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## FACEBOOK AND BANKING

by [Steve Brown](#)

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A couple of weeks ago, Toronto-Dominion became the first bank to create a presence on Facebook. For those of you just getting back from a 5Y stint in the Kyrgyz Republic, Facebook is a social networking site, similar to MySpace. It is designed to keep the world informed about who you are and what type (and number) of friends you keep. While originality derided by critics as an "exercise in narcissism," these social networking sites are now solidly part of the culture. For some reason, information that users would not share with their friends, family or coworkers, is acceptable to post on the semi-public space of these sites. For about \$10k plus design costs, the Bank launched Money Lounge - a discussion group for students to learn about being financially independent from their parents. While the attempt is a little like watching your CEO krump (read - painfully awkward), we have to give the bank credit for starting somewhere. The question arises - can a bank, which is the epitome of stodginess, create a brand in a space that prides itself on being non-commercial and edgy? Remember it wasn't too long ago that Craigslist.org was also non-commercial, but now commercial enterprises compose an estimated 25% of its transactions. In between answering how to eat for \$7 per day and offering a calculator that splits your bills by the number of roommates, the Money Lounge creates a modicum of response and occasionally gets feedback from students (in between a heavy dose of traffic from employees) on how to improve their marketing and image. More importantly, TD establishes a beachhead on what is becoming one of the most important demographic segments of banking. For those that like numbers, consider that Facebook has 34mm users worldwide and garners a 39% marketshare of 18 to 21 year olds. Banks that catch these 20-somethings in their financial formative years, have a higher chance of retaining these clients as they move into their extremely lucrative 30s and 40s. So far, this 6-month pilot program has grabbed 3,000 discussion group "joiners" and adds a handful of new ones each day. Community banks need to continue to seek new ways to engage a younger demographic and become more relevant in their lives. Money Lounge attempts to do just that and gives TD insight into promotions that work. Offer an iPod and you are likely to get a less than overwhelming response, however offer a chance at a summer job or scholarship, and your response rate will increase by a factor of 5. If a bank can figure out how to harness the energy in social networking sites, not only will it promote its brand, but it can dramatically decrease its cost of acquisition (since the medium is so scalable). This foray into the uncharted world of social networking sites will give TD an important leg up on its competition. We will continue to monitor the success and failures on Facebook, but if you haven't joined a social networking site, we encourage bank management and marketing to do so. It will create an awareness of the dynamics that take place in this potential market space. If nothing else, banks can learn a lot about their younger employees.

# BANK NEWS

## **Testing the Waters**

First Data's bankers will test investor appetite for debt, as they start selling bonds tied to the \$26B buyout of the data processing company. The deal has been closely watched on Wall Street because it is the first mega-financing deal since the credit crunch started last month.

## **Subprime Breakdown**

Nevada has the highest percentage of subprime loans in the U.S. at 21%, followed by MS (19%), AZ (18%), and CA (15%).

## **Person-to-Person Lending**

Lending Club, an online person-to-person lending service that got its start on Facebook, has started its own website. Since its May debut, the club has brought together 15,000 lenders and borrowers who have lent more than \$1mm among themselves.

## **Women in Business**

A recent study shows that women-owned businesses grew by 42% between 1997 and 2006, compared to only 24% for all businesses. Collectively, women-owned businesses employ 12.8mm people, generate almost \$2T in sales and account for nearly half of all privately-held businesses.

## **Employer Mortgages**

A new study by the OCC finds banks that partner with corporations to provide credit supported residential mortgages, can not only deepen the client relationship and generate more business, but can potentially garner CRA credit. The report also highlights the features of employer-assisted mortgages, risks and regulatory considerations. For banks that have a retail component and are near \$1B in total assets, this is a must-have program.

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