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Ten years ago, it was a banking crisis, but it has become a political one.

Bankers savoring recent policy victories should not overlook the new uncertainty today's extreme partisanship creates.

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MOST READ

Bloomberg

CFPB Advisory Board Sacked

The Consumer Financial Protection Bureau fired all 25 members of its Consumer Advisory Board during a June conference call, saying it wanted to bring in more diverse views. CFPB acting director Mick Mulvaney, shown here, "is only interested in obtaining views from his inner circle," charged Ann Baddour, the advisory board chair.

MOST SHARED

Sales slips

These banks have had problems related to retail practices in the 20 months since the Wells Fargo scandal emerged

- Citizens: Employees fabricated records of customer meetings
- Regions: 4 ex-workers banned from banking for sales misconduct
- TCF: Sued by CFPB over tactics used to boost overdraft income
- TD: Switched some clients in Canada to pricier accounts

Wells Fargo Isn't the Only One

An inquiry into the sales practices of more than three dozen banks, launched in the wake of Wells Fargo's cross-selling scandal, found several systemic issues and hundreds of problems at individual institutions. But the Office of the Comptroller of the Currency is not making the results public.

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Hoping to help a bundle

Nonprofit pairs with community bank to offer Fair Financial, with digital savings, checking and loan products for the underbanked that it aims to take national

By Kristin Broughton

You could easily mistake Anne Leland Clark, a Twin Cities nonprofit executive, for a banker with big, national ambitions as she discusses her organization's digital platform for the underbanked.

Fair Financial, which launched as a pilot program in June, will serve about 500 local customers over the next 18 months. But Clark and her partners — including Sunrise Banks in St. Paul — have no intention of stopping there. The goal is to provide 5,000 low-income customers across the country with Fair accounts by 2020.

It's an ambitious plan for a small nonprofit — and it illustrates one of the many ways that new technology is being used to bring people with blemished credit back into the banking system.

"We want to go to where people live, work and worship," said Clark, whose St. Paul-based organization, Prepare + Prosper, is overseeing the rollout of the Fair banking platform.

What sets Fair apart in the industry is what Clark and others describe as a "bundled" suite of products for the underbanked. Customers can open savings and low-cost checking accounts, with no minimum balance requirement and no overdraft fees. They also can take out a small-dollar loan that's designed to help them improve their credit scores. The accounts, which they can access using the Fair Financial website and mobile app, are provided through a cobranded partnership with Sunrise Banks, a $1.1 billion-asset community development financial institution in St. Paul.

Perhaps more important, though, is Fair's distribution model. Customers will open the accounts at social service agencies, nonprofits and even, in some cases, through their employers. The idea is to establish a sense of trust at the outset — and, over time, discourage customers from using high-cost financial alternatives, such as check cashers and payday lenders.

"Through this relationship model, we want to rebuild those seeds of trust that have been broken with financial institutions," said Clark, director of financial capability and learning at Prepare + Prosper, an organization that provides free tax preparation and financial advice to low-income communities in the Twin Cities.

To expand nationally, Clark and her colleagues are exploring ways to offer the accounts through national nonprofit organizations, such as the United Way, the National Urban League and community action networks.

The launch of the Fair banking platform comes as big banks — such as Wells Fargo and U.S. Bancorp — have launched similar products without overdraft fees that cater to the underbanked.

For people who have never had a banking account or who have struggled to maintain good credit scores, visiting the bank — where employees are dressed in suits — can be intimidating, according to Clark, whose organization designed the Fair platform based on consumer feedback. Opening an account with a social worker or employer can make all the difference in bringing them back into the traditional financial system, she said.

And unlike banks, "we have no sales goals," Clark added.

Whether Fair takes off in the years to come remains to be seen. The project has the financial backing of big philanthropic players, including the JPMorgan Chase Foundation and the McKnight Foundation, which are covering the cost of the platform's development and expansion.

Sunrise Banks will collect revenue from the bank accounts, including a $3 monthly service fee on the Fair checking accounts, as well as an 8% interest rate on the small-dollar loans.

The loans — which max out at $500 — are a hybrid product that also encourage customers to save. The loan money will be placed in an 18-month CD. Over that period, customers will set aside $30 per month to pay off their loan. By the end of the 18 months, they will collect their loan, plus the interest earned on the CD, and be able to use the funds however they choose.

"Bundling these services not only offers a more complete experience for the underbanked, it makes banking simpler and a much more efficient experience," said David Reiling, Sunrise's chief executive.

As the Fair platform prepares its national launch, Clark and her colleagues are open to modifying it in the years ahead. Depending on consumer needs, it could include additional lending or advisory services.

Alternative revenue models are also on the table. While the platform is partially funded by philanthropic donations, the group may look for more sustainable sources of revenue over time, such as charging for-profit companies for offering the service to their employees.

