Send In Your Data Please

by Steve Brown

It has been just over 10Ys since the FTC gave consumers the right to register their phone numbers on the "Do Not Call" registry in order to stop receiving telemarketing calls. Adoption by consumers has been swift and thorough - within 3Ys, 75% of Americans had registered their phone numbers. This pretty much brought an end to the legitimate telephone solicitation industry although most people still receive telemarketing calls. Because of the law though, it has become safe to assume that a solicitation is not legit if the company making the call is disobeying the law.

Similarly, the CFPB is aiming to protect consumers from questionable practices stemming from overdraft protection programs. Apparently some institutions are still using them, so the regulatory focus remains red-hot.

For its part, the Pew Charitable Trust released a report card on progress among the biggest banks in clarifying and communicating their overdraft policies to consumers. Pew found that 62% of big banks in the survey (28 of the 45) had adopted its recommendations for summary disclosures. However, it also found that 44% of a group of banks surveyed (14 of 32) are still reordering transactions from largest to smallest in calculating overdrafts (so there is still room for improvement).

One recent development on the subject that could affect community banks is that the CFPB has asked core provider Fiserv to provide anonymous data pertaining to the use of overdraft programs in financial institutions. The CFPB has assured Fiserv that it wants this data for research purposes only and that it does not want to identify data with specific institutions. The CFPB's charter tasks it to do research and understand the institutions that it oversees, so this does make sense. Meanwhile, its statement notes that it seeks to "monitor and maintain a fact-based understanding of the financial services marketplace". For this project, the CFPB has identified 60 data elements to assess from each processing client's system to capture a generic snapshot of deposit accounts and programs which include overdraft processing. The analysis is reportedly designed to measure duration and fee assessment at the system level, prior to any intervention by the institution.

The information does not include identifying information about the institution like the name or location. There will also be no identifiable consumer information, but clearly Fiserv (and probably other core providers) will have work to do in order to comply with such requests. For its part, Fiserv has warned customers that its fees could increase due to the extra work required to comply with the request.

It is easy to turn a hairy eyeball towards an inquiry like the CFPB's, especially if it costs community financial institutions more money through increased core provider fees. This news isn't putting a happy face on many bankers, but Fiserve isn't alone. Florida-based FIS also received a request from the CFPB, anonymized its data and provided it to the CFPB in order to participate in the overdraft study.

On the big bank front, the CFPB has already assessed a $7.5mm fine on Regions Bank for charging customers who had not opted into an overdraft protection program (in addition to refunds of some $49mm to thousands of customers). This was the CFPB's first action against a bank for overdraft fees and they noted the fine would have been larger had Regions not self-reported the violations and voluntarily refunded customers. Clearly the CFPB means business.

While much of the robocall noise and inflow has been reduced through the Do Not Call list, we note robocalls can be generated from anywhere in the world, regardless of any laws designed to prevent them. We hope that when it comes to chasing overdraft offenders that the CFPB's efforts to combat abuse focus on the real offenders. We also hope all agencies consider the increased costs to community banks vs. what may be achieved.

BANK NEWS

M&A Activity

1) North Shore Bank, a Co-operative Bank ($670mm, MA) will acquire Merrimac Savings Bank ($74mm, MA) for an undisclosed sum.

Extending Regulation

The CFPB has issued a rule that extends its supervision to nonbank auto finance companies that make, acquire or refinance 10,000+ loans or leases per year.

Loan Risk

Moody's has released a report looking at the impact of higher minimum wages rolling out across the country related to restaurants. It estimates industry sector profits could be reduced by 1 to 4 percentage points and could double if more cities or states follow some of the larger ones that have announced such increases.

Rate Hikes

A report by the World Bank warns the Fed not to raise rates until 2016 amid concern global growth is declining (estimate is 2.8%) and the potential risk for high market volatility.

Less Activity

New research by software provider FMSI finds branch transaction volumes declined over 45% from 1992 to 2013 (most recent year of data available). During this period monthly teller transactions declined from 11,700 on average to 6,400 (down 45.2%) and cost per transaction increased from 48 cents to $1.08 (+125%).

Listening Less

Accenture research of professionals worldwide finds: 96% consider themselves good listeners; however 64% say listening has become much more difficult as digital communications have increased over the years.

Customer Risk

Bankers should note that the Justice Department reports 85% of ID theft involves the misuse of an existing bank account or credit card account; 28% of people who had false accounts opened in their name took 1 month to clean up the problem.

Stress Testing

A Deloitte survey of global risk managers finds: 86% say stress testing is used to enable forward-looking assessments of risk; 85% use it for capital and liquidity planning and 82% leverage it to set risk tolerances.