Opportunities Will Abound In Banking In The New Millennium

by William M. Cunningham

Turn back the clock 40 or 50 years. Each Friday, usually on payday, your parents and grandparents trudge to the busy neighborhood bank with passbooks in hand. They deposit some weekly earnings. Pay on the mortgage. Pay the electric and phone bills. Get some cash for the week.

Now return to 1999. You haven't seen the inside of a bank in months. Your last bank transaction could have occurred in a supermarket. Your friendly neighborhood teller today actually is an unsmiling but efficient ATM machine. Your paycheck is plunked directly into your checking account via direct eposit. And you pay your mortgage from your computer or telephone.

Clearly, the face of the banking industry has changed in 50 years. Today, the banking industry is undergoing a massive restructuring via consolidation spurred by technological revolution. Whether you're a banking and financial-services consumer or a collegian seeking a banking career, these changes will affect you profoundly.

Consolidation through merger and acquisition is spearheading the greatest change. Although the number of banks operating in the United States is declin-ing, the assets that these banks hold are increasing. In the second quarter of 1998, 10,712 Federal Deposit Insurance Corporation (FDIC)-insured commercial banks and savings institutions operated in the United States. Assets held by banks and S&Ls totaled $6.277 trillion in the second quarter of 1998 and income increased to $37.4 billion dollars. Total loans at all banks and thrifts were at $3.793 trillion.

Amid consolidation, the industry is adopting a sort of barbell structure: many smaller banks and a few very large banks, with few institutions in between. Very small banks -- $25 million to $500 million in assets -- and very large banks -- $100 billion or more in assets -- will probably be the only survivors in the wake of this change.

Simply put, says Hugh L. McColl Jr., BankAmerica chairman and chief executive officer, whose institution merged with NationsBank in 1998, our customers will have access to the best products and services when they want, where they want, and how they want.

The BankAmerica-NationsBank combination creates one of the largest banking institutions ever. The new Bank of America now has some $600 billion in assets and more than $30 billion in annual revenue. The combined companies operate in 22 states and Washington, D.C., stretching from Alaska to Florida, and from California to Maryland and

serving 29 million U.S. households and
more than 2 million businesses. With more than 200,000 employees, the new Bank of America has some 5,000 banking centers and nearly 14,000 automated teller machines (ATMs). It has international offices in 36 foreign countries and serves business customers in 190 countries around the world.

Besides BankAmerica and NationsBank joining forces, Citicorp and Travelers Insurance have merged over the past year. Before being gobbled up, NationsBank had purchased Barnett Banks in 1998 for $15 billion. Bank One purchased First Chicago. First Union Corp. continued to pursue the creation of a national banking franchise, strengthening its presence in Virginia and Pennsylvania with the purchase of Signet Bank and CoreStates Financial Corp.

This merger trend is likely to continue, pointing to a marked increase in the size and scale of bank operations. McColl promises that serving customers and not being big for the sake of being big are at the heart of the merger.

If our goal was simply to be a big bank, all those numbers certainly would be impressive. But this merger isn't about size. It's about assembling the people, the franchise and the resources to build an entirely new kind of bank, McColl says. When Chase Manhattan and Chemical Bank merged in 1996, that transaction shook the banking industry at its core. In a speech to students at Morehouse College in November 1998, Walter V. Shipley, chairman and chief executive officer of Chase Manhattan Corp., said that growth brings opportunities for banking firms. In 1992, Shipley, then head of Chemical Bank, first arranged a merger with Manufacturers Hanover, before the Chase-Chemical Bank combination. Behind both mergers ... was the realization that larger forces, including globalization and accelerating advances in technology, had forever changed the landscape of finance and brought to the forefront the importance of scale, Shipley said.

Frank Newman, chairman and chief executive officer of Bankers Trust Corp., notes that along with size comes a greater responsibility on the banking company to be better. Bankers Trust, an investment banker, was acquired in 1998 by Deutsche Bank AG of Germany, after itself acquiring the Alex. Brown brokerage in a big deal earlier in the year.

Size is the potential instrument for being better, Newman said, but the objective is to have profitable growth that is of value to our shareholders.

In many industries, the most successful companies in terms of profitability, growth and share price are not necessarily the biggest companies. The Citicorp and Travelers merger is particularly important as it signals the creation of an entirely new industry. While the Citicorp/Travelers merger violates certain banking laws still on the books, the merger has been approved. Banks still cannot underwrite insurance policies, and they face certain restrictions on the securities market activities they can perform.

The deal signals the entry into the banking market of both insurance companies and securities firms. Although insurance companies are prohibited from owning banks, they may own S&Ls. Over the past year, more than a dozen insurers, including Allstate, Equitable Life and State

Farm, have applied to the U.S. Office of Thrift Supervision for thrift charters. Additionally, several brokerage firms, including A.G. Edwards, Merrill Lynch and PaineWebber, have applied for thrift charters as well. Technology is driving banks toward being larger. As advanced technological networks are able to connect people worldwide, a banking institution is able to cast its net of services far wider than before.

Because of technological advancement, no longer must a bank be limited to the neighborhood or region it traditionally has served. Through the use of communications networks, such as the Internet, customers may apply for loans, refinance mortgages and open accounts without physically walking into the branch. Because technological upgrades are expensive, the amount that banks must spend to invest in technology creates difficulties for smaller banks. Larger institutions benefit more than they are able to spread costs over a wider customer base. Regulatory issues also are affecting today's banking climate. The Community Reinvestment Act, or CRA, has caught fire in recent years. The CRA, which passed in 1977, mandates that regulators consider a bank's record in meeting credit needs in minority and under-served areas when considering merger applications. The law has been wildly successful, resulting in significant new lending activity in minority areas. Banks aren't at all shy about telling the world about their work within under-served communities. In a speech Dec. 10, 1998, to the Congress of National Black Churches in Columbia, S.C., Catherine P. Bessant, president of Bank of America's Community Development Banking Group, said her institution's goal is $350 billion in community-development lending over the next 10 years.

