

JUST PLAIN GOOFY

by [Steve Brown](#)

The banking industry is in a strange place right now. Protesters are running around major cities breaking windows on banks and shouting things that would make your hair stand on end. That is just the tip of the iceberg these days for community bankers, so we thought we would take a moment today to give our readers perspective on all of these events as we have some fun.

You know you're a banker when you walk out the front door of your house on your way to work, only to run smack dab into a small group of oddballs with tents pitched, cooking beans and franks and shouting down banks.

You know you're a banker when you walk into a party and an immediate hush comes over the crowd. As you nervously look around to see what is going on, you realize everyone is whispering and pointing at you as though you carried the plague.

You know you're a community banker when people around town talk about how evil banks are, but don't seem to differentiate very well that you aren't one of "those" kinds of bankers that caused all of this financial mess.

You know you're a banker when you try to recover fees stripped from your core profitability model by Congress and when you try to charge for services rendered, people with pitchforks and torches rush toward your castle.

You know you're a banker when despite herculean and ongoing efforts to generate loans; you can only originate a small amount of new business. Given unemployment remains in the stratosphere, business spending has been clamped down and lending opportunities are sparse.

You know you're a banker when regulatory examinations seem to go on forever and problems surface at every turn, despite your management team's multiple decades in the business. Maybe you can teach old dogs new tricks.

You know you're a community banker when people at parties ask you whether your bank has foreclosed on a senior citizen, paid out huge bonuses to executives and ignored your customers. The question seems to sound loaded to you, but you spend the next 2 hours helping this person understand the difference between a community bank and a mega bank.

You know you're a community banker when despite efforts to halt too big to fail and level the playing field, you wake up only to find the Top 10 banks include two brokerage firms, some foreign banks and a life insurance company - plus, they control 77% of the country's assets and are growing at about 3x to 5x the level of GDP. You can't originate a loan to save your life, but these biggest of the big seem to have no difficulty doing so, despite public outrage and a regulatory tone that doesn't seem to want them to grow any more.

You know you're a banker when someone says Dodd or Frank and you feel an immediate desire to scream and run away. Not surprising when you consider the latest Grant Thornton executive survey

finds 91% of bankers say the burden of regulatory reform on their bank as a key concern over the next 12 months, far surpassing any other concern.

You know you're a banker when shareholders want to see higher returns, but customers don't want you to charge any fees, scared clients keep dumping deposits on you that you can't use and no one seems to want to borrow any money.

Times certainly are goofy right now for bankers, so keep smiling, enjoy working with your fellow bankers and have fun every day despite the issues that seem to keep on coming.

BANK NEWS

BofA Debt Swap

The Bank said they will issue \$3B of common equity to pay off a portion of its preferred debt. The move represents a trend that will continue at major banks as the 2013 Dodd Frank deadline excluding this subordinated class (along with TRUPs) from Tier 1 capital looms ever closer. The move increases BofA's long-run cost of capital, but helps with Tier 1 capital ratios and saves some interest expense.

FHLMC

The GSE reported a staggering \$4.4B loss for 3Q, up from \$2.1B in 2Q. The increased red ink was due to greater credit provisions and the mismatching of hedging exposure. FHLMC will need \$6B to shore up its mandated capital level.

Checking Disclosure

The CFPB is considering requiring banks to use a 1-page disclosure documents on their checking accounts similar to the one proposed by the Pew Charitable Trusts. While we think this will do nothing to stop the complaining over fees, we do believe this is a graphically nicer page for consumers to ignore. Judge for yourself at <http://tiny.cc/PCBBPewChecking>.

Unbanked and FDIC

The FDIC will conduct a randomized Gallup survey of 700 banks to better learn about deposit offerings targeted at the under-banked.

Delinquencies

A comment from Citigroup's 3Q investor call spooked some, when they indicated early mortgage delinquencies are increasing. Re-defaults of previously modified mortgages led the bank to say it may begin to see increasing mortgage delinquencies and net credit losses.

Employee Retirement

An Aon Hewitt survey finds the average 401(k) account holder saved 7.3% of salary in 2010.

Small Biz Failure

According to the SBA, 70% of small businesses fail within the first 7Ys.

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