



## WHAT THE HECK IS THAT:



It goes without saying that you can find some really strange stuff on the internet. You can hire professional mourners to come to a funeral, prank your friends with a nice smelling candle that stinks when you light it (into such scents as skunk, baby diaper and flatulence), buy pants printed with disgusting and realistic pee and poo stains, unicorn meat and even socks that come in 3's because you will always lose one.

In the banking world things aren't that strange, but some fintech players nonetheless are certainly trying to move things away from the world of status quo banking. For instance, there are fintech players that cater to wealthy customers (promising a simpler, richer experience), others that aim to solve niche problems and still others that try to morph a whole bunch of things together.

One fintech player doing something interesting is Ascend. They have an alternative proposal for high interest payday loans to non prime borrowers. Their program offers loans at a high 30% annual interest rate, but as borrowers demonstrate good habits (such as savings skills, reduce credit card spending and other things), the rate can decline to 15%. Maybe it is time for community banks to consider being more proactive with the loan book in similar fashion. You could perhaps approach existing customers that have exhibited good behaviors (such as paying their loans on a timely basis, etc.) and reduce their rate in exchange for an extended loan term or other such opportunity. It might be something to think about perhaps.

Another fintech company called Oportun is targeting specific groups of customers as well. They too are competing with payday lenders and pawn shops with their approach. Here, Oportun uses data analytics to score customers and then offers a fixed payment schedule over a period of 7 to 35 months. Payments are made 2x per month by borrowers in order to coincide with paycheck deposits, which may reduce risk to the lender. Perhaps community bankers could leverage part of this idea. Maybe bank lending teams could structure certain loans to borrowers where the borrower makes twice monthly payments (or more) in return for a lower rate. This could improve cashflows to the bank, reduce credit exposures, and perhaps even result in a higher credit quality loan that requires less loan loss reserves.

A third fintech company called Digit is designed to address the problem of people creating savings. It focuses on automating the process of saving by doing so a few dollars at a time. Users create an account where spending habits are monitored over time. Using algorithms, small dollars (\$1.50 to \$50) are then periodically transferred to your savings account. The idea is that people won't miss change in their pocket and even if only a little bit is saved every month it will add up. Community bankers in theory could do something similar perhaps. Every once in a while check customer balances under some new program and then text or alert them that you are moving money from one account to another automatically. Customers may appreciate the ease of such an approach and it can give your teams a deeper insight into how, where and when customers are spending money.

As can be seen from these simple examples, there are lots of ways savvy community bankers may be able to leverage up

customer information to help your customers help themselves and help your bank over time.

In the meantime, we wonder what those shopping bots will pop onto your next news search after you look at such things as poop pants and stinky candles. Good luck out there.

## ECONOMY &amp; RATES:

**Friday:** Yields climbed 2bp following comments by Fed Chair Yellen indicating a possibility of a rate hike in the coming months.

## BANK NEWS:

• **Hike Timing:** FOMC Governor Powell said the economy is nearing maximum employment and that depending on the incoming data and evolving risks that "another rate increase may be appropriate fairly soon." This likely means July, although June may not be out of the question given all the chatter recently seeming to point that way by other Fed speakers.

• **Cyber Risk:** A report by Symantec finds the number of companies that refused to report the scope of data breaches soared 85% last year, despite the fact that an estimated 429mm personal records were exposed.

• **Going Wallet:** Wells Fargo will offer Wells Fargo Wallet this summer to customers who download the app on Android phones. Wells indicates about 5mm of its app customers use these phones.

• **IBs Hurting:** CNBC reports investment banks saw a 25% drop in revenues in Q1, as economic uncertainty led to an investor pullback in activity.

• **Cross Sale:** Banks should note that Pew Research reports millennials ages 25 to 34Ys old living at home with their parents sits at 19% - the highest level in 130Ys. Meanwhile, those ages 18 to 34Ys living at home is 32% (vs. 23% back in 2000). Maybe community banks working on mom and dad for business still have a chance to capture junior as well.

• **Tough Times:** A report by the Fed finds that approximately 76mm (31%) of adults are "struggling to get by" or are "just getting by" some 7Ys after the credit crisis. Further, 22% of employed adults juggle 2 or more jobs.

## PCBB UPDATES:

## GPS to Success – Long Beach, CA: July 14 - 15

Join us aboard the famed Queen Mary Hotel as we cover topics aimed at the success of your bank. Take advantage of the group rate (\$149 - \$179) before it expires on June 23<sup>rd</sup>.

Register today at: [www.pcbb.com/company/events/2016roadtour](http://www.pcbb.com/company/events/2016roadtour)

Tsy Yields		MTD Chg	YTD Chg	LIBOR Sw ap		Expected FF	
3M	0.31	+0.10	+0.15	1M	0.46	30-Jun	0.41
6M	0.47	+0.09	-0.00	3M	0.67	30-Sep	0.55
1Y	0.68	+0.13	+0.09	6M	0.98	30-Dec	0.63
2Y	0.91	+0.13	-0.14	1Y	1.32	31-Mar	0.71
5Y	1.38	+0.09	-0.38	2Y	1.06	30-Jun	0.78
10Y	1.85	+0.02	-0.42	5Y	1.35	29-Sep	0.84
30Y	2.65	-0.03	-0.37	10Y	1.71	29-Dec	0.89
FF Market		FF Target	Fed Disc	Prime	Unemployment	Oil	
0.37		0.50	1.00	3.50	5.00	49.33	

## 2016 Community Bankers' Road Tour GPS to Success: Growth. Performance. Strategy.



The Community Bankers' Road Tour focuses on critical topics, provides tactical solutions to overcome them and the opportunity to share and gain valuable insight amongst your peers.

### Day 1: Networking Event 5:00pm - 9:00pm

Network with your banking peers at a complimentary dinner before we head into a full day of educational sessions.

### Day 2: Educational Sessions 8:00am - 4:30pm

#### At-a-glance agenda

- Key Industry Trends for 2016 & 2017
- Top 10 Accounting Challenges
- Understanding Bank Risk Management
- Improving Performance and Profitability
- Major Pillars of Community Bank Lending
- Industry Update on Cyber Risk
- Lending in a Complex Rate Environment
- Top Regulatory Hot Topics and Why

### Earn CPE Credits

Each event qualifies for up to 6 CPE credits

### Multiple Attendee Discount

Save \$100 on every additional attendee you send from your institution.

First attendee fee = \$350

Additional attendees = \$250

*Registration confirmation will contain details to forward to fellow employees with discount info.*

### Event Attire

Entire event is business casual

Select your location above and register today for this not-to-be-missed event!