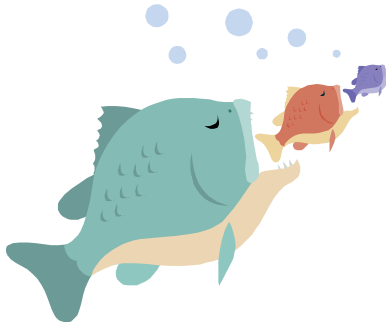


FDIC: Many Small Banks 'Struggling to Survive'



The Federal Deposit Insurance Corporation (FDIC) has closed 61 banks in the first half of the year. That's down from the pace in 2010 when a total of 157 banks were closed by the agency -- and in 2009 when 140 institutions were closed -- but it is still a lot more than are closed in a normal year (average closure 6.8 banks per year for last ten (10) years).

The FDIC also reports that at the end of the first quarter of this year it had 888 banks that it classifies as "problem institutions." That's up slightly from the 884 problem institutions it had on its list in the fourth quarter of 2010.

It's also the highest number of problem institutions the agency has reported at any one time since March 31, 1993 when there were 928 banks characterized as problems. That was back when the nation was dealing with what became known as the Savings & Loan crisis -- a series of scandals and collapses that ended up closing down nearly a quarter of the nation's 3,200 thrifts and costing taxpayers \$153 billion.



With 7,575 banks and savings institutions in the country insured by the FDIC, the current figures mean that 12% of the nation's banks are currently considered "problem institutions" by FDIC regulators.

The FDIC explains that while large banks have been stabilizing, "many smaller banks are still struggling to survive." The agency says continued rock-bottom housing prices, loan defaults and high unemployment have hobbled such institutions with little indication that these problems are winding down.

It will be interesting to see what the next half of the year brings!

Ruth L. Razook
CEO and Founder



DID YOU KNOW?

New FFIEC Guidance effective January 2012 Supplement of Authentication in an Internet Banking Environment Highlights

The purpose of this Supplement to the 2005 Guidance is to reinforce the Guidance's risk management framework and update the Agency's expectations regarding customer authentication, layered security or other controls in the increasingly hostile online environment.

The Supplement contains a significant amount of background information and reiterates and reinforces the expectations in the 2005 Guidance. Since 2005 there have been significant changes in the threat landscape.

The 2005 Guidance's definition of "high-risk transactions" remains unchanged, i.e., electronic transactions involving access to customer information or the movement of funds to other parties.

The Agencies believe that it is prudent to recognize and address the fact that not every online transaction poses the same level of risk.

Online Retail/Consumer banking transactions pose a comparatively lower level of risk. FI's should implement layered security consistent with the risk for covered consumer transactions.

Online Business/Commercial banking transactions pose a comparatively increased level of risk. FI's should implement layered security utilizing controls consistent with the increased level of risk for covered business transactions.

There are three (3) significant actions that a FI must take to comply:

- Perform a risk assessment at least every twelve (12) months
- Implement a system of layered security
- Provide customer awareness and educational efforts to both retail and commercial account holders

Call us to assist you with complying to the new guidance. Financial Institutions should start now! You can also subscribe to our Technology Guidance program for more details.

Check out www.rlrngmt.com/technologyguidance.

TO RFP OR NOT TO RFP?



That is the question? Yes! Many of our clients wrestle with this question. Do we dare issue an RFP for the purpose of reviewing other technology platform alternatives? Oh my...do we dare change cores? What a disaster to think of going through a core processing conversion! Therefore, after this thought process, it often comes down to let's stay with who we are currently with and try to get the best price we can. Ending of one of the most important decisions a Financial Institution will make. Unfortunately, being scared of a conversion is not a good reason to stay with your core provider nor is it a valid excuse for not doing an RFP. Rather, let's examine some of the key items you should be asking:

- ✓ Is my core solution provider a trusted technology partner or do I feel like I am alone on an island waiting for lightning to strike?
- ✓ Does my core solution provide me with an offensive weapon against my competition?
- ✓ Are we a growing institution and do we have the core technology to meet our future growth, product and processing needs?
- ✓ Are we operating efficiently?
- ✓ Do we have the right security and risk management solutions in place?
- ✓ Is our technology cost effective?

