

Danger Will Robinson

by [Steve Brown](#)

The other evening as the dirty dishes sat in the sink; we pondered the usefulness of a mechanical helper to assist around the house. Since magical beings like the Dish Fairy (the Tooth Fairy's younger sibling) no longer seem to appear with any regularity, we thought of robots and how nice it would be to have one that could do such tasks. To be sure, robots have been around in movies and TV for quite some time.

While the robot above bears little resemblance to the guy-in-a-suit-with-pincher-claws that first appeared on *Lost in Space* in the 1960s, they have all been interesting to us. We wonder what would have happened if bankers in the pre-crisis years were all outfitted with such robots that could have proclaimed "Danger Will Robinson, your loan is about to implode!"

Even if your name wasn't Will, you probably would have discussed what the robot was seeing and why it was so agitated at least, which likely would have lessened the crisis overall. Whether your favorite robot leans more toward Rosie from the *Jetsons*, Hal from *Space Odyssey*, R2D2, C3PO, Lt. Commander Data from *Star Trek* or the FemBots in the *Austin Powers* movies we think it is time for robots in banking.

Let's face it, people are more mobile and tablet computers can now attach to wheeled things so people can work from home as they interact with customers wandering around a branch. One bank, Premara Bank (DC) even announced it plans to feature a customer service robot named PremBot. PremBot is 5'2", has a screen for a head which features the face of the person operating the robot remotely and can see and talk to customers. At a minimum it is a nifty gimmick to get technologically advanced customers to come into the branch again and at worst it might be rigged to self-destruct if too many customers try to pay down their loans all at once (just the big countdown clock might get some to run away and buy you more time to collect interest).

No matter what, it is intriguing. Premara says it is focusing its business development efforts on trade associations and professionals and wants to put its technology prowess up front. A robot certainly delivers on that. The bank says it intends to have the robot on the sidewalk in front of the bank, once its permanent retail space is built out later this summer. We haven't seen PremBot yet, but we eagerly await news on how it's going.

We wonder whether bank customers will react when they talk to a robot over a customer service rep. It would at least initially be a novelty, but could there be even more here? The Japanese space agency thinks so and has announced they will be sending a small robot named Kirobo into space to keep astronauts company. Kirobo is reportedly cute and attentive, recognizes faces and is intended to test how humans and robots can live together in space (Hal anyone?).

For bank a little closer to earth, perhaps a customer service robot could improve productivity by helping control costs and reduce staffing needs. Customers might prefer a smiling person, but given a choice between a dumb ATM machine, an ATM with a customer service rep on a screen saying hello, or a really neat new robot roaming the streets, we choose the robot. Who knows, customers may well

enjoy interacting with a friendly robot more than a person who hasn't yet had their morning coffee and then we will all be out of a job in coming years.

BANK NEWS

CU M&A

Texas Trust Credit Union (\$760mm, TX) will acquire Security One FCU (\$57mm, TX) in a move that would create a combined institution with 65,000 members.

Leverage Update

Analysts say the largest US banks (assets > \$700B or with custody of more than \$10T of customer assets) can meet regulatory requirements that increase the leverage capital ratio of 5% of assets at the holding company level and 6% at the bank level by 2018 as required. The leverage ratio measures capital as a flat percentage of assets and does not account for underlying risk. Of note, Bloomberg reports FDIC Vice Chairman Thomas Hoenig wanted a 10% hurdle.

Appraisal Exemption

Regulatory agencies have issued a proposed rule that would exempt loans secured by existing manufactured homes, certain "streamlined" refinancings and transactions of \$25,000 or less from the appraisal requirements for "higher-priced mortgages" required under Dodd Frank. Under the proposal, streamlined refinancings are defined as: an extension of credit that is a refinancing where the owner or guarantor of the refinance loan is the current owner or guarantor of the existing obligation; periodic payments under the refinance loan do not result in negative amortization, cover only interest on the loan or result in a balloon payment; and proceeds are only used to pay off the outstanding principal balance on the existing obligation and to pay closing or settlement charges.

Loans/Capital

The SEC has just made it easier for banks and others seeking to raise capital. In a 4-1 vote, the SEC lifted a decades-old ban on publicizing any share offerings that weren't registered with the SEC and limited to accredited investors. That means investors will soon see advertisements seeking loans/capital for all sorts of investments, crowd funding, etc. on TV, billboards and the internet (Twitter, Facebook, etc.). The change allows those seeking capital (which can include banks) to broadly solicit potential investors (which can be your customers), however advertising will be regulated to ensure it is accurate and current restrictions on who can invest in higher risk ventures (must still make at least \$200k per year and have a net worth of \$1mm not including their home).

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