

GENERATING MORE PROFIT IN A TAXING ENVIRONMENT

by [Steve Brown](#)

Community bankers everywhere are seeking new ways to generate fee income and boost profits and we may have just stumbled across one worthy of consideration. We came across an article the other day talking about how the IRS audited 1 out of every 8 millionaires last year, marking the 3rd year straight that such audits have increased to this group and the highest enforcement percentage in nearly a decade. What has that got to do with you and your bank you may be wondering? Well, how about working out a deal with a local accounting firm to help these top customers of yours for a fee "just in case" they get audited. It is tax time, the statistics are against these wage earners and they might appreciate your bank trying to help them (even if it comes at a price and may never happen). Better yet, just like insurance for identity theft, maybe all of your customers would be interested in purchasing "audit" insurance or having it given to them for opening an account or taking out a loan (we haven't checked all the banking rules on this, so please do so before you forge ahead). We know over the next few months taxes will be on people's minds, so why not help your bank with a new idea to attract new customers and make existing ones even happier. Now that we have you thinking about your customer base and ways to enhance your product sales and opportunities, consider a goal-oriented account for holiday over-spenders. While we have talked about goal oriented accounts before, we do so again because you may not have seen it, but the data shows 40% of people say they overspent during the holidays. That fact, combined with another 45% that are working on New Year's resolutions got us thinking - you might want to offer a product to meet these needs. Consider that while 75% of people who make resolutions get past the first week, it begins to tail off quickly after one month (dropping to 64%) and by 6 months has fallen to less than half. Not only do these customers need help sticking to their goals, but such accounts help extend deposit duration for your bank and give you a great pivot point to launch multiple marketing campaigns. Another area that seems to have lost some of its strong appeal lately is remote deposit capture (RDC). You might be interested to note, however, that the most recent Fed payment study finds that while check use has fallen 20% in the latest 3Y period, it still makes up 22% of overall noncash payments and ranks #2 in that category overall (behind debit cards). Further, a recent Celent study predicts RDC for businesses will triple from current levels, to nearly 25% of all small businesses over the next few years. While most bankers we know don't need any more deposits right now, shifting clients over from more expensive channels to RDC or mobile RDC, while deepening the relationship and delivering an improved customer experience, makes sense regardless of the environment. If you still need a nudge, consider Wells Fargo, who just announced a mobile RDC service for commercial clients. It allows business customers to download an application to their smartphone and start capturing check images or deposit funds into their corporate accounts. Once scanned, deposits are also immediately available through reporting and image search tools, giving customers more control over their finances and boosting their experience. Clients seem to like the service; it gives Wells another access point and it leverages the popularity of the smartphone. That all makes sense, particularly when you consider a Celent survey that found 66% of financial institutions said they were planning or considering a mobile RDC solution (up from 51% in 2010 and 26% in 2009). Many would argue that generating new revenue is the top challenge for the banking industry right now, so we hope we have left you with a few ideas to ponder, as you refine your strategy. Good luck as you do so and please check in with us if

you either find something that really seems to be working or have a story about something you tried that did not work quite as expected.

BANK NEWS

SBLF

According to the Treasury, banks with SBLF have increased small business loans by \$3.5B. For 2011, 78% of SBLF banks recorded an increase in small business lending.

Farm Services

Due to \$3B of cuts to the budget over the last 2Ys, the Agriculture Department announced plans to close 131 Farm Service Agency offices in 32 states as part of a \$150mm expense reduction initiative. The next phase will have the USDA closing about 128 more offices. We expect these closings should make them less competitive in ag lending.

Fannie Mae

Michael Williams, the President and CEO of FNMA, announced his resignation and said he will step down when a successor is named.

Fed Earnings

The Fed produced profits of about \$79B last year, nearly matching its record income in 2010.

CFPB

The agency launched its first inquiry, as it is began a probe into PHH's mortgage insurance practices.

Payment Comp

PayPal is testing its point-of-sale software at 5 Home Depot stores. Customers can enter a phone number and a PIN number to authorize a purchase to their Pay Pal account, thereby cutting out credit card companies and banks.

Cuts

PNC announced they will lay off 621 admin and back office bankers in NC in an effort to cut overhead expense. The move is tied to its purchase of RBC's U.S. banking operations.

Biz Tablets

A report by NPD Group finds 73% of small business owners plan to purchase a tablet computer in 2012.

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