

WATCHING OUT TO AVOID SLIPPING

by [Steve Brown](#)

The odds of dying from a fall on ice or snow in a given year are 1 in 4,908,000. That means about 60 people in the US each year die from slipping on snow or ice. While that may not sound like very many in the overall scheme of things, it certainly isn't great if you are one of the 60. Since watching out where you are going is one way to avoid this problem, we take a similar tack this morning as we provide a litany of things we have been watching pile up that we think you want to know. So, before we slip up any further, here they are in no particular order.

Tight Credit: According to the National Small Business Association, in the last 6 months, 38% of small businesses have reported a decrease in their line of credit. The same study found 40% of small business owners who requested extensions to their lines were denied.

Employee Productivity: A Microsoft study found it takes the average person 15 minutes to refocus after being interrupted. Meanwhile, another study finds productivity drops 40% when people try to do 2 or more things at once.

Intrusion: Studies show the average worker loses 2.1 hours of productivity every day due to interruptions and distractions. Meanwhile, every single day, the average employee checks email 50 times and uses instant messaging 77 times.

Brokered Deposits: In 2009, the FDIC increased assessments on banks with more than 10% of deposits classified as brokered. The FDIC treats CDARS and other similar products as brokered.

Customer Sales: US Banker reports consumers who regularly bank online now own an average of 10.3 financial products, compared with 8.2 products for those who aren't active online users. Studies find cross-sell ratios can be 75% higher at banks that focus on customers that are active users of online banking, compared to those who are not.

Risk Management: Research by Harvard University finds past events bear no relation to future shocks and that less than 0.1% of risky events will lead to 50% of all losses. Random events, a changing environment and thousands of shifting variables all make predicting the next risk event unpredictable.

FRB Liquidity: The Fed is preparing to test the term deposit program in the coming few months. Recently, FOMC Chair Bernanke has indicated that hundreds of billions of dollars of liquidity could be drained from the banking system quickly using term deposits and reverse repos. Bankers should be preparing now for this eventuality by testing the impact of sharp rate movements and or lower liquidity by stress testing.

Inside Scoop: Bankers have indicated that regulators are emphasizing using loss rates from the last 12 to 24 months for loan loss reserves. Bankers would be well served to track and use this data, as well as stratify by LTV, property type, risk grading, etc. More detail here is better than less. Finally, depending on the size and type of the loan, banks should consider changing reappraisal policies to trigger every 6 months.

Regulatory Focus: Bankers trying to figure out what regulators will be looking for in the next examination might want to consider focusing resources on capital planning around stress testing; incentive compensation structures; liquidity risk management (to include TAG expiration); and credit risk (such as ALLL, TDRs and the refinancing risk of income producing CRE loans). Get focused on the issues, proactively work with borrowers, utilize stress testing and remain flexible.

Staying focused on the path ahead and watching for potential problems ahead may not totally eliminate the risk of slipping on ice, but bankers that prepare can at least reduce the odds.

TARDY BIRD CONFERENCE REGISTRATION

There is a saying that "the early bird gets the worm." Times are tough in community banking right now, so we believe the Tardy Bird should also get something! That's why, for one week only, we're offering our 2010 Executive Management Conference Tardy Bird Special! By going to the link below and registering to attend, bankers can still save \$50 off their registration fee - as long as you register by March 17th. The conference is scheduled for May 2-5 in San Francisco. Time is flying by, so register now to save some money <http://www.pcbb.com/conference.html>.

BANK NEWS

End of Fees

BofA will no longer charge overdraft fees on debit card purchases, effective July 1st. Customers will still have the option for overdraft protection and will have the choice to withdraw from ATMs beyond their balance for a \$35 charge. Currently, nearly 60% of the bank's overdraft fees stem from debit card purchases. When customers do not have enough money in their accounts to cover the transaction, BofA will simply decline the purchase at the point of sale.

Paid to Leave

Nevada Federal Credit Union has reportedly begun paying customers to leave. Those with only a deposit relationship are being offered about \$25 for every \$25k in deposits to find somewhere else to go

Barclays

The 2nd largest British bank is rumored to be looking to buy a large regional US bank to enhance its consumer foothold in the US. European banks have struggled in the US, so the idea is meeting with mixed investor feelings.

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.