

## CONSIDER GETTING GREEN

by [Steve Brown](#)

About 180 million years ago, the earth was doing just fine. Fine, as in all the methane, carbon and other noxious gases were natural, so environmentalists were happy. Somewhere along the way, the story goes; giant dinosaurs were doing their thing until one fateful day a giant meteor, twice the size of ex-governor Rod Blagojevich's hair, slammed into the earth near what is now Dubai. The dinosaurs, by sheer bad luck, all happened to be gathered there standing around having lunch when they looked up, collectively grunted and then became extinct. Some time later, these dinosaurs turned into oil, which resulted in the Hummer, which has resulted in a backlash, which is why we now have "green" checking accounts.

Our point of this weak history lesson is to highlight the fact that less than 10% of banks have any sort of green account for retail and only about 3 dozen banks have a green account for business. Those that do have a business green bundle, report above average profitability on the mix. We have researched a dozen of these account packages and have put together the best attributes in order to bring to your consideration an account package that has the best chance of succeeding.

A good account package starts with a good name. For the sake of discussion, we will name our sample account "Clean Business Banking." This green business bundle is a checking, savings, online bill pay, rewards credit card (recycled plastic), online statementing (only), safe deposit box (free for first year), discount on recycled checks, discount on 3rd party payroll services, dynamic business sweep (for larger balance accounts) and free remote deposit scanner (for larger volume accounts) rolled into one package. The account can be opened for as little as \$400, the sweep above an operating balance earns a variable interest rate (based on interest sensitivity) in the 40bp range and a savings rate of 50bp. There is no minimum balance requirement (although there should be depending on how you use the account), no maintenance fee and a \$3/item charge for each withdrawal or outbound transfer of more than 3 per month. We suggest you include a \$225 "savings bonus" for 12 consecutive months of transfers into the account (to encourage building balances).

Before you dismiss this account as another marketing ploy, hold on to your biodegradable skepticism. Next to playing into a solid marketing trend, the bundle's structure, bonus and fees helps lower overhead costs compared to many business accounts. It encourages remote deposit capture (by giving away the scanner), inbound automatic transfers and debit card usage. It discourages paper items and statement mailings. All in, by our analysis, this account is 30% less expensive to operate than your standard business set of accounts.

For banks looking to move away from free business checking (a trend we wrote about 2 weeks ago), the Clean Business solution is ideal to target small business customers. Here, customers can be profitably "culled" away from free checking in an effort to increase loyalty and aid retention. The package not only lowers costs, but it takes a customer that was primarily interested in fees and gives them something else to care about.

While not all banks have the demographics and customer composition to make the business green bundle profitable, many do and should consider it if being green is part of your brand.

For more Blagojevich jokes and to learn more about what other accounts may help you lower your liability cost, make sure you come to our flagship 2009 Executive Management Conference in San Francisco during May 3rd thru 6th. While we know you don't want to spend money on a conference, the early bird \$449 registration fee is cheap considering how much time, research and mistakes we will save you (as we highlight what has worked at other banks). We will cover lending, workouts, deposit pricing/structure, the economy, capital deployment and a host of other topics set against the current backdrop of uncertainty. If you would like to gain 4Ys of experience in 4 days, go to [http://www.pcbb.com/2009Conf\\_Summary.asp](http://www.pcbb.com/2009Conf_Summary.asp) and register now.

## **BANK NEWS**

### **M&A**

Liberty Bank & Trust (\$374mm, LA) will buy United Bank & Trust (\$25.5mm, LA) for an undisclosed sum.

### **Bank Loans**

The ABA indicates only about 30% of all lending and available credit comes from banks in the economy.

### **Lending Standards**

The latest FRB loan officer survey finds 65% of banks tightened standards on C&I (down from 85% in the prior month), 80% did so on CRE (down from 85%) and 60% tightened consumer (flat from the prior month).

### **Housing Sector**

Research by Zillow finds the housing market lost \$3.3T in value in 2008, leaving 1 in 6 homeowners owing more on their homes than they were worth.

### **SFR Lending**

Loans bought or insured by FNMA, FHLMC and GNMA hit a new record, accounting for 87% of all new home loans originated last quarter. That compares to 30% in 2005/2006 and 48% in 2007.

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