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Mining deposits, minding the customer

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As more banks saddle customers with service fees, one banking group in Fairfield County is bucking the trend.

BNC Financial Group, owner of the Bank of Fairfield, the Bank of New Canaan, and Stamford First Bank, is reimbursing account holders for charges incurred by using competitors' ATMs.

Bank officials said there is a risk to the strategy, but in its first days the program is proving to be a great success.

Jay Forgotson, CEO of BNC Financial, said the new policy sends a message to depositors and potential clients that they don't have to bank at a large financial



Fred Reinhardt, president of The Bank of Fairfield

institution with many ATM outlets to avoid the fees that can run as much as three dollars.

"As the hometown bank in each community, we want all of our customers – whether they are commuters, college students or just people on the go – to have the convenience of being able to use their ATM or debit card at any ATM location without the penalty of having to pay a fee," Forgotson said.

The bank's new strategy is an initiative begun by Fred Reinhardt, president of The Bank of Fairfield, who joined the banking group two years ago.

"What's going on in Washington has really discombobulated everything for banks," Reinhardt said. "We have been articulating our whole strategy around how we gather deposits."

The Dodd-Frank Wall Street Reform and Consumer Protection Act passed last year limits financial services practices and increases accountability reporting requirements.

A lot of banks are now looking to find ways where they can create additional fee income, he said.

"That is completely counter to what banking is, a service-based business," Reinhardt said. "We are as a matter of course, pushing the other way."

According to Gerry Noonan, president of the Connecticut Banking Association, BNC Financial has the right idea when it comes to approaching the large world of banking from a community bank perspective.

"It's an affordable risk, one that a financially sturdy bank like BNC Financial can take," Noonan said. "It's a terrific way to boost long-term customer loyalty and extend their reach, which is one of the main obstacles for community banks."

Reinhardt said the reason for the programs and its benefit to the bank are simple, to increase deposits. Reinhardt said though BNC Financial's approach is local, many customers work in other areas without the bank's ATMs, such as New York City, Hartford or New Haven.

"The question was to say, 'how can and do they get access to their funds, from us, without feeling like they are going to be nickel and dimed by the other banks,'" Reinhardt said.

Historically the large national bank strategy has been to have more branches and therefore more ATMs, to attract customers.

"With our approach, customers are not turned off by making a transaction," he said. "We did a lot of studies and what you really see are the \$100 and \$200 dollar cash outs; those are what make it worth it. Critical for us is the gathering of the deposit."

The BNC Financial online banking software automatically reimburses any transaction designated as an ATM service charge.

"We are essentially extending the pool of customers we already live in," said Reinhardt. "If you think of it in a broader scale, it is the family that has a kid or two in college."

"We do have nine percent unemployment in this country, but things will come back and those young professionals out there using our electronic services will be able to stay with us indefinitely. When the time comes when they want to talk about a mortgage or they want to purchase the building in which their small business is, they will still be able to be a customer of our bank."

The major question, and deterrent for other banks following the unorthodox practice of reimbursing transaction fees, is the cost to the bank itself.

"There is most definitely a cost for us, there's the interchange expense, and there is the expense the ATM owner is charging," Reinhardt said. "But in point of fact, it's minimal, because what we're getting is more accounts coming here, and in the greater deposits, the cost to us is overshadowed."

Though an exact number on the amount BNC Financial will be reimbursing was not disclosed, Reinhardt said the strategy does rely on the banking group's ability to continually attract deposits.

"The strategy after the strategy is to get more deposits, because it is with our deposits that we are financing our loans that we do here," he said. "Not only residential loans, but our commercial loans; we have had a huge demand for our services. We are very much in a deposit-growing mode."

In a similar service-oriented fashion, the BNC Financial group of banks has implemented a remote deposit capture system for small businesses that provides clients with a machine to scan and immediately deposit checks.

"People are fed up with the bank that they are giving business to, nickel and diming them," Reinhardt said.

"People say, 'I've been there 20 years and have my CDs there, but they're nickel and diming me all the way through, and they don't even know my name when I walk in the door.' There's no relationship."