

## BRITISH TAXIS AND BANKING

by [Steve Brown](#)

British researchers did scans on taxi drivers and found certain areas of their brains are significantly larger than "average." The findings support the thesis that this is because taxi drivers have adapted to store a detailed mental map of the city they work in. In particular, scientists found part of the hippocampus (involved in learning and memory formation) actually grew larger as taxi drivers spent more time behind the wheel. So, if you want to improve your spatial knowledge, try driving a taxi on the weekends.

Since most bankers have no time for that, we suggest another way to expand the mind. While most banks are currently awash with funding, the problem of how best to shift from wholesale sources to retail ones continues to cause problems at many banks. When it comes to deposit gathering, knowing one's competitors and where/how to capture deposits might be helpful, so today we look to the online bank channel to see what is there.

ING Direct remains the largest holder of online deposits, at a whopping \$75B+. Last year the bank grew its online deposits by about 10%, which is quite respectable, when you consider most banks were in the 4% to 6% range.

Perhaps of equal interest to readers, the 2nd largest player, E\*Trade Financial holds about 40% less in online deposits as ING, but a still respectable \$35B. When you combine the holdings of ING and E\*Trade, they capture roughly 81% of all balances of the top 10 online players. That is a lot of concentration in online deposits and it means some of those most certainly came in from your prior customers.

We did a bit of additional nosing around and found that as of a few days ago, ING was paying 1.15% APY for a 6 month CD and 1.60% APY for a 12 month CD. E\*Trade, on the other hand, was paying only 0.05% and 0.10%, respectively (no, those are not typo's). Therefore, depending on your own funding cost structure, these rates probably aren't that far out of line to where you may currently be setting your own levels. If you did nothing else but check where these two players were posting each day, you would be capturing 81% of the competitive arena out there for online funding options. Whether it makes sense to do that or not we leave up to your funds pricing discussions, but at least internally we feel it is certainly worthy of tracking.

It is interesting to note that further digging found the reason E\*Trade's rates are so low is because the bank is trying to reduce the amount of overall deposits on its balance sheet as it shrinks assets. It is also deemphasizing its non-brokerage business lines, which could be another reason for the shift.

Banks interested in finding out more about the online deposit channel and major competitors (to see how your own rates may compare) might want to check out the rest of the top 10 in order, which include: New York Private Bank & Trust, MetLife, Citigroup, Zions BanCorp, PNC Financial Services Group, MB Financial, Bancorp Inc and Lydian Trust Co.

No matter what part of the brain you use to set deposit rates, knowing the competitive landscape is important as you navigate the roads of liability management. This is particularly true, given the importance of managing liquidity & ALM mismatches.

# BANK NEWS

## **Community Bankers at FDIC**

The FDIC will hold its 2nd meeting with community bankers tomorrow to discuss how the recent markets and legislative changes are impacting bank's ability to service customers.

## **Bank Loss**

Regions Bank announced 4Q loss of \$543mm with loan losses reaching \$692mm and non performing loans rising to \$4.4B. Revenue fell nearly \$60mm from 3Q to \$1.6B. The bank took on a \$1.3B loss for 2009.

## **eFiling**

The Fed released their Electronic Applications, or "E-Apps," functionality that is new online functionality that will allow banks to securely submit regulatory filings without a fee.

## **M&A Off**

First Waterloo Bancshares Inc. (\$307mm, IL) canceled a deal to purchase Red Bud Bancorp (\$97mm, IL) as regulatory approval prolonged.

## **Slow Recovery**

Despite some nascent signs of recovery, RealtyTrac reports almost 3mm homes were involved in some form of foreclosure in 2009, 21% higher than 2008. Meanwhile, FirstAmerican CoreLogic estimates an additional 1.7mm homes are not included in official inventory data but have been repossessed, are in foreclosure or are seriously delinquent.

## **Small Business Spending**

Analysis by Visa finds small businesses spend using the following payment methods: check (66%), non-bank DDA (10%), Bank DDA (9%), credit card (8%), debit card (3%), cash (2%) and other (2%).

## **Business Stress**

PayNet reports small business loans, leases and lines of credit past due 180 days or more rose to 0.91% in Nov, up from 0.87% in Oct, marking the 22nd consecutive monthly increase.

## **Other Employee Benefits**

An ABA survey finds about 36% of banks offer flexible hours, 42% offer stress management counseling and 28% offer free health screenings to employees.

*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.*