

Are You Cranky or Nostalgic?

by [Steve Brown](#)

Look into the mirror and ask yourself whether you are a cranky old fart. Are you one of those people who dreams of earlier times and complains everything was better in the past? To be sure, there is the basic state of crabbiness we all succumb to at times and then there's nostalgia. We find the best cure for crabbiness is to go outside for a walk. Nostalgia on the other hand is a more serious condition and believe it or not was once considered a psychopathological disorder. The syndrome was described in a 1688 Swiss medical journal and was treated as a disease from the 17th through the 19th century. Many sufferers were soldiers fighting in foreign lands and the records document some dandy cures. One Russian general had nostalgia sufferers buried alive (there were no new cases reported after the first one or two), while the US Army during the Civil War shifted to public ridicule and bullying as treatment.

As you get older, it is natural to dream of the good old days. Remember when you could price a loan for a good customer using a healthy spread to Prime using the back of a napkin over a three martini lunch, plug in 1.25% to come up with the correct number for the bank's ALLL and the concept of a stress test had only to do with one's cardiac health. In general, things were a lot simpler back then. Today, it's a wilder, riskier world, so some crabbiness is expected.

As you worry about the complexity of running a bank today, know that many customers dream of older, simpler times too. Just the other day, logging into our bank account on the internet, there was a new set of requirements just to enter the site. These included a set of questions, plus an updated more complex username requirement. A numeric code was also delivered via text message that had to be entered into the site before proceeding to the account. Consider that this was an existing account of many years with a history of daily access to balance accounts. Thankfully the system did have the ability to mark a customary computer as a trusted access point, but the number of steps and complexity increased our crabbiness that day.

We realize this is all well-meaning and customer security on banking sites has to be top priority. However, a process this complex is also a royal pain for customers. People have migrated to online banking for convenience and ease of use. Security is expected with efficiency and retaining customer loyalty is dependent upon meeting both expectations.

We certainly don't minimize the risks. Hackers only grow more sophisticated, so most people manage multiple passwords that have to constantly change. Given the sheer number of passwords one has to remember, not writing them down is impossible. The good news is that electronic theft is a more likely scenario than the loss of a physical password list.

As our example points out, perhaps we have reached the tipping point on the whole concept of passwords. Many sites now require a second level of password or code and security is important, but what is a reasonable solution? Using an IP address as in the example above (when it marks your computer as trusted), in addition to a password is a start but is it enough? Two-factor authentication that sends a code to a mobile phone in addition to a password may be safe, but it can be problematic. To avoid perpetual customer crankiness, banks must seek security solutions that are less inconvenient or cumbersome.

BANK NEWS

M & A

Hamilton State Bank (\$1.4B, GA) will buy Cherokee Bank (\$167mm, GA) for \$8.5mm in cash.

Shareholder Return

Bloomberg reports the 6 largest US banks have paid \$103B in legal costs since the financial crisis began. That is more than all of the dividends they paid to shareholders in the past 5Ys.

Competition

The FHFA is pressing JPMorgan Chase to pay \$6B to settle lawsuits tied to subprime mortgage-backed bonds it sold to investors.

Social Marketing

Facebook has amended its promotions policy and will now allow businesses to use comments, likes or messages for contest entries and use likes as a voting mechanism. Previously, businesses had to use third party apps as a work around to this, so the change simplifies things immensely and is expected to be used heavily by businesses as they seek to tap into this social customer base.

Shut Down

Online lender Western Sky Financial LLC with ties to the Cheyenne River Sioux Tribe will stop funding loans next month. Western has been the target of aggressive federal and state regulatory actions to shut down the operation that makes payday loans with interest rates as high as 300%.

Busted

Darryl Layne Woods, the former chairman of Mainstreet Bank (\$59mm, MO), has pled guilty to siphoning off \$381k of the \$1mm his bank received under TARP. He used the money to buy a waterfront vacation condo in FL for himself. Under a plea agreement, he is banned from any further involvement in banking and will spend up to a year in prison.

Retirement Savings

Fidelity reports the average 401(k) balance held by its customers fell slightly to \$80,600 in Q2 vs. \$80,900 in Q1.

Mobile Face

Bloomberg reports the number of US Facebook users who access their accounts on a mobile device will likely double to 99mm this year. Meanwhile, mobile Twitter users could hit 28mm.

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