MOBILITY IN BANKING CONTINUES TO MOVE AHEAD

by Steve Brown

Mobility in banking has become real and people are adapting and adopting at seemingly light speed. It used to be you had to go into a branch to get help; then along came the ATM; then online banking and now we have truly mobile banking. The entire bank has been squeezed down to something that now fits into your hand or can be held like a book. Anytime, anywhere banking is a reality more than ever and bankers are scrambling to keep up with consumers, businesses, risks and service offerings. It is no wonder, when you consider that things are happening at such a dizzying pace. That is why we were intrigued by a new 78 page study done by the Federal Reserve on the matter. Probably driven by an interest to know more about how people were using mobile devices to access banking services, the team of researchers set off to explore this issue in depth and some of their findings will be quite interesting to community bankers. At a high level, most (about 89%) of those surveyed had a checking, savings or money market account and those who did not said it was because they didn't write enough checks to make it worthwhile (24%) or didn't like dealing with banks (24%). These are both areas community banks can work on in order to bring in new customers (perhaps with a new product and an emphasis on proper customer service even your mom would like). When it came to online banking activities, the study found 81% accessed the internet from home and 15% did so from work. In addition, 68% said they had used online banking in the past year primarily to check account balances or transactions (96%); transfer money between accounts (68%) or pay bills (73%). Of note though, people also went online to ask customer service questions (12%); deposit money (12%); manage investments (9%) or apply for a loan (8%). Clearly larger numbers of people are more willing to make a deposit and even provide enough information to apply a loan, so this too is an area you might want to consider adding to your online platform. As for mobile banking activities, the study found people are definitely ramping up here as well. About 87% said they had regular access to a mobile phone and 44% said it was a smartphone. Given smartphone adoption rates, this percentage will continue to grow sharply over the next few years (along with usage as a banking channel). For mobile banking specifically, 21% said they had used it in the past year and another 16% said they probably will use mobile banking in the future. Of note here, a whopping 45% said they probably would not ever use mobile banking and another 37% said they definitely would not. When asked why, this group said their needs were already being met without it (58%); they were concerned about security (48%); or they didn't trust the technology to properly process banking transactions. The last two will be met over time so this channel will grow in usage, but it is nice to know people also still feel bankers are doing a decent job and they already have options that seem to work for them. It is important to know, however, that 55% of those who used mobile banking enjoyed the experience enough to rank it as very satisfied, while another 33% said they were somewhat satisfied by it. Clearly this area too will continue to grow as more people switch to smartphones and banking services continue to evolve over time in this area. Finally, consider this information for new product development. People that were asked what activities they would be interested in doing through a mobile phone (assuming all of their concerns were addressed), said paying bills online (34%); using coupons (28%); buying goods/services (22%); receiving discount offers based on location (22%); making payments directly to another person (17%); waving/tapping the phone to pay at the cash register (17%); and using the phone to replace all the cards carried in the wallet (17%). Evolution is inevitable and mobility in banking continues to charge ahead as a customer preference, so we'll keep working to make sure you are informed along the way.

Related Links:
[PCBB 2012 Executive Management Conference]

BANK NEWS

JOBS Act

The President signed the bill into law, increasing the 500 shareholder threshold for SEC registration to 2,000 for financial institutions. In addition, the de-registration limit was increased from 300 to 1,200 (no word out on process, but we expect something by next month).

Branch Sales

1Q 2012 was one of the best quarters in years for branch sales, as 22 transactions occurred covering $5.3B in deposits. The average premium was 3.6% as low rates and weak demand held prices about 35% lower than the 2006 peak.

Paid Off

Regions Financial repaid all of its $3.5B in TARP, increasing the profit made on the bank portion of the program to $18B. Synovus is now the bank with the largest TARP outstanding at $967mm, followed by Zions at 700mm.

Office Sector

The national vacancy rate for office fell from 17.3% in 4Q 2011 to 17.2% at the end of 1Q 2012 according to real-estate research service Reis, Inc. The rate remains well above the 12.5% vacancy level of 2007, but is slowly improving.

CLOs

Liquidity for collateralized loan obligations (packaged C&I) are starting to comeback as sales topped $6.8B in 1Q, the most since 2008 and more than 2009 and 2010 combined.

No More

ING has notified banks and mortgage brokers that it will no longer buy home loans from correspondent lenders effective April 10.

Lending

The CEO of BB&T said about 80% of the bank's loan growth is coming from "takeaways" (i.e. business taken from competitors).