



Eagle Net

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NEW FOCUSES FOR 2009

The New Year has commenced with a young, inspirational leader being sworn in as the 44th President of the United States of America. Barack Obama's challenges of change, hope and responsibility, resonates with all of us globally, especially in the financial services industry. All major democracies, led by the U.S.A., are attempting to stop the apparent, uncontrollable hemorrhaging at large banks and investment companies. Billions of dollars of taxpayers' money has been placed in these institutions in various ways without great success to date. Naturally, there are spillover impacts in other sectors such as the auto industry, which also have their hands out without a definitive direction to turn around the situation in the next 2/3 years. The expectation that consumers are going to rush out and buy new vehicles in the short run is highly unlikely.

President Obama's clear, concise size-up of the challenges we all face was articulate, truthful and demanding. Everyone needs to roll-up their sleeves and accept a new era of responsibility everywhere, to energize the hope that comes with the realities of change. There are no free rides, only hard work, inspirational leadership and a new creed of business ethics to guide the way. The time to start is now.

TIME TO FINE TUNE: A STARTING POINT

Survival, let alone growth, is the strategic concern of many financial CEO's from international banks to local credit unions. Consumer centric leaders will have an advantage in finding solutions versus those who continue to rely on "gut feel" or historical perspectives. Current challenges are new, far reaching, encompassing survival dynamics, which have not been dealt with by the current CEO generation. Many find their days filled with information overload and little, if any, control over social and economic impacts facing their organizations. One must first try to focus on controllable elements and fine-tune them with new perspectives and ideas.

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First, there are always “low hanging fruit” in the area of productivity improvements both on the cost and revenue sides of the coin. You want a fresh look at all aspects from the consumer in and through the organization. Generally, current staff needs a process and idea facilitator to help uncover the objective possibilities that exist. Every area, payments and document processing, risk management practices, responsibilities and results right through to the marketing and sales activities need re-invention and renewal.

Second, people need the opportunities to think “outside the box” and be motivated to do so. Start from the premise that everyone has a potential job loss fear to be alleviated and lead them to the new business realities with job enrichment and replacement possibilities for joint success. To “turn-on” staff, turn-up communication, coaching and caring while turning-off gossip mills and obsolete policies established during completely different circumstances. Management and staff have to turn complacency inertia into energy and solutions.

Finally, leaders need to exercise their proprietary network outreach capabilities to develop solution synergies with like-minded professionals who are leading edge practitioners in some aspects of your business. CEOs require external network support to survive. A failure to accelerate thinking and decision making through present and potential networks will be disastrous. If you want to open new doors to knowledge resources, make enquires of those who appear to be coping better than the average. Cloistering one’s self with only those in your immediate environment i.e. Directors and management officers, does not create corrective momentum. Turn over a new leaf in knowledge identification and acquisition to fine tune your organization, your team and yourself.

PAYDAY LOAN COUNTER STRATEGY

There are two segments of people who access payday lenders periodically or for an isolated reason; consumers with FI accounts and those without.

Yes, some of your depositors use payday loans for a variety of real and perceived reasons such as ease of access. In fact, the majority who use payday lenders do have financial institution accounts and perhaps even borrow money and have credit cards. Regardless of the reasons, the institutions that have relationships with these individuals have a built-in opportunity for expanding loyalty points. If you look through your databases you will find depositors whose regular payroll payments are direct deposited. Consequently, the ability exists for a "payday overdraft privilege" equivalent to say a month's salary if the payment stream has been predictable for a specified period. On the other hand, some clients may have their payroll deposited at another FI – an opportunity for your "switching program" and then providing the payday privilege based on employer confirmation of job tenure. Where individuals don't have the opportunity for direct payroll credits, there is a possibility of approaching employers offering the service free to employees.

For those who do not have FI accounts and are not interested at this time to open one, employees can be given the options of direct deposit to a pre-paid credit or debit card. Similarly, where employment can be confirmed for a minimum hurdle time, you can build in an automatic "payday advance reserve". The marketing names are up to each organization.

