
SPRING CLEANING FOR BANKS

by [Steve Brown](#)

According to the most recent data from the Bureau of Labor and Statistics (BLS), men and women spend 138 hours each year on interior house-cleaning tasks such as picking up clothes, washing floors, making beds and polishing furniture.

Now that it is spring, efforts to clean house are ramping up across the country, as many households work even more diligently to remove the vestments of winter. It's also a time when many banks focus on making sure various policies and procedures are on the right track. As such, we'd like to highlight a few areas where we believe extra attention is warranted this year. Namely fees, mobile offerings and small business.

With respect to fees, the latest MoneyRates.com Bank Fees Survey shows average bank fees continued to rise in the 2nd half of 2012. There is a lot of negative press decrying the industry's moves to hike fees, but research shows fee income is increasingly important in an ongoing low rate environment where margins are severely compressed. What's more, studies show consumer angst over fees can often be negated by highlighting the increased level of service they are getting for their money.

We're not suggesting that this spring you automatically raise fees on every customer to improve your margins. However, it does make sense to do a profitability analysis and determine which accounts could stand to be tweaked. As we've said in the past, it's not a one-size-fits-all model. Figure out what works for you and your customers and run with it.

The next area to pay close attention to this spring is mobile. Within that category, one hot button area, which has grown by leaps and bounds in the past year, is remote deposit capture (RDC). Currently, 64% of the top 25 retail banks offer mobile deposit, according to Javelin Strategy & Research. Community banks are well behind that, but this is an area you can't afford to miss out on given the high adoption rates and competition.

There's a lot of discussion in the industry over whether banks should charge for these services. In March, the pot was stirred again after the Chicago Tribune broke a story that PNC was considering charging fees for its RDC. Of course this plays into the whole fee discussion, but this is an area where perhaps the status quo should prevail, given RDC is quickly becoming a commodity (at least at large banks). We suggest you be very careful if charging for this service, as it can damage customer relationships and isn't a very big revenue opportunity. You might be better off focusing efforts on adding mobile services other banks aren't already offering so readily perhaps.

Another area that deserves attention is small business. Issues such as fiscal policy, budget cuts, tax changes and healthcare are a black cloud over many small businesses these days. Banks should be asking whether you are doing all you can to help these customers weather the storm. There are lots of ways for you to dig in deeper with this customer segment, be it through lending, cash management, business development, expense management, succession planning and/or retirement planning. All of these are sporadically needed and requested by these customers, so the key is to know when and where to deliver them to get the most traction. Business customers just need more

help right now, so timing is good. Spring cleaning doesn't have to be a chore, especially when the end result is a shinier, brighter bank.

BANK NEWS

2 Closures (10 YTD)

Regulators closed: 1) Parkway Bank(\$109mm, NC) and sold it to CertusBank (\$1.8B, SC). Certus gets 3 branches, assumed all deposits and entered into a P&A agreement with the FDIC. 2) Douglas County Bank (\$317mm, GA) and sold it to Hamilton State Bank (\$1.4B, GA). Hamilton gets 4 branches, all deposits and entered into a P&A agreement with the FDIC.

M&A

Dactoah Bank (\$2.1B, SD) will acquire United Farmers & Merchants State Bank (\$43mm, MN) for an undisclosed sum.

M&A

The parent company of Harbor Community Bank (\$419mm, FL) will buy the holding company of Bank of St. Augustine (\$168mm, FL) for an undisclosed sum.

M&A

The parent company of The First State Bank (\$319mm, TX) has filed with regulators to buy a 90% interest in mortgage company Hancock Mortgage Partners for an undisclosed sum.

Crackdown

Regulators are warning banks that deposit advance products (small dollar, short term payday advance loans to customers who have direct deposit) violate consumer protection laws.

Lending Down

The Fed reports loans outstanding to medium and large US companies by the biggest banks fell 9% from the end of Mar through the 2nd week of Apr. Companies are pulling back on borrowing, as they worry about economic growth and the ongoing global slowdown.

Crackdown

The Financial Stability Oversight Council is warning pressure on banks due to the low interest rate environment is pushing them to seek higher returns by investing in securities with longer maturities. FSOC said regulators should take a close look at the impact of rising interest rates on earnings, capital and credit. Community banks should prepare accordingly and make sure to analyze this as part of your normal routine as you take steps to hedge yourself if needed.

Layoffs

The Washington Post reports Q1 earnings announcements from this month show Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase and Morgan Stanley have cut 3.5% of their combined workforce in the past year, or about 31,000 jobs.

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