



the riley report: - May Edition

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***the riley report* May 2009**

Common Sense Banking for the 21st Century For CEOs, their Executives and Boards of Directors



Welcome to the May Newsletter - Ideas and Strategies to Improve Your Bank's Performance

This month's newsletter has two focuses: 1stWEST Mergers & Acquisitions and using government programs to expand your bank's loan portfolio. Concurrently, looking out five years and seeing what your bank will be is challenging and perhaps a bit unsettling. As professionals who have walked in your shoes we're here to assist you in your long range planning and exploring all of your options. We know what it's like to be up-to-your-neck-in-alligators and draining the swamp becomes an interesting challenge.

- **Mark Riley Appointed a Managing Director of 1stWEST Mergers & Acquisitions, LLC**
- **The Home Equity Conversion Mortgage Product - an Intriguing Product at an Opportune Time**
- **The SBA and the 2009 Recovery Act - Well Worth Taking a Look At**
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As always, we appreciate your comments and suggestions.
Mark Riley

Mark Riley Appointed a Managing Director of 1stWEST Mergers & Acquisitions LLC

I'm pleased to announce I have joined 1stWEST Mergers & Acquisitions LLC to specialize in bank mergers and acquisitions, and financial institutions' related matters. My background as a successful bank CEO and recognized turnaround expert, whose extensive experience on both sides of the purchase and sale of banks, will assist bankers through the many complex issues confronting them.

Moreover, 1stWEST's current portfolio of significant products and services that improve community bank performance levels in the areas of increasing fee income and strengthening credit quality through enhanced due diligence programs.

1stWEST Mergers & Acquisitions, headquartered in Evergreen, CO, is a full service international investment banking and advisory firm that is focused on the underserved lower middle-market of companies with sales of \$10 to \$100 million. The firm has built a unique business solutions platform of assisting owners and shareholders in selling their company, acquiring another business or raising growth capital.

One of the driving factors in my joining this team is the compliment my efforts at 1stWEST would be to Financial Institutions Resources & Solutions, Inc. (FIRSINC) -- *to provide superlative executive bank*

Looking Out Five Years and FIRSINC

Let's see, it's 2014 and the nation has endured congressional races and a presidential election, the economy has continued to grow, albeit more slowly than in the past, there are 400-800 less community banks than there were in 2008 and the Cubs may have won a World Series. Perhaps the Cubs are a stretch, but will your bank have been successful in addressing the needs of its stakeholders: shareholders, customers, staff, regulators and the communities you serve?

Several years ago, a banker proudly exclaimed his bank would be built on customer service. My response was if that's your strategy, you might as well fold up the tent. All well run institutions live and breathe customer service. A top notch Staff and Board, state of the art technology and a clear vision that answers the most basic question - *why do customers bank with you*, will define the journey.

FIRSINC knows these are challenging times; we are available to assist you in addressing the tough questions, throughout the CAMELS' spectrum. With an extensive track record of turning around community banks, we would enjoy having

management consulting services to community banks.

The Home Equity Conversion Mortgage Product - an Intriguing Product at an Opportune Time

Better known as the Reverse Mortgage, the Home Equity Conversion Mortgage (HECM) is a win-win proposition for 62+ year old homeowners and their participating banks. The Federal Housing Administration (FHA) HECM allows qualifying homeowners to tap into their equity under a government insured program, while protecting banks and providing a source of solid loans and accompanying fees.

This may sound counter-intuitive to suggest using real estate equity as collateral, but not all areas of the country have experienced steep declines and more importantly, your customers may have substantial equity in their homes even after a decrease in value. The FHA HECM is attractive on many levels:

1. Senior citizens are a great source of core deposits.
2. The interest rate and fees are competitive and make this an ideal product for the banks' loan portfolio.
3. The HECM is FHA insured, thereby ameliorating the potential for loss.
4. Senior citizens have been battered by losses in the stock market. The HECM gives them the flexibility to improve their cash flow and create a cushion for unforeseen events.