With clients and non-clients alike it is practical to offer a simple payday lending option without massive system's changes or costly external contracts. When you assess the customer base of payday lenders don't be surprised to find many who just want access convenience – many young and aspiring segments. If we don't make a concerted effort to reclaim this business, it will not surprise us to see the "payday lenders" continue to expand their product line and erode other business currently enjoyed by traditional FI's.

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CANADA

Caisse's ABCP Hit

The Caisse de depot et placement du Quebec manages Canada's largest pension fund and its Board, as stated by the CEO, "was taken in" when they agreed to invest \$12.7 billion in ABCP's (a major investor in Coventree Inc.). Estimated losses will have been reported by the time our journal reaches you.

TFSA's: Ready, Set, Go

The Tax-Free Savings Account came into operation on January 1, 2009. This regulated account allows consumers to put \$5K per year into a special account in which income and gains are not subject to tax. Naturally, contributions are not tax deductible as are registered products (retirement and education). Anyone over 18 should be aggressively encouraged to open a TFSA. There is no downside risk.

There is a window of opportunity now. Those institutions who get off the mark slow or who are only reactive could find erosion in client relationships and their deposits.

Large Bank Skepticism

The stock market investors and analysts are currently feeding a market skepticism as to the future earnings performance and dividend yields at the major banks in Canada. International situations such as RBS and Barclays in the UK as well as B of A and Citicorp in the USA have demonstrated additional value erosions and government injection requirements which have helped feed the negative trend. Federal government loans to banks in Canada, do not by law (currently) lead to potential equity conversions.

THE U.K.

Ireland – Mobile Banking Behaviours

Javelin Strategy & Research's report on the subject indicates that the Apple iPhone and the T-Mobile G1 phone are fuelling interest among users who are young, affluent and increasingly mobile. Banks are currently wrestling with decisions to build mobile banking platforms around SMS texting, a browser or a downloadable application.

Research: M-Payments

Juniper Research's study shows that mobile money transfers and contactless NFC (Near Field Communications) will account for 50% of overall mobile payments globally by 2013.

U.S.A.

Credit Card Regulations

The Office of Thrift Supervision (Treasury Department Division) has approved new rules on credit card companies to protect consumers from arbitrary interest rate hikes and inadequate time to pay bills.

Recent, significant changes by credit card companies attracted considerable negative public attention and led to the new rules. It is unfortunate that the card companies were not more empathetic and that the rules don't come into effect until July 2010. We anticipate that other countries will be assessing similar changes.

ATM Availability Breakdowns

Harris Interactive conducted a recent consumer survey to find out that 100% of U.S. consumers have had ATM unavailability in the past 12 months! 42% experienced unavailability 3 or more times! ATM availability influences customer retention. The Harris Interactive survey found that 45% of U.S. consumers would be likely to switch their bank's network of ATM's if it was often unreliable

NCR Launches Performance Monitoring Capability

NCR has launched its NCR APTRA™ Vision decision support system, which provides a single tool to assess self-service and assisted-service channels performance. It enables users to see cause and effect events in the network.

Biometrics Fingerprint Technology at City Credit Union

WESI's client, City Credit Union in Dallas, Texas, has implemented US Biometrics AccessQ System for controlling physical access to entrances.

Select-A-Branch ATM Network Expansion

SAB ATM network recognizes the card issuer of the consumer and automatically displays the participating FI's logo, colours, etc. PNC Bank, Philadelphia FCU, Bank of Smithtown and TD Bank endorsed the SAB surcharge-free network extension alternative.

Insurance Cross Sell Survey

The Bank Insurance & Securities Association and Truebridge Inc.'s survey of 375 people in 120 FI's produced the following highlights:

- 58% satisfied or somewhat satisfied with cross-selling efforts
- 26% unsatisfied or somewhat unsatisfied
- Factors important: chemistry and trusted relationship
- FI image is important (68.2%)
- Referral training a critical factor (80.1%)
- Management tend to over rate an institution's cross sell effectiveness more than sales people by a significant margin

CARIBBEAN

Economics Slipping

Tourism has begun to show weaknesses in many islands and the demand for loans – commercial and retail – has declined during 2008 with higher interest rates and inflation.

