

## A GOOD BOOK AND LOWER STRESS

by [Steve Brown](#)

As you get back to work today, you might be thinking about what gift you are going to get for those on your holiday shopping list. Retailers are no doubt bombarding you with ideas, as coupons fly in on your computer or jam your email. This is the banking business and not retail, so while we cannot help too much, we thought you might like to give a good book to someone on your list. If so, you might be interested to know the Top 5 best sellers on the New York Times list right now (in order) are: Killing Kennedy by Bill O'Reilly and Martin Dugard; Thomas Jefferson by Jon Meacham; Killing Lincoln by Bill O'Reilly and Martin Dugard; No Easy Day by Mark Owen and How to Create a Mind by Ray Kurzweil. This is a fascinating list to be sure, but if the generic nonfiction book isn't your thing, we'll be back tomorrow with yet another idea for our readers to help reduce your stress during this holiday shopping season. One way to reduce stress in banking is to roll out a program around ensuring data quality. To run quality reports and perform any decent analysis, you first have to start with good quality data. More and more, banks are required to drill down into granular levels, so clean, reliable, reconciled data has become critical. Most bankers we know have grown up using Excel spreadsheets and many have built quite a structure around this tool. At some point, when taken to an extreme, this approach becomes unwieldy at best and unsustainable at worst. Excel is a great tool, but it can also be labor intensive and is prone to manual error. That doesn't mean Excel should be thrown out, but rather, it means care should be taken when it is used extensively. The key to having good data at a root level is to make sure it is clean at the outset. To do this, it is important to understand how any data that may end up feeding a report is collected, calculated, aggregated and modified from its source. Banks get into trouble because data comes from multiple sources and it is often not cared for in the same way. That may sound simple, but think about the standard of care your job requires and then think about how many decisions are based on data you have collected from numerous sources. When business rules and definitions don't match up across databases, or users interpret them differently, decisions are not made in an optimal manner and can even be damaging to the bank. Making sure data is collected and cleaned efficiently before it is shared out across the bank is important. It not only helps improve efficiencies and effectiveness, but reduces redundancy, incidences of error and provides a more structured approach (making sure definitions are consistent throughout the bank). Changing processes can be difficult once they are ingrained into the daily routine, but not doing so can lead to unintended consequences and increase the risk of problems in reports and analysis that management depends upon. Data should always be reconciled with its source and delivered consistently, with speed. Regulatory and management demands require more granular data flows throughout the bank, so getting a handle on sources and uses, is a critical component of any strong data capture, reconciliation and distribution project. To do this properly, you must establish a standardized approach to sourcing, reconciling, governing and processing all data flowing into and out of the bank of any importance. To get going, start with the most important pieces first, think standardization along the way and keep moving forward even if the steps are small ones to start. Take this approach and before you know it, just like with your holiday shopping list, you will slowly but surely complete the task. Good luck with both.

# BANK NEWS

## **Delay Basel III**

U.S. regulators announced a delay in new capital rules but did not yet set a date. Now European banks have asked their regulators to push back adoption until 2014. European regulators say they will work to agree amongst themselves and then work with the U.S. to coordinate timing.

## **Weakening Consumer**

A new Gallup poll finds the looming Fiscal Cliff and a weakening stock market are key issues that have driven consumer confidence lower. The latest poll finds 51% of Americans say the economy is getting worse and 39% say the economy is poor.

## **Insider Trading**

The U.S. Attorney for NYC has charged former hedge fund portfolio manager Mathew Martoma and his firm with a \$276mm insider trading scheme related to drug company shares they shorted based on inside information. This is the largest insider trading case ever brought by the SEC.

## **Bernanke Push**

Fed Chairman Bernanke urged legislators to solve the fiscal cliff issue because as he put it, "uncertainties about the situation in Europe and especially about the prospects for federal fiscal policy seem to be weighing on the spending decisions of households and businesses as well as on financial conditions." Let's hope Congress and the White House get the message and get something done soon.

## **Less Delinquency**

TransUnion reports the percentage of mortgage holders at least two months behind on their payments declined in 3Q to 5.41% vs. 5.49% in 2Q. This is the lowest level in 3Ys, but still well above the 1% to 2% historical level.

## **Residential Lending**

A recent NAR survey found 53% of loans in a recent month went to borrowers with credit scores above 740. This compares to only 41% of loans backed by FNMA from 2001 to 2004 and 43% of those backed by FHLMC.

## **Less Income**

Median income for 45 to 50 year olds now sits at \$62,485 after peaking at \$74,457 in 1999 (down 16%). Meanwhile, median income for those 45 to 64 years old has fallen to \$56,575 from \$60,345 reached in 2007 (down 6%).

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