

Spring 2010 - the riley report

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## the riley report common sense banking for the 21st century



### ***FIRSINC Year-In-Review***

Here's a quick update on Financial Institutions Resources and Solutions, Inc.'s (FIRSINC) first full year. Our approach was to develop products and services that would benefit community bankers and investors. Since opening, our clients have included banks along the eastern seaboard and investors that have wanted to start and/or acquire underperforming or failed banks.

Our website, BankResourcesAndSolutions.com, provides background information, including access to previous editions of the riley report, and an overview of our newest program, RileyREO. RileyREO is a unique web based platform of services to assist financial institutions in disposing of their unwanted assets such as OREO properties, pooled loans and excess branches. The website is in the final pre-launch stage of development.

With the 4th quarter FDIC data reflecting over 700 FIs on their Problem Bank list, we provide pragmatic and tested approaches to assist FIs. One recent project involved assessing a bank's Asset Liability Management systems and policies in light of recent Interagency Guidelines on Interest Rate Risk concerns.

Over the last year, we have spoken to bankers, directors, regulators and investors on the increased regulatory scrutiny and expectations of everyone involved; and served as Senior Consultant with Danielson Associates, Bethesda, MD, where I've worked on several projects. We welcome the opportunity to work with you and your financial institution.

### ***\$41 Billion in OREO Properties and the ICBA Survey on OREO Disposition Efforts***

In 2009, bank owned real estate increased dramatically, and perhaps more disturbingly, the write downs of those assets was not even close to sufficient. As of December 31, 2009, FDIC insured Financial Institutions held \$41.4 billion in OREO properties--up from \$26.7 billion from a year earlier. The other part of this story is that the loss on the sale of bank OREO properties in 2009 was \$4.9 billion. This indicates that banks did not get the marks right the first time, or the properties took too long to sell in a declining market. The latter is where RileyREO can help.

To address this need, RileyREO provides:

- Scalability that allows all banks to compete on same playing field as large FIs.
- Full integration into the bank's current sales strategy.
- Free upload and real time updates to the bank's website of their OREO.
- Detailed empirical feedback about number of hits and inquiries per property posted.
- Low cost structure (\$50-\$100 per property slot per month).

Representatives from RileyREO and the ICBA met in late 2009 to discuss RileyREO and its benefits to community banks. The ICBA graciously agreed to survey selected members. The summary below indicates the substantial majority of banks have OREO properties. These banks do not currently leverage the Internet to market these properties and they are open to new ideas to assist in the timely sale of the OREO properties. RileyREO is uniquely positioned to provide these services.

Specific respondent highlights:

- 80% have OREO properties.
- 82% had more OREO in 2009 than in 2008.
- 22% had more than five OREO properties.
- 51% indicated that more than 25% of their OREO properties were commercial.
- 22% try to sell the properties themselves. 21% immediately listed the properties and 46% said their sales strategy depended upon the type of property.
- 86% do not list their OREO properties on their website. This may be a function of hard dollar costs, lack of internal staff support, difficulty in maintaining current information or other factors that may be specific to the bank.
- 69% were either receptive to new options to dispose of OREO or completely dissatisfied with the current options.
- 29% thought better data on selling efforts would be valuable. 43% did not know if it would be helpful.

For more information, please contact us at [info@rileyreo.com](mailto:info@rileyreo.com).

### ***HUB International Reduces Insurance Costs on NPAs***

If your bank hasn't recently conducted a thorough analysis of its insurance programs for Non Performing Assets, including Other Real Estate Owned, contact Chris Riley, Program Manager ([christopher.riley@hubinternational.com](mailto:christopher.riley@hubinternational.com)) for more information, including a no cost analysis. HUB is one of the nation's leading insurance providers of insurance to financial

As my own background includes leading the revival of two banks that were operating under regulatory agreements, I understand the various roles of everyone involved and can help guide a bank's Board and management through the myriad of challenges.

For investors, FIRSINC is developing a niche service that provides summary Due Diligence reports for potential investors. The approach focuses on determining the creditability of the management, the financial reports, quality of the assets, and stability of its liabilities, capital levels, local market pressures and potential for success.

*Well run community banks will thrive in the 21st century. Our singular goal is assisting banks achieve their potential for success.*

institutions with a focus on collateral protection solutions such as Mortgage Impairment, Lender Placed-REO, CPI and non-real property collateral.

**Contact us or to access previous issues of *the riley report*, please visit:**

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***ICBA Corporate Associate Member***

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