

A Quarantine is No Laughing Matter

by [Steve Brown](#)

Whether you are a fan of opera or not, you may be interested in La Traviata of Giuseppe Verdi. It's a typical opera story: rich boy loves poor/naughty girl, Dad feels that the relationship soils the reputation of his family and demands an end to it. Poor girl dies of consumption, boy left with broken heart, lots of crying. In the mid 1800s when La Traviata was composed, consumption (or tuberculosis as we call it today), was a major risk

throughout Europe and America. The airborne disease could be caught by anyone from germs spread by a cough. Sanitation and education efforts around coughing into a handkerchief helped, but the primary way consumption or tuberculosis was controlled back then was by quarantine - simply keeping healthy people away from germs in the first place.

To keep information safe, banks should get serious about the concept of quarantine as well. Sharing your proprietary information on how you build success in your market with competitors can be damaging. Banking is a small world and everyone is looking for a way to improve performance. To protect your franchise, consider the information that is being shared when you do business with a competitor. They could be a software vendor, running your asset liability management reporting (gives them all of your deposits and loans) or perhaps risk management reporting. This is especially true when you use a competitor (no matter how friendly they are) as an outsource provider for profitability or performance measurement.

Large banks and regional correspondent banks have branches directly in your market. As a result, they compete with your bank for customer relationships. These entities sometimes provide services to community banks as a way to gain insight their competitors, but chances are they primarily make their living off loans and deposit relationships, just like you.

Take a look at the key services mentioned above and then the entity providing it. Then ask yourself whether they compete with you for loan, deposits or customers in any capacity. If the answer is yes, no matter how nice they might be, challenge why you are interested in continuing to give them so much information and so many warm leads. When you use an organization that is ultimately a competitor to assist your bank with loan pricing or measuring profitability, you are putting your entire business model at risk over time. How your bank prices loans is of paramount importance to the success of your organization and the less any competitor knows about it the better.

In our humble opinion, banks should avoid doing any business with competing organizations to protect their franchise - end of story. Once a competitor is inside, it can be difficult to get them out and the treasure trove of information they continue to collect can expand into a full blown epidemic. Most of all, you have no control or understanding of how they are using your bank's proprietary information to their own benefit.

There is an alternative and that is PCBB. We are owned by, provide services to and never compete with community banks. Community banks are also our only customers and all of our services are specifically designed to help you compete against the big guys - period. In short, we want you to succeed.

It's a good idea every so often to closely review where the monthly reports in your hand are coming from and who is providing them. Then, consider whether they are a competitor and if they are think about the impact of them having your detailed loan and deposit information or seeing your daily cash management flows. A quarantine of your bank's most important information just may help avoid future trouble and as with La Traviata is no laughing matter. Call us to see how we can help.

BANK NEWS

Closure (17 YTD)

Regulators closed First Community Bank of Southwest Florida (\$266mm, FL) and sold it to C1 Bank (\$970mm, FL). C1 gets 7 branches, assumes all deposits and entered into a loss-share transaction on the assets.

M&A

Landmark National Bank (\$649mm, KS) will acquire Citizens Bank (\$265mm, KS) for an undisclosed sum. Citizens cited an increased regulatory burden as a key driver for the decision to sell.

M&A

Money transfer company MoneyGram will acquire 200 kiosks in CA, IL, NY and TX from Nexxo Financial for an undisclosed sum. The kiosks will offer self service money transfers and allow people to pay bills.

M&A

KeyBank (\$86.7B, OH) has completed the sale of its investment management subsidiary and broker dealer affiliate to a group of employees and a private equity firm and will net about \$100mm on the transaction. Key sold the subsidiaries as it moves to cut expenses and improve efficiency.

No People

Lake State CU (\$183mm, MN) said it plans to open a branch without any tellers soon. The branch will only have video tellers, but will allow customers to speak with live remote tellers and do most regular banking functions.

Competition

BB&T has formed an alliance with Payment Alliance International to show its brand on 130 ATMs in Rite Aid pharmacy stores. Payment will own/operate the machines.

Exiting

EverBank (\$18.3B, FL) will exit the wholesale broker home loan business and fire 150 people, as it adjusts to a shift in the competitive and regulatory landscape in this area.

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