

# ***Eagle Net***



**WHERE EAGLES SOAR INC.**  
**500192 Grey Road 12**  
**Markdale, Ontario. N0C 1H0**  
**Tel: 416-347-2469, 905-873-7733**  
**Pat Palmer – Principal Leader**  
**E-Journal Newsletter – April 2012**  
**E-Vol. No. 53**

## **POST SCRIPT**

In our last issue we provided a recap of credit union key focuses over a variety of national landscapes. Subsequently, we heard more from our friends in Ireland and the U.K. The following summaries are drawn from the information. First, Ireland:

Facts: (Sept. 2010 – June 2011)

- 50K member increase
- Euro 5.7B outstanding loans (down 8.1%)
- Euro 11.8B savings (down 1.4%)
- Euro 813M loan arrears (>10 weeks). Up 23% - approximately 14% of loans
- Euro 86M bad debt write-offs

Issues:

- Economic recession, unemployment → increasing loan defaults (fragmented responses)
- Government Euro 1B bailout re underlying funding issues
- Government wants to see a pooling of resources and the development of centralized systems to compete better against banks
- Central bank has tightened lending restrictions i.e. 70% of credit unions restricted to Euro 100K lending per month (have to turn away borrowers)
- Concerns over management of some credit unions; central bank has put in "special managers" to resolve major problems re reserves and regulatory requirements
- Observers feel the central bank will move to consolidate the 400+ individual credit unions to around 100

Basically, the credit unions' strengths of local presence and personal touch is overshadowed by their inability as a group to deal with current economic conditions. The current credit union landscape will look considerably different in five years.

# ***Eagle Net***

**Page 2.**

Second the U.K.:

The credit union sector consists of approximately 1 million members with combined assets of £1.1 billion across almost 400 small credit unions focusing on the under-banked and unbanked. The movement has been heavily stimulated by government projects and has drawn on CUNA Mutual for financial support over the past 20 years. The sector is heavily fragmented and the main trade body is ABCUL.

Overall, the messages from our last edition are reinforced i.e. need for consolidation and improvements in governance and leadership.

## **NCR – SMALLEST SELF SERVE ATM**

The NCR SelfServ 14, designed for offsite locations, offers high coverage at a very low total cost. This was developed in conjunction with Cardtronics – the world's largest retail ATM owner. The SelfServ 14 cash dispenser takes up about a quarter of a square meter in floor space.

## **CLOUD COMPUTING – “SOFTWARE AS A SERVICE”**

Many companies are finding that they can significantly reduce their information technology costs when they move to cloud computing options. Google and IBM plus many others are now offering “cloud options”.

## **CURRENT CHALLENGES**

FI's, especially banks, are trying to emerge from recessionary times by dealing with key strategic issues:

1. Creating new revenue streams
2. Re-establishing stakeholder and customer trust
3. Managing complexity and ambiguity

Innovation, communication and changing paradigms require new leadership thinking and action. Unfortunately, most strategic decisions are still dealt with in traditional management thinking, which is not sufficient.

# ***Eagle Net***

Page 3.

## **PRICING FOR PROFIT**

Leaders amongst financial institutions still lack complete profitability parameters on business dynamics that can improve thinking on how to improve productivity i.e. revenues and expenses. First, few have readily available sales costs for products and services by channel. Second, standard costing is questionable for many product and service operations. Finally, comparative opportunity costs/revenues with outsourcing options and key competitor dynamics are usually avoided by the number crunchers.

Start by developing segment specific lifetime profitability models to understand the composite potential value from customer relationships. Next, estimate reasonable levels of penetration and the associated costs and incremental income. If your mindset is commodity based, you will have difficulty accepting the concept of overall profitability targets and pricing.

## **CANADA**

### HSBC Closes Consumer Finance

After an unsuccessful attempt over months to sell the assets in its Consumer Finance, HSBC will shut the business down. 500 people in 75 offices across Canada will be laid off and will let existing loans expire over the coming years. The business generally represents private label retailer credit cards and sub-prime consumer loans.

