

BETTER DANCING AND ACCOUNT BUNDLING

by [Steve Brown](#)

Now that the political conventions are over, it is time to look back on the difference between the two parties. As we started to make a list, both candidates were a little vague, so we defaulted to the obvious conclusion - Democrats are much better dancers than Republicans. Maybe they had better music, but using the conventions as a random sample, most Republicans move like they have large pieces of adhesive taped across their buttocks. Someone in the office commented that this is because Republican's carry large wallets, which causes additional chafing and hinders dancing ability. If they are right, PNC may have the answer.

Last month, the bank came out with their Virtual Wallet, which is gaining traction and is worth putting on the drawing board at your next product planning meeting. The Virtual Wallet combines a free checking account with a 3 check/month limit (\$0.5 for fee for each check over), a short-term savings account and a high-rate savings account. The account bundle has no service charges and no minimum balances.

The account comes with some cool cash management tools such as an online Money Calendar, perfect for scheduling online bill payments, paydays and Danger Days. A Danger Day is automatically created when an accounts current balance minus the future scheduled bills before the next payday go below zero. The twenty-something crowd loves this feature. The fun doesn't stop there; as there is also a Money Bar which has a graphic slider on a screen that allows account holders to move funds between a bill paying allocation, unallocated money or cash for short-term savings. In addition, there is a Punch the Pig; button (a graphic in the form of a pig) which helps move funds from checking into high-yield (currently 3%) savings.

To encourage short-term savings account balance building (as the current yield is 10bp), there is a Wish List feature that allows users to create a series of short-term savings goals (like a vacation or new shoes) and then chart progress with some slick graphics. Hit your limit and the money is transferred automatically back to checking, the goal goes away and you get a congratulations.

In addition to the game-like online wizardry that makes banking fun, the account package also comes with a check card, surcharge rebates on ATMs, free overdraft protection, e-statements/check images and free domestic wires. Online links allow users to quickly navigate to several online communities, including a social bookmarking site where account holders can share popular web pages.

Now if all this leaves you twitching like some bad chicken dance, it is probably because you are not the audience. The Virtual Wallet is definitely designed for the younger crowd that is comfortable around MySpace. In focus groups, Generation Y ate this up saying things like this is how banking should be and it makes other banks feel stodgy.

Regardless of your political affiliation, we urge you to check out Virtual Wallet (see link below). Since we consider this the most innovative account bundle since Keep the Change, we will be covering the product more in-depth at our next High Performance Bank Workshop (next week in FL). At a minimum, it may give you insight into the future of online banking. Maybe it will even lighten your wallet to help you get your groove on ... either that or maybe the tape needs to come off.

BANK NEWS

Regulatory Warning

FDIC Chair Shelia Bair warned bankers to increase liquidity levels and boost reserves to cover credit losses. She also called the credit downturn "far from over."

FNMA & FHLMC Preferred

Given yesterday's market value, it is estimated that banks will have to write down their preferred equity holdings to anywhere from 0% to 12% of book value.

3rd Place

Wells Fargo surpassed Citigroup to become the 3rd most valuable U.S. bank, after reaching \$111B in market value. Wells Fargo now follows Bank of America at \$158.4B and JPMorgan Chase at \$142.8B.

New Customer Cross Sell

Did you know that 30% of new accounts opened will close during their first year? That rate is 3x higher than accounts open 2Ys or longer.

Deals Canceled

The 26th M&A deal has been called off this year, more than the past two years combined. Capital Bancorp's \$52MM sale of 4 banks to Northstar Financial Group was mutually terminated on Friday. The deal was announced in May and had yet to receive regulatory approval.

Muni Default

Jefferson County (AL) remains in a standstill agreement (its 4th), but is struggling to avoid bankruptcy and the largest default in municipal history (\$3.2B).

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