

If I Only Had A Hammer...

by [Steve Brown](#)

Over the last five years, nearly 40% of home improvement dollars have gone into kitchens, according to the 2013 Houzz & Home survey. According to this annual poll, people spent an average of \$28k on kitchen remodels over the past 5Ys and another \$10k+ on bathroom renovations.

We bring this up because the subject of home improvement came up recently in conversation as some friends were lamenting how hard it is to find a good contractor. They wanted someone who was responsive to their needs, answered their questions, offered competitive pricing and provided the products and services they were looking for. After listening to their horror stories, we became convinced there was a teaching opportunity for banks here. While home improvement and banking are clearly different industries, we see many lessons for banks on how NOT to do business that can be taken from contractors.

For starters, think about the last renovation project you did. How many contractors did you have to call just to get a few quotes? In our experience, contractors often ignore emails or phone messages from customers regularly. Perhaps the job is too small or the contractor is too busy or they just don't like dealing with customers. Whatever the reason, it is a given that a certain percentage of calls to contractors just won't be returned. This leaves homeowners frustrated and it cuts off a potentially rich referral source. The reminder for banks is that every customer and prospect is important, no matter how small, so remind your customer facing teams as the New Year begins. Even if a business relationship doesn't take root, it's important not to snub anyone, because angry people can do real damage through social media or word of mouth. You also never know what interactions will lead to new business down the road.

In the contracting world, not showing up when expected is another top complaint people have. Homeowners' time is valuable and they don't like to be stood up. The same is true for banking customers. They also don't want to be kept waiting, so make sure you're doing all you can to cut down on wait times, provide excellent and friendly service and solve problems quickly as they arise.

Contractors are also notorious for overpromising. They say a job will be finished on a certain date, when in reality it's closer to 2 or 3 times as long. This is frustrating to homeowners whose lives are often turned upside down during construction. In banking, we too need to be careful to deliver on promises we make related to service, products, and costs. The old adage to under-promise and over-deliver certainly rings true here. Again, remind your teams as you start the year for great success all year long.

Another pet peeve of homeowners related to contractors is when said contractors charge rates that are substantially different from their initial estimates. Likewise, bank customers don't like surprises when it comes to fees. Studies have shown that customers don't mind paying for certain services, but it is a good practice to be transparent about what the costs are to avoid surprises. Bluntly put, surprises work better for birthdays than they do for bank statements.

Finally, homeowners expect a lot from their contractors and rightly so. After all, it's their hard-earned money that pays for the project. Similarly, bank customers have the right to expect good service, good products and nice staff from their bank when they do business. Start the year right to avoid surprises.

ECONOMY & RATES

Tuesday

Yields climbed 5bps in light holiday year-end volume, pushing the 10Y to 3.03% (highest level since Jun 2011), as investors quietly closed their 2013 books.

Today

Yields are down 1bp ahead of [jobs](#) & [manufacturing](#) data releases.

Rates As Of: 01/02/2014 09:02AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.06	0.00	0.00
6M	0.09	0.00	0.00
1Y	0.11	0.00	0.00
2Y	0.38	0.00	0.00
5Y	1.73	0.00	0.00
10Y	3.00	0.00	0.00
30Y	3.93	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

[More Market Rates](#)

BANK NEWS

Job Worry

A new Washington Post Miller Center poll finds 60% of employees are worried about losing their jobs (the highest level since 1970) and 48% feel less financially secure than in prior years.

Employee Health

Entrepreneur reports the productivity of employees who don't exercise declines by 50% during the last 2 hours of each work day.

Customer Concerns

A new survey by Bankrate.com finds the biggest worries people have are staying current and catching up on bills (36%), paying down debt (20%), contributing to savings (18%) and providing financial assistance to family members or friends (12%).

Consumer Debt

TransUnion reports the rate of credit card payments at least 90 days overdue climbed to 1.36% in the most recent period from 1.27% (the lowest level since 2007), but remains below the 2.20% average of the past 6Ys. The average credit card debt per borrower was \$5,235.

Retirement

Fidelity Investments reports the average 401(k) balance in the 12mm accounts it manages is \$84,300, about 11% higher YOY.

More Needed

The Office of Mortgage Settlement Oversight is reporting large bank compliance with the National Mortgage Settlement must improve so new metrics will be added to measure and test progress next year.

SIFI

The Fed will require financial market utilities designated as systemically important to be in generally sound financial condition; maintain sufficient working capital and cash flow; be compliant with orders and policies from the Fed; and have an ongoing ability, including during periods of market stress or a participant default, to meet all of its obligations under its agreement for a Federal Reserve Bank account and services.

Universities

Moody's projects net revenue will decline at 28% of universities in 2014.

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