SETTING GOALS AROUND BRANCHES

by Steve Brown

Productive people constantly think about how to improve things and those that waste time and bankers are no exception. Consider a recent survey by Salary.com. It found 64% of people surveyed said they waste time every day by visiting non-work related websites during work hours. A full 39% said they spent 1 hour per week or less on personal tasks at work, while at the other end of the spectrum, 3% said they spent 10 hours or more. Websites people visited the most often at work included: Facebook (41%); LinkedIn (37%); Yahoo (31%); Google+ (28%); Amazon (25%); CNN (20%) and YouTube (13%). To improve productivity in the workplace, perhaps it is time to set some goals to stop doing that. There are many ways to set and achieve goals, but to be effective the experts say big tasks should be broken down into smaller ones and focus must be maintained, so it makes sense to start small and build on that. This can make sense when it comes to bank branches and the role they play. It has been widely documented that there has been a large increase in the number of customers of all ages who prefer to bank online, use ATMs or mobile rather than going into a branch to do their banking business. Branch traffic has declined almost everywhere and an American Banker article estimates branches could see a 56% decline in transactional activity by 2015. As management teams consider the cuts in staff and in physical branch locations that would logically follow such a sharp decrease of activity, it makes one pause. Is the branch really on death's door? One thing we learned in a spirited discussion at a recent staff meeting is that conventional wisdom isn't always true. Indeed, things proclaimed dead may not be dead at all, but rather just require management teams to look beyond the obvious to find a good solution. A community bank we know in the Southwest has made a successful business of expanding through branching. It is based in a rural area and many of the small towns scattered around its footprint have no banks at all. This bank begins in all new locations with low real estate costs to test the waters. It operates out of a trailer until sufficient momentum merits building a branch. In deciding how to expand, the bank offered this advice - move into an area where you have customers already and where customers are already making the effort to do business with you - even though the bank is not in the immediate area. This bank also has a clear idea of the kind of business they want to do and the customers it seeks and it sticks to that. This same bank also has a functional and beautiful website that hits the key points that should be on every web site. It explains who the bank is, who it serves, what business it wants, where it does business and what makes the bank special. It also has an active Facebook page and Twitter account to keep customers engaged no matter how they want to talk to the bank. To be clear, it is true that people are using branches less and less and having branches is expensive. It is also true that large banks are moving to a branch strategy of placing branches in heavy traffic metropolitan areas with large populations, while encouraging those in other geographic areas to use mobile, online or ATMs as access points. These days, branching in general may not be a logical or profitable way to expand business so banks have to be careful. However, in the right circumstance, with the right management team and a low cost structure supported by good customer demand, it should not be thrown out of the mix either. A model that has strong mobile and online services, as well as branches in key areas well supported by customer activity can deliver a successful business model. It is time to evaluate the best options your own branches given technological and customer adoption realities, so be realistic about trends, set concrete goals and then break them down into smaller steps that can be executed upon to succeed over time.

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BANK NEWS

Offline

Bank of America reported a "whole system failure" on Friday that left bank employees, online and mobile banking customers unable to access bank accounts. During the several- hour failure the bank also lost its telephone capabilities at customer service centers. The bank said the issue was due to an internal breakdown and not a cyber attack. Meanwhile, BBVA Compass said it had resolved online banking problems that left its customers unable to access bank accounts for several hours.

Student Loans

FICO has released research that finds the delinquency rate on student loans originated from 2005 to 2007 is 12.4% vs. 15.1% for loans originated from 2010 to 2012. Perhaps just as alarming, this 22% jump in delinquencies has even been overwhelmed by a 58% increase in the amount of debt borrowed (was $17,233 in 2005 vs. $27,253 in 2012).

Student Crackdown

The CFPB said it has begun looking into bank credit and debit card program at colleges and universities to see whether students are getting a good deal.

IT Risk

Alert your technology teams about a new email that purports to be an update from Adobe Flash Player (looks real), the Better Business Bureau or the digital faxing company eFax. All three launch a Trojan program designed to steal money out of online bank accounts.

Hardship Program

FNMA and FHLMC will launch a new program in Mar. that will allow borrowers who have been paying current (but have an illness, job change or certain other hardship reasons) to hand the deed back to the bank and walk away from paying the difference (deed-in-lieu). Congress extended the law that allows forgiven portions of mortgages to be tax free, but it would still hit the borrower's credit rating.