“Loose Change” from ABA’s National Conference for Community Bankers

ABA’s annual National Conference for Community Bankers, held in February 2011 in San Diego, was chock full of useful sessions and hallway seminars for bankers. We’ll be presenting reports from the meeting elsewhere on the website and in the magazine. But, in the spirit of Reporter’s Notes, some items deserved highlighting that might otherwise be missed.

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By Bill Streeter, editor-in-chief

Tale of two recoveries. Geography matters in the recovery, as it did in the downturn, noted ABA analyst Eric Brescia, in a presentation to a group of de novo bank leaders. States that were affected more by the general recession than by a real estate collapse are returning to health more rapidly than those that saw deflated asset bubbles. Thus the Rust Belt’s turnaround is more robust than the Sun Belt and West Coast. Nevada, for instance, has a higher unemployment rate now than does Michigan, California, and Florida, and Ohio has a lower unemployment rate than any of them.

Why pay up? “We’re at a 40-50 basis point disadvantage to the big banks in cost of funds, so why are we paying up? Getting our margin right is what drives the efficiency ratio, not noninterest expense.” Southeastern community bank CEO

Regulated by an insurer “FDIC is not a regulator, they’re an insurance company, and they’ve taken a beating. That’s why they won’t approve de novos.” Community bank president

Regarding brokered deposits. First banker: “If your asset quality is where it’s supposed to be, you’re okay. But community banks need a secondary, even tertiary plan for nonlocal funds.

Second banker: “There’s a disconnect. Regulators want no wholesale deposits, but what happens is you just jack up local rates if you need the money. If you need funds, you need funds.”

Exam frustration. “The regulators we see are wet behind the ears. The only thing that matters to them is ‘global cash flow.’ If I hear that one more time I’m going to scream.” Northeastern community bank CEO

Other comments heard on this general theme:

• Our exams have become process-oriented; results don’t matter so much. We’ve come to the point where if you don’t have everything right, that’s enough for a downgrade.

• We’re moving from exams based on regs to exams based “best practices.”

• You can’t just focus on what your portfolio is now, but what it will be going forward.

• When [examiners] show up, they already know what they’re going to rate the bank.

• One OCC examiner-in-charge told me, “No more de novos.”

• We spend so much time dealing with minutia, it’s mind boggling. So much time, so much energy wasted.

The biggest challenge. Income is the biggest challenge. We are sacrificing income for liquidity, we have a ton of liquidity—36%. Bank president

Director focus. In small communities, directors are there not so much for investors as for the communities. Community bank CEO

What motivates? Writer Daniel Pink, author of the best seller, Drive: The surprising truth about what motivates us, shared some of what he found researching that book. He spoke of three important motivators that often surpass money: Autonomy, Mastery, and Purpose.

“You want people who are engaged,” he said, “and people don’t become engaged by being controlled. They do better when they have autonomy.”

By way of example, Pink cited Atlassian, an Australian software company that once a month lets employees work on anything they want, with anyone they want; but they have to report back.

Another example he cited was Zappos.com, the online shoe retailer that has sharply reduced turnover in its call center operation from the 100% rate that is typical of most such operations over a year. It did this by telling its call center people: No recording of calls, no monitoring, you can work at your own desk (vs. in a call center)—just solve the customers’ problems.

That they obsess about, said Pink. As a result, Zappos not only has a low turnover rate among call center employees, but one of the highest customer service rates—higher even than the Four Seasons hotel chain, he said.

Regarding the second motivator, mastery, Pink remarked that “we like to get better at stuff,” and cited one study that found a big motivator was “making progress in one’s work.” The days people felt that

way, they were the most motivated, the study reported.

Pink urged managers to allow for more feedback. The annual review is just about worthless, he said. Better to set up do-it-yourself monthly reviews, where people set their own goals and then review them with their team at the end of the month.

“People do better when they know why they’re doing something,” said Pink by way of introducing his last point—purpose. Profit is a very good motivator, he said, but not the only thing. “The purpose motive is at least as important.”

“We always obsess in business about how we do things, but pay very little attention to why we do things and how it helps people.”