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BCBR ARTICLE

Bank Notes

By Beth Potter

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October 29, 2010 --

In the near future, you might be able to wave your smartphone in front of a credit card reader to buy something at the store.

But while that might sound like a good thing, it could actually cost both consumers and companies a lot more money than they expect, said Robert Livingstone, a self-described merchant advocate based in Florida.

The reason things might get so costly? Livingstone foresees more government oversight as phone companies start muscling in on the $20 billion per year credit processing industry.

“If the Fed is going to monitor credit card interchanges, the money has to come from somewhere, either as a tax to all consumers or on revenues that processors have to pay,” Livingstone said. “I have to think that’s coming soon.”

Many merchants in Europe already are using the new phone technology, Livingstone said, and Apple has had a patent on a credit-card processing application for the last few years that’s just now being tested in the United States.

Don’t worry about increased costs just yet, however — merchants still took cash, the last time we checked.

Faster ATMs

Wells Fargo Bank has a new ATM deposit machine that’s faster than the old one.

After the machine offered stellar service at 38 locations in Boulder from January to the end of the summer, Wells Fargo plans to roll out the “NCR Corp. mixed-media ATM deposit module” in 200 more locations around the state.

“We are very happy with the results,” Richele J. Messick, a Wells Fargo spokeswoman, said in a statement.

The machine can accept a mixed bundle of up to 50 checks and bank notes in one deposit slot, Messick said. It also can accept separate deposits of 50 checks or 50 bank notes.

Bank stress test

With many banks across the country still under quite a bit of stress, some in the industry are looking for indicators to tell them which ones might be candidates for takeover, or failure.

One of those folks is Tom Bieging, a principal at Bieging Shapiro &

Burrus LLP in Denver, who often works with investors looking to buy into banks. He has practiced banking and commercial litigation for about 40 years.

Bieging chatted with us recently about the "Texas ratio," a measure created by folks at RBC Capital Markets in Texas during the savings and loan scandal of the 1980s.

The ratio is calculated by dividing the value of the lender's nonperforming assets by the sum of its tangible common equity capital and its loan-loss reserves. If the total is more than 100 percent, it's one indicator that a bank could fail, Bieging said.

"It doesn't mean all banks with Texas ratios (of more than 100 percent) are going to close, but it is an indicator," Bieging said.

Consent orders from the Federal Deposit Insurance Corp. also can indicate bank stress, Bieging pointed out.

An FDIC spokeswoman declined to comment on the "Texas ratio."

At least one bank analyst suggested caution in looking at the numbers and publishing them.

Just one bank in the Boulder Valley meets the criteria — FirsTier Bank, said Larry Martin, the Denver analyst. Its ratio is 385.14 as of June 30, 2010, according to figures put together by Martin. At least three banks in Northern Colorado also have ratios higher than 100, although they're not as high as FirsTier's, Martin said.

"It tends to be an indicator," Martin said. "There are banks who have gotten 100 percent and because of new capital or some way they work their credits they've been able to survive. But the higher it gets above 100 and the longer it's there, the less likely it is for a bank to survive."

A FirsTier Bank spokesman did not return a call for comment.

Among local banks, Mile High Banks has a ratio of 73.75; Summit Bank & Trust has a ratio of 19.66; FlatIrons Bank has a ratio of 15.09; FirstBank of Longmont has a ratio of 6.46 percent and FirstBank of Boulder has a ratio of 5.73 percent. AMG National Trust Bank's ratio is negligible, according to a chart put together by Martin.

FirstBank recently consolidated all of its bank charters into one based in Lakewood, but the branches and the presidents remain the same, according to officials there.

The popularity of the Texas ratio has gone back up in recent years with analysts and others in the industry because it's a fairly easy computation to make to assess the risk in a bank, Martin said.

Martin said he shares the Texas ratio figures with banks. He said this is the first time he has shared the information with the media.

Beth Potter can be reached at 303-630-1944 or via e-mail @ bpotter.bcbr.com.

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BANK NOTES

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