

BLOWOUT SALE - EVERYTHING MUST GO

by [Steve Brown](#)

Retailers love to have "blowout sales," where they stir up excitement through heavy discounting to move merchandise after Christmas. While you have probably never seen that in banking, we try it out this morning to see who is paying attention. For the next few days, we will be clearing out our stack of research, napkins with ideas written on them, tidbits, factoids and other such information for this part of the BID that we have collected over the year, as we prepare to restock for 2012. Use the information as you see fit, while leaving the pieces you don't care about on the shelves for others to peruse as you prep for the coming year.

Efficiency: The 3Q data from the FDIC indicates community banks with assets \$1B or less have an efficiency ratio about 28% higher than banks with assets above \$1B. On an interesting note, looking back each quarter from 2008 through 3Q 2011, the range went from a low of 15% to a high of 44% and an average of 29%. This will continue to be a key area of community bank focus in the coming year, to avoid letting the larger banks get too far away from the pack.

Social Media: A new study by the University of Massachusetts finds social media at large companies is slowing down. While nearly all of the Top 100 companies regularly blog, only 17% of the next 400 do so. The study also found that while nearly all universities are on Facebook, less than 60% of Fortune 500 companies are on it. That said, another study finds 53.6% of the largest 10k websites now display social media sharing links or buttons to Facebook, Twitter, Google+ and LinkedIn on their homepages. A few more things to consider as you refine your social media program for the coming year perhaps.

Funding Costs: The 3Q FDIC data shows banks with assets below \$1B are still carrying a cost of funding that is 52% higher than banks with assets above \$1B. To get more competitive, focus continually on getting your deposit and funding costs down 34bp to meet the average for the larger group.

Wholesale Funding: One final interesting data point from the 3Q FDIC analysis is that FHLB advances outstanding have fallen 60% from their peak levels and are now bouncing around volumes not seen since early 1999. Regulatory pressure to decrease wholesale funding levels and a paucity of loan volume has led to a precipitous drop. We don't foresee many banks borrowing through this or other wholesale channels at least through 2013, so look for a slow grind lower.

Mobile Banking: A survey by Novantas found only 36% of bank customers between the ages of 30 and 54 had smartphones and only 14% over age 55 had these devices. Meanwhile, research by Pew finds 35% of Americans have a smartphone and 25% of that group uses the device as their primary internet access point. Another interesting point in this area is that studies find mobile banking customers are 12.5% less likely to leave their current bank. Finally, another survey by the ABA found 60% of respondents now say mobile is a critical factor in bank selection. Adoption and experimentation in this area are likely to continue next year, as bankers refine their approach to this channel.

New Customers: A recent study of financial companies finds more than 50% of all new clients come from existing clients. Tracking customer satisfaction, making sure to ask for referrals when clients are happy and training your staff can help boost acquisition in the coming year.

Going Remote: You might be surprised to find out that a recent Bank Technology News report finds 51% of small businesses say banks are not effective in educating them about remote deposit capture and less than 25% say they even know what it is. Further, fewer than 5% of small businesses are using RDC. This looks like it will continue to provide plenty of opportunity to capture new customers, as you seek out new business in the coming year.

BANK NEWS

M&A

While once thought to be a blockbuster year in bank M&A, there were only 163 deals this year, the lowest since 1990.

Thrift HCs

The Fed announced that most thrift holding companies will get a 2Y "phase in period" for Fed requirements and reporting. Some non-financial commercial holding cos and holding cos that are primarily composed of non-bank assets will be exempted.

No Jobs

The BLS reports that the number of jobs in businesses less than 1Y old was only 60% of the level of the 1990's (about 1.7mm fewer people), despite an increase in overall population over that period of time

Gaming Risk

The DoJ's decision on Friday opens the door for the legalization of online poker as it determined that the Wire Act of 1961 only relates to a "sporting event or contest," and not to individual state's use of the internet to offer lottery tickets. If stands, the ruling would eliminate "almost every federal anti-gambling law that could apply to gaming that is legal under state laws" thus opening up a whole new lending line and increase the risk of traditional casino loans.

Flood Insurance

The White house signed HR 2055 which gives \$1T to extend the National Flood Insurance Program through May 31, 2012, which should give Congress enough time to put a permanent law in place.

Copyright 2021 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.