Catherine Interviews Jamie Bartholomew Aller and Andrew Bartholomew
How Do I Find a Great Local Bank? - The Next Generation
The Solari Report: May 24, 2012

Catherine Austin Fitts: And now we're going to turn to our topic of the evening – "How Do I Find a Great Local Bank?" I want to start with a story.

In 2006, I was banking in Tennessee at a fine local community bank. Then I started Solari Investment Advisory Services, and decided to add my cousin's bank – National Bank of Malvern which is run by my cousin Lydia Willits Bartholomew in Malvern, Pennsylvania. Lydia and I are both the great-granddaughters of Frank Willits, who was a farmer and a former secretary of agriculture of Pennsylvania.

After working with the National Bank of Malvern for a year or so, the person who was running our books at the time came to me and said – as we were starting the *Solari Report*, and the business activity was going up – "Would it be possible to close down our accounts in Tennessee and just do business with the National Bank of Malvern? Their customer service is excellent."

So we did. We cancelled all of our other accounts and just started banking with the National Bank of Malvern. So Solari and Solari Investment Advisory Services and me.

And then several years ago, I started to come and spend time in Pennsylvania with my cousins, in part because I wanted to learn more about community banking. What an education I've gotten. It's been quite an experience.

One of the bank's greatest strengths is that the next generation of the family works in the bank. Jamie and her brother Andrew, who are joining us tonight, both graduated from college and graduate school and got the kind of big corporate jobs that many people dreams of. Jamie went to a big name law firm in New York on Wall Street. Andrew joined one of the largest consulting firms in the country.

Yet after proving themselves in that world – and I assure you they are the best and the brightest – they could do very well, if they wanted, in that world – they chose, instead, to return to the National Bank of Malvern as the fifth generation to serve as officers and directors of the bank.

So they're my bankers. And I've been visiting with them for the last few weeks. I can assure you that the National Bank of Malvern is hopping as a result of their presence. As the bank president, Jim Fooskas, said to me today, as he was bouncing by on the stairs – he said, "This is how life is supposed to be."

So with that, let me introduce Jamie and Andrew. Jamie, are you with us? Andrew?

Jamie: I am. Yes, Catherine.

Andrew: Yep.

Catherine: Andrew? Okay. So let's start with an introduction. Jamie, if you could walk us through a history of the bank and tell us a little bit about how it feels to be the fifth generation.

Jamie: Absolutely. So the National Bank of Malvern, which is based in Malvern, Pennsylvania, was founded in April of 1884. And it was originally founded to provide the local farmers in the area with a place to deposit the money that they made from the sale of their crops in Philadelphia.

And, at the time, Malvern was very rural, and the bank was strategically located next to the train station. So that when the farmers returned to Malvern from a day of sales in Philadelphia, they could deposit their money at the bank.

My great, great-grandfather was one of the founders of the bank. My great-grandfather served as the bank's cashier. My grandmother and great uncle ran the bank through the end of the 20st century, and my mother is currently chairman of the board. My brother Andrew and I currently serve on the board of directors, and I act as the bank's general counsel.

So since 1884, the bank and its surrounding area have experienced great change. But we continue to operate with the purpose of serving the greater Malvern community. And our goal is to develop deep and lasting relationships with our customers, which last years, if not generations.

As a closely held, non-publicly listed bank, we are able to focus on what is right for our customers in the long term, as opposed to squeezing fees out of them or pushing products that are not really well suited for them, in order to make money in the short term. We aim to do what is right for the customer. Because in the long term, the bank's success and our customers' success go hand in hand.

As for your question about how it feels to be the fifth generation, it feels great and maybe a bit scary. I feel like I have very large shoes to fill. My ancestors worked very hard to make the bank what it is today, and I want to uphold that legacy of providing personal, customized solutions and responses to all of our customers' financial needs for generations to come.

Catherine: They are big shoes, I must say. I've followed your mother around in the community, and it's pretty amazing to watch how much she loves and understands this area.

Let's say I'm listening tonight – and I know a lot of subscribers like this. They say, "Oh, I hate my bank, and I should really switch. But it just seems overwhelming. It's such a big job to figure out what the – to find the National Bank of Malvern where I live, and to switch my bank account. So I'm sitting in this predicament. How do I find a great local bank?" Walk me through the steps of what I should do.

