

## OF MOONS AND EARLY MORNING ILLUMINATION

by [Steve Brown](#)

Yesterday there was a full moon hanging low across the sky when we arrived at the office. Its round face shown brightly, illuminating the fun we were about to have. In a somewhat crater-pocked way, but still fun, we thought community bankers might enjoy the following list of things going on in and around the banking industry. Therefore, we ask all readers this morning - Did you know...

Businesses with \$100k to \$500k in annual revenues make an average of 28 deposits per day. Recent studies show remote capture can reduce this branch activity by up to 20%.

Nearly 40% of banks now offer online loan applications to be completed by customers.

The three biggest areas banks say they expect to see costs rise significantly this year are technology, compliance and healthcare benefits for employees.

Banks with lending exposures to the hospitality, restaurant, airline or other vacation-related sectors should take note that 39% of consumers are considering cutting back their vacation plans this year, 31% plan to eat out less and 58% said they will drive less. We are already seeing some of the higher-end hotels and restaurant chains cut rates or begin to offer summer specials in an effort to boost sales.

Large banks recently increased the number of times a day that a customer can be hit with an overdraft fee from 5 to 7. They also increased the fee they charged from about \$20 to \$25.

Americans own 1.5B credit cards or about 9 per credit card holder. At the end of the 1Q, credit card debt soared 6.7% and delinquencies reached 4.9% (highest level in 4Ys). Meanwhile, card balances have risen 9% over the past year.

The top 3 bank holding company credit card portfolios (Citi, BofA, JP) added together totaled \$222B as of the 3Q of 2007. This is significant because it would take the combined total of the next 23 biggest to equal half that amount.

Analysis finds that there are 1.3mm homes in the foreclosure process or about 27% of the inventory of unsold homes. One year ago the number was 18%. Perhaps even worse, it takes about a year for foreclosures to make their way to the market, so 2009 could also be bumpy.

Goldman Sachs predicts banks will need to raise \$65B in additional capital as losses and writedowns are expected to continue through early 2009.

S&P projects commercial construction will fall 16% this year and 9% in 2009. By sector, the rating agency said office construction is the least susceptible to a slowdown, while hotels and multifamily are probably the most vulnerable.

Banking regulators are encouraging banks to cut dividends in an effort to rebuild capital and reserves. This year, nearly 20 banks have cut dividends, more than the prior 5Ys combined.

Studies find about 49% of small businesses plan to change their ownership within the next 3Ys.

About 28% of entrepreneurs say they will need additional capital or a loan in the next 6 months.

A recent survey finds only 40% of banks have a formal budget set aside to educate directors.

As of the end of 2007, the average community bank was getting about 10% of its funding through wholesale sources.

More than 40% of retirees use email to correspond with their financial institution at least 1x per month.

Roughly 33% of retirees found their primary bank by walking into a branch. Meanwhile, 30% said they were referred to their bank by someone they know.

Studies show the average bank branch is only running at about 33% of capacity. Experts say aggressive bank branching strategies over the years have resulted in about 3x as many branches as is needed to support customer demand.

Studies find online savings accounts are being opened 1.5x more frequently than in-branch accounts.

As we get back to work, we ponder what the next phase of community banking and the moon (the waxing gibbous phase or where the moon is more than half illuminated), will bring us.

## **BANK NEWS**

### **Overdraft Fees**

A report by the Center for Responsible Lending found that Americans over 54Y are charged \$4.5B a year in overdraft fee services they do not want. Over 20% of these fees are paid by those dependent on social security income. In 2006, \$17.5B was collected from Americans. Most were associated with debit card transactions which charge over \$1.50 for every dollar advanced.

### **FDIC Rule**

The FDIC is now requiring system upgrades for 159 institutions. Banks will need to keep customer databases inline with the agency's and capacity to freeze deposits when resolutions are being processed. Banks are estimated to spend between \$2mm to \$10mm in these upgrades.

### **Receivership Program**

The FDIC expressed its willingness to oversee a receivership program for failed investment banks. FDIC Chairman Bair urged for stricter regulations and procedures, beyond the bankruptcy process.

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*