we actually approve the loan or not. In other words, we will pay 25bp (or take reduced loan fees) for any loan done through BLP that we are offered at least a \$1mm participation in. For example, on a \$3mm loan where the referring bank wants to retain \$2 million, BIG will pay the referring bank 25bps on the \$1 million portion of the loan offered to us, regardless of whether we agree to the credit or not. This works for all types of fixed rate long-term loans (multifamily, office, etc.) and in any state. We feel so strongly that loans generated through BLP are profitable for all parties involved that we are willing to put our money where our mouth is. Contact us to learn more about how we can deal you in.

BANK NEWS

Housing Sector

A report by banking regulators estimates 2.5mm mortgages to borrowers with weak credit will reset at higher rates by the end of next year.

Parent Trap

Wells Fargo has launched a new checking account designed to increase cross sell numbers with parents of teenagers called "Teen Checking." The account is designed for 13Y to 17Y old kids and requires an adult to be co-owner. The account offers email and text alerts when withdrawals are made or an account balance falls below a specified amount, allows parents to set daily limits on how much can be spent on a debit card and includes other money management tools and online access. Parents can also review activity.

FHLB Loss

Charter One, FHLB Cincy's 2nd largest customer, will withdraw (also sell its stock/ terminate its advances) and transfer to another district (yet named).

Google Banking

In an attempt to disintermediate banks, Google has filed for a patent for its person-to-person mobile payment system that uses text messages to transfer information.

Video Banking

Frost National Bank (\$13B, TX) is set to unveil a videoconferencing program that interprets sign language, allowing its deaf customers to communicate with bank employees.

Multifamily Sector

A new study projects apartment rents will rise 4% each year over the next 2Ys, as tougher home loan standards and rising foreclosures force would-be homebuyers into apartments. The study also found 25% of renters spend more than 50% of their income on rent, the highest in 20Ys.

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