Brenton Peck, a senior manager at the Center for Financial Services Innovation in Chicago, which assisted Fair in 2014 in its initial market research, said he hopes the product will ultimately include a service to help customers with longer-term financial planning. But for now, he said, the initiative has what it needs to start scaling up nationally.

"You'll find a lot of high-quality products that are out there," Peck said, pointing to low-cost, digital checking accounts at big banks. "But it's few and far between when you see consumer needs packaged together on one platform like Fair — and that's why it's scalable."

Kansas City, Fintech Hub

A small bank looks to coach, and invest in, five startups

NBKC Bank is planning to bring five startups to Kansas City, Mo., to participate in a new fintech accelerator.

All the startups will receive at least $50,000 in seed capital; NBKC also will take an equity stake in each one.

The $619 million-asset unit of Ameri-National Corp. said its Fountain City Fintech program could provide it with another source of revenue and enhance its tech-savvy reputation.

Community banks are becoming more comfortable working with fintech startups. Likewise startups often seek out smaller banks to help them test and improve products.

Still, NBKC would be one of the first small banks to launch a formal accelerator program. Other bank-run accelerators include the Wells Fargo Startup Accelerator and Barclays Accelerator.

Zach Anderson Pettet, who joined NBKC last fall as a consultant, will be the program's managing director.

Nonprofit partners are backing the program, including LaunchKC, a local entrepreneurial support organization. The accelerator is part of a citywide effort to establish the city as an entrepreneurial hub.

"Kansas City's been a fintech hub for longer than most people realize," Pettet said, citing H&R Block, BATS and Zoloz as companies that give it fintech credibility.

NBKC is not entirely new to the fintech scene itself. It recently participated in a $16 million investment in Greenlight Financial Technology. It expects the new 75-day accelerator program to get underway in October.

— Hilary Burns

Big Banks Get a Lesson from Startups

Wells Fargo and JPMorgan Chase follow Silicon Valley's lead with no-overdraft-fee accounts via mobile apps

By Kevin Wack

If you're wondering whether startups are starting to shake up the consumer deposit business, look no further than Wells Fargo's Greenhouse and JPMorgan Chase's Finn.

The two banking giants are taking a page from Silicon Valley by offering mobile accounts that do not charge overdraft fees. That marks a significant shift for an industry that rakes in roughly $15 billion in annual charges from customers who withdraw more funds than they have.

Chase and Wells, like the rest of the banking industry, are wrestling with the question of how to appeal to young adults who are establishing lasting financial relationships. But they also have reason to worry that as-yet-unprofitable startups are resetting customer expectations about fees.

Over the last several years, numerous venture-capital-backed firms have begun offering transaction accounts aimed at millennials who live on their smartphones, see little value in branches and generally have less money than their parents, which makes them more susceptible to $35 overdraft charges.

These accounts typically do not allow overdrafts; when customers without sufficient funds swipe their debit cards, the transactions are denied.

Varo Money, which was founded in 2015, is one of these new entrants. The San Francisco company does not charge a monthly service fee, and it has no minimum balance requirement.

Chief Executive Colin Walsh said in a recent interview that the average age of Varo Money's customers is 30, and about 85% of its account holders are between 22 and 36 years old.

Walsh, whose long career in finance has included stints at Wells Fargo and American Express, said that banks have no choice but to experiment with the kinds of products being offered by startups. "They have to do it," Walsh said. "Their customer base is aging out."

This problem is actually less severe

for big banks, which have invested heavily in creating a compelling mobile banking experience, than it is for smaller institutions. But even the megabanks are facing competitive pressure from mobile-only accounts.

Wells Fargo is planning a multistate launch for Greenhouse later this year. The app features money management tools that are designed to help customers track their spending habits.

"The Greenhouse experience is being built to meet specific needs of those new to banking, like students, as well as specific customer segments — like gig economy workers and freelancers," Ed Kadletz, head of the bank's deposit products group, said.

"Our goal for Greenhouse customers is to never authorize a purchase or payment if the account doesn't have enough funds," he added.

Finn by Chase, which is just rolling out nationally after a pilot phase, has a similar structure. The mobile bank account has no monthly service fee or overdraft fees. Customers cannot get help with their Finn accounts at Chase branches, but they do get free access to more than 29,000 ATMs.

It is notable that Wells Fargo and Chase both launched their mobile bank accounts under new brand names. That strategy offers a couple of advantages.

For one, existing bank customers who are frustrated with overdraft fees may be less likely to demand a no-fee account if it is operating under a different brand name.

In addition, the new brands might not be tainted by consumers' negative perceptions of big banks. That is especially helpful with younger targets.

Fintech brands that offer simple products are resonating with millennials, said Rob Berini, a managing director at Deloitte. "It's certainly true that there's an opportunity to connect with the millennial segment around brand in a way that creates emotional resonance," he said.

