A GEYSER OF INFORMATION FOR BANKERS

by Steve Brown

We collect and research so much stuff that every so often we have to clean out the files. Like Old Faithful, pressure builds until it eventually blows and tidbits the size of water droplets rain down on the heads of community bankers everywhere. Today is that day, so hang on and prepare to get wet.

If you don't want to get your teeth kicked in by examiners, focus on "CAL" - capital, asset quality and liquidity. While it isn't the entire dromedary, regulators want CAL to be your friend now more than ever. Spread the word.

The economy will struggle through 2011. We are on a slow climb out of the crater, but unemployment will increase through middle 2010, GDP growth is being fueled by stimulus for the most part (not many banks are lending) and housing still probably has another 10% down leg before finally stopping. Until the economy starts to add jobs (our guess is late 2010), GDP won't have staying power above 3% until probably 2011. Keep working on problem loans, stay focused and take your vitamin B for energy because it will take longer before full recovery shows up.

A recent FRB survey shows 57% of banks say hiring qualified management remains a problem. Loan and compliance areas remain the hardest positions to fill.

When it comes to funding, believe it or not the latest BAI study finds only 60% of banks have deployed branch capture. That is crazy when you consider experts project branch closures could hit 10k over the next few years (announced branch closing already exceed 1,000+ this year, due to BofA and others).

Young people like to be mobile when it comes to their banking activities. In fact, 21% of people aged 18 to 25 have mobile banking accounts, compared to 11% for overall adoption rates. Even stranger, a new survey by Microsoft finds 22% of young adults in roughly the same age group don't trust banks and won't deposit their money into a bank (maybe that is because they don't have any money, or their mattress is paying the same rate on their deposits). The good news for banks is that the same survey found 67% of these people will not invest in the stock market, so if bankers can find a way to gain trust - the sky is the limit.

Check activity is dying faster than most predicted. The FRB has closed most of their check processing operations as a consolidation move and these days debit card transactions are more than 50% of all noncash transactions. Long live the credit, debit, iPhone and Android payment channels (after all, who wants to use a pen and write a check when the flu season is in full swing)?

People are still looking for a safe place to park their money. A new study finds 58% of investment advisors have been asked by clients what guaranteed options there are for assets to keep them safe. That is good for CDs and money market accounts.

Burned by bank failures and worried about disruption, a new study finds customers have reduced the share of deposits they keep with their primary bank from 44% to 36%. Sell safety and ease of use and you might be able to get them back now that the dust has settled a bit more.

When considering what products and services to roll out next and how to capture new customers, consider a new survey finds 44% of retired people are now supporting at least one other person financially beyond their spouse. Children ranked first at 53%, followed by grandchildren at 37%. On the other side of the coin, 12% of kids are contributing to their parents' finances because of economic upheaval.

While geysers are fun to watch they don't blast all the time, so we won't either. We just hope today's publication has produced at least some small droplet of information that will be useful to you and your bank.

BANK NEWS

99th Bank Closed

San Joaquin Bank ($ 775mm, CA) was placed into receivership on Friday. Citizens Business Bank ($6.4B, CA) assumed all $631mm in deposits and essentially all assets, with $683mm under a loss-share agreement.

BB&T

The Bank reported a 56% drop in 3Q profits to $157mm compared to $362mm last year. Non-performing assets rose to 2.48% and charge-offs dropped to 1.71% from 1.81% in the previous quarter.

Citi

The Bank closed a number of co-branded credit cards that had links to gas companies. The problem was that Citi forgot to tell consumers ahead of time so customers were irate. By mid-day yesterday Citi finally issued a statement that it "decided to close a limited number of oil partner co-branded MasterCard accounts." Closures included Shell, Citgo, ExxonMobil and Phillips 66-Conoco cards.

BofA and NFL

BofA is rumored to have put in a proposal to renew their NFL rights as the official bank of the league. While BofA increased their fee above their $10mm from last year, some of the team owners are reluctant to give up their rights. Look for a vote in Nov.