

## BAD WRAPPING AND FREQUENT BOARD MEETINGS

by [Steve Brown](#)

There are two types of people in this world, those that like gift wrapping and those that don't. If you don't know which one you are, here is a quiz: You are giving a gift that requires batteries which you have purchased separately. Do you: A) Wrap the

batteries separately; B) Tape the batteries to the box and wrap the whole thing; or, C) Use the batteries for your TV remote and give the box to your spouse to wrap? If you answered anything, but A, you may be wrapping deficient. If this is you, we feel your pain, because the paradox is that while this time of the year, we hate wrapping.

Also a paradox is how we feel about board meetings. We love board meetings because it gives us a chance to reflect on performance and think about our progress on meeting strategic objectives. That said, we hate the effort that it takes to prepare for a board meeting. This is why we are not fans of having monthly board meetings. Banking, it turns out, is one of the few industries where it is standard to have meetings monthly. This is ironic, because banking is so structured, regulated and conservative that it is the one industry that really doesn't need to meet monthly. Since not much changes month to month and few strategic directional changes are made, we put forward the premise that most banks don't need to meet monthly and could actually improve performance by meeting less frequently.

In America, only 17% of US corporations meet monthly according to BoardSource. 25% meet every other month, 24% meet 5-6 times a year, 22% meet quarterly and the remaining 12% meet at other various times (such as not on a set schedule or 10x per year). In fact, the average number of board meetings per year in the US is 7x. Most community banks, on the other hand, meet 12x per year. Heck, even our Federal Reserve only meets 8x per year and they have a whole economy and monetary system to manage.

There is no requirement that a board needs to meet monthly. We would make the argument that like wrapping, the more board meetings you have to do, the uglier they are. If you are like us, it takes us multiple hours to prepare the board package and multiple hours to produce (and approve) notes. Most of this effort, like gift wrap, gets torn through and largely ignored.

Personally, we like the every other month schedule for most banks and quarterly for the less dynamic. Even for the most rapidly changing bank, meeting 10x per year, skipping January to focus on closing the fiscal year and a summer month is probably sufficient. Meeting less than monthly gives management the proper time to prepare and organize in order to place more emphasis on strategy.

If you are like the average bank, most of the board's time in a meeting is spent going over past performance and getting updates. Many of these updates can be done via e-mail or a

board portal that doesn't require interaction. For clarity, we are not against keeping everyone updated on performance monthly; just against getting together to meet seems like an effort without

commensurate reward. Then again, would give all gifts in hefty bags, so maybe we just need a holiday vacation - Happy wrapping.

# BANK NEWS

## **Cross Border Purchase**

TD Bank (\$20B, Canada) will acquire Chrysler Financial Corp for \$6.3B, taking a larger slice in the consumer loans market.

## **Debit Card Losses**

KeyCorp Bank estimates a \$100mm loss in revenue from the debit card fee proposal, up from an initial projection of \$40mm. Average interchange fees are expected to drop by 40% to 75% in the US.

## **Branch M&A**

Union First Market Bank (\$3.3B, VA) will purchase a branch from NewBridge Bank (\$1.9B, NC) for approx. \$75mm, receiving \$59mm in deposits and \$74mm in loans.

## **FDIC Liquidation**

The FDIC auctioned off a total of \$609mm in distressed loans from 26 failed banks. Cache Valley Bank (UT) acquired a 40% stake in a package of \$279mm in distressed assets; ColFin Milestone North Funding LLC acquired a 40% stake \$204mm in distressed CRE loans; and Colony Capital LLC acquired a 40% stake in \$137mm in distressed CRE loans.

## **Small Biz Loans**

The SBA will create 2 new lending programs to be unveiled during 1Q. The Small Loan Advantage Program and the Community Advantage Program are designed to increase small sized (below \$250k) 7(a) loans to distressed communities in an express approval fashion. All SBA Preferred underwriters will be eligible for the Small Loan Program, while just community development banks will be eligible for Community Advantage.

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