SUPER DEPOSIT FEATURES

by Steve Brown

We recently saw this picture of George Reeves as Superman. He did not look stronger than a locomotive or faster than a speeding bullet. In fact, he looked like your average middle aged banker who enjoyed Krispy Kreme donuts and liked to dress up in a Halloween costume. This is a different perception than when we first saw him on TV way back when, where he seemed to be truly the Man of Steel. Things change and now the Superman of 2010 needs to put in more gym time.

Our perception of banking has also changed. In Reeves' time, families had one checking account with their financial institution and everybody was happy. Now, the goal is to capture more of a customer relationship (as well as ancillary relationships), since the average business has 3 to 5 banking relationships. If Superman walked into the bank, a good account officer would not only get him to open him up an account, but would want to make sure they were getting Clark Kent's balances, Ms. Lane's and even the Daily Planet's corporate account. While few bankers would disagree, there is still a shortage of banks using combined balances effectively.

One of the advantages of offering a premium-style account is that this high service product comes with fees that can be waived for a high balance. Smart bankers know that they should also offer a combined balance feature to make this account more attractive. A combined balance feature accomplishes something very important. It reminds the salesperson to ask about other accounts that can be brought over from other institutions in return for waiving fees. This forces the bank to become more of a selling organization and opens the door to talk about other products the bank offers to better service the customer.

One benefit of allowing customers to combine balances across products is that it entices them to sign up for more services (such as a revolving line of credit, retirement accounts, savings account or foreign currency transactions). With every additional product, profitability and retention are increased, while interest rate sensitivity is decreased. When BIG conducts a product audit for a bank client, one of the things we check for is the utilization of a combined balance feature. We find the proper use of combined balances in only about 65% of the banks we review.

Banks should evaluate their use of a combined balance feature to make sure they have one in place. The next step is to make sure it is applied to the most profitable products and utilized in the correct manner (in order to provide incentives to customers to conduct more business). Banks that can pull this off can be considered "Super" in the modern day sense.

MOVE YOUR MONEY PROJECT

As we reported on last week, an article and associated video (set to the backdrop of It's a Wonderful Life) posted on the Huffington Post that implores households to move their money to community banks continues to catch on and captures the current populist anger against TBTF banks. You can now become a fan on Facebook: http://www.facebook.com/MoveYourMoney?ref=mf . After just days, the group has 5,245 fans and counting.

BANK NEWS

CU Closed

HeritageWest Federal CU ($311mm, UT) was liquidated with Chartway Federal CU ($1.2B, VA) entering an assumption agreement for all assets, loans and shares.

CU M&A

First Service Credit Union ($37mm, WI) announced a merger with Marine Credit Union ($405mm, WI).

FNMA & FHLMC

We couldn't help but notice that while there is government pressure to limit bank and TARP recipient compensation, The Treasury released a statement (on Dec. 24th no less) that said the Gov't will now offer uncapped financial support of the balance sheets of both FNMA and FHLMC. At the same time, the release also told of $42mm in compensation payments due to top executives including $6mm for FNMA's current CEO. Now, these executives might be worth it, but it looks a bit hypocritical. It was also interesting to note that most of the compensation was in cash and not deferred, which is seemingly the current best practice. Further, having this release on Christmas Eve doesn't exactly set the disclosure standard the Treasury is probably looking for.

Bankruptcy

According to the AP, filings rose 32% from 2008 to 1.43mm. 2009 marked the 7th worst recorded year. 2005 topped the record at 2mm filings, before a new bankruptcy law was instated in 2006. AZ experienced the largest YOY rise at 77%. WY rose 60%, Nevada by 59% and CA by 58%. Filings topped 2mm in 2005 following a new law instated in 2006.

2nd Computer

The FBI and the ABA are warning small business owners to use one computer to handle online banking activities and yet another entirely to surf the web and for email. This approach, while blunt, is the best way to prevent malicious software from infecting the computer and makes it much harder to manipulate electronic transfers. Community bankers should suggest this to clients and perhaps even go so far as to offer help to set this up to reduce the chances of online theft.