In Jamaica, the board of the National Housing Trust met to finalize an assistance program for NHT mortgages. At present the NHT has approximately 12,500 mortgagors incapable of servicing their borrowings (11,500 joined the default list in October to December 2008).

Jamaica – NPL Period Doubled

The Government plans to extend the period at which non-performing loans (NPL's) commence from the traditional 90 days to 180 days as a way to give Building Societies leeway to accommodate consumers with mortgage difficulties.

Opinion: Procrastination is not an appropriate policy for delinquent mortgages. The 90-day period is based on best practices and permits sufficient time to assist consumers through rewrites, concessions or debt counselling. More lenience in timelines will not benefit consumers, financial institutions or the country.

TRUTH & CONSEQUENCES IN CREDIT

Media in the latter part of 2008 has had a proverbial public field day bashing large financial institutions, which appeared to haphazardly change standards of creditworthiness, lines of credit and interest rates. These actions make it tougher on businesses and consumers alike to obtain and retain economical financing during the current crisis where capital and wealth have been eroded.

Regardless of our institutions' credit policies and assessment procedures past and present, plus the hurdle scores set for approving request, we always should take a customer-centric view to properly communicate our credit culture and changes thereto amongst all our stakeholders uniformly. If balance sheet deterioration has severely restricted lending capabilities and the tap has to shut off or slowed drastically, then the appropriate cautionary public relations message is required.

Immediate, unannounced cuts to some credit lines, while cancelling others, is not a customer centric action and no doubt will feed into the media blitz. We are then profiled in a negative way with little if any chance to remove the perceptions from people's minds. When changing credit policies or processes, silence is not an option.

On the other hand, the economic erosion spares no one at the scale it is at globally. Consequently, individuals' and businesses' financial positions and prospects are compromised negatively. We need to ensure that our stakeholders and the public understand that these circumstances do weaken clients' credit worthiness when compared to normal historical assessments and benchmarks. As risks increase, prudent lenders have to explain the implicit impacts on borrowers' ability to maintain and service debt levels. Cutbacks without communication and understanding will backfire on perceptions of our institutions.

Leadership sets direction on risk management communications and applications and leadership can't delegate the responsibility of carrying the message to all stakeholders. In fact, inspirational leaders go one step further to ensure that everyone – management, staff, directors, clients, prospects plus the public and media have received the correct message and have had their questions answered forthright.

The Leader's presence and profile as the key spokesperson during these unprecedented conditions is essential. Silence is not an option.

LAST WORD – OPPORTUNITIES IN DISASTER

Although WESI always shares negative and positive news in this E-Journal, we are by our nature optimistic catalysts in everything we do. For example, every part of the globe is bracing itself to reap another round of disasters sown in financial greed throughout the world. Unfortunately, the doomsday soothsayers in the media mostly preach pessimism without presenting any saving solutions. This culture creates more negative energy effects in communities, social groups and individuals and feeds a self-defeating prophecy. WESI believes, like our new inspirational President in the USA, that out of adversity can come opportunities for broader knowledge, synergies and solutions.

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Start with your customer/member franchises and look for where you can provide innovative outreach in products, services, knowledge and large doses of hope. Each segment from the elderly to the young adults has different needs from surviving on decreased fixed incomes to setting up an entrepreneurial venture. Generally, the public tends to suffer quietly in their negative mental spirals. The only way to capitalize on the hidden opportunities is to be proactive with each segment to isolate core issues and find positive responses.

Our staff in their families, extended families and through public contacts, is a market information mirror of what possibilities are needed and what they see as the potential "fixes". Helping uncover opportunities will spark positive discretionary efforts for a productive and happy workplace clearly devoted to people.

Also, many colleagues, alliance partners and suppliers share your anxieties. Networking synergies will help our customers, employees and organizations build forward momentum and uncover other syndicated solutions.

Opportunities are found through people who have needs and today's circumstances offer an over abundance of needs to tackle. Why not step forward and quarterback the next game plan for improvement scores!