

THE BANK TECHNOLOGY HAMBURGER

by [Steve Brown](#)

Despite mankind's 200k years of existence, it has only been the last century that it has been possible to produce the cheeseburger. While seemingly simple, cheeseburgers can only exist in a highly developed, post-agrarian society. For starters, it requires the efficient raising and slaughtering of cows. Cows are usually slaughtered in early winter, while tomatoes are in season in late summer and lettuce, in early spring or fall. Thus, the cheeseburger requires a group of coordinated specialty vendors, refrigeration, transportation, communication and organizational logistics. It wasn't until the late 1800's that modern society had the pieces in place to be able to efficiently produce the cheeseburger. The analogy is apt as we have just returned from the world's largest financial technology conference. We feel banking, security, bandwidth, developer tools, social networks and devices are just now coming together to deliver the next evolution of truly usable technology for community banks and their customers. What was hot at the conference that we think will catch on with community banks are platforms that enable banks to more efficiently garner, evaluate and process small business loans below \$200k. Our second favorite category of applications that should be on your radar in the next 2Ys are turnkey platforms delivering insurance, wealth management, business credit provisioning, treasury management, personal financial management and small business tools. These can be quickly integrated into your current web and mobile applications, to develop new and more diverse fee income streams. We are also fans of non-intrusive information security technology that helps banks increase security. It looks at factors not just at log in, but on a continuous basis. By looking at how call/web traffic comes in or how the user reacts once on a platform (such as how they type, what functionality they click and the rhythm at which they click), a layer of additional verification and authentication is now available. There are also several promising applications that harness crowd-sourced knowledge to help with investing, credit evaluation, education and fraud prevention. Applications that were hot that we think will fall short of expectations are a continued push for banks to provide electronic coupons to their customers for merchants. We think this misguided notion that consumers want to post savings rates, stock positions and retirement goals to social media is also nonsense. In the same vein, we are all for using game strategy and techniques to help users reach their goals, but many have taken this too far by assuming users will take time to play certain games to garner a better deposit rate or to qualify for credit. In addition, the largest movement in the financial technology space remains around payments. Leveraging ACH, debit or credit networks to make person-to-person payments remain popular, but all have yet to reach a tipping point. The same goes for those many applications that are trying to build their own private network. While the notion that you don't need a bank to move money will surely continue to take hold ala PayPal, we believe much of this business will eventually come back to banks due to security, regulatory pressure and the need to consolidate financial information. If you are coming to our EMC Conference on the 20th of this month in San Francisco, we will highlight both long term bank technology trends and new products that you need now. If you are not going to make it (there are still 10 spots available), we will be highlighting some of the information in this publication after the event in abbreviated form starting in June, so stay tuned. Until then, we have an intense belief that bank technology is to the point that it will level the playing field with large banks and that the next 5Ys will provide fertile ground to deliver usable and useful technology that is as tasty as a cheeseburger to both your customers and your shareholders.

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BANK NEWS**M&A**

Crockett National Bank (TX) will purchase Legacy Mutual Mortgage (TX) for an undisclosed sum. Last year Legacy originated \$440mm in single family residential mortgages. M&A: MitsubishiUFJ subsidiary, Union Bank (\$90.2B, CA) will buy Smartstreet from PNC Financial Services Group (\$263B, PA) for an undisclosed sum. Smartstreet manages about \$1B of deposits and provides other banking services (such as receivables and lockbox) to about 460 management companies and 15,000 homeowners' associations in 36 states.

M&A

Hilltop Holdings (TX) will buy PlainsCapital (\$5.7B, TX) for about \$520mm in cash and stock, or about 1.3x tangible book. This is Hilltop's first deal since being set up back in 2010 to buy banks. Hilltop is backed by bank investor Gerald Ford, who in March sold Pacific Capital (\$6.3B, CA) in an all-cash deal at 1.77x tangible book to MitsubishiUFJ subsidiary, Union Bank. Hilltop reportedly has \$528mm in capital ready to invest in banks nationwide.

Repurchased

First BanCorp (\$13.1B, PR) will buy back its \$400mm credit card portfolio from FIA Card Services, a subsidiary of Bank of America, as it seeks to increase revenue and boost cross sell opportunities.

Branch Protest

The University of California is suing U.S. Bank for closing an on-campus branch, saying it did not give proper reason or notice. U.S. Bank says it closed the branch because continual student protests made it impossible for employees and customers to do business at the branch and increased safety concerns.

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