We recognize that making a decision to conduct an RFP process is not for everyone. There are clear legitimate reasons for not considering an RFP, such as regulatory burdens, a shrinking balance sheet or simply being very pleased with your current technology provider.



But if the answer to any number of the above questions are of concern, the RFP process has proven time and again to warrant innumerable benefits. Let's just identify a few:

- **Provides Vision and Focus** - The RFP process allows the bank to form a vision of what they want their business and their technology to look like. This is realized through the requirements definition process and is seldom discussed internally unless such a disciplined project as an RFP takes place. Not all core solutions are alike and often when we are asked what solution is best, the answer inevitably is based on the bank's strategy and where it wants to be.
- **Opportunity for Enhanced Services** – The RFP process allows the bank to think outside the box; to determine future product and service offerings and to be proactive in offering enhanced services that would otherwise not be offered to its customers.
- **Forces Internal Alignment** – The RFP process aligns the bank to focus on what is truly important from a technology perspective and aligns business requirements with technology solutions.
- **Improved Contract Terms and Pricing** – In every case, when an RFP is issued, your incumbent solution provider knows you are serious. Inevitably, the RFP process results in significantly improved contract terms and pricing.

Today's core processing environment is much different than it was, say 10 years ago. There are fewer banks for the core providers to target, there has been significant vendor consolidation and there are certain vendors that are more focused on taking business away from other vendors. This has created a great opportunity to test the market, level set capabilities and very likely lower your technology cost and align your organization for the future.

There are those that profess there is no need for an RFP process – after all, we can just beat up our vendor and get better pricing. Our experience tells us this simply does not work. Why would anyone want to alienate their technology partner? Why would you not want to determine if you are getting the most effective products and services for your institution?

Furthermore, there are those that believe an RFP process is too costly. The average ticket price of an RFP engagement continues to shrink as the marketplace has shrunk. The focus is now on the differentiators and not on daily processing, as all cores handle transaction processes similarly. Additionally, a template, best practices approach is used by those of us who have been doing this for a very long time. All of this results in a streamlined, less costly approach. In fact, we would say it is too costly NOT to go through the RFP process if the bank is not happy with their current service provider. Our clients have experienced as much as a 40% cost reduction in technology spend as a result of an RFP. Data that could not be provided is now readily available, inefficiencies in processing are replaced with best practices and technology capabilities are aligned with business imperatives.



In summary, we encourage any Financial Institution to consider conducting an RFP process if it is not fully satisfied with its technology partner.

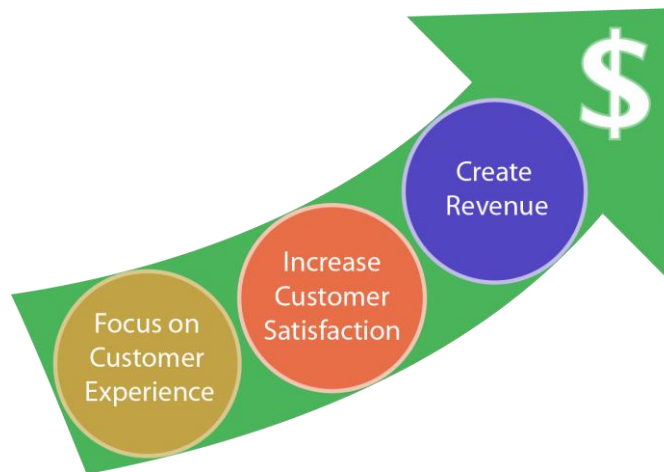
Mitch Razook
President and COO

Community Banks Hit Homeruns with Great Customer-Focused Mobile Banking Offerings

Imagine being able to touch one button on your SmartPhone to access all of your relevant bank account information. Imagine being able to make a deposit by taking a picture of a check and avoiding the branch altogether. Imagine receiving account alerts in a timely manner directly on that SmartPhone that is always within reach. Imagine being able to see a 'pie-chart' highlighting where all your money goes from your SmartPhone. And now, imagine a community bank or credit union providing all of this very personal, mobile banking functionality two years ahead of the large money-centered banks. This is all a reality today...

