

Banking Update: Current Issues Facing you and your bank



Topics

Safety:

A discussion of the safety of your operating funds and your investments.

Investment Alternatives:

A review of your investment choices in light of market and regulatory changes.

Pricing:

Some of the changes you may be seeing from your bank

Developments:

Tools to help you manage your funds more efficiently

Safety

- What to look for in your bank
 - Capital Strength
 - Acknowledgement of Economic Realities
 - Business Portfolio Mix
- Government Action
 - FDIC insurance
 - Standard Insurance expanded to \$250,000
 - Transaction Account Guarantee Program
(Unlimited coverage on checking & some NOW accounts)
 - Troubled Asset Relief Program
 - An investment to be paid back with interest.

Investment Alternatives

- Certificates of Deposit
 - Traditional (up to \$250,000 FDIC protection)
 - CDARS (up to \$50 million FDIC protection)
- Money Market funds
 - No insurance
 - No capital
 - Uncertain return
- Treasury Bonds
 - Excellent Security
 - Low Returns

Investment Alternatives (cont.)

- Repurchase Agreements
 - Excellent Security through collateral
 - Low Return
 - Automatic Investment (when using auto sweep feature)
- Earnings Credit on Checking Account
 - Can compensate for fee services
 - Unlimited FDIC insurance
- Savings Account
 - Low return
 - FDIC insurance up to \$250,000

Pricing Changes

- Deposit and Investment rates never lower
 - Preservation of capital is a strong motivation in investment strategy.
- Earnings Credit on Analysis is higher than 90 day T-bill
 - Some banks moving off of T-bill rate to help clients with an alternative to investments.
- FDIC insurance is being passed on to clients
 - Mostly on Analyzed accounts.
 - Less on small business and consumer accounts
 - Using other tactics to recover costs (lower rates or other fees)
- Earnings Credit on Checking Account
 - Can compensate for fee services
 - Unlimited FDIC insurance

Pricing Changes (cont.)

- FED now paying interest on reserves
 - So some banks not reducing analysis by 10% anymore, good for the customers.
- Loan pricing on the rise
 - Banks can't package and sell loans as much, so their balance sheet is precious.
 - Credit Cards are some of the hardest hit.

Other Developments:

- Pressure for additional regulation
 - More costs for banks that will likely be passed on
 - More government oversight
 - Some price controls (Overdrafts, credit cards)
- Everyone looking for more efficient ways to do business
 - Fewer original checks returned to customers
 - More on-line statements
 - Transaction file delivery for automatic interface to accounting
 - ACH and Purchasing Card continuing their quick adoption
 - Less costly to process, better reporting
 - Look for more information “push” so information lands on your PC desktop rather than you logging onto several websites

Other Developments (cont):

- Everyone looking for more efficient ways to do business (cont).
 - Many products directed toward specific industries, especially medical
- Bad guys working hard to break into systems to get your data
 - More sophisticated security protocols in on-line banking
 - Your systems need to be secure too (encrypt sensitive data)
 - More bank oversight into your processes.
- More monitoring of the money trail
 - Adding OFAC screening to ACH in addition to wires
 - Higher scrutiny for certain business types
 - More underwriting for RDC and ACH