

## Bank Of The Future

by [Steve Brown](#)

Many years before home entertainment systems became mainstream; at least one family was reaping the rewards. This family, the Jetsons, lived an average life in the sky-high Orbit City in the year 2062, surrounded by airborne space cars, transport tubes, robots and gizmos. Of course, George, Jane, Judy, Elroy, Astro the Dog and Rosie and Robot existed only in the animated reality of Hanna-Barbera, but these futuristic counterparts to the Flintstones were a sign of the space-age oriented leanings of the early 1960s.

We don't doubt that at the time the Jetsons first aired, before the invention of the computer mouse, the ATM and laser printers, many people would have scoffed in disbelief at the idea of a future filled with video chatting, talking electronics, portable media devices and interactive media--yet here we are.

This is an important lesson for banks. While some technological innovations are still in their infancy, the possibility of them becoming more important from a competitive standpoint shouldn't be overlooked.

For some time now, banking customers have become more accustomed to depositing paper checks with a click of their cell phone camera. Now some banks are experimenting with another mobile feature: mobile photo bill pay. On its face, the idea is simple. All customers have to do is take a photo of their bill, confirm payment details and their bill gets paid--easy and convenient, right?

Well, this seemingly cool technology is not as fast-growing as mobile RDC has been. From the bank perspective, some institutions have been hesitant to take the plunge since it's more expensive and technologically-challenging than traditional check cashing. From a consumer standpoint, it's clear that they aren't quite ready to abandon traditional methods of paying bills with checks, phone or in-person payments. However, this doesn't mean they won't be ready at some point.

Despite the challenges, there are some industry observers who envision mobile photo bill pay gaining traction in the next few years, even if only as part of the broader suite of mobile products banks offer. Not every customer will use mobile photo bill pay, but not having it in your tool belt could ultimately put your bank at a competitive disadvantage.

The 2013 Fiserv Billing Household Survey shows that 57% of U.S. online households own a smartphone, which is up from 47% in 2012, and more consumers are using their phones to pay bills. When asked whether they had made a mobile bill payment via an app, mobile browser or text in the last month, the figure doubled to 16% in 2013, up from 8% in 2012. This represents an increase from 8mm households to 16mm million households

No one really knows what the future will look like, but what was unthinkable years ago (George Jetson's foldable space car comes to mind) isn't as far-fetched as it once seemed (apparently, there's a South Korean car that can fold into itself to save space when parked, but that's for another issue).

We aren't saying that we recommend banks pour all of their resources into every new technology, but it's important to keep up on the latest trends and technology and to remember that the future isn't

always going to end up where things are today. After all - if that were the case it wouldn't be called the future.

## **BANK NEWS**

### **M&A**

KleinBank (\$1.6B, MN) will acquire Prior State Bank (\$206mm, MN) for an undisclosed sum.

### **M&A**

The parent company of Platte Valley Bank (\$445mm, NE) and two other banks will acquire Mountain Valley Bank (\$157mm, CO) for an undisclosed sum.

### **Divestiture**

Middleburg Bank (\$1.2B, VA) will sell its 62% stake in mortgage banking firm Southern Trust Mortgage to Sonabank (\$716mm, VA), EVB (\$1.0B, VA) and executives of the mortgage firm.

### **Settlement**

Bank of America announced it will pay \$9.3B to settle litigation claims and repurchase securities with the FHA (around its claims from FNMA and FHLMC).

### **No Change**

St. Louis Federal Reserve Bank President James Bullard said he does not think the FOMC's policy has changed and that "The committee explicitly said that while we've changed the language we're not changing the intent of the policy." As such, he said rate hikes will likely not occur until early 2015.

### **Crackdown**

CFPB head Cordray has indicated concern over consumers relying on repeated short-term payday loans and said the CFPB may crack down on this issue.

### **Settlements**

In case you were wondering, the Financial Times indicates its research finds banks have paid out \$100B in legal settlements since the financial crisis began and more than 50% of that amount came in the last year.

### **Counting Coins**

The IRS has ruled online "currency" Bitcoin is really property for taxing purposes and not a currency. It said buying something for \$2 with Bitcoins purchased for \$1 would trigger capital gains taxes for the user and income for the seller.

### **Economy**

A survey of economists by the National Association for Business Economics (NABE) projects bad weather cut 1Q GDP to 1.9%, but forecasts 2.8% for 2014 and 3.1% for 2015. As such, about 33% expect the Fed to raise the Fed Funds rate this year, while more than 50% think it won't occur until 2015.

### **Social**

Wells Fargo announced it has established an office dedicated to monitoring what people say about the bank using social media channels.

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