ANALYZING INDUSTRY DATA FOR TRENDS

by Steve Brown

A recent poll by the National Foundation for Credit Counseling finds 80% of those surveyed said their finances were in need of a major overhaul. Meanwhile, 13% said their finances could use a tune up; 4% said things were puttering along just fine and 3% said their finances had never been better. While admittedly, the highest percentage of people to visit such a credit counseling website are likely seeking help, the data is interesting. The really interesting thing about the banking industry is that finding data to sink your teeth into like the stuff above usually isn't a problem, but sometimes making sense of it can be. Take for instance the teller job. It has been around since the dawn of time in banking. However, recent data from JP Morgan Chase finds adding a self service electronic teller (similar to the concept of the ticketing machines at the airport) at branches has cut check cashing requests at the teller line by 40%. While JP has lots of retail customers and your bank might serve mostly business clientele, it is interesting to think about this. Imagine the incremental pickup in performance your bank might be able to achieve despite these differences, simply by adding such a machine and then shifting your customer-facing teller team into sales juggernauts. Give your team some training, product education, sales instruction and a decent set of tools to work with and you might be amazed at what they can do. More and more, people are getting used to using these self-service kiosks, so you might want to consider using your own version at high-traffic branches to leverage your sales teams and get more business. In another pile of data from PWC, interesting information surfaces around directors and how boards oversee major technology risks. Here, as with many banks out there, the data finds 67% of boards rely on management and their own business judgment to manage technology risks. That response was followed by 48% who said the responsibility belonged to the audit committee, 20% who had a director on the board with technology expertise and 15% who brought in outside consultants to advise the board and help understand the risks. Given all the risk around technology and its enormous impact on the industry, these points are critical to revisit at every bank. Think about how you keep your board informed regarding potential technology risks; who is responsible at that level; and how do you make sure everyone is aware? Regulators have indicated in their own publications that this is a serious responsibility. They expect directors to ensure the reports and information from management are detailed enough to understand and good enough to formulate decisions. In short, the information must be accurate, timely and have enough detail to make sure the board can properly oversee the bank. Finally, regulators expect both management and the board to make sure the bank has a proper vendor management program and to make sure nonpublic customer information is safeguarded. Do these things and you have made a good first step to control technology risks. Finally, consider our final data analysis from Financial Management Solutions, Inc. They took a look at the branches of community banks and credit unions and found the average number of teller transactions per month per branch has fallen from 11,400 in 2000 to 6,600 at the end of 2011 - a 40% decline over the past 12Ys. Clearly the impact of online banking, ATMs, mobile and other technologies continue to erode this face-to-face activity. This strategic planning period, our suggestion is to gather up your data so you can discuss the trends you see and determine the best way to leverage it to enhance your bank's performance. You will be glad you did and as you are in banking; there is plenty of data to analyze. Enjoy the analytical process, but as you do, try not to get too bogged down along the way.

Related Links:
[FDIC Regulatory Capital Estimation Tool]

BANK NEWS

Huge Fine

The FDIC and CFPB announced a joint public enforcement action requiring Discover Bank to refund $200mm to about 3.5mm consumers and pay a $14mm civil money penalty. The agencies say the action relates to deceptive telemarketing and sales tactics used by Discover to mislead consumers into paying for various credit card "add-on products" such as payment protection, credit score tracking, identity theft protection and wallet protection.

Impact Analysis

Bank regulators have released an online tool to help community banks estimate the impact of Basel III and other regulatory capital proposals. The tool can be accessed at by following the FDIC Regulatory Capital Estimation Tool link located in our Related Links section below.

Goldman Sued

A class-action suit against Goldman Sachs has been reinstated by the Second U.S. Circuit Court of Appeals in New York, after being dismissed by a lower court in 2010. The court said the entity that brought the lawsuit could pursue a class-action case on behalf of investors in other certificates backed by mortgages from the same lenders, even though it had not invested in many of those. The decision could subject securities brokers to claims by mortgage securities investors, even if they did not invest in the securities directly.

Less Education

High costs and concern over increasing debt loads amid a weak job market have kept many potential students on the sidelines for graduate schools. Against this backdrop, the Graduate Management Admission Council reports business school applications have now fallen for the 4th year in a row.