

BancSource Offers Fraud-Fighting Products & Services

Providing cost-effective solutions for member banks is the underlying theme in BancSource's line-up of fraud-fighting products and services. BancSource understands that allocating resources towards fraud prevention can be a challenge for community banks. That's why BancSource has carefully selected three affordable and proven fraud fighting solutions.



Fraud-Net, adopted in 2004, is a free service to OBA members and law enforcement. By providing users with alerts on attempted or perpetrated fraud,

financial institutions can better prepare themselves against such crimes. In addition, posting alerts on Fraud-Net helps the 45-plus Oregon law enforcement agencies using the online database to quickly and easily obtain information regarding their investigations. Fraud-Net continues to grow, with the addition of its 22nd state, West Virginia in March, and the anticipated addition of members of the Credit Union Association of Oregon later this year.

The Thumbprint Signature Program has been widely adopted by banks of all sizes because it offers an easy and inexpensive way to deter counterfeit check fraud. By requiring an inkless thumbprint when non-customers ask to cash a check, criminals seeking to commit check fraud are deterred from providing their thumbprint. Those who are foolish enough to cooperate leave a positive I.D. that can be turned over to law enforcement. In a study conducted by the Oregon State Police Forensic Laboratory, 80 percent of checks submitted with inked prints resulted in a positive identification.



With inkless touch pads starting at just \$4.10 (quantity discounts available), implementing the program is as simple as a phone call to BancSource or a visit, www.banc-source.com/thumbprint. Call today and request a free Thumbprint Signature Start-Up Guide, complete with program details, operating policies, supply information and more.

Recently added to BancSource's suite of fraud prevention solutions is the Fraud Fighter Model UV-16 Counterfeit Detection Scanner. The UV-16 is the most powerful compact ultra-violet counterfeit detection equipment made. The unique UV tubes (patent pending) produce twice as much power as normally available. Used to detect

counterfeit currency, credit cards, driver's licenses, secure and chemically altered checks, cashiers checks, passports, visas and many other important documents, the UV-16 is available to OBA members for just \$78 (quantity discounts available). Contact BancSource or visit www.banc-source.com/fraud-fighter to request a free 30-day trial.

For more information on any of BancSource's fraud fighting solutions, contact **Andee Rose** at (503) 581-3522 or arose@banc-source.com. ■

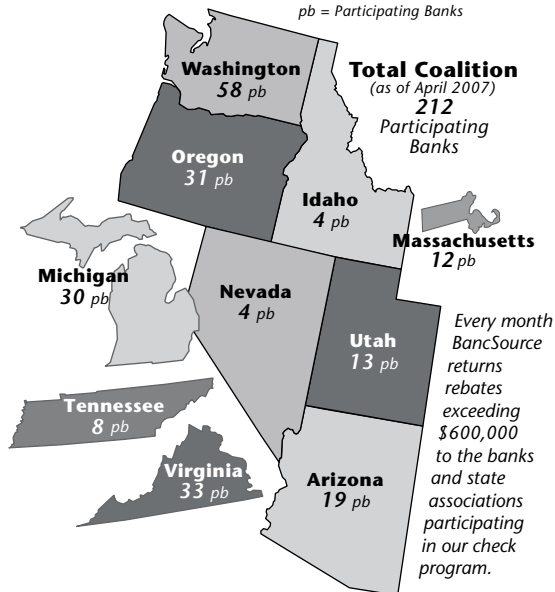


Check Program Highlights

Welcome New Participants!

BANCOURCE CHECK PROGRAM

pb = Participating Banks



We are proud to announce that the following banks have recently joined our BancSource check program coalition:

- **Bank 1440** •
Peoria, Arizona
- **Goldwater Bank** •
Scottsdale, Arizona
- **Chicopee Savings Bank** •
Chicopee, Massachusetts

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Addressing the Deposit Dilemma

By Tom Richards, John H. Harland Company

Recent polls and earnings announcements confirm a growing problem: financial institutions have been unable to attract and retain the deposits necessary to profitably fund their loan growth. The Federal Deposit Insurance Corporation (FDIC) reports that the average bank has a historically high 105 percent of its deposits loaned out. Meanwhile, more discerning customers have increased both the cost and the competition for coveted core deposits. The predictable result has been a squeeze on net interest margin. Some industry experts estimate that deposits actually account for 75 percent of industry profits. So this is a bigger problem than it first appears to be.