2012 will be the year where community financial institutions (banks and credit unions) make a mark in mobile banking. There is a window of opportunity to do better than the money-centered banks and the other local competition, and give customers and members a truly delightful mobile experience. For banks and credit unions who choose to focus on the customer/member experience, this reality can start now. Given this potential for building interactive, rich relationships with customers and members, mobile SmartApps represent the most personal of the self-service channels.

In addition, with the correct customer/member mobile banking strategy, there is an opportunity to turn a better customer experience into revenue. The equation is simple. A better mobile banking experience leads to higher satisfaction—driving increases in cross-sell and mobile referrals. All of these can be compelled through the mobile channel.



Banks and credit unions can build their reputation by offering customers more value, increasing their breadth of products, and differentiating themselves through mobile innovation. Mobile check deposit, mobile alerts, mobile financial management, and SmartTxt Banking are simple examples where a bank or credit union can provide innovative new mobile services.

1. **Mobile Check Deposit.** Customers and members will be able to use their SmartPhones to deposit checks in to their accounts. It is as simple as taking a picture of the check within the mobile banking SmartApp. Funds are processed just like when you walk in to a branch but no branch visit is required. And even better, a customer or member can monitor the status of the deposit in real-time until the funds are cleared.
2. **Mobile Alerts.** Customers and members will be able to access account alerts directly within the SmartApp. Using the powerful notification services available in iOS and Android, mobile alerts are

available in real-time and immediately ‘actionable’. Customers and members will be able to manage alerts and keep a history of alerts from within their mobile banking SmartApp.

3. **Mobile Financial Management.** Personal financial management comes to the SmartPhone. Basic PFM features such as categorization and spending reports will be integrated within the mobile banking experience, allowing for immediate notification when account status has changed. By focusing on the most critical problems that customers and members solve with PFM, Mobile Financial Management will fit well in to the mobile banking feature-set.
4. **SmartTxt Banking.** This is the combination of Txt Banking and SmartApps. Any customers or members who use Txt Banking can see their data displayed in the SmartApp rather than look at raw data using the text feature of a SmartPhone. Alerts and account information can be made available without forcing the customer or member to log-in. To access additional features, a customer or member would be required to log-in (i.e., to pay a bill or transfer money). This couples the advantages of Txt Banking (easy access, no log-in) with the benefits of SmartApps (better customer/member experience).

A great mobile banking experience will influence consumers in a way that has not yet been done; next generation mobile SmartApps will increase a bank’s self-service channel use, improve cross-sell opportunities, enable tracking of mobile referrals, and deliver unprecedented amounts of value to the bank or credit union.

Mobile banking is not just about innovation and consumer value, it is about profit. Banks that invest today will capture new customers looking for mobile solutions. The adoption of next-generation mobile banking is a strategic move. Bigger banks like Citi get it; they have invested in newer mobile technology to ensure future value. The Aite Group, in conjunction with FundTech, surveyed 267 bankers on this topic: A mere 15 percent saw mobile banking as a revenue opportunity.

Do not believe the myth that mobile banking will not be profitable. Mobile banking users tend to be more affluent and tech savvy. They spend more time managing their accounts, which means greater bank usage and more profit. Moreover, Generation Y, representing 80 million consumers, use mobile banking services more than any other group. As they enter the market, banks and credit unions need to offer the user experience through mobile banking to which this generation is accustomed.

What mobile banking infrastructure must a bank employ today to help focus on customer/member experience and drive revenue through the channel? There are three (3) potential areas for banks to explore, including: cool social banking SmartApps, mobile marketing, and SmartApp Management Systems (AMSs).

Cool Social Banking SmartApps are a must and refers to Apps running on Smart devices that create a better experience for bank customers and credit union members. Consumers have become intolerant of bad design and customers are demanding sophisticated apps for their SmartPhones. Next generation mobile technology enables customer segment-specific customization to ensure the app fits each individual customer and segment. A better experience leads to higher satisfaction, which is tracked using in-SmartApp surveys, and ultimately increases in-app purchases and referrals.

Many banks still have first generation mobile solutions and are limited in their ability to offer services that consumers now expect and demand, such as Remote Deposit Capture, location-based branch and ATM finders, and mobile person-to-person transfers. These are the services customers think of when they talk about mobile banking.

Social Banking represents the intersection of social media and banking. A bank can feature social media content directly in the SmartApp. Moreover, consumers can share and refer content to their existing friend networks on Facebook, Twitter, and email.