Jamie: Okay, Catherine. Well, you would start out by finding a list of community banks in your area. You can often find a list from the local chamber of commerce. The Yellow Pages are also a good starting point. Most states also have a community banking association, which is a terrific place to find community banks in your area.

The second step, I would say, would be getting information about the banks, so you can sort of sort through them, looking into the leadership of the bank. The websites of most banks will speak to the bank's leadership team. And if the bank's stock is publicly listed, the information would be on the SEC's [Securities and Exchange Commission] website, which also includes other interesting information, which may indicate where a bank's priorities lie.

Next, you want to look at the financial health of the institution. Because you don't want to take your money to a bank that's sort of struggling or eventually fails. Because that sort of could be a nightmare in and of itself.

Most banks make available financial statements, in some form or another, in their lobby or on their website or in some other publicly available forum that they product. At the National Bank of Malvern, we keep a copy of our financial statements in the lobby at all times. Although our financials are quite strong. The banks are also required to –

Catherine: Jamie, let me just ask you. Does anybody ever walk in and ask you for your financial statements?

Jamie: We get people asking for it. Yes. Definitely.

Catherine: Okay.

Jamie: Quite frequently, actually. So we always have that on hand. And also maybe not known to everyone – banks are required to file quarterly financial reports, which are called "call reports," and they can be found on the Federal Financial Institutions Exam Council, or FFIEC's, website, which is FFIEC.gov.

There's another useful report that you can also get off of the FFIEC website. It's called the Uniform Bank Performance Report. And that allows you to compare the banks that you're looking at with their peer group, so you can look at sort of how the banks kind of stack up next to each other.

And while these reports are relatively long and complex, there are a few key factors that you want to consider. Firstly, you want to look at the bank's net income. Obviously, you want your bank to be making money. UBPR also shows a bank's data over time and relative to its peers, so you can see whether net income is increasing or decreasing, and sort of how it stacks up against its peers.

I think another kind of critical thing you want to review is the total assets of the bank. Our bank has approximately $135 million. And I would say that as a bank grows, often the pressure on it to sort of streamline and create efficiencies may reduce the bank's ability to personalize service and truly know its customers. It's the difference between the corner hardware store and Home Depot.

Another factor you'd want to look at when you're reviewing the financial reports is Tier 1 leverage capital, which is the bank's capital. And that's sort of what's there to absorb any losses that the bank experiences. And it should be at least 10 percent. Our Tier 1 leverage capital is about 14.5, which is considered very strong.

Finally, another important fact you want to review is loan losses. Obviously, high loan losses are not good. And looking at the ratio against peers is also quite useful here. We're sort of in a tougher economic climate. All banks may have some loan losses. But how are they doing relative to their peers?

Another thing you want to consider, when looking for a local bank, is its location, as well as its services. So once you have identified a short list of banks, based on finding the list and looking at the financials, you can either visit the main office or go on to the bank's website to read more about their locations and the services that they offer.

I think really one of the most critical things in finding a community bank is referrals. The National Bank of Malvern does virtually no marketing or advertising. And I would say about 99.9 percent of our new customers come to us through referrals from happy existing customers. When looking to find a new community bank, by all means talk to your friends and neighbors and ask them where they bank and whether they are happy there.

Finally – well, I guess not quite finally – but another step that I recommend in finding a community bank is visiting the bank. You can typically just walk into a bank and meet with somebody to discuss your banking needs, and feel out whether the bank is a good fit for you. You can also call to make an appointment, if you prefer, although typically a drop-in is perfectly acceptable.

And while you're there on your visit, you might want to find out how the bank is involved in the local community. Supporting a bank that supports the local community is, in my view, an essential quality of any community bank. When meeting with a bank, you can ask: do they support the local businesses, and do they lend locally?

A community bank's deposits typically come almost exclusively from the community in which they operate. So the need to give back to that community, by using the funds on deposit, to lend them to the small businesses, getting them off the ground – sticking with them through the good and bad times. You know? Helping people buy their first homes and sticking with them through the good and bad times.

For me, community banking is about developing long-term relationships with customers, which continue for generations. And, finally, I think when you go into that community bank, you want to feel whether this is a bank where you feel like you could develop personal relationships.

