

USING FEATHERS TO SOFTLY SELL

by [Steve Brown](#)

You have all heard the saying, light as a feather, but fewer have probably heard a few feathers short of a whole duck; or chicken one day, feathers the next; or one of our perennial favorites (since we write this publication each day) - words and feathers are easily scattered, but not easily gathered up. Beyond sayings dreamed up by humans, birds forever have used feathers in amazing ways. Consider the owl, which has special serrated feathers that break up the air to help it fly silently; or the Sandgrouse (a bird that lives in the desert) that dips its feathers into pools of water and flies back to the nest to give drinking water to its chicks. People have used feathers as fashion, for healing, to stay warm, for soft comfort and in many other ways, so feathers play an important role in our lives. We have chosen this softer line of thought today, because we felt a softer approach might be welcome. So much is going on in banking right now and pressures are everywhere. That is why every once in awhile, we think it makes good sense for you to close your eyes and think about resting on a soft goose down pillow. Ahhh... While you are doing that, you might want to dream about ways to solve the industry problem of the shrinking net interest margin. No, we don't want you to have a nightmare, only to free up your mind to find a way to solve this problem at your bank. Community bankers rely on coupon to primarily drive income, so when higher coupon loans and securities pay down or pay off in a low coupon reinvestment world, strains begin to occur. The longer interest rates stay low, the more assets and liabilities turn over or pay down, and the more the margin is compressed. To slow this trend, it is critical to lock down your best customers and make sure you are selling them other fee-based services. Whatever those services are, get a spreadsheet at a minimum and get a handle by account of who is doing what by product. Then, train your sales teams how to sell the product in question and send them out to contact customers directly. Offer sales incentives, make sure training is adequate and listen to the customer when you get into their office to be sure you have heard what they are seeking from you as their bank. Know that large percentages of customers don't even think about calling you when they buy a second bank product and instead are taken in by some small giveaway (can be as small as a Starbucks coffee card for \$10). To capture that business, stay in front of your clients and make sure they know how you can help them. Even if you think you are already doing a good job telling your customers about your services that can solve their problems, know that studies show a person needs to hear new information at least 3 times before it registers into their mind and visual learners won't get it until they see it visually. You see, learning is a process for us as human beings. Researchers have found we retain 90% of what is learned when we teach someone else (think tablet computers for your sales teams); we retain 75% of what we learn when we practice what we have just seen (doing something yourself helps you commit things better to memory); we retain 50% of what we learn when we engage in a group discussion (sparks different activities in the brain, leading to better learning); and we retain 30% of what we learn when we watch someone else do a demonstration (doing is better than watching someone else do something). No matter how you or your customers learn, keep trying different things to give your bank the opportunity to sell additional fee or coupon- based products or services. Doing so may not help margin compression (which is occurring mostly as a result of market conditions), but it should help improve overall performance, as you sell more services to your customers. Selling this way ensures your efforts are as light as a feather, as you silently fly from customer to customer capturing more profit.

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BANK NEWS

M&A

Suntrust will invest another \$3mm (following a \$1mm investment earlier) in Capitol City Bank (\$297mm, GA) for an undisclosed equity amount. Capitol City is a minority-owned bank that has fallen below well capitalized.

Fed Inquiry

The Fed is reviewing how banks are managing the wave of deposits that come in over the last few years.

SEC Inquiry

United Community Banks (\$7.2B, GA) came under subpoena and formal investigation from the SEC, due to its valuation of deferred tax asset allowances and goodwill impairment charges taken in 2009 and 2010. Auditors already said the amount was excessive and forced the Company to restate 4Qs worth of financial statements starting in 4Q of 2010.

Inquiry in SEC

The FDIC inspector general (IG) will take temporary control of the inspector general's office at the SEC, until a determination can be made of how deep problems go in the organization. As you remember, former SEC IG David Kotz is being investigated for sexual misconduct, while David Weber (the assistant IG that blew the whistle), was placed on leave after wanting to carry a firearm to work.

Scary Trend

Despite the fact that bank's don't even own properties in the earliest stages of foreclosure, the city of Oakland, CA has voted to require banks to register such homes and pay for upkeep. For vacant homes, banks would have to pay a \$568 annual fee, hire a property manager and maintain the home and yard. We will let you know if we hear about this happening in other cities around the country.

Mortgage Rates

For the third week in a row, 30Y SFR mortgage rates hit a record low at 3.79%, down from 3.84%.

Jobs Picture

As things stand now, the U.S. has regained only about 40% of the 8.8mm jobs lost during the economic crisis.

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