One goal through the lending is to finance 50,000 units of affordable housing for low-to-moderate income families, Bessant said.

Bessant told the church leaders that community development indeed is good business. Assumptions that suburban locations are always best, that upscale housing is a better business opportunity than affordable housing, that communities can't be revitalized ... ignores the business reality, Bessant said. In an era with questionable government financed resources, and in tough
philanthropy markets, private sector resources are the long-term answer.

For African-American and other minority graduates considering a banking career, the industry's barbell structure has certain implications, as overall there will be far fewer large banking entities for you to work for. But on the other hand, the changing banking industry also means more opportunities in financial services, such as at mutual fund companies, insurance companies and money management firms. Along with assets and income, bank employment is actually growing. According to the FDIC, bank and thrift employment grew from 1.76 million in 1997 to 1.84 million in 1998. Despite the flurry of mergers, employment prospects in the industry are bright. Much of this personnel growth is being focused on formerly under-served markets and areas. Several banks, through community reinvestment, have launched efforts to increase the amount of business they do with women and minorities. These efforts bode well for minority graduates, especially those who want to work in community development.Of the 10,712 FDIC-insured commercial banks and savings institutions in the United States, only 54 are owned by African Americans. All are small institutions, so employment opportunities are likely to be limited. The good news for graduates going to work for any smaller institution is you will get a variety of assignments and get a broad range of experiences.

For financial graduates, your skill set can be described as the assemblage of knowledge, training and unique personal traits you possess and have developed either in school or life. Most undergraduate and graduate students have spent considerable time developing a set of skills they anticipate using in the "real world." The surprise is that the skill set you think you have may not be
as useful as you think. In addition, you may have overlooked critical skills.

So before heading off to the financial institution with pinstripe suit and briefcase in tow, spend some time reviewing what you really know, how you know it, and how you work.

And, of course, technology skills are critical. Exactly how well can you use a computer and the Internet will help determine your success. A good exercise in assessing your computer skills is to try to list every software program you have ever used. What can you make a computer do that no one else can, you might ask.

In banking and finance, obviously, a facility with numbers is a key skill, but the industry has grown up as one that relies on its people and the industry still operates as such. Bankers agree that, in the future, people skills will be as important as technical skills. The ability to work and think independently, yet operate within the confines of a team are critical to professional success. As a banker, business generation depends on people skills. As you progress, you will spend more time communicating with non-technical people, people who have not been trained in banking or finance, but are very important. They may be customers, board members, or members of the media. You must develop the ability to communicate complex technical issues in non-tech--ni-cal terms. Adding value today means being able to work with other departments within a large organization in order to capitalize on new opportunities.

African-American and other minority graduates seeking opportunities in banking should understand the necessity the restructured banking industry places on diversity. According to McColl of Bank of America, the merged bank will
succeed only if it understands the need for diversity in its workforce.

If we fail to embrace (racial, gender, lifestyle, cultural) differences as blessings, we will not succeed, McColl told a diversity conference in Seattle in October 1998. The bottom line is this: Our country is a diverse place. And any organization that wants to make a difference any organization that wants to matter to this country any organization that wants to be America's bank is going to have to reflect the country's diversity. Just being an exclusive club of old, white males is not on the program.

Perhaps the best skill to have, given the changing nature of the industry today, is flexibility. After landing that job at a bank or brokerage firm, you may find yourself working for your biggest competitor, or working for a firm that, just yesterday, was only indirectly involved in your market.

The banking industry tomorrow will continue to require financial services skills as both the economy and the population expand. The number of commercial and residential loan applications submitted to financial service firms, including banks, will only increase. This increase will fuel a rise in bank employment. It is up to you to be ready.

Banking Industry Resources

A number of resources exist for those interested in banking as a professional opportunity or as a consumer. Most are only a mouse click away on the Internet.

As of December 1998, 1,741 U.S. banks had sites on the Internet. This number is increasing, as the Internet will facilitate the spread of and reduce the cost of banking services. Any student interested in the banking industry must be familiar with this tool. To find the site of a bank that interests you, type in the bank's name followed by.com. If you don't find it, do a search.

Besides banks, federal financial-institution-regulatory agencies, like the Federal Reserve Board (the Fed), the Federal Deposit Insurance Corporation (FDIC) and the Securities and Exchange Commission (SEC), are good starting places for jobs. Often a stint at one of the regulators can enhance your marketability dramatically.

Here are some banking and employment Internet sites of interest:

- Online Banking Association: www.obanet.org
- Board of Governors of the Federal Reserve System: www.bog.frb.fed.us
- Starting salaries: www.wageweb.com
- Salaries: www.careercity.com/content/salaries/links.asp
- Bank Directories: http://bankweb.com
- THE BLACK COLLEGIAN Online: www.black-collegian.com
- MINORITIES' JOB BANK: www.minorities-jb.com

In addition, a number of hard copy bank directories are available at libraries. They include: The American Financial Directory (Norcross, Ga., McFadden Business Publications); Polk's World Bank Directory (Nashville, R.L. Polk & Co.); Rand McNally Bankers Directory (Chicago, Rand McNally & Co.); The U.S. Savings and Loan Directory (Chicago, Rand McNally & Co.); and Rand McNally Credit Union Directory (Chicago, Rand McNally & Co.).

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