According to Grant Thornton's recent survey of bank CEOs, 96 percent see retaining deposits as a factor critical to their success, more than any other factor. Yet CEOs also reported that it was one of the critical factors they were least

confident in addressing. In many ways, it has become a dilemma—the Deposit Dilemma.

The lack of confidence is understandable. Unscientific promotional offers often result in little more than an increased cost of funds. And leveraging more expensive brokered deposits isn't a long-term solution either. It's expensive. The reason for the lack of confidence in addressing deposits is that there is no single answer to the Deposit Dilemma. And while there are proven tactics in the battle for deposits, each financial institution faces a different market with a different mix of products. Like addressing any medical ailment, there is a bank-specific diagnosis needed to go along with any prognosis or recommended remedy.

Harland's benchmarking database of financial institutions nationwide containing millions of consumer and

small business households is providing new insight into the underpinnings of the Deposit Dilemma. Harland initiated this ongoing benchmarking process a decade ago when the Federal Reserve retired its functional cost analysis – today it is providing unique insights into acquisition, organic growth, and retention of deposit relationships.

Considerable Variability

Financial institutions participating in Deposit Benchmarking experienced an average 9.2 percent annual deposit growth rate, aligning with the industry overall as reported by the FDIC. To achieve that growth, 11 percent of deposits came from new customer acquisitions, while 7.3 percent of deposits were lost to customer attrition. Making up the critical difference was 5.5 percent organic growth, the net result of cross-selling and customer development efforts.

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By digging deeper into consumer households, business clients, and mixed business/consumer relationships and exploring product specific areas, the analysis is compelling and instructive on an individual bank level. The findings show considerable variability among institutions, re-emphasizing the need for a bank-specific diagnosis. One bank's approach to tackle attrition, for example, is not necessarily appropriate to attack another's acquisition or organic growth needs. As banks develop more sticky services and relationship-oriented product packaging, it is critical to know how their efforts measure up in,

for example, checking or premium money-market product development.

Beyond deposit acquisition and managing products, solid customer retention and organic growth rates indicate customer loyalty and increased franchise value. While many banks have perfected their inorganic merger-and-acquisition activities, we find that the industry still seeks better answers to organic growth. And there are best practices that demonstrate that profitable deposit growth can be achieved the old-fashioned way—not expensive “brokered” deposits or “advances” on your balance sheet, but real deposits

developed from real accountholders to profitably fund loans.

Here's an example. One of the more interesting findings of this relationship-based benchmarking study is the need for more development in growing client relationships. After opening a new relationship with a financial institution, it takes an average of 48 days before an accountholder is sold a second product. Knowing how a bank measures up in this area alone is highly instructive, since we found that 62 percent of attrition comes from single-service households.

The annual attrition rate among new accountholders is nearly double in the first 90 days. This is an area of tremendous opportunity for the bank. Harland has taken a significant interest in the process of onboarding and helping banks get their clients more quickly and profitably oriented into the right mix of products and services. Evidence also suggests that the industry has considerable fulfillment errors that need to be addressed. Only through improved customer engagement does the process improve.

There are several potential solutions to the deposit dilemma. Not every sore knee requires surgery. Comparative economic pricing analysis helps determine where the institution is competitive and if money is being left on the table in certain areas. If customer experience appears to be an issue, mystery shopping and a careful review of delivery channel automation might be appropriate. Onboarding and other targeted direct-marketing efforts are often part of the solution. And a marketing customer information file (MCIF) can improve understanding of retention, attrition and organic growth drivers. But achieving the right prognosis is based on a solid diagnosis. Ongoing benchmarking provides the necessary insight and helps provide the right diagnosis and mid-course corrections to build effective strategies to fight the deposit dilemma.

Bankers interested in finding answers to the deposit dilemma are encouraged to contact Harland's local account executive, **Laurel Olson** at lolson@harland.com for more information. A variety of effective solutions are available through the newly expanded business partnership between Harland and BancSource. Questions regarding this important partnership can also be directed to **Stephen Clark** with BancSource at (503) 581-3522 or sclark@bancsource.com. ■

BancSource

Celebrating Five Years of Success and Expanding Our Relationship

As an industry leader, Harland understands what bankers want and need from their checking and marketing programs and provides a variety of services designed to **increase bank efficiency and profitability.**

BancSource and Harland are excited to announce an expanded relationship which includes:

- Personal and Business Check Programs
- Credit Optimization Letters
- Debit, Credit and ATM Cards
- Marketing Services
- Mystery Shopping Customer Experience Evaluations
- New Account Welcome Letters, Satisfaction Surveys and more!



For details, contact your Harland Representative
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