

A LILY-WINSTON FOR YOU TO PONDER

by [Steve Brown](#)

We would bet our bottom dollar that bankers would certainly agree with both Winston Churchill (who famously said, "Success is going from failure to failure without losing enthusiasm") and Lily Tomlin (who quipped, "The road to success is always under construction"); particularly given how the past 2Ys of this credit crisis have shaken out for the industry. Whether your bank feels like it is going from failure to failure or on a road that is always under construction, one thing is certain - the banking industry is going through changes so significant they will only be seen once in a lifetime.

To deal with the myriad of things coming your way each day, you need some amount of sleep (not gonna' happen), a good psyche support structure and to quote Winston one more time, you should "never, never, never, never give up."

One way to better prepare is to head into the conference room with a group of coworkers to brainstorm a solution to what ails you. Before you do, however, know that research finds simply piling bodies into a room and tossing ideas in a loosely structured format may not be very effective. People should also be selected based not on title, but rather with firsthand customer knowledge.

Along these lines, research done by McKinsey actually finds the best way get something of value from these sessions boils down to creating a key list of 15 to 20 questions, limiting meeting attendance to 20 people maximum and conducting highly-focused idea generation sessions with a maximum 5 people that will focus their energies on a single question for 30 minutes. In this way, the researchers found groups in total will generate about 60 strong ideas by the end of the day, which can then be further vetted. Researchers found that forcing each group to narrow the list of ideas to the best 2 or 3 sparked competition and motivated people to come up with even more ideas.

Another suggestion revolves around strategic planning efforts. We don't have to tell you that increasing effectiveness can be difficult, but researchers from Harvard offer a few suggestions on key things to avoid that might make the process a bit easier. One thing to avoid is to think your "gut" has all the answers. A good strategic planning process should incorporate insight into how the industry is evolving, the bank's specific competitive advantages and areas where competitors are changing. Doing market research and closely examining how customers view your company and your competitors is not only insightful, but can be leveraged when backed by true data collection. Another aspect of strategic planning the researchers found lacking was in the expectation level of attendees. Many executives and board members truly believe an all-day session is enough time to identify, explore and agreed upon effective strategies. The problem with this approach is that while these meetings are good ways to share information, gather input and address key issues; they don't provide enough time to adequately prepare, review or discuss the underlying forces driving key issues around the bank. Identifying issues prior to the meeting, doing research, sharing the information and working toward a recommended solution that can be discussed at the meeting are all worthy endeavors to improve the process.

The litany of issues in the industry do not appear as though they will disappear anytime soon, so we recommend being better prepared, having a few tips in your pocket you can use and carrying around a good quote to drop on people to catch them off guard. In that vein, we close by trying to put a smile

on your face with a quote from Lily Tomlin who said, "The trouble with the rat race is that even if you win, you're still a rat."

BANK NEWS

Earnings

Wells Fargo's income jumped 48% to \$3.8B, or just slightly better than estimates. Like most other large banks that have released, profit was driven by better credit quality and lower provisions. Loan growth was flat to down in most loan categories, including 32% fall in mortgage production.

Min Mort Underwriting

The Fed proposed a DFA mandated rule that would establish a minimum residential mortgage underwriting standard (home equity, reverse mortgages and other specialty lines are excluded). At the heart of the proposal is that all borrowers must meet the "ability to repay" test which gives banks 4 options to look at in analysis including the traditional verification of income and assets, but also a series of options such as moving consumers into a less risky and expensive mortgage than they have now. The odd part on this one is that while comments are due 4/22, the CFPB takes over this effort on 7/21. For more info go: <http://tiny.cc/PCBBmtgrule>

Enhanced Mobility

To address customer complaints, Wells Fargo has launched a program that will allow frequent travelers to use microchip-embedded EMV credit cards overseas. EMV chip technology is standard in Europe, but Wells is the first major US bank to deploy Visa credit cards with the technology.

Employee Healthcare

A study by Aon Hewitt finds employer insurance premiums are up 9% since last year and out of pocket healthcare costs have risen 12%.

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