SETTING GOALS SO YOU CAN KEEP SWIMMING

by Steve Brown

It's always good to have goals. That's why we were intrigued by a recent survey by American Consumer Credit Counseling. It found consumers with tight household budgets say their top financial goals this year are paying down debt and building up an emergency fund. The survey got us thinking about banks and the goals they have set for 2013 and beyond. We've identified three areas we believe deserve particular attention. Focus on the small business. Sure, it's a hassle to switch banks, but customers won't hesitate if customer service repeatedly disappoints. According to a July study by the National Small Business Association, more than 25% of small-business respondents said they changed banks in the last 4Ys. Feeling mistreated was the most common reason people cited for ditching their bank. Community banks have great service usually, but testing and retesting occasionally can ensure consistency. Small business customers want to be greeted by name when they come into the bank. They want bankers who will sit down with them, talk about their business and take the time to understand their needs. These customers dislike abrupt changes to financing terms and they want access to capital. Given ongoing concerns about the economy, small business owners aren't a particularly optimistic bunch these days, either. Banks can't be expected to make loans to every small business customer that walks in the door, but this year it's a good idea to take the time to identify the customers you really want and develop targeted programs to maximize opportunities. Make money from mobile. Right now it's not common for banks to charge customers for mobile banking services, but this could change. Free checking now comes with caveats; so too could mobile. At U.S. Bank, for example, customers don't pay to use the mobile app, but are charged 50 cents per check to make deposits from a smartphone. It might be difficult for banks to tack on fees for existing mobile offerings, but new mobile services could be fair game. Since many community banks are still just entering the mobile world, there's lots of room for exploration. As with checking, banks may want to consider which customers get a free pass and which ones should pay to play. Charge Fees. Many community banks haven't fully developed ways to replenish the interest income lost due to regulatory changes and competitive pressures. Given the Fed will maintain low rates for the foreseeable future, banks must find alternate ways to make money, aka fee income. Explore opportunities for fees in wealth management, service charges on deposit accounts, gains on sales of loans, trust services (if you can get enough under management) and other areas. These take time to build to critical mass, but it can be done with a focused effort. A recent Merrill Lynch study finds 50% of affluent Americans say they need help addressing specific areas of their financial lives. These include structuring investment portfolios to live comfortably in retirement, assessing proper levels of risk, devising a plan and prioritizing goals. Community banks might want to consider reaching out to small business customers to find out if they could use some help in these or other areas. Staying in touch as you add value are great ways to help customers and possibly surface new opportunities in the process. In banking, there is always room for improvement, which is why setting goals is so important. Olympic gold medalist swimmer Michael Phelps once said, goals "should never be easy. They should force you to work, even if they are uncomfortable at the time." Something to think about when you feel like you might be swimming against the tide.

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BANK NEWS

AML Changes

The Treasury is preparing to release a proposal for comment in the next few weeks that would increase regulatory requirements related to anti money- laundering. The new regulation is expected to require banks to capture beneficial ownership information on corporate accounts, among other things.

Deposit Flood

In a strange juxtaposition, research finds the expiration of TAG insurance on noninterest bearing checking accounts appears to have been overwhelmed by business and consumer fears about the fiscal cliff. The net result was that a near record $312B flooded into bank accounts in the 4Q of 2012, about 3x the average of the prior 3 quarters. Special shareholder dividends, fear and a desire for plain vanilla were likely catalysts that drove investors to the safety of banks.

Crackdown Likely

Banks should note comments by Fed Governor Stein who said he sees heightened risk in several areas, including bank securities holdings. He said banks have been investing more and more in long-term securities as they seek income, putting them at risk for a rise in interest rates. Stein indicated tougher regulation was the first line of defense, so be prepared for a heightened focus on this upcoming exams.

Cyber Crime

Experts say banks should warn their customers to contact them immediately if they ever put in their login credentials and are met with an error message claiming online banking is unavailable, as it could signal the customer has been infected with malware and their bank account is under attack.

Economy

The latest survey of economists by the Wall Street Journal finds they expect GDP to be 2.4% in 2013 (the same level predicted in 2012 vs. 1.5% that actually occurred).

Mobile Rankings

Research by comScore finds that as of Dec. 2012, Google's Android controlled 53.4% of the smartphone market, followed by Apple at 36.3%, Blackberry at 6.4% and Microsoft at 2.9%.