

## Flapping Wings Around Student Loan Debt

by [Steve Brown](#)

Over the past several years, butterfly exhibits have grown in popularity at zoos and museums across the country. People seem to enjoy watching these colorful creatures flutter their wings, sip nectar from flowers, or land unobtrusively on their shoulders. Those who would take things even further can even purchase a small habitat and raise the winged creatures in their own home in order to witness metamorphosis. Believe it or not, you can go online and get a box of caterpillars sent directly to you and then watch as they change into chrysalides and then days later emerge as butterflies--probably beats chasing them in some meadow with a net like we used to do as kids.

No matter what you did as a child, everyone is amazed the first time they see a butterfly and bankers are no exception. In fact, bankers perhaps more than other industries know just what a butterfly goes through after having to go through a business metamorphosis since the credit crisis began. Now with mobile banking, customer fickleness, regulatory crackdowns and heavy competition it just seems to go on and on.

Unlike butterflies, however, who usually live a month or so, people live well into their 90s. All along their lifecycle, people need help managing money and their business and community bankers play a pivotal role. One step along this long journey is the daunting and increasingly difficult task of ensuring your customers have saved for college and a targeted savings plan may be a good option for you to position.

It's no secret that college costs are on the rise and people are more aware than ever. Note that the most recent data from the College Board shows the average per year cost of attending a private 4Y university as a full-time student this academic year rose 3.2% to \$31.7K, including room and board. A portion of this may be covered by grants, but we also recently uncovered research by Fidelity Investments that finds 53% of grandparents are helping or plan to help pay a median \$25,000 for their grandchildren's college costs. Of those, about 50% said they were doing this because they did not think their own children could afford to. The simple fact is that student loan debt has skyrocketed over the years and now stands at around \$1.1T as of Q1 2014, according to New York Fed data.

It certainly is problematic when students take on too much debt because it can cripple their financial stability for years to come. It's also likely to impede their ability to buy a house, a car or fund a new business venture. That has a negative effect on the economy and consequently impacts the bread-and-butter markets of community banks. In fact, a study last year by public policy organization Demos predicts the \$1T in outstanding student loan debt will lead to total lifetime wealth loss of \$4T for indebted households. That figure doesn't take into account the heavy impact of potential defaults either.

Suffice it to say a major regret for many parents is not having started college planning early enough. These families need advice about how best to save money now so that they don't run up endless amounts of debt. Still others would also benefit from advice on ways to find out about grants and scholarships. Your bank is well positioned to deliver experts to discuss savings options, loans and the impact of all of this on succession planning at family owned businesses.

Banks that take a consultative approach with customers in this area could stand to benefit in a number of other ways, not the least of which is helping customers avoid becoming entrapped by years of burdensome debt. Time to flutter on out of here...

# ECONOMY & RATES

## Yesterday

The week closed on a relatively quiet note as there was no significant news to stir things up, and as a result, Treasury yields rose less than a 1bp rise by the close.

## Today

Currently, yields are up 1bp this morning ahead of [home sales](#), predicted to have grown at the fastest pace in almost a year.

Rates As Of: 06/23/2014 08:47AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.01	0.00	0.00
6M	0.04	0.00	0.00
1Y	0.08	0.00	0.00
2Y	0.46	0.00	0.00
5Y	1.69	0.00	0.00
10Y	2.60	0.00	0.00
30Y	3.42	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

### Banks Closed

(11 YTD): Regulators closed: 1) Valley Bank (\$456mm, IL) and sold it to Great Southern Bank (\$3.8B, MO) under a purchase and assumption agreement. Great Southern gets 13 branches, all deposits and about 82% of the assets (\$375mm). 2) Valley Bank (\$82mm, FL) and sold it to Landmark Bank (\$279mm, FL) under a purchase and assumption agreement. Landmark gets 4 branches, all deposits and essentially all of the assets.

### M&A

Univest Bank and Trust Co. (\$2.2B, PA) will acquire Valley Green Bank (\$370mm, PA) for about \$76mm in stock.

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Meridian Bank Texas (\$279mm, TX) will acquire State Bank and Trust Co. (\$196mm, TX) for an undisclosed sum. Meridian Bank Texas is a subsidiary of the Marquette Financial Companies (\$1.0B, MN).

### Deal Terminated

BAC Florida Bank (\$1.5B, FL) has called off its deal to purchase \$65mm of international deposits in FL from Northern Trust Co. (\$37.9B, IL). The President of BAC indicated certain integration issues reduced the benefit of purchasing the portfolio, so the deal was mutually terminated.

### Cyber Ruling

Computerworld reports an appeals court has ruled a MO escrow firm that lost \$440k in a cyber theft cannot hold its bank (BankcorpSouth) responsible and will have to pay the bank's attorney's fees. The court said the escrow firm did not follow the bank's recommended security precautions and that the bank acted in good faith when it executed wire transfer requests based on legitimate banking credentials and took reasonable measures to protect against illegal wire transfers.

## **M&A Failure**

A Deloitte survey finds the main reasons acquisitions don't generate expected value are due to gaps in execution or failure to capture synergies (28%), economic forces (27%), market or sector forces (26%), inadequate or faulty due diligence (13%) or other (6%).

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