At the National Bank of Malvern, there are almost no customers that walk through the door, which we don't know on a first-name basis. And I think one of the most valuable and important aspects of a community bank are those personal relationships.

You want to feel comfortable discussing with your banker anything financial that may arise in your life. And to do so, you need to know them, and they need to know you.

Catherine: You know it's funny. You go down to the floor of the National Bank of Malvern, and your mom's on the floor. Her office is there. And the president, Jim Fooskas, is on the floor. And then your aunt, Barbara Shipp, is on the floor.

And no customer walks in who isn't greeted and known by the senior membership of the bank – and more importantly, decision makers. I guess you guys have never known what it's like to walk into the branch of a really big bank and try and get a decision.

Jamie: Hmm.

Catherine: But at a community bank, and certainly at the National Bank of Malvern, you're dealing with decision makers and people who can make decisions or get the decision makers quickly.

Jamie: Exactly.

Catherine: Well, let's just talk a little bit about switching accounts. Tell us about switching accounts. Should I have more than one bank? Should I wait to close my old account? How do I build the relationship?

Jamie: Well – should you have more than one bank? I would say it depends on your specific needs. In general, community banks can provide you everything that you should need. If you need to hold funds in other currencies, for example, or you have other kind of sophisticated, more international needs, it may be a good idea to have a second bank, in which you have some money as well.

But I would say in general, community banks offer much more than you may think, and can satisfy most people's financial needs. For example, even at our size, we have a trust department. We have trust services. We have all the standard deposit products. We have online banking. We have bill pay. We have ATM and debit cards that can work around the world.

So I think, like I said, most people tend to be surprised about what community banks offer. Really, they're pretty comprehensive for almost everyone.

And as far as closing out your account with your old bank, I would say that it takes some time. If you pay bills online, in particular, you have to update your bank routing number and account number for any bills for your old checking account.

So I would recommend leaving your old account open with some money in it, until you have fully transitioned all of your online bill accounts to the new account number. And, actually, even if you sort of wait a month, you might see new bills that are being paid out of the old account, which you forgot about. You know? Your cell phone bill, your electric bill, your water bill, depending on how much you use the online bill pay.

But once you've transitioned everything over, which may take a month or two – just to make sure you have everything under the new account – then you can close out the old account at that point.

I would be careful to just leave enough money in there. Because sometimes banks will charge you fees if you drop below certain balances.

Catherine: Now how do I build my relationship? If I change banks, how do I go about really getting to be known at the bank, and building a relationship?

Jamie: Well, I recommend starting out by going to the bank and introducing yourself and enquiring about the services that they offer. I would say trust your instincts. You will know whether you click with the bank or not. And often, that initial instinct leads you correctly.

We get to know most of our customers through interacting with them when they come into the bank to make deposits or withdrawals, apply for a loan. Or they may call on the telephone. And I would say building a relationship, any relationship, of course also takes time.

But we are always very interested in what is going on in the community. So don't be shy to sit down and share with your banker how your business is doing. Ask questions, and let us know what's going on in your world. Being open about both the ups and downs in your finances will not only provide an opportunity for your bank to get to know you better, but it may also enable the bank to provide you with better financial solutions.

We had someone that came in today and sort of gave us a scenario about how he's had trouble running a property. And should he refinance it and try to take out more money? Should he sell it? And we were able to sort of work through a solution with him on that, which actually didn't end up involving us at all.

But, again, I think the longer-term approach that our bank takes, and I think a lot of community banks take, is sort of this relationship that you want to carry with you for years.

So it's not about giving him a loan tomorrow and getting a point on it. It's about: we want him to be a customer here in 30 years, and we want to do what's right for him, so that he does well, and therefore we subsequently do well.

Catherine: I've noticed two things. One is when I first started to get interested in community banking – and I was doing a lot of traveling, so I was meeting community bankers around the country. What I discovered was there is an extraordinary amount of knowledge about the local economy.

And they really can, in a lending situation, help a small business get smarter. And it's not just about making a loan. But it's about bringing that intelligence to bear. I think it's often overlooked

– the extraordinary amount of intelligence they have about the place and the economy and how everybody fits into it.

Because they're dealing with all the different aspects of the economy. And certainly I see that, as I tool around with your mother around Chester County, and watch her knowledge of the place. It's just phenomenal.