Mobile Marketing is a key to revenue generation. A bank must have the ability to message and market via the mobile channel. Either to convert more customers to eStatements or sell CD-renewals, the mobile channel represents an untapped opportunity for turning customer mobile interactions into revenue.

To do this, a bank must have the basic capability to implement and maintain marketing messages within the SmartApp. Messages should be timely and customer segment-specific. Content must be able to be updated by marketing managers, not technologists, in real-time. In addition, using location-based services, a bank can link local small business customers and consumers by providing opportunities for local merchant marketing revenue.

SmartApp Management is an imperative. Inevitably, banks will need many SmartApps, and they will need to be managed. Rather than fear lots of SmartApps, banks can embrace the ability to have apps specific for each platform and customer segment, each one optimizing the experience on the device. Using an Application Management System (AMS) behind the SmartApp, a bank can simplify the process of publishing and managing SmartApps, and create the best possible customer experience on any device – from an Android phone to the iPad2. An AMS simplifies the management of features and content within the SmartApp and minimizes the need for direct store updates.

The AMS allows the bank to maintain one app in each app store. Once a customer downloads the app and registers, the SmartApp changes to reflect the branding and feature set for that customer's specific segment. So the college-account gets the college SmartApp, and the premier customer gets the premier version of the SmartApp. All of this is transparent to the customer and managed by the bank using the AMS portal.

Written by Robb Gaynor, Chief Product Officer, Malauzai Software.

Check it Out!

Malauzai Software Inc. was formed in 2009 to participate in the mobile banking revolution. They build mobile banking SmartApps for community banks and credit unions for use by their customers and members. The SmartApps run across mobile platforms (Apple, Android, Blackberry) and several different types of devices from Smart phones to tablet computers and someday, desktops.

Questions about their solution: ken.lefner@malauzai.com or to schedule a demo: sales@malauzai.com



RLR's Award Winning Chili Recipe!

Alicia Palu, Executive Assistant of RLR Management Consulting, Inc., represented the company and won in the **Best Hot and Spicy** category of the **La Quinta Chamber of Commerce 2011 "Not so Chilly" Chili Throwdown Contest** held on July 14, 2011. This chili is made with three types of beef, three types of beans and beer!

- Place 2 lbs. cubed tri tip in container or bowl and add 3 bottles Guinness beer
- Brown 2 lbs. *ground sirloin* and add to Guinness/meat mixture
- Cube 2 packages of smoked *beef* sausage and add to Guinness/meat mixture
- Cover and refrigerate meat mixture in the refrigerator for 4 hours
- Pour mixture into a stock pot on the stovetop
- Mix two 6oz. cans of tomato paste into stock pot until well blended

Add the following spices to the pot:

- 1 tablespoon sweet paprika
- 4 tablespoons ancho chili pepper
- 4 tablespoons chipotle chili pepper
- 6 tablespoons ground cumin
- 1/2 tablespoon crushed red pepper
- 1 teaspoon pepper

The spices should create a thick paste in the meat mixture.

Add the following to the pot:

- 2 Vidalia onions, chopped
- Three 28 oz. cans of Rotel Original Tomatoes and Green Chiles, drained
- 2 cans black beans, drained
- 2 cans pinto beans, drained
- 2 cans kidney beans, drained

Mix well and cook over medium heat - stirring frequently for about 1-2 hours. Then transfer to a crock pot and slowly simmer chili on low for several hours all day or overnight.

You can finish off the chili with your favorite toppings but for the pictured version, Alicia went with sour cream and sliced green onions.

Perfect for football season!

Serves an army, and freezes well.

Enjoy!



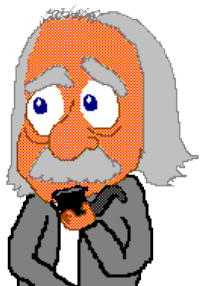
On the

Funny Side Up



Einstein dies and goes to heaven only to be informed that his room is not yet ready. "I hope you will not mind waiting in a dormitory. We are very sorry, but it's the best we can do and you will have to share the room with others," he is told by the doorman.

Einstein says that this is no problem at all and that there is no need to make such a great fuss. So the doorman leads him to the dorm. They enter, and Albert is introduced to all of the present inhabitants.