### Banks Retreat on Seniors Accounts

Quietly, TD Canada Trust is eliminating the seniors' account that offers free chequing and unlimited transactions to the 60+ crowd. Only existing account holders can retain the Plan 60 Account. In exchange, the Baby Boomers are offered a 25% discount on any one of the other account packages pre HST. RBC is also doing the seniors rebate trick to offer seniors a break on standard account plans but it has added a \$30 booking fee on its own travel reward flights. The senior skeptics see this simply as a revenue grab on the fastest growing age segment.

**Note:** Review annual Service Fee & Account Changes publications of banks and you will find a significant number of double digit increases both in charges and rates.

## U.S.A.

### Bank of America Tests "Mortgage to Lease"

B of A is testing a strategy of foreclosure avoidance to help struggling borrowers to stay in their homes whereby they sign over their deeds and rent the properties back from B of A. The bank could eventually sell homes to investors willing to keep the properties as rentals.

**Note:** Why not establish pre-conditions for renters to reacquire their deeds? What protection do renters have from investors' evictions or other actions, and what would be B of A's liability?

### Forrester Research Highlights

72% of U.S. online consumers prefer to use a company's website to get answers to their questions rather than contact companies by telephone or e-mail.

### Customers Find Ways to Avoid New Chequing/Checking Fees

The majority of U.S. Bankcorp customers have found ways to avoid paying monthly fees, after the bank phased out its "free" chequing/checking accounts. The two key ways are keeping monthly deposits balances of at least \$1,500.00 or ensuring at least \$500 or more in direct deposits each month are credited to the account. Also, if you have your mortgage with U.S. Bankcorp you can qualify for an avoidance package.

### Bank Administration Institute: The Challenge of Multi-Channel Delivery

Debbie Bianucci, President of BAI, authored an article on the profitability pressures of multi-channel delivery strategies with the negative outlook on revenue growth due to recent regulatory restrictions on overdraft and debit card fees plus slow loan growth and continued margin squeezes. Some points in the article:

- Banks entering branch redirection programs – locations and footprints
- Attempts to drive more revenue through branches with better staff productivity and segment targeting
- In 1970, population to branches was 9,340; in 2009 – 3,684
- Branch transactions to decrease 2.5% between 2010 – 2013 while online and mobile to increase 13.2%
- More focus on self serve technology

# ***Eagle Net***

**Page 5.**

## Wells Fargo's Adjusted Down Payment Assistance Program

Many large banks like Wells Fargo share blame for previous down payment assistance grants given to borrowers who ultimately could not afford their houses. The bank is now associated with the new Neighborhood Lift Program, which requires participants to attend eight hours of financial education classes and the independent Neighbor Works America decides which borrowers qualify for down payment grants. Wells Fargo has funded the grants for borrowers in Los Angeles, Atlanta and Phoenix where there have been significant foreclosures, delinquencies and REO properties.

**Note:** The prospective borrowers are not required to get their mortgage from Wells Fargo.

## **THE LAST WORD**

Almost weekly, we add to our website blog library and you are encouraged to access them regularly. Shortly, our website will be revitalized providing better access to our knowledge, experiences and leaders.

Where Eagles Soar Inc. has been serving clients and their customers for over 15 years internationally and domestically, based on the important principles of customer centricity, CEO sponsorship and knowledge partnerships. The leadership team represents decades of experience, as each person must have at least 25 years in the industry with a track record of integrity and innovation.

2012 represents my 50<sup>th</sup> year in the financial services industry and I still have the same enthusiasm for people as I did in 1961 when I joined the Royal Bank of Canada in London, Ontario, as a Junior (one of the many titles that have disappeared over the years). The complexity and time pressures of challenges today demand leadership and partnerships that build sustainable growth for all stakeholders, communities and customers.

The greed and recessionary pressures have brought the industry back to its roots – trust! Everyone needs to continually focus on proper ethics, governance and interpersonal behaviours to rebuild what has been lost and invest in a stronger image moving forward. In this decade, we will see significant rationalization amongst credit unions; more consumer brands continuing to do product line extensions into financial services and expanded product and service diversifications by traditional FI's. The dynamics are exciting and the result will be a more accountable, customer centric industry.