The other thing I wanted to mention, because of what you said, is I have found with my clients and subscribers – someone will ask me to look at the financials. They'll say, "You know I'm not a financial person. And I've looked at these ten banks, and I've culled it down to these three. Would you look at the financials?"

And so I'll look at their financial statements in depth and look at all the sort of technical information available. And then they'll just walk in and say hi and walk around.

And what's amazing is their intuition almost always matches up exactly with what I'm getting from the financial statements. If the bank is strong, you can feel it in the sort of confidence in the people and how outgoing they are, and there's a real matchup.

And so don't underestimate your intuition, and whether you feel comfortable with the people, and whether you match up, in terms of philosophy and values. Because I've found that intuition is really a very good indicator of whether that bank is right for you or not.

Jamie: I absolutely agree with you, Catherine. I think that's a great point.

Catherine: Well, you have to. You're my gym partner.

[Laughter]

Okay. So let's turn to products and services. And Andrew is going to help walk us through there. Andrew, one of the things Jamie had said is that when you're looking for a good bank, you want to understand the services that are available and the fees that they charge.

So maybe if you could start to walk us through the products and services that one can expect from a community bank, and how they work, and what the fees are, and how somebody walking in as a new customer should think about them and look at them.

Andrew: Yeah. I mean I think one of the great things about the products we offer is that they're simplistic. There are not a lot of hidden fees. It's kind of: what you see is what you get. I mean for the first one, the checking account, there's a minimum deposit of $100. If you fall underneath that $100, there's an $8 monthly fee, until the balance is brought back over the $100. There is check writing capability there.

There's Internet banking. You can attach your ATM card to it. But it's really just a basic checking product. And there are other things. The money market accounts offer you a very good interest rate, an interest rate depending on what your balance is. There's a minimum balance of $2,500 for one of the products, and there's a minimum balance of $50,000 for the other money market product.

And if you have over $50,000, you can get a rate of over 0.5 percent, which is, in my opinion, a pretty incredible rate. It's along the lines of what a 12-month CD would be. And you have access. You have liquidity. In the money market account, there is check writing. You can only write six checks a month, so there is a restraint on your check writing ability.

But it's a really good product. We just had a huge municipality bring a large account in that product. If you look at other banks, especially the bigger banks, you're not even going to see those types of rates. We do offer much better rates than the larger banks.

Just as an example, I was a branch of a large bank a few weeks ago. And they had certificate of deposit rates. And they were only offering one certificate of deposit, and it was for a 14-month period. Which was just bizarre to me, because you don't really find many people who need a 14-month CD. It's usually a 6, 12, 24, 36 type product.

So it was obvious they were kind of just offering what would be beneficial to them, as opposed to what the customer needed. And that was a 14-month CD, and I think it was at a 0.4 percent rate of return. So the rate of return was even horrible.

I guess the third one here is online banking. Yeah. The online banking is great. You can go to our website, if you're signed up for it. You can access all your accounts. You can see your loans. You can transfer in-between accounts. You can set up bill pay through the online banking. So it's just a really good tool to manage your money, if you don't necessarily go into the bank all the time.

Catherine: I've found that many, many people assume that community banks won't have online banking, or that they won't be able to do the things that they can do at the big banks. But for the most part, I would say most community banks have online banking.

Andrew: Yeah. I mean for us, it's pretty standard. We've had it for quite a few years. We're actually in the process of making a pretty large capital investment and enhancing that feature as well. So from here, I mean it's only getting better.

It's just a good way to sort of access your information, if you really don't go into the bank all the time.

Catherine: Uh-huh.

Andrew: Yeah. And there are also different apps that the large banks, where you can gain access to your bank through an application on a phone, which – we're sort of toying with that idea. But you can always – if you do have a mobile or a Smartphone, just go on the Internet browser, and you can go to the website, type in your username and password, and access your information that way as well.

So debit cards and ATM cards – we offer those on any checking account. It's a Visa debit card, nothing flashy, just kind of your debit function or your credit function.

We don't actually offer credit cards. So for that need, you would have to go to a different institution. It's really not the business we're in, so that's why we stay away from it.

Catherine: And I will testify. Because I have used your debit card all over the world. You know I've been in many different countries and all 50 states, and I have never found a place that I couldn't use my debit card.

Andrew: Yeah. I mean it's basically just a Visa check card. It's accepted everywhere around the world. You can go abroad and really have no issues at all.