Peter Wannemacher, an analyst at Forrester Research, said that Greenhouse and Finn both represent experiments in how to connect with a segment of customers who want mobile-only banking. He complimented Wells Fargo and Chase for taking chances, but he also warned that they may be conditioning some customers to expect fee-free accounts.

Both Wells and Chase have collected more than $1.5 billion in annual revenue from consumer overdraft charges in recent years, according to data from the Federal Deposit Insurance Corp. "I think there's a major risk in the setting of expectations," Wannemacher said.

But there are also risks to banks that choose not to respond to new competition from startups.

Hank Israel, a director at the bank advisory firm Novantas, said that the rising popularity of payment apps such as PayPal and Venmo has made it harder for consumers to track inflows and outflows from their accounts, which has in turn made it harder for customers with low account balances to avoid overdraft fees.

That trend suggests there may be a growing consumer demand for overdraft-free products.

Israel also noted that while customers used to make decisions about where to open checking accounts based almost entirely on which banks had branches near their homes, that is far less true in 2018.

Recent research indicates that roughly 40% of decisions about which account to open are based on which product meets customers' specific needs, Israel said. "And that number really seems to be growing."

A Robo for All Generations

How U.S. Bank democratized its wealth management advice

U.S. Bank is the latest to offer a digital investment advisory product, but its rhetoric differs from the typical technology pitch targeting younger customers.

The Minneapolis bank's investment arm has partnered with FutureAdvisor, an investment advisory firm owned by BlackRock, to develop the product, called Automated Investor.

The bank first struck up the partnership with BlackRock in 2016. It has worked since then on perfecting the service in various beta launches before rolling it out to all customers in June, said Mark Jordahl, president of U.S. Bank Wealth Management.

Robo advisers are typically associated with millennials, but Jordahl said the bank expects its robo offering to be popular with all customer segments.

Other banks adding robo-advisers include Fifth Third Bancorp, which announced its product in June, and Wells Fargo, which launched a hybrid robo-adviser in November.

Automated Investor is available through U.S. Bank's website and mobile app. Customers who use it will have access to "the same investment content from our investment team" that all wealth management clients receive, Jordahl said. The fee for using the service is 50 basis points on assets under management.

The technology seeks to optimize returns and help minimize risk, and automatically rebalances investments as the markets change, he said. Users also can receive a free analysis of their investments to see how they are performing and how they can potentially improve. *— By Bryan Yurcan*

Welcome to the $10 Billion Club

When Cadence Bancorp. agreed to buy State Bank Financial in June, it got more than just a beachhead in a new market.

Acquiring the $4.9 billion-asset Atlanta company would add heft that Cadence needs to help defray a sharp increase in regulatory expenses.

Cadence, which is based in Houston, is one of 12 banking companies included in this annual ranking for the first time because they grew above the $10 billion asset mark in 2017, a threshold where much more aggressive regulatory requirements kick in.

"It's really imperative for these banks that they're able to grow and grow fast to offset the new compliance costs," said Kevin Halsey, a consultant at Capital Performance Group.

The $10 billion mark has strategic implications. Crossing the line triggers costly stress tests and caps on interchange fees, and that requires giving careful consideration to the best way to build scale rapidly — either through organic growth or acquisitions.

Banks in the $10 billion to $50 billion asset class have pursued both tactics. The $15 billion-asset Simmons First National Corp. in Pine Bluff, Ark., and the $14 billion-asset Home BancShares in Conway, Ark., are serial acquirers that crossed the $10 billion threshold as of Dec. 31. Since 2016, Simmons has closed five deals and Home three.

Some larger banks in the group are doing well growing organically, Halsey said. The $25 billion-asset Texas Capital Bancshares in Dallas posted net loan growth of 17.5% in 2017, without an acquisition. That growth, which exceeds the overall peer group's median of 8.99%, came largely from commercial-and-industrial and commercial real estate lending.

Overall performance for banks in this asset class — ranked here by returns on average equity across three years — was mixed. Median net loan growth rose from the previous year's 7.8%, but core deposit growth slipped to 8.35% from 8.9%. The banks as a group posted higher revenue growth (a median of 9.61%, up from 7.35% in 2016), but also higher noninterest expense growth (7.34%, up from 6.41%).

They excelled at improving efficiency, though. The median efficiency ratio dropped 274 basis points from the previous year, to 57.97%, according to CPG. And some of the newcomers set the pace; Home BancShares' efficiency ratio was 37.61%, and Cadence's was 52.69%.

Cadence hit $10 billion of assets during the third quarter of 2017, not long after its initial public offering in April. It makes sense that Cadence made a big acquisition so soon after reaching the milestone, Halsey said. The State Bank deal would boost Cadence's assets to about $16 billion.

