

BEACH SAND, SUMMER VACATION AND GOOD IDEAS

by [Steve Brown](#)

Vacations are fun, especially when they involve sitting on the beach and enjoying sunny weather. That is, until you get sand in every nook and cranny of everything, including expensive cameras. Similar to sand on the beach, some ideas have permeated every corner of the desk. So, as we sit down to write our nearly 4,000th edition of this publication, we find ourselves coming back from vacation with a concept in mind - it is time to use up all those coffee-stained napkins scribbled with great ideas and to leverage up research we have completed but that has not yet been published. In an effort to clean things up, we start with granules of ideas that have permeated our desk space. After all - summer vacation has officially come to an end for 2009.

Competitive Insight: A recent interview with a Wells Fargo executive gave insight into how the company has surpassed so many others in continually landing at the top of online web site rankings. The executive said the Bank actually sends researchers out to personally visit businesses and consumers to see how they use the internet in their daily lives and then modifies the web portal to match those needs. Interestingly, Wells indicated that people who use text messaging for banking will quickly replace it with more robust applications once they switch to a more advanced phone such as iPhone or Blackberry. This seems to indicate more advanced mobile banking is right around the corner, so community bankers should begin preparing to meet this challenge with more advanced online applications and more mobile customers over time.

Equity Raising: Research by SNL finds that so far in 2009, financial institutions have raised equity most often by issuing common equity (43% of the time), preferred equity (28%), trust preferred securities (17%, but mostly very large banks), senior debt (13%) and a small amount by issuing subordinated debt (less than 1%). More issuance is expected as the year progresses and financial markets continue to settle down, so keep your eyes and ears open to make sure you stay on top of developing trends in this area.

Risk Management: A study just completed by Deloitte finds 80% of chief risk officers at major banks now report directly to the board of directors and about 63% of major financial companies have adopted a formal statement of risk appetite. It is no wonder that this shift has accelerated in the past 6 to 12 months, as financial companies have moved to increase the importance of risk management and expand toward a more fully integrated enterprise risk management process throughout the organization. Meanwhile, a study by Aite Group of 700 community banks found nearly 60% said operations risk and technology investment remained a strong priority for 2009.

Customer Contact: Research by Javelin finds that when customers are asked how they would like their bank to communicate with them after opening an account, the majority of customers said email (42%), followed by direct mail (24%), a phone call (12%), at the branch (12%) and through the bank's web site (8%). This is important for banks to know, as it gives banks a platform to send the 1st email as a simple welcome message, the 2nd highlighting services the bank offers related to the account just opened and the 3rd focused on ramping up even more in the cross-sell

department. Wells Fargo reportedly has had good success using this approach after every new account that is opened.

Greater Security: An ABA risk survey finds consumer loan fraud SARs filings have jumped 34% in the past 2Ys, while reports of potential money laundering have climbed 47%. Interestingly during this same period, reports of possible terrorist financing activity have fallen 28%.

As we sweep up these granules of ideas like so much sand on a beach, we realize how much we are going to miss the summer.

BANK NEWS

Closings

Closings: Dwelling House Savings and Loan Association (\$13mm, PA) closed and PNC Bank (PA) assumed all \$13.7mm in deposits and \$3mm of assets. Colonial Bank (\$26B, AL) was also placed into receivership by the FDIC. BB&T (\$139B, NC) will acquire all of Colonial's deposits and \$22B in assets (under a loss share agreement). Union Bank, N.A. (\$124mm, AZ) and Community Bank of Arizona (\$159mm, AZ) were closed and MidFirst Bank (\$14.5B, OK) assumed all non-brokered deposits of both entities. In addition, MidFirst will assume \$11mm of assets of Union Bank (not under a loss share) and \$55mm of CBOA assets (under a loss share agreement). Community Bank of Nevada (sister bank to Community Bank of AZ) (\$1.5B, NV) was also shuttered, with all deposits going to a newly FDIC created "Deposit Insurance National Bank of Las Vegas" ("DINB"). DINB is a bridge bank that will remain open to allow for the timely disposition of accounts. Nevada State Bank (\$4.2B, NV) will provide operational management of DINB under a contract with the FDIC. Total bank failures this year are now at 77 and the FDIC insurance fund hit for the 5 banks that failed on Friday is estimated at over \$3.2B.

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.