

BURN ONE, WATCH THE BUBBLE DANCER & CHANGE

by [Steve Brown](#)

You have got to love the "buzz" of a good diner. Crusty cooks interacting with seasoned wait staff provide ample opportunity for fodder and for a unique lingo to develop banter goes back and forth. A really good diner still communicates in its own way, throwing out such catchphrases as "in the weeds" (someone who cannot keep up with the tables or orders); "keep off the grass" (no lettuce); "mouse trap" (grilled cheese sandwich); or "two cows and make them cry" (two hamburgers with onions). This is a lost art form at most eating establishments for sure, but the next time you are on a road trip, just for fun sit at the counter and listen. Nostalgia is great, but we have come a long way when it comes to technological innovations. Consider the impact for instance that the iPad and the smartphone have had on our lives and on the banking industry. The latest research finds U.S. smartphone users now total 100mm, which given the population is about 1 in every 3 adults. That is the same ratio as the percentage as the number of people who experience some sort of medical mistake while in the hospital, start up an application on their tablet before they even before they are out of the bed and that use tablet computers in the bathroom. The U.S. smartphone market is dominated by Google (48.6%) and Apple (29.5%), with Blackberry/RIM coming in a distant 3rd (15.2%). Speaking of tablet computers, Apple just announced its latest iPad, equipped with 4G speed, a 3.1mm pixel display (4x more than the iPad 2 and more clarity than HD TV), a 5 megapixel camera and HD video recorder and a really cool feature that lets you tap a microphone icon on the keyboard and then just talk to type (imagine writing a report or sending an email / text that way). In 2011, it is projected that somewhere around 12mm to 15mm of tablet computers were sold in the U.S. That number is expected to continue to mushroom, as 93% of Fortune 500 companies have now deployed or are testing iPads and there are more than 7,300 business focused applications currently available (that compares to 47k gaming apps). Meanwhile, research finds people are using tablets for web browsing (68%); emailing (62%); reading books, news or magazines (54%); social networking (54%); playing games or listening to music (52%); watching video (51%); general or specific work use (31%); and editing files (21%). Tablet adoption rates, in fact, are the fastest of all mobile devices (based on shipments in the first 5Ys of product history); outstripping smartphones, cell phones, netbooks, gaming devices, MP3 players, notebooks and e-readers. People have fundamentally changed they way they access information, so community banks will have to adapt to meet this opportunity. While online banking remains a great delivery channel, more video, interactivity and on-demand customer support functionality are becoming standard. Research finds that while more people still use PCs to regularly browse the web, email or create/edit files, the smartphone and tablet are coming on strong and will soon overtake it so bankers need to be prepared (has already happened with playing games, listening to music, watching video and social networking). Times have changed, technology is advancing faster than many probably think they can handle and freedom and mobility are the main drivers of this revolution. As you ponder what steps to take next in the technology world, there is no reason to abandon nostalgia, so have fun when negotiating with clients by incorporating your own slang. For instance, consider that the next time a customer pushes back on a loan negotiation; throw out the phrase "the big dog won't get off the porch, unless we can toss a bone into the yard and it gets buried." As the customer tries to process this, clarify by letting them know the boss just won't negotiate, unless the customer can accept putting prepayment language into the note.

BANK NEWS

FDIC Suit

The Agency filed a \$104mm lawsuit in connection with the April 2010 failure of Chicago-based Broadway Bank (\$1.1B at closure, IL). The FDIC alleges gross negligence, negligence and breaches of fiduciary duty by 7 former directors and 2 former officers (President and Senior Loan Officer) who approved loans that sank once highflying bank. The suit alleges that loan underwriting was perfunctory or non-existent, and loans were made without proper appraisals and sometimes to borrowers who had known credit issues. In addition, loan concentrations and improper management of problem loans was allegedly evident.

Wells Branches

Without getting into details, Well Fargo CFO said that he is reviewing their branch network and looking for ways to trim costs by closing and consolidating branch locations. The Bank's goal is to trim \$1.5B in expenses by the end of the year, or about 5% of its non-interest expense. Wells has a current efficiency ratio of 53.6%

Financial Fraud

The NY AG released its list of top 10 fraud problems in the state. Internet fraud (fake sites, spyware/virus, etc.) topped the list, followed by credit-related complaints (that involved debt collection, credit card billing or identity theft). Mortgage-related fraud ranked 6th.

Small Biz

A study by the National Small Business Administration finds 37% of business owners are using credit cards to cover some of their costs. Meanwhile, Credit.com reports the average APR on business cards nationwide is 13%.

Square

The Company now has more than 800,000 card readers that attach to phones and allow merchants to charge for services. Since launching in Oct 2010, the amount of payments the company processes has doubled every quarter and is nearing \$2B annually.

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.