

PLANTING SEEDS & WAITING FOR SOMETHING TO GROW

by [Steve Brown](#)

We doubt whether Jack had any idea that when he tossed a seed into the ground and watered it, he would soon be climbing into the clouds and doing battle with a giant. Sometimes all it takes is a small seed and a little water to help see something grow in new and amazing directions.

Congress was probably reading this very book when they created the Dodd-Frank Act (DFA) and planted over 2,000 seeds all over the banking industry. No matter, as community bankers will have to tend to this soon to be overgrown garden, as they spend increasing amounts of money on risk management, regulatory compliance and data management. As with the seeds that were planted that are now growing into hundreds of new regulations, so too will consultants spring from the ground to assist bankers. The next few years will be busy, burdensome and exciting, as the entire landscape grows into something new right before our eyes.

Given we are nearing year-end and since we have lots to do before these regulations spring from the ground next year; we first clear out some other information we think you might find useful, as you prepare to retool your business model.

When it comes to capturing customers, community banks are sitting pretty well right now. A recent survey in fact found that while 37% of adults consider a major national bank to be their primary bank, 32% said they have considered moving to a community bank recently. Of those who really did move, the primary reasons cited were to get a better return; convenience; lower service charges; and to protest policies or behaviors of large national banks. Tapping into this customer frustration can be an effective strategy for a community bank to consider.

Large banks have seen the damage they have caused and they are resetting their approach to hang onto customers. This is particularly true of small business customers, where banks including Bank of America, JP Morgan, Wells Fargo and others have all announced plans to hire thousands of small business bankers and expand services into this customer segment. Community bankers would do well to monitor these programs closely to ensure your competitive edge is maintained.

Social networking is picking up, but some recent studies provide interesting data for community bankers working on developing a program. A study by Comscore finds 73mm mobile users accessed their browser, which is an increase of 31% from the previous year. More importantly however, Social Networking ranked as the fastest-growing category accessed via browser, growing 90% from the previous year, followed by bank accounts, which grew 69% to 13.2mm users. Looking more closely at Twitter, another survey by Pew Research, found that only 8% of adults who use the internet are Twitter users but only 2% of those do so on a daily basis. In addition, the study found 24% of Twitter users check multiple times a day for tweets, but 41% say they seldom or never look at new material on the site. Clearly banks need a strategy, but some of these social networking services may need a closer look to determine whether or not your core customer base is even using them and if so, exactly how.

As we all wait for the seeds of DFA to grow, we expect banks will continue to focus resources on mobile banking, social networking and industry consolidation. These are certainly interesting times, so tie up your laces really tight as you begin to climb each new bean stock that appears in front of you.

BANK NEWS

Closed (151 YTD):

The FDIC closed 2 banks Friday, including: 1) Paramount Bank (\$253mm, MI) and sold it to Level One Bank (\$213mm, MI). Level One assumed 4 branches, all deposits for no premium and virtually all assets with 92% under a loss share. 2) Earthstar Bank (\$113mm, PA) and sold to Polonia Bank (\$213mm, PA). Polonia acquired 4 branches, all deposits for no premium and \$77mm in assets with 59% under a loss share.

Anti Corruption

The Dodd-Frank Act has a provision in it that pays whistle blowers 10% to 30% of monetary penalties worth more than \$1mm.

Dodd-Frank

We expect details on Thurs. from the Fed regarding some of the finer points of the Durbin Amendment (interchange fees, debit OD, disclosures, etc.)

Housing Stress

Zillow reports home values will drop \$1.7T this year compared to 1.05T last year. Since the peak reached in June 2009, prices have fallen \$9T. Meanwhile, the percentage of home owners with negative equity reached 23.2% in 3Q, up from 21.8% at the end of 2009. Overall, 8mm homes are in default or foreclosure.

Bankruptcy

A University of MI study finds people aged 65 and older are the fastest growing segment of the population seeking bankruptcy protection. Medical expenses, a fixed income, taxes and other issues are the primary catalysts.

Small Business Survival

The latest research finds 49% of small businesses survive 5Ys or more; 34% survive 10Ys or more and 26% survive 15Ys or more. In addition, 70% of new small businesses survive at least 2Ys

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