

BANKING ON DIRTY TABLECLOTHS AND MOVING MONEY

by [Steve Brown](#)

Perspective is sometimes important. Consider that the tablecloth was originally meant to be used as a towel, so dinner guests could wipe their hands and faces after eating. You see, back in the day, people would travel around with food items wrapped in cloth. Once they arrived at their destination, they would place the cloth on a table, unfold it and prepare to eat. As dinner progressed, people sitting around the table would clean their hands and mouths on the tablecloth. Once dinner was over, the food items would then be rolled back up in the cloth and the people would then travel on to the next town down the road. We don't know about you, but if Grandma ever saw anyone do that at her dinner, we can expect she would have been quite appalled. Something else that might disgust and appall you (if you like to carry jingly change in your pocket) is the shift in banking away from cash (yes, we said it) and toward noncash alternatives.

You don't have to have been around when people were traipsing around with dirty tablecloths, to know noncash payments have been growing by leaps and bounds. That said, cash by itself still holds the top slot, at 31% of all transactions (using 2009 data, the most recent available). That amounts to a whopping 49.3B payments still made in cash. Following closely behind, however, we find the debit card at 24% of all transactions, or 37.9B payments. The debit card is just above the trifecta of checks (15% or 24.4B), credit cards (14% or 21.6B) and ACH (12% or 19.1B). Rounding out the pack, but with room to grow, is the prepaid card (4% or 6.0B transactions). As can be seen above, according to the Fed's most recent payments study (completed in 2010), electronic payments now collectively exceed 75% of all noncash payments.

But what of the lowly check? We find that payments by check have slipped to less than 25% of noncash payments. In addition, the number of checks written between 2006 and 2009 fell by 5.7B, or 6.1% per year. By type of institution, banks represented 85% of all checks paid, followed by credit unions at 9% and thrifts at 5% (the Treasury and postal money orders made up the rest). Finally, of the checks that were written in 2009, 44% were from consumers to businesses, 29% were from businesses to businesses, 19% were from businesses to consumers and the last 8% were from consumers to consumers. All of these categories were down sharply over the period, as consumers and businesses alike became more confident with online bill payments, ACH and point of sale through debit or credit cards.

On the electronic payment side, things have been moving at blistering speed. In 2009 for instance, the Fed found 60% of all noncash payments were made with debit, credit or prepaid cards. That compares to ACH which was only 17.5% of noncash payments. By value, however, ACH represented 51% of total payments and checks were 44% (credit, debit and prepaid cards combined were 5%). All told, ACH payments totaled \$37T, compared to credit cards at \$1.9T.

Finally, we turn to ATM withdrawal activity. In 2009, there were 6.0B ATM withdrawals for a total value of \$69B, with an average withdrawal of \$106. No matter where you get the money to purchase your next tablecloth or how you do so, it is clear things continue to change rapidly in the banking industry to support it.

BANK NEWS

Debt Limit

Because of the suspension of State and Local Gov't Treasury Securities (SLGS), the Treasury says it can now get to Aug. 2 without breaching the debt ceiling.

Interchange

TCF National Bank (\$18.5B, SD) filed with the 8th Circuit Court of Appeals to block the enforcement of the debit card interchange cap. We expect the courts to deny the request (as it has done in the past), but proceed with TCF's trial that challenges the legality of the Durbin Amendment.

Centennial

Yesterday was the 100th anniversary of the ABA Routing Number that paved the way for check clearing. The first number was assigned to Bank of New York back in 1911.

Customer Satisfaction

JD Power found that retail banks improved customer satisfaction for the first time since 2007. Overall customer satisfaction moved up 4 points to 752 out of 1,000 point scale. Of note, satisfaction in the branch, account opening, product offerings and general brand image materially improved. On the negative side, satisfaction with fees was markedly down.

Workplace Romance

A survey by CareerBuilder.com finds 40% of people have dated a coworker and 18% have dated 2 or more. Meanwhile, the same survey found 22% of employees said they had dated a married coworker and 27% had dated someone with a higher corporate position than their own.

Lending Survey

The Fed's latest lending survey shows bank lending standards have eased slightly over 1Q. The April report also shows that the demand for CRE and C&I is up slightly driven by large and mid-sized firms (small firms had flat demand for loans). Residential mortgage flow was down.

Copyright 2018 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.