



## Remembering Your First

by [Steve Brown](#)

Do you remember your first kiss? As you think back to that moment we thought you might like to know that 70% of people aged 16 to 24 say they had their first kiss by age 15, but only 46% of their parents had done so by the same age, according to Happy Worker. Other interesting facts from the same source: the typical French kiss moves 29 muscles in the face; a real kiss can speed up your pulse to 100 beats per minute; and men who kiss their wives every morning before going to work live 5Ys longer than those who don't.

There are many firsts in life, but one that has changed all of our lives in a huge way is the Internet and all things technology that have sprung from that one idea. It has changed the way we interact with others (especially the way we communicate) and provides us with a tsunami of information at the tip of our fingers. In the previous century, unknown to the millennial generation, people used to slip a handwritten note under a door to say something important to our best friend. Today we have Facebook, Twitter and a host of other socially facilitated ways to do so. The Internet is at the junction of our most intimate liaisons and professional relationships.

The financial industry, of course, doesn't escape the trend. Banks used to be the only players in town and customers seeking a loan used to go to the nearest branch of their favorite bank. These days though, customers that get turned down or may simply be doing research will often turn to the Internet to find a solution. The power of the Internet and shifting customer behaviors are definitely evident here and this trend will only grow as demographics and financial assets shift to younger and more tech savvy individuals in coming years.

Yet another first for the financial industry as of late is the increasing usage of biometrics for authentication. Expect fingerprint, voice and face to make even more inroads here as people worry about online and mobile security and banks get better at incorporating these advanced technologies. To understand how much this will impact banking, consider that Accuity predicts in the next 5Ys, 65% of all mobile commerce transactions will be authenticated using biometrics. If you are still not a believer, consider USAA, HSBC, Wells Fargo, Bank of America, JPMorgan and a host of other major banks have either already rolled out or are actively testing facial (the selfie) and voice recognition.

Consider a third "first" that technology has powered, namely digital account opening. Here, Javelin Strategy & Research reports 70% of consumers say they would prefer to submit a digital application for a bank account in 2015 than at a branch. However, Javelin also finds people still feel the branch is better at protecting personal data than digital channels (69% to 31%) and for getting answers to questions (60% to 40%). That said, last year alone, Javelin reports the volume of applications on smartphones and tablets for auto loans, mortgages and credit cards soared more than 60%.

Finally, we ponder the drone. Consider banks are already using drones to inspect construction projects and track progress, determine agriculture yields, inspect commercial real estate building activity, count cars in parking lots, analyze street access and a host of other ways too. While still in its infancy, consider the impact to your loan loss reserve alone if you can fly over a project, film it,

overlay a 3D image of what the completed version will look like and then precisely calculate percent complete. At 88.2% complete, you can perhaps reduce your reserve vs. a more blunt "looks like it is about 75% or so complete" done the old fashioned way. You can also store this video in your loan files to add precision to your analysis and share with regulators when they appear for exams.

No matter what you recall about your first kiss we are sure at least at the time it was great. We also hope you enjoy these firsts in banking as technology continues to advance.

# **BANK NEWS**

## **Home Ownership**

The percentage of households that own a home now sits at 63.4% as of Q2--the lowest level since 1967.

## **Student Debt**

Research by Edvisors.com finds the average student borrower who graduated this year from school owes about \$35,051 in debt.

## **Next Year**

Nielsen projects the US population will be about 322mm next year with a median age of 38Ys old and a median household income of \$55,551. By age, the population next year should be: 65Y+ (15%), 45-64Y (26%), 35-44Y (13%), 18-34Y (23%), <17Y (23%).

## **Cyber Preparation**

A survey by The Economist on cyber incident readiness by businesses finds the top things executives think would assist their company to be better prepared for a cyber incident are: better understanding the potential threats (41%), raising awareness of existing preparations across the company (30%) and testing existing preparations for an incident (27%).

## **Risk Increasing**

The Financial Times reports the US credit cycle is beginning to turn and "smart money investors" are getting ready for "a rise in corporate defaults, a pullback in lending and contagion across asset classes."

## **Video Explosion**

The latest statistics find more than 7B videos are watched every day on YouTube and Facebook.

## **Workplace Millennials**

In the next 10Ys, millennials will be 75% of the workforce.

## **Older Customers**

According to the Census Bureau, the number of people age 65Ys+ will triple over the next 25Ys and reach about 80mm.

## **Debt Capacity**

The RMA indicates that when making loans it is important to understand that debt capacity of the borrower ultimately depends on the repayment ability, which depends on its ability to cover P&I payments. It should not be determined solely by industry averages or available collateral.

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