It probably would behoove you to call the bank and let the bank know that you are going abroad, or if you're going to be using it in a location that we're not as familiar with. There is a fraud protection element to it, which would sort of let us know if there's some unusual activity on the account. So yeah. It's accepted everywhere. Okay.

So savings accounts – yeah, just a standard product. Currently, our savings account is paying 0.25 percent interest rate with a minimum balance of $25. You're typically going to see minimum balances of $250 and above for savings accounts that pay nowhere close to a 0.25 percent rate at this time in the market. So it's just a good way to sort of park your money in an account, get a risk-free rate of return on it. And so the savings accounts are very popular products as well.

And then the CDs, which are – we offer a 6-month, a 12-month, an 18-month, a 24-month, a 36-month, a 48 and 60. And we actually just started an 84-month. So you have a lot of options. It's not just where the bank is looking for its particular funding needs. It kind of allows the customer to pick and choose what fits them, and how it would help them to benefit financially from whichever product they're interested in.

Catherine: And, Andrew, in the current market, where's most of the money now? Where does the market want to be, in terms of maturity?

Andrew: Well, obviously it's on the – yeah, it's on the short end of the curve. If you look at the – for example, the 60-month CD is yielding at 1.74. It's kind of just the rate that we're at right now. So people are tending to go a little bit shorter on the curve.

Catherine: Right.

Andrew: But it is an attractive rate, if you're willing to take that duration risk of the five years to hold that. But yeah, a lot of the money is shorter term.

Catherine: Interest rates ran up to 18 percent in 1980, so it doesn't look as good to me.

[Laughter]

Andrew: Oh, that's not going to – yeah, that's not going to match up there. But yeah. So the CD products are really good. It's a really good way to safely invest money. If you keep it below the $250,000 mark, you're fully insured.

So there's literally no risk to lose your money at all, even if the bank happened to go under, you would still get reimbursed through the FDIC insurance. So depending on your situation, it could be very beneficial.

Catherine: How does a depositor or a family maximize the amount of FDIC insurance they can use?

Andrew: Well, it used to be, before 2008, $100,000. You were insured up to $100,000. But now, after the 2008 fiasco, you can actually get unlimited FDIC insurance on any non-interest bearing product.

So if you're in a checking account, and say you had a million dollars in that checking account, as of right now, that's fully insured.

Catherine: As long as you don't get interest.

Andrew: But you don't get interest.

Catherine: Right.

Andrew: So for one individual, you have up to $250,000. If it's a husband and a wife, you have up to $500,000 of insurance.

Catherine: Okay. Okay. And then you can add unlimited on top of that, as long as it's a non-interest bearing account.

Andrew: Correct.

Catherine: Okay.

Andrew: Yeah. Yeah.

Jamie: And Catherine, I'll just jump in –

Andrew: You can always go to another bank to get that extended insurance, if that's what you need as well.

Catherine: Jamie, jump in.

Jamie: I was just going to refer you. If you go onto the FDIC's website, it provides a very specific guidance as to the different types of accounts. I think the idea is generally that depending on the account type – like to an individual, to a joint owner, an IRA, if it's a revocable trust, if it's a non-revocable trust – the rules are quiet specific.

So I would definitely direct any listeners that are interested in more about that to the FDIC website. Because you can kind of go on for pages and pages about sort of very specific rules and exceptions. But I think Andrew's kind of talking from the highest level.

Catherine: Yeah. It can get very, very complex, especially if you have a family with lots of different interests and trusts. It can get very, very complex.

Jamie: Right. Or even like the new – companies and so forth and so on.

Catherine: Yes.

Andrew: Okay. So I guess that moves – any other questions for FDIC insurance there, Catherine?

Catherine: No. That's fine.

Andrew: Okay. Mortgages. Auto loans. Consumer credit. Yeah. Pretty standard lending products. Mortgages. Lines of credit. Car loans. Pretty much whatever lending need you would have, we can kind of fulfill – or as a community bank, depending on the size of the community bank.

The only limitation would be sort of the amount of the loan. We typically don't like to go over, for example, $2 million dollars. Other institutions that might be a bit larger could be comfortable with going higher than that.

But as a rule of thumb, we kind of like to keep the loan balances under a $2 million dollar sort of level. That would be really your only – if you were to want to go over that, that could be an issue.

