

## HAPPY NEW YEAR

by [Steve Brown](#)

This was certainly an amazing year and definitely one for the record books. For those bankers still puttering around the office in these last few hours of 2007, we take a moment to look back at the year to gain some perspective.

2007 was significant for many reasons, but two of the biggest for any banker would have to be the subprime debacle and the corresponding credit crisis. These crises arrived quickly and left many feeling battered and blue. The end result was enormous spikes in trading volume in the global capital markets and massive volatility. Both crises served to underscore the need for better risk management, increased capital levels and expanded liquidity options. Feeling the ramifications of this, Countrywide and WAMU hit on hard times; as did FNMA, FHLMC and many of the largest U.S. banks.

Meanwhile, China surged to prominence as a dominant financial powerhouse and the dollar languished. Small business banking was hot, as large banks flooded into this community bank sector. Construction and development lending softened, while regulatory scrutiny ramped up. Loan losses and loss reserves increased, while profitability slowed. Remote capture exploded, as bankers everywhere chased deposits and customers. Debit and credit cards grew exponentially, as cash and checks continued to drop out of favor.

As for technology and the internet, our attention in 2007 was captured by the iPhone (a multimedia and internet-enabled mobile phone that transformed the way we think about phones), Webkinz/Club Penguin (a virtual world for young kids to play in), TMZ (a website and TV show that stalks movie stars in the 30 mile zone around Hollywood), Transformers (a toy made into a movie that pits 2 robotic groups against each other over domination of Earth), YouTube (a free video sharing website), MySpace/Facebook (a social networking website for high school and college students respectively) and Heroes (a popular 20 something TV show about comic book like people that can do amazing things).

In sports, the New England Patriots closed off a perfect season (first time in 35Ys) looking like a powerhouse no team would want to meet on the road to the Super Bowl. In baseball, Barry Bonds set the career mark for home runs at 762, but an indictment threw cold water on any celebration. As if that weren't enough, a blistering Mitchell Report that named names showed steroid use was rampant in the Major Leagues. Finally, Atlanta Falcons quarterback Michael Vick was convicted for promoting dog fighting at his house.

On the global front, the wars in Iraq and Afghanistan continued to evolve, however the much maligned troop surge appeared to produce results in Iraq.

On the lighter side of things, people remained interested in watching American Idol, CSI and Dancing with the Stars and mocking Paris Hilton, Britney Spears and Lindsey Lohan. Hanna Montana, Rihanna and the Rolling Stones were also hot on the musical front, quickly selling out their tours.

As bankers prepare for 2008, one thing is sure. The issues that produced a difficult end to 2007 are going to remain with us through much of the upcoming year. Preparation and risk management will

be critical as bankers head into the New Year.

## **BANK NEWS**

### **FHLB Indy**

The FHLB of Indianapolis started "HomeRetain," a program that allows its member financial institutions to assist their borrowers that are facing foreclosure. The Home Loan will target \$100mm for funding (\$15mm max per institution), at slightly above its cost of funds, to add liquidity to those mortgages that will be restructured and retained.

### **Mobile Banking**

BofA claims 500k customers are signed up for its mobile banking platform. Industry wide, there are 1.7mm customers using mobile banking. That number is expected to swell to 35mm by 2011. In other related news, core processing company, Fidelity, announced plans to offer mobile banking to its clients, as a result of its recent partnership with mFoundry.

### **HMDA Data**

Banks with assets \$37mm or less as of the end of the year will be exempt from Reg C and will not be required to collect Home Mortgage Disclosure Act data in 2008. The asset cut off increased \$1mm due to the CPI-indexed level.

### **Record Opening**

California Republic Bank opened last week in Newport Beach, CA, with an initial capitalization of \$52mm, the largest in the state's history. The bank will focus its services on wealthy individuals, investors & businesses.

### **FEMA**

The agency has updated its Mandatory Purchase of Flood insurance Guidelines. This new booklet highlights recent changes including the processing of map-change letters, options for buying coverage, updated mortgage portfolio protection information and new policies.

### **Bankruptcies**

The American Bankruptcy Institute reports business failures surged 45% in the first half of 2007, compared to the same period in 2006. The good news is that, despite the surge, filings remain near historically low levels.

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