

## UPDATING THE BOARD

by [Steve Brown](#)

We have been reading scary stories before bed lately. More specifically, we been perusing FDIC Enforcement Actions and, in particular, Cease and Desist Orders. Why read such horror stories? Because, as providers of expertise to community banks, we think one of our biggest jobs is to help banks avoid getting these kinds of missives in the mail.

In C & Ds there is a common line that often stands out - "It is hereby ordered that the bank cease and desist from the following unsafe and unsound banking practices... operating with a board of directors that has failed to provide adequate supervision over, and direction to, the active management of the bank."

It struck us how much more complex it is these days to be a member of a bank's board of directors. For most independent banks, the typical board member is a community leader, a small business owner, an entrepreneur, or a professional like an attorney or accountant. In other words, many board members are people that are highly skilled in their own businesses, but not necessarily masters of finance or experts in banking regulation. And now, in our more complex and risky world of banking, these lay board members are being asked to provide supervision and direction to the active management of the bank. Suddenly, it's not so simple to be on the bank's board of directors.

As bank managers, one of the most important aspects of our job is communicating with board members. If managers provide directors with information in that familiar "no spreadsheet left behind" format, the important points of what needs to be done in the bank may be lost in the maze of numbers. The challenge for managers today is figuring out how to present complex financial data in an easy-to-understand format.

At Banc Investment Group, we help solve this problem with BIG Metrics, our online suite of peer analysis and reporting dashboards. This is an excellent tool for bankers to use when trending historical data, developing strategic plans, comparing deposit composition and loan duration to peers, or evaluating management's effectiveness. In addition to being a terrific analytical tool, BIG Metrics is a communication tool - the presentation of the analysis is visual and easily understood, and what a benefit and time-saver this is for the preparation of that all-important board package.

We know that outside board members, with their broad perspective of the community and the intuitive knowledge they bring, are a valuable resource. But in this regulatory environment, it's terribly important to give board members the knowledge and understanding they need to supervise and oversee the bank. BIG Metrics offers comprehensive and up-to-date peer reporting in an easy-to-grasp format and provides objective analysis of your bank's strengths and opportunities. This tool will help communicate the things your board needs to know and understand in order to make decisions that will result in safe, sound, and prudent management of your bank. Then, if all goes according to plan, we'll have time to consider some less scary bedtime reading, like a Stephen King novel or something...

To learn more about BIG Metrics, send us an email for a free trial or sign up to see a live demonstration by going to: <https://bigevents.webex.com/bigevents/onstage/g.php?>

## **BANK NEWS**

### **TARP Borrowing**

Insurance giant Hartford Financial Services has confirmed it will take \$3.4B in TARP and sell \$750mm in stock as it shores up its capital needs.

### **FDIC Clout**

Ally Bank, the old GMAC Bank, has reduced its posted CD rates after the FDIC reminded the bank it needed to do so and to avoid being labeled as using risky deposit gathering practices. Ally cut its 1Y CD rate by 11% to 2.49%.

### **Whopper Deal**

Barclays confirmed it will sell its BGI investment arm to BlackRock for \$13.5B. BlackRock now become the world's largest asset manager.

### **Commercial Defaults**

Real Estate Econometrics, LLC, a NY property research firm, estimates that the non-payment rate on commercial mortgages by US banks will reach 4.1% by the end of the 4Q/09 - the highest rate in 17 years.

### **FRB**

Roger Cole, the head of bank regulation and supervision, announced his retirement, effective Aug 1. He joined the board of governors in '79 and headed supervision since Sept '06.

### **Citibank**

Taxpayers have produced a 7.5% return on its \$45B investment in the bank. This is 3x stronger than S&P performance over the same period (since Oct. 28, 2008).

### **Correct Deposit Rate Rule**

The Fed corrected the phase in date on its interest rate limits on insured deposits issued by less than well-capitalized banks. The final rule's effective date is Jan. 1, 2010.

### **Woof Marketing**

To captivate potential young customers, First Arkansas Bank & Trust unleashed a campaign in which a real dog, named Cash, is a spokesdog for savings. The bank's 'Cash Club' will award children with stuffed animal versions of Cash for deposits made.

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