

FINDING YOUR WAY DESPITE SO MANY CHANGES

by [Steve Brown](#)

February marked the 100th anniversary of Grand Central Terminal in New York City - almost universally called Grand Central Station. To history buffs, Grand Central is the largest train station in the world, as measured by the number of platforms and in its 100 years, the station has even survived a scheduled demolition in 1968. The effort to tear down Grand Central focused on the declining number of people who rode trains, after traffic through the station peaked in 1946. Glass and steel towers were slated to replace the aging station and a more modern look was drawn up. Grand Central was eventually saved after it was given historical landmark designation and the Supreme Court ruled on the matter as historic preservation. Over the years, there have been extensive modernization that has taken place to facilitate the movement of people and luggage (that became a design model for airports). Thus, a historic icon that was almost torn down for not being modern enough became the model for the next generation of travel hubs. There are all sorts of metaphors community bankers can take away from this discussion. There are many who believe the community bank model of high-touch service will be difficult to continue as customers stop coming into branches. In addition, areas of the country where community banks still hold the highest market share also tend to be more rural and many of these areas have aging and declining populations. These factors and others mean the absolute number of community banks is likely to decline in the years to come, but don't buy the hype that it is going to be whittled down to virtually nothing. No, this is more the ranting of investment banking teams sitting around burning profitability as they try to figure out how to get bankers to merge as they worry about their own consolidation that is under way. We strongly believe that community banking will not disappear, but to stay in the fight, you will need a clear business focus, a clear purpose and the flexibility to adapt to fast-changing times. Customer service is still valuable, customers do care about how they are treated and community bankers on almost every survey we have seen score much higher than the larger banks, so hope is not lost. By taking a flexible, open-minded approach, community banks can lead in other ways as well. This protracted low interest rate environment certainly makes it difficult to generate margin, so changes must occur to move forward. Bank managers should take a hard look at internal processes and determine which ones could be more efficiently outsourced. Smart out-sourcing of non-core or non-useful functions to qualified providers can free up your internal brain trust to focus on the bigger issues. Ask your team which job functions they hate to do (outsource) or are time consuming (outsource) and which ones they like to do (keep). Another idea is to tinker with new technology to find what works best for your customers. The industry is changing and your lobby may not be as busy as Grand Central Station, but through a combination of new and old, your community bank can thrive during these challenging times.

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BANK NEWS

Cu Earnings

The credit union industry reported earnings jumped 36.1% from 2011 to a new record high. Membership increased 2mm to 93.8mm, while lending increased 4.6% (\$6.6B). By type, first mortgage real estate loans grew 5.7%, used auto loans climbed 7.9%; new auto loans increased 8.7%; and business loan balances jumped 6.5% to \$41.7B.

Green ATM

Diebold has announced a new ATM that automatically switches between three potential power sources (electric, solar, battery), cutting power usage by 40%.

FOMC

Vice Chair Janet Yellen said aggressive monetary stimulus was still needed because there are still too many people unemployed and the recovery remains too weak.

Indicted

A former Gilmer County Bank (GA, closed) employee has been indicted by a federal grand jury on charges he tried to defraud Appalachian Community Bank (GA, closed). William Rusty Beamon, Jr. was in charge of foreclosures and reportedly hired a real estate agent to lease a property on his behalf that was owned by Appalachian. He then deposited \$20,000 in rent payments into his account using an illegal lease. He also allowed Appalachian to make loans to his wife and to a shell company he owned to finance fraudulent real estate purchases from the bank's foreclosure inventory.

Merging Operations

The regulator for FNMA and FHLMC has ordered the agencies to consolidate back office functions and jointly oversee the combined operation.

Billions

Forbes released its annual list of billionaires worldwide and the top 5 in order are: Carlos Slim (\$73B); Bill Gates (\$67B); Amancio Ortega (\$57B); Warren Buffet (\$53.5B) and Larry Ellison (\$43B).

Taxing Rich

Analysis by the Tax Policy Center finds families with incomes in the top 20% will pay the highest tax bill in 30Ys.

Spending Rich

The Labor Department reports people earning in the top 20% account for 38% of all consumer spending, almost as much as the bottom 60% of earners combined.

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