

Bring Your Sunscreen

by [Steve Brown](#)

Summer has arrived and if you haven't bought sunscreen since last summer, you will be in for a surprise with the new labeling. The FDA has instituted some new rules primarily around what manufacturers of sunscreen can claim about their products. There are newly established standards for testing the effectiveness of sunscreen products and the labeling is required to accurately reflect those test results. New labeling will not allow an SPF rating over 50, though a product can claim SPF 50+. There is also no such thing as sun "block" anymore. Manufacturers can no longer say a product is waterproof either, only water resistant. In addition, water-resistant sunscreens must specify frequency of reapplication necessary for protection (the only choices are 40 or 80 minutes). The new standardized labeling will be helpful, but also as always with regulations, it will be more complex until consumers learn what to look for.

Another area closer to home that bankers are adapting to is the complex set of communications / disclosures banks must provide for checking accounts. The Pew Charitable Trust recently did a study ranking checking account disclosures of terms, fees, overdrafts and dispute resolution practices. Some customers may be interested in this information, but the study found the pages and pages presented at account opening are virtually impossible to understand. This led 78% of those surveyed to say they would banks to provide a one-page summary of the terms, conditions and fees for checking accounts.

The Pew study was undertaken in late 2012 and centered around the 50 largest banks based on domestic deposit volume. Of those, 36 banks provided information and those comprise 56% of domestic deposit volume. Bank documents were graded on effectiveness in providing concise and clear disclosures about cost and terms, effectiveness in reducing the incidence of overdrafts, eliminating practices that maximize overdraft fees, and finally offering customers a meaningful choice to resolve problems other than binding arbitration.

None of the banks in the study demonstrated best practices or even good practices in all categories. However, 97% did achieve a top grade in at least one area, but even the highest scoring institutions did not perform well in every category. As a result of the study, Pew advocates institutions should strive to summarize information in a concise uniform format, provide account holders with information on all available overdraft options, make overdraft penalties reflect the institution's costs in providing the overdraft loan and finally prohibit mandatory binding arbitration clauses.

Community banks may ask, well that's just measuring the big guys, so how does it apply to me? Given the industry, most likely the information your bank gives checking account customers doesn't look very different. As you seek to differentiate yourself by providing customer-centric service, even if it's not required, knowing that many customers would like to see a one-page summary might be worth creating and delivering (after checking with your legal team of course). You might do this because it is probably going there anyway and because customers that understand the services they use, are more likely to be satisfied than if they don't understand.

Just like knowing it is necessary to reapply water resistant sunscreen every 40 minutes, people would rather know that and

either disregard the information or follow directions. Nearly all will still buy the sunscreen just as they have before. Enjoy summer.

BANK NEWS

M&A

Bank of American Fork (\$949mm, UT) will buy Lewiston State Bank (\$252mm, UT) for an undisclosed sum.

Industry Risks

The OCC has released a report indicating the key risks to the banking industry "involve the potential for banks to take excessive risks to improve profitability, revenue challenges from a slow economy, and a surge in sophisticated cyber threats."

Banned

The Wall Street Journal is reporting Deloitte LLP will pay a \$10mm fine, agreed not to work for NY state financial institutions for 1Y and agreed to repair its internal safeguards, following the conclusion of an investigation into money- laundering at Standard Chartered Bank. Standard Chartered paid \$340mm to regulators for hiding 60,000 transactions with Iranian clients.

Safe & Sound

Analysis by the OCC finds well-run, financially sound community banks have a common bond that includes: engaged and proactive board and management; sound policies and procedures; effective risk management systems; a strategic plan to ensure sufficient capital exists through good and bad economic times and strong bank supervision. To stay in top form, check these against your bank to see how you are doing and tighten up if needed.

Small Biz

A survey by Constant Contact finds 60% of small business owners say it is more difficult to run their company than it was 5Ys ago. Other findings: 50% say consumers have an interest in and preference for supporting local businesses and 90% of small business owners are using social media marketing vs. only 10% 5Ys ago.

Busted

A former senior business director of Citibank Travel Payment Services has been sentenced to 2Ys in prison and 3Ys of probation and was ordered to pay restitution totaling \$824,301 for stealing from the bank. She stole for 7Ys and used her position to steal money transfers & submit bogus expenses.

Employees

A study by Kaiser Family Foundation finds 61% of all small companies (<200 employees) offered health benefits to their employees in 2012.

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