The attached article, *FDIC Supervisory Insights - Reverse Mortgage Programs*, provides a detailed overview and comparison to non-FHA programs. For those bankers that have not considered the FHA HECM because "we've never done it this way," it's time to take a look. *You'll be pleasantly surprised.*

The SBA and the 2009 Recovery Act - Well Worth Taking a Look

The 2009 Recovery Act has some interesting features that community bankers should review. One unique feature is the America's Recovery Capital (ARC) loan program. ARC offers deferred payment up to \$35,000 backed 100% by the Small Business Administration (SBA) to viable small businesses that need help making payments on existing qualifying loans for up to six months. Repayment does not begin until one year after the loan is fully disbursed. The program is designed to give small businesses some temporary financial relief to keep their doors open and get their cash flow back on track. (Source: http://www.sba.gov/idc/groups/public/documents/sba_homepage/recovery/)

Commentary - Helping Everyone Find Work and Being a Great Community Bank

With unemployment rising, growing concern about the community banks' credit exposure, and strain on earnings, it's no wonder many of our colleagues would like to hunker down and stay focused on getting their banks through this recession. One of the best traits of community banking is, however, the recognition that we are all responsible for the health and vitality of our markets. That's why, collectively, community bankers avoided the sub-prime and derivative messes.

One tangible, and in some ways, symbolic, way to reinforce your bank's commitment to its community is to assist the unemployed by underwriting the cost of "Seeking Work" advertisements in your local newspaper. We undertook this project in a \$200 million community bank in rural Pennsylvania. The concept was simple: an individual would work with the local paper to outline his/her skills in a brief format, the paper would devote half to a full page to a classified page to list the ads for potential

the opportunity to assist you, your management and Board in making the right decisions for your bank.

For more information, please contact me at mriley@bankresourcesandsolutions.com or 757-642-8353.

Refer a Colleague

We would like to share this information with your colleagues. [Click here to add your colleague to our mailing list.](#)

Fearless Prediction Update: Chairman Bernanke's Comments

In March, we fearlessly predicted the end of the bear market would occur on December 9, 2009, give or take a month or two. We were pleased to read Federal Reserve Chairman Ben Bernanke, in testimony before the Joint Economic Committee of Congress on May 5, 2009 that:

"We continue to expect economic activity to bottom out, then to turn up later this year. Key elements of this forecast are our assessments that the housing market is beginning to stabilize and that the sharp inventory liquidation that has been in progress will slow over the next few quarters. Final demand should also be supported by fiscal and monetary stimulus. An important caveat is that our forecast assumes continuing gradual repair of the financial system; a relapse in financial conditions would be a significant drag on economic activity and could cause the incipient recovery to stall."

The Chairman went into far greater detail and his entire testimony is good reading. Nevertheless, it's always nice to have the Chairman concur with my outlook.

All things considered, December

employers to review and the bank underwrote the cost of the ads, so there is no cost to the job seeker to participate. The project was a win-win for those seeking work, employers, the newspaper and the communities served by the bank.

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*9, 2009 remains a good date...
give or take a month or two.*

**Previous Articles to
Improve Bank
Performance**

The following articles have been previously published and are available, in their entirety, on our website:

www.BankResourcesAndSolutions.com.

- CDARS: Bankers' Competitive Edge
- The OCC / OTS Mortgage Metrics 2008 Report and Why We Need to Take Another Look at How We're Assisting Homeowners in Crisis
- Know Your Customer Regulations and Enhanced Due-Diligence in a Difficult Lending Environment
- Hundreds of Community Banks Are Now Offering High Interest Checking Accounts - Are These Guys Nuts or What?
- Insuring to a Better Tomorrow - Utilizing Operational Risk Management to Decrease Costs to Increase Efficiency
- Here's Why It's So Hard to Modify a Mortgage: [MSNBC: The Mortgage Modification Mess](#)
- 2008 Neighborhood Mortgage Stabilization Program Proposal - The Riley Plan

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Attachments:

 [FDIC Supervisory Insights Reverse Mortgage Programs.pdf \(105K\)](#)

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