

LOOKING FOR CROSS PLATFORM PACKAGES

by [Steve Brown](#)

It is a well documented fact that men will not stop and ask for directions. Nature compensates for this fact and is the reason why it takes millions of sperm to find an egg (despite that fact that the egg is the relative size of South Dakota). Under the microscope, you can see hundreds of sperm head off in different directions, unable to let their sperm-Fego's roll down the window and ask for guidance. In similar fashion, many bank liability managers do not stop and ask what products could enhance profitability, thinking they know the way already.

That is unfortunate, because many banks aren't getting the most out of their deposit offerings. Take the "Cross Platform" account bundle. There are commercial banks, there are retail banks and then there are both. However, banks that focus on both retail and commercial rarely combine both sections of the bank. The retail group doesn't even let commercial groups into meetings.

While cross platform bundles come in a variety of shapes and sizes, the thought is that the bank attracts small or mid-sized businesses, while also grabbing the owners and key employees. By combining accounts, the customer is able to gain a higher paying and more cohesive banking relationship, while the bank gains a more profitable account.

The cross platform bundle usually starts with a primary checking account for the business. This account is then combined with a business money market, business savings, line of credit and a host of retail checking and savings accounts. The target balance requirement of \$105k can be spread out over the entire relationship, so balances from the business can help the retail accounts earn a higher rate of interest. A maintenance fee of \$25 is waived if balances are over \$15k. The account also takes advantage of a technique called "barbell tiering," which puts a big gap between the lower and upper rate tiers. This suggested cross-platform package is effective when balances below \$10k earn 0.11% APY, balances above \$10k earn 0.23%, balances above \$25k earn 0.41%, balances above \$50k earn 0.85% and balances above \$100k earn 1.27%. The fractional pricing structure is created to look advantageous next to the competition, while providing an incentive to group higher profit accounts together. Sweep, debit, credit, online banking, investment services and other accessories should be included in the package. Doing so will optimize tiering, pricing and elegance (or an alternative 6 pre-authorized transaction limit should be placed on the account with a \$15 Reg D fee). Other fees are largely waived. The advantage is that by combining accounts, both retail and business accounts are captured. The tier and account structure gives small business owners the incentive to extend personal accounts to employees and family, so that each account holder can receive higher rates of interest and lower fees than if they opened up separate ones.

Only a handful of banks currently offer a cross platform package (JP Morgan, Key Bank, National City and BB&T are the major ones), so community banks still have time to gain a marketing advantage. The real profitability of this package is driven either by higher than normal balances left in the account and/or by better cross-sell opportunities.

Getting directions is never easy, but taking the time to look closely at combining the power of retail and commercial accounts can deliver better earnings down the road.

BANK NEWS

Shuffle

Bank of America's management is rearranged as the head of consumer banking, Liam McGee, leaves and Sallie Krawcheck, a former Citigroup executive, moves in to run Global Wealth and Investment Management. Three more directors also resigned from the board (John Collins, William Barnett and Gary Countryman), taking the YTD total to 10.

TARP Investigation

The FBI and the Treasury raided a Colonial BancGroup branch and a mortgage lender in Florida following a warrant issued by the Office of the Special Inspector General for TARP.

Defaults

According to REIS, loans lumped into CMBS may see defaults rise over 7% before the end of 2009. In the 2Q, loans past due and in default jumped 110bp to 2.99%. For reference, after the savings and loan crisis, delinquencies in commercial loans rose to over 6% in 1991.

B2B

US Bancorp and Visa have launched a joint venture to provide business to business payments and processing globally. The system will run a network of online bill payments and transactions for businesses.

Ex-FOMC

Former FOMC Governor Larry Meyer said the unemployment rate will remain high for another 6Ys and that "normal" economic growth is a "very long way off."

Housing Recovery

Mortgage insurer PMI projects large metropolitan areas have a 75% chance of lower home prices through 2011.

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.