
CRYING FOR GROWTH AND GOOD HEALTH

by [Steve Brown](#)

There is a strange event in Tokyo called the Nakizumo Crying Baby Festival. At the event, parents bring their babies to a temple where novice sumo wrestlers goad babies into crying to promote and celebrate their growth and good health. The competition part involves figuring out which baby can cry the loudest and longest. Summer is fast approaching, so as you get on an airplane here in the US, enjoy similar screaming contests among babies on airplanes as you head off toward tranquility and vacation. Instead of frowning, think about the larger purpose and smile instead.

Many community bankers can relate to a wish for growth and good health as the industry has left many even tempted to cry at times. It does little good, so we may as well search for ways to profitable growth today and down the road.

The low interest rate environment offers ongoing challenges, but competition is an enormous factor as well. Community banks have competition on many different levels and from different sources. One of the most important things a bank can do is determine which of its business customers are losing their competitive edge and which are successful, so you can focus energies where they can best be leveraged.

When it comes to competition, community banks know the biggest banks are probably the biggest threat. They seem to continually "buy" the customers by lowering lending rates to rock-bottom levels that add pressure to performance. Community banks can be successful, however, in promoting local knowledge and decision-making, alongside personalized and customized service for each customer. Of course rates matter, as years of advertising based on rates has taught customers lending rates should be a primary factor in making a banking relationship decision. Community banks certainly have to stay competitive to book loans, but then you must move quickly to change the topic.

If your bank can change the focus of any customer interaction to the benefits of having a more flexible, local bank that meets that customer's specific needs, there is room for discussion. One factor that must be addressed is that while your bank is smaller than the biggest banks, it can certainly meet the needs of the customer. To gain business relationships, it is imperative that your bank have the technology and expertise to do what customers require simply and effectively. Your bank probably can't afford to spend lots of money on technology, so you must leverage personal and experienced help with strong but simple technology solutions.

In the alternative, if you find yourself in competition with another community bank or credit union, technology matters. Have your talking points down so you can capture sophisticated relationships no matter the size of the business. Don't be afraid to promote in detail how local your bank is and how that translates into knowledge and expertise for local businesses. Publicize the community projects your bank supports, put photos of staff on your web site and Facebook page. Ask your good customers for referrals or even if they would appear in a testimonial promotion to help spread the word. A little thought and practice can take your bank a long way in capturing new clients and make sure you won't need to resort to crying in order to promote growth and health.

BANK NEWS

M&A

The parent company of HomeTrust Bank (\$1.5B, NC) will buy the parent company of BankGreenville (\$114mm, SC) for about \$7.8mm in cash. More M&A: Investment bankers (IBs) have been pushing banks to merge for the past few years to gain economies of scale, but sellers still want book value and buyers aren't willing to go there yet. As a result, activity has been sluggish to say the least and IB firms have been pressured to consolidate themselves. Look for this trend to continue through 2013 and perhaps even 2014.

Small Biz Competition

Chase has launched a new feature for its small business customers through Jot that allows them to make a purchase, get an instant alert when employees make purchases, take a picture of the receipt, tag those purchases with customer categories the business owner can create and then synch tags and receipt photos to Chase accounts for on-demand reporting.

Big Impact

The FHFA said FNMA and FHLMC will only be able to purchase "qualified mortgages" under the CFPB's ability-to-repay rule (full amortization, 30Ys or shorter maturity, points & fees of less than 3%) going forward.

Settlement

Bank of America has agreed to pay bond insurance company MBIA \$1.7B to settle a dispute about mortgage securities issued by Countrywide. As part of the deal, Bank of America can also buy up to 4.9% of MBIA.

Mobile Checks

A study of the 10 largest banks finds only US Bank charges for mobile check deposit.

Watering Hole

Bankers should note that as with a lion in Africa, a "watering hole" cyber attack refers to a process where someone profiles the victim using the kind of websites they visit, tests those websites for vulnerabilities and then stakes one out to target a victim, install malware and attack.

Active Bidders

SNL Financial compiled a list of banks that have been the most active bidders for failed FDIC banks since 2009 and found the top 3 were Bank of the Ozarks (\$3.9B, AR), which bid 61x; Centennial Bank (\$4.2B, AR), bid 35x and IberiaBank (\$13.1B, LA), bid 20x.

Mobile Deposit

Research by Javelin finds 25% of all consumers have used mobile check deposit in the past 90 days and nearly half of those who use mobile banking have done so already.

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