But we're very competitive with rates. Community banks typically – well, at least for us – we do hold a lot of our commercial and residential mortgages on the books. So our rates tend to be a little bit higher than the other big banks.

But you also have to look at the whole picture, look at the CD rates. And there's a lot of other stuff that we can provide, that sort of sets a higher mortgage rate or whatever it may be.

Catherine: The other thing – the other thing I can tell you –

Andrew: That's still very competitive rates. Jamie, I don't know if you want to add anything to that?

Jamie: Sure. I would just add that – so we also do commercial loans, I guess Andrew mentioned. I would say on the commercial side, we're very competitive. We don't sell any of our loans. We hold them all on our books. So we don't do any on the secondary market, in particular the Fannie Mae and Freddie Mac, which have sort of a government subsidy.

But I think the sort of trade off is you know your loan will be with us for the life of your loan. And you know in five years, when you have a problem, you can call me, and we'll talk about it, and we'll figure it out.

I think one of the wonderful things that I've seen, through the past couple of years, is how great it is that we hold our loans at our bank. Because we've had some customers, some long-term customers, that have struggled.

And rather than once a loan hit 90 days, moving forward to foreclosure, we said, "No. We know they have equity in the property. We know we're going to get there." And in some cases, we hold off for even years. And then the people manage to get back on their feet, bring the loan current.

And to me, that's such a success story. Rather than: after 90 days, the ax comes down, and we're taking the property back. Being able to sort of control the loans in our portfolio and sort of what happens to them, I think, is critical, and is a wonderful part of working at a community bank – being able to actually help people and work through their problems.

And sort of back to the idea of a long-term relationship. When you're in a long-term relationship with someone, you stick with them during their hard times. They stick with you during their good times. And I think it's really to everyone's benefit, in the end.

Catherine: It's amazing. When I first got to Tennessee, I did my first mortgage with a community bank. It was a wonderful experience – no problems.

And then the second mortgage was securitized, and it has been absolutely a nightmare. And when I tell you – the loan has been current the whole way through. It's been transferred. The service thing has been transferred over six times. Every time it transfers, they make a ton of mistakes.

And if you look at the cost of my attorney and my bookkeeper, and just managing all the mistakes they make and all the problems we have, it's much more expensive. That subsidy comes with a sock in the jaw, I can assure you.

So I'm with you. I think if you can do your mortgage with somebody who knows you, who holds it on a balance sheet, there's an incredible advantage to it. More on that you wanted to say, Andrew? Or should we go to IRAs?

Andrew: Well, no. I was just going to move no to IRAs. I'm not as familiar with the IRA product. But from what I understand, we can roll in existing IRAs into a fixed rate IRA product that basically just pays a fixed rate throughout the term of the IRA. There are 6-month, 12-month, 18-month, and 24-month IRA periods. But it's a pretty straightforward product.

Catherine: I've had a series of investors – and I had never seen this before I did Solari Investment Advisory – who will have IRAs in a variety of different places, whether it's in self-directed assets, or it's in brokerage accounts.

And when they're ready to withdraw, they'll move – or they want to hold the cash positions – they'll move it into an IRA with the bank, a lot of times, a community bank, and park their cash in a fixed deposit with the bank. And that's where they keep the money that they anticipate withdrawing over the next year or two.

And it's a very interesting use of that vehicle. For people who want to get the FDIC insurance and get one or two or a few years of cash ahead for withdrawals, it makes tremendous sense, to me.

Andrew: Right. Right. This isn't the IRA that's going to decline 50 percent in value when the market goes down.

Catherine: Right.

[Laughter]

Andrew: You're going to have that protection. And the IRAs currently yield the same rates as the CDs, so it is a very competitive product as well.

Catherine: Jamie, I know you've looked at the IRAs. Any comments on them?

Jamie: At the National Bank of Malvern? Or sort of more generally?

Catherine: Either one.

Jamie: Well, I would say more generally, having money in an IRA account kind of tends to depend on where you are in life, what your risk profile is, and what your goals are. So sometimes younger people will have money more in the market. Because to the extent that the value of your IRA account drops, you have 40 years to recover.

Although I think you were sharing with me earlier how your experience has been that – you've seen younger people putting their money more in cash. Because they've been sort of disenchanted by what's happened with the market.

