

## MOBILE BANKING IS FOR EVERYONE

by [Steve Brown](#)

We have always been struck by the ability of technology to jump over infrastructure hurdles in less developed countries. In Africa, India and many parts of Asia, cell phone service is widely available and it has become normal to see people talking on phones or texting even in some really remote areas. In areas like these, banking can also be inconvenient. At a recent technology conference in Barcelona, all of the cool new mobile toys reportedly had their moment to shine. However, one French company showed a clunky Nokia dumb phone, calling it the first micro-banking platform that can be used everywhere by every phone. We have spent quite a bit of time encouraging community banks to adopt mobile banking technology since the inception of that technology. The argument has always been that offering a service with this level of convenience is necessary to attract younger, sophisticated and more tech savvy customers. However, fully functional mobile banking generally requires a smart phone or at least a phone with a camera. This French company though is offering a technology that works in places where banking services hardly exist and smart phones are rare. Its technology is called Near Sound Data Transfer (NSDT) and is currently being used in 20 countries. NSDT transmits a unique coded burst of sound between phones in order to complete transaction. Doing so enables any phone worldwide to be used as a payment tool and authentication device. Since all telephones have a microphone, using a sound transmission rather than an image allows any phone the ability to capture coded data for a financial transaction. That is sort of neat if you ask us, but probably not likely to catch on in the US, given so many people like the cool factor of smartphones. Here, systems like Google Wallet rely on near field communication (NFC) for security and transmission of payments, but adoption rates remain slow. iPhones don't even have a NFC chip and the droid devices that do, may not activate if the wireless provider doesn't allow access. As such, phone companies are looking beyond NFC towards something more universal. Text messaging is one way and already widely used for mobile banking, but in general, full authentication by text is difficult and therefore less secure. It is estimated that about 3.2B people or 50% of the earth's population have cell phones. This is far more than the percentage that has bank accounts or credit cards, so it is something to ponder for sure. Technology like NSDT has the potential to bring banking services to a much larger segment of the world, so it bears watching. You might be wondering what the takeaway is for a community banker given all this. Consider that any time a new technology or idea seems like it may only be for "certain" people (mobile banking only appeals to the younger, device juggling customer who may or may not be your market niche), things can change quickly and people never make things that simple. Analysis from ClairMail finds 95% of US banking customers have a mobile phone, while internet usage sits at 70% of households. Meanwhile, Javelin predicts there will be 85mm US mobile banking customers by the end of this year. Finally, TowerGroup finds adoption and usage of mobile is increasing faster than any other channel in the history of banking. In the end, mobile serves 50% of the world in areas both high and low tech and for people of all ages, so it is here to stay.

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### M&A

Ally Bank said it will sell a mortgage servicing portfolio of \$34B to Quicken Loans for about \$280mm.

# BANK NEWS

## **Crackdown**

The CFPB is warning banks they may be sued by the agency, if they allow auto lenders they do business with to mark up interest rates. These programs are commonly known as dealer markup, dealer participation or dealer assisted finance.

## **Branch Sale**

Yadkin Valley Financial (\$1.9B, NC) will sell a branch to Union Bank & Trust (\$203mm, NC) for an undisclosed sum. The branch has about \$23mm in deposits.

## **Margin Compression**

Fed data finds the average bank NIM has fallen about 110bp from 2006 to the end of 2012.

## **Competition**

ING Direct Canada has launched a new program that allows users to access online banking through Facebook.

## **Contraction**

The FDIC reports from 1984 to 2011, the number of banks with assets of \$25mm or less declined 96%.

## **Risk**

The OCC says a good strategic risk management program will consider downside scenarios, be responsive to industry changes and ensure effective implementation.

## **Checking Accounts**

Only 11.1% of visitors to FindABetterBank.com at 4Q 2012 said earning interest on their checking account was a "must have." This is down sharply from the high water mark of 2Q 2009, when it was 24.2%

## **Additional Bank News**

Consumer Strength: A report by Deutsche Bank finds household buying power (income minus taxes plus home equity and other credit) jumped by \$2.3T in 2012, the largest increase in 7Ys, driven primarily by rising home values. Debt Situation: The Census Bureau reports the percentage of households that had some form of debt declined to 69% in 2011 from 74% at the end of 2000. Median household debt increased to \$70,000 from \$50,971 during the same period. TBTF: A Rasmussen poll finds 50% of people surveyed say the 12 largest banks in the country should be broken up. Busted: A hacker that broke into AT&T servers and stole personal data from more than 100,000 iPad users has been sentenced to 41 months in prison.

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