Misadventures in Spelling

by Steve Brown

It was pointed out by an alert reader that we recently made mention of the CFPB, but with the letters in the wrong order calling it the C-P-F-B. We did this not once but twice in this publication and we apologize for the error. We are not dyslexic in general, though it's easy to do when typing quickly and we would bet everyone has made a similar mistake when writing at one time or another. It clearly shows, however, that spell check could be improved further, so get working on your app and you might be able to retire in the next few years!

The CFPB of which we speak is of course the Consumer Financial Protection Bureau. Our interest in the CFPB has increased of late with so many new operators coming into the banking sphere, seemingly outside banking regulations for the most part. We wonder why so many entities without the rules imposed on banks can seemingly do whatever they want without facing the government or regulatory crack-down similar to the banking crisis on banks.

To be sure, the CFPB came about as a result of the financial crisis and its jurisdiction includes banks, credit unions and anything else that moves that could negatively impact consumers. That is why we appreciated hearing that the CFPB is looking at a broad variety of financial organizations like payday lenders, car title loan companies and similar non-bank providers of financial services that often cater to the less-affluent, unbanked population. Quasi-bank organizations like Bluebird and PayPal will hopefully soon come into the mix as well.

In case the start of yet another agency put you back on your hindquarters when it was announced, recall that the CFPB is charged with a number of overriding priorities: to conduct rulemaking, supervision and enforcement of Federal consumer financial laws, to handle consumer complaints, to promote financial education, to research consumer behavior and to monitor the financial risks to consumers. That is a lot of support for consumers, so we hope non-banks will be welcomed to the fold soon and enjoy all that regulation has to offer.

One key part of the CFPB operation is to gather and analyze data to better understand the workings of consumer finance markets and where issues may arise. There is a need to better understand the choices of consumers, for better or for worse, and, clearly, education will be vital as well.

While most bankers we know consider themselves over-regulated already and therefore not too crazy about yet another agency, the overall goal of having a more informed customer could be beneficial over the longer term. In particular, more oversight of out-of-bounds operators like payday and car title lenders will ultimately be a welcome change. It will take years for us to all understand the picture, but it will be interesting to see how and what the CFPB does with organizations like Bluebird and PayPal. One has to ponder the reasoning behind these organizations' interest in the banking industry at a time when profitability is so difficult for the traditional providers of banking services. If these alternative providers can no longer operate mostly outside the umbrella of banking regulations and are forced to support the same cost load, will they still be interested in the banking business we wonder?

The final goal of the CFPB is a financial marketplace where consumers can make appropriate financial decisions based on an understanding of the prices and risks of products and services. If it all works as planned, the system should ultimately protect and encourage responsible providers like banks, the economy and consumers but we will have to wait and see how it works out in the coming years.

BANK NEWS

Semi Retired

o Semi Retired: An HSBC survey finds the main reasons people say they expect to only semi-retire vs. fully retire is to stay active (44%), they like working (39%), they are seeking an easy transition into retirement (36%) and they cannot afford to retire full time (23%).

Customer Capture

An HSBC survey finds the main reasons people said they had lower than expected retirement income were due to insufficient planning (35%), global economic crisis (34%), unexpected event or expense (24%), supporting children financially (21%) and have outstanding debt (21%).

Customer Capture

An HSBC survey finds the main reasons people get financial gifts or loans from relatives in the family are getting married (25%), education (24%), purchasing a major item (23%), getting mortgage help (22%), paying off debts (22%), getting help with living expenses (19%) or the birth of a child (12%). Now that you know, perhaps you want to suggest targeted savings accounts to your customers for all of these to help family members help your customers and get to know some new ones along the way.

Better Service

An American Express survey finds 50% of business owners are using social media now. For this group, 71% use it to capture new customers and 59% are doing so to drive more sales (up 13% YOY). This said, a whopping 94% are offering incentives to get customers to return and 94% are also asking customers for feedback in ways they can improve.