Catherine: Right.

Jamie: The National Bank of Malvern – we have some IRA customers. I think that's actually a product that we're looking to develop farther, just because we offer competitive rates.

And because we're a very high-touch bank, we tend to have a bit of an older clientele. And as our clientele grows older, they have more money in savings and retirement. So I do think that's something that's very attractive for us, as well as for the customers putting their deposits here.

One thing I would just highlight is that – I would say in general, rates at community banks are higher than rates you're going to see at bigger banks. So every month in our Asset Liability Committee meeting, we look at: what is the rate of our bank for various products, versus the rate of other local community banks, versus the rate of the big national banks?

And we don't even really compare ourselves to the national banks, because their rates are always so much lower than the other kind of community banks in the area. And I think it's sort of counterintuitive.

You might think that because they're so big, they'd have economies of scale, and, therefore, they'd be able to give you better rates. But I think because they have such extensive branch networks, that's quite costly. And, therefore, you sort of pay for the branch networks through lower yield on pretty much any type of deposit account.

Catherine: Okay. So if I'm looking for a new bank, and I walk into a bank, is it fine for me to just sit down and walk through all these different categories and ask them about their services and their fees?

Jamie: Absolutely. And I think that will give you a great sense of whether this is the bank for you or not. If they sort of hustle you along and don't take the time to explain everything to carefully and answer all of your questions, then that's – you want to know that sooner, rather than later.

And I think, like I said, meeting with a couple of banks, I think you'll really get a feel of which one seems right for you. And, again, like I said, it kind of comes back to the relationship. To the extent we have a new customer coming in the door, that's a new relationship we're looking to build, and they're looking to build with us. So you're not really in a hurry with the people you're trying to build relationships with. Are you?

Catherine: Okay. So let me ask you and Andrew – what's ahead for you, as community bankers?

Jamie: I can answer first. I would say that looking ahead, I think we're looking at how to strike a balance between offering sort of personal services and relationship banking, while enabling our customers to access their accounts electronically in more and more mediums – so Internet banking, mobile banking, remote capture.

And a lot of community banking is about these personal relationships. But as the world becomes more electronic and online, I think sometimes personal interactions are reduced.

So I think our goal, looking forward, is to stay current with the new technologies, and sort of enable our customers to get connected in every way that they can and every way that they desire, while continuing to offer outstanding service to customers who do want to pick up the phone or come in and talk to somebody who can actually help them when they have a problem. So sort of that balance between technology and maintaining that sort of personal relationship with your customers.

Catherine: Andrew? Did you want to add anything?

Andrew: Yeah. Yeah. I agree, Jamie. I think you hit the nail on the head. You know it's really a mix between keeping up with the current technology, but not losing the fundamental banking principles of knowing your customer and really getting to know them and caring what happens.

But, also, like I mentioned earlier, some large capital expenditures on enhancing Internet banking, and making sure that we are competitive with the other banks that are out there.

Jamie: Another thing, Catherine, I'll mention – a little bit of a darker note – is just sort of the balance between compliance and the regulatory burden and continuing to serve our clients. Because certainly everyone is aware of all the recent financial regulations that have been passed, and sort of all the financial regulations that are to come.

So as a small community bank, you sort of have to keep with all of those, while continuing to be able to focus on your customers and serve their needs. So that's also sort of a balancing act.

We've actually been very fortunate. I think we've done really well with all the recent stuff in the Dodd-Frank Act. Our regulator, the Office of Comptroller of Currency, which regulates national banks, has always been sort of the tough regulator.

Catherine: Right.

Jamie: But they have sort of forced us to keep on top of everything, which is positive.

Catherine: Well, I just realized that we have a ton of questions that have come in on the Web software. So I wanted to take some extra minutes here and just go through them. Okay? So we'll try you out.

Any comments about a CDARS account, to be covered by FDIC for amounts greater than $250,000?

Jamie: I'm sorry. What type of account was that?

Catherine: It's CDARS. You know what CDARS is? It's C-D-A-R-S. That's what you call something that is not interest-bearing.

Jamie: I'm actually not familiar with that type of account. But I don't know. Andrew, are you familiar with it?

Andrew: I am not.

Catherine: No?

Jamie: Okay.