"See, Here is your first roommate. He has an IQ of 180!"

"That's wonderful!" says Albert. "We can discuss mathematics!"

"And here is your second roommate. His IQ is 150!"

"That's wonderful!" says Albert. "We can discuss physics!"

"And here is your third roommate. His IQ is 100!"

"That's wonderful! We can discuss the latest plays at the theater!"

Just then another man moves out to capture Albert's hand and shake it. "I'm your last roommate and I'm sorry, but my IQ is only 80."

Albert smiles back at him and says, "So, where do you think interest rates are headed?"

Customer Service

I'm not saying that the customer service in my bank is bad, but when I went in the other day and asked the clerk to check my balance ... she leaned over and pushed me.

Banking Humor: Just Poking a Little Fun at Troubled Banks



Photo credit: <http://323compliance.blogspot.com> November 10, 2010 blog entry

Where RLR will be:



Conferences & Exhibits

RLR is conducting:

- 11/2 **RLR Educational Workshop – Regulatory Update**
Embassy Suites Anaheim-North, Anaheim, CA

RLR is attending:

- 9/9 **Wespay Payments Symposium** - Payments in Transition, Strategies for a Changing Landscape – Westin, San Diego, CA
- 10/14-10/17 **WIB - 2011 Educational Summit & Expo**
Manchester Grand Hyatt, San Diego, CA

Ruth Razook will be speaking:

Payments Symposium 2011

Payments in Transition

Strategies for a Changing Landscape

September 19-20, 2011
WESTIN HOTEL + SAN DIEGO, CA

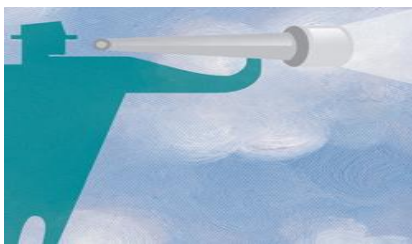


Enterprise Risk Management

Ruth Razook, CEO RLR Management Consulting, Inc.

With Risk Management being such a hot topic for Financial Institutions and with the Regulatory Agencies, and with new payment distribution channels and payment volumes of all types continuing to soar, it is essential that enterprise payment distribution channels be evaluated for risk. Learn how to identify risk within payment channels and how to develop a Risk Management Strategy to mitigate exposure to payment Risk throughout the enterprise.

Ruth Razook will be speaking/moderating:



WIB Education Summit & Expo

The New Business of Banking – Turning Change into Opportunity

October 14-17, 2011
Manchester Grand Hyatt
San Diego, CA

Saturday, Oct. 15 8:00-9:30 am General Session

Moderated Regulator Panel

Dan Medici, National Bank Examiner, OCC

George Mori, Operational Risk Coordinator, FRB-SF

James Lam, IT Examiner, FDIC

Moderator: Ruth L. Razook, CEO, RLR Management Consulting, Inc.

Our panel of regulators and industry experts share their thoughts on current regulatory trends, hot spots and challenges facing the industry going forward. Questions are encouraged and will be presented to the panel throughout the presentation.

Ruth Razook will be speaking/moderating: (continued)

Saturday, Oct. 15 2:00-3:00 pm Learning Sessions

Do Your Operations People Have Risk Management Know-How?

Ruth R. Razook, CEO, RLR Management Consulting, Inc.

Not enough operations personnel are trained on risk mitigation techniques, leaving institutions open to loss exposures that could have been spotted when they first surfaced. If you're responsible for operations, you can't afford to miss this session. You'll leave with a fresh perspective and look at your operations in a new way.



RLR is now on Twitter!

Sign up for Twitter to follow RLR Management Consulting, Inc. ([@RLRMgmt](https://twitter.com/RLRMgmt)) and get our latest updates.

HOW TO CONTACT RLR

Corporate Office
78-010 Main Street, Suite 200
La Quinta, CA 92253

Telephone:(760) 771-5036
Toll Free: (888) 757-7330

Ruth Razook, CEO: ruth.razook@rlrmgmt.com
Mitch Razook, President & COO: mitch.razook@rlrmgmt.com
Tracy Olar, Office Manager: tracy.olar@rlrmgmt.com

You can also visit our website:
www.rlrmgmt.com

Or send an e-mail:
info@rlrmgmt.com