

APPLE AND COMMUNITY BANKING

by [Steve Brown](#)

All the hype around the Apple iPad shows one thing for sure - Apple knows how to make a splash and deliver products that people want. Following the launch of the iPad, one banker we know even quipped that Apple never holds focus groups, it doesn't ask people what they want, but rather it tells them what they are going to want next. Apple makes great products, it has an emotional connection to its audience, its products

are attractively designed and it has a great following as a result. In fact, 100,000 people visit Apple stores each week to talk to technical support staff and find out more. Community banking in some ways is a lot like Apple.

As with Apple, community banks focus on the customer. Community banks want the customer experience to be a good one, so they offer quick decision-making, operate locally and personalized support is readily available. This is great because as a small business themselves, community banks understand first-hand many of the issues their customers are facing and as such, the support delivered is usually extraordinary.

In similar fashion to Apple, community banks care deeply about their customers. Doing business locally means most of the loans and deposits are from within the community. Community bankers are deeply involved in local issues because their executives are deeply invested in the bank that is deeply invested in the community. Executives live and work within the community, they know the customer directly in many cases and as a result, they are more willing than large banks to consider character, history and other factors when making a loan. The typical board of directors of a community bank is also most likely to be made up of local people interested in doing something good for their community. Community bankers know their customers, they build long-term relationships with them and the results can be seen in towns and cities all over the country.

Apple seems to be everywhere these days and in like fashion, community banks are also deeply entrenched. Consider that community banks constitute 97% of all banks and have provided 67% of outstanding loans to small businesses. Larger banks will often focus on the raw data to make decisions, while community banks focus on the relationship and knowing the customer. After all, the community bank operates within the community itself, so activities are more about relationship banking, understanding customer needs, flexibility and conservative lending. These factors have helped community banks flourish across the country.

This does not mean difficulties don't arise. The Newton was a colossal flop for Apple, but the company rebounded and has obviously retooled things in a way that has led to explosive growth. Banking industry stresses have also left a mark on community bankers. Times are difficult, loan writedowns and provisioning are prevalent (provisions have jumped 700% from pre-crisis levels), spread income is way down and the net interest margin is being compressed. As a result, community banks are reworking business plans, improving capital planning, building capital cushions and adapting in many other ways as well. Certainly the operating environment has drastically changed, but community bankers are resilient. As community banks address CRE concentrations, rethink credit administration practices and improve management information systems in the coming years, these pressure-packed

days will eventually fade into history like the Newton. It will take more time for the industry to fully recover from this credit crisis and community banks will continue to play a critical role in the health of local economies as things slowly recover.

BANK NEWS

Tax Free Day

Theoretically, everything you have earned so far will be paid to either to a local, state or the Federal Gov't. Today and going forward, it is all yours. Of course this does not include reducing any gov't debt, nor is it really true if you live in a high tax state like CT, NJ or NY (you would have another 6 to 10 days to work), but you get the point.

Risk Manipulation

The WSJ reports that the SEC is looking into several large banks that consistently reduced debt prior to the end of the quarter only to restate the debt after.

CU Closed

South End Mutual Benefit Association, Inc. (\$2.4mm, CT) was closed yesterday marking the 5th this year.

ACH

ACH volume grew 2.6% to 18.8B last year; though, total dollar transactions shrank by 1.1%. Check conversions by volume dropped 5.8% and 13.3% by dollar amount in 2009. B2B payments rose 3.5% to 2.0B with actual dollar falling 2.2%. On another front, mobile phones will soon be able to convert checks into ACH payments, which may be well adopted by B2B users who deter from credit cards.

Inside Man

A BofA employee is charged with withdrawing an amount the Gov't will not disclosed from the bank by allegedly installing software on ATMs to snag debit card stripes, PIN numbers and disperse cash on command.

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