Catherine: Go to the FDIC website. A question about rating services – what do you think of the rating services? And I have a comment on that, but I'll let you go first.

Jamie: Do you mean like rating of –?

Andrew: The ratings services like Standard & Poor's, Fitch, and Moody's?

Catherine: No. You've got the Weiss Ratings. There are a couple of different services that specialize in rating banks on soundness and security.

Jamie: Okay. I know what you're talking about. I would answer that I think they're okay. But I would say – I would really want to look at the data myself firsthand, by actually going onto the FDIC website and looking at the financials.

I think that sometimes – it depends on the rating service. And I know in the law, this is certainly the case, if you contribute or subscribe, then usually you sort of get more outstanding reviews.

There are probably some that are objective. Of those, I would say I think that's probably a good starting point. But I would also want to do my own firsthand analysis.

Catherine: I would say – because I've used them a lot – I find them to be relatively good in about 50 percent of the cases, and then wildly wrong in about 50 percent of the cases – either making it look much better than it is, or much worse. You know? So I've seen a bank which I think is as good as it gets, rated terribly.

Jamie: Right. Right.

Catherine: So I have to be very, very careful. And I use some of those things just to initial screens, to see if I see an effect in that area that they live.

Jamie: Right.

Catherine: But I would – I'm with you. I think it's very important to dig into the financials yourself. Or if you don't feel comfortable doing it, have your accountant or lawyer or someone you know, who can dig in, take a look at the ones that you think you like, from the meetings, etcetera.

Somebody points out you're near Vanguard.

[Laughter]

Jamie: We are near Vanguard. Yes. They're also in Malvern.

Catherine: Yeah.

Jamie: And they are our trust custodian. They hold all of our trust accounts.

Catherine: Okay. Beautiful. And then a question – if you have significant assets, don't you think it would be prudent to have several banks and/or bank accounts outside the U.S.?

Jamie: Can you repeat that question once more?

Andrew: I would say – me, personally – I would say yes, definitely.

Catherine: Well, you know it's interesting. Because I like having assets in many different jurisdictions. But I am guilty of only having one bank, and very happy doing it. But I have special reasons to do so. Okay.

And then, finally, somebody quickly asked – which Smartphone replaced my iPhone? I replaced my iPhone with a BlackBerry. And then we have a couple more questions on the Eurozone that we'll talk about in the next *Solari Report*. Okay. So that's it for questions.

Now let's – just to wrap up, let's talk about – let's say we have a subscriber. And they do the search, and they find a bank, and they go through, and they build a relationship, and it's successful. What does that picture –? Let's just give 'em a picture of what that looks like down the road – two, three, four, five years. Andrew, what do you think?

Andrew: It's basically coming into the bank, seeing somebody that you're familiar with, talking with them, getting to know them, being able to care about each other, and then growing with each other.

It's really being able to walk in, see somebody you're very comfortable with, that you know is going to give you an objective, non-biased opinion on whatever questions you have. So it's really just to get to know each other and grow with each other and try to be successful.

Catherine: It's funny. When I sit in a lobby, and I watch people come in who've been banking at the bank for a long time, it's so funny to see the look on people's faces who love their bankers and think of their banker as somebody who's in their corner, trying to help 'em succeed. It's a remarkable thing to watch. As Jim Fooskas says, "This is how life is supposed to be."

So before we end, I just want to brag about one new development. And Jamie gave me permission. -she is my gym partner when I'm in this area. We go to Planet Fitness in the morning. And I would just like to say that one of the developments we're all really excited about here is – it turns out we're about to have a sixth generation of community bankers. Right, Jamie?

[Laughter]

Jamie: Exactly. Yes.

Catherine: Jamie and her husband Steven are expecting our sixth generation, so we're very excited about that.

Jamie: You're very sweet, Catherine. Thank you.

Catherine: Well, you know something?

[Laughter]

It is a pleasure to have you guys as my bankers. And I can't thank you enough for doing the *Solari Report* with me this evening.

Jamie: Well, thank you for having us. This has been such a treat.

Catherine: That's it for this evening – "How to Find and Evaluate a Good Local Bank." We'll have the transcript up next week on the blog post. The audio will be up tomorrow. And, again, the links from the blog post will take you to the checklist on how to find a good local bank.

Just going through the steps is really what you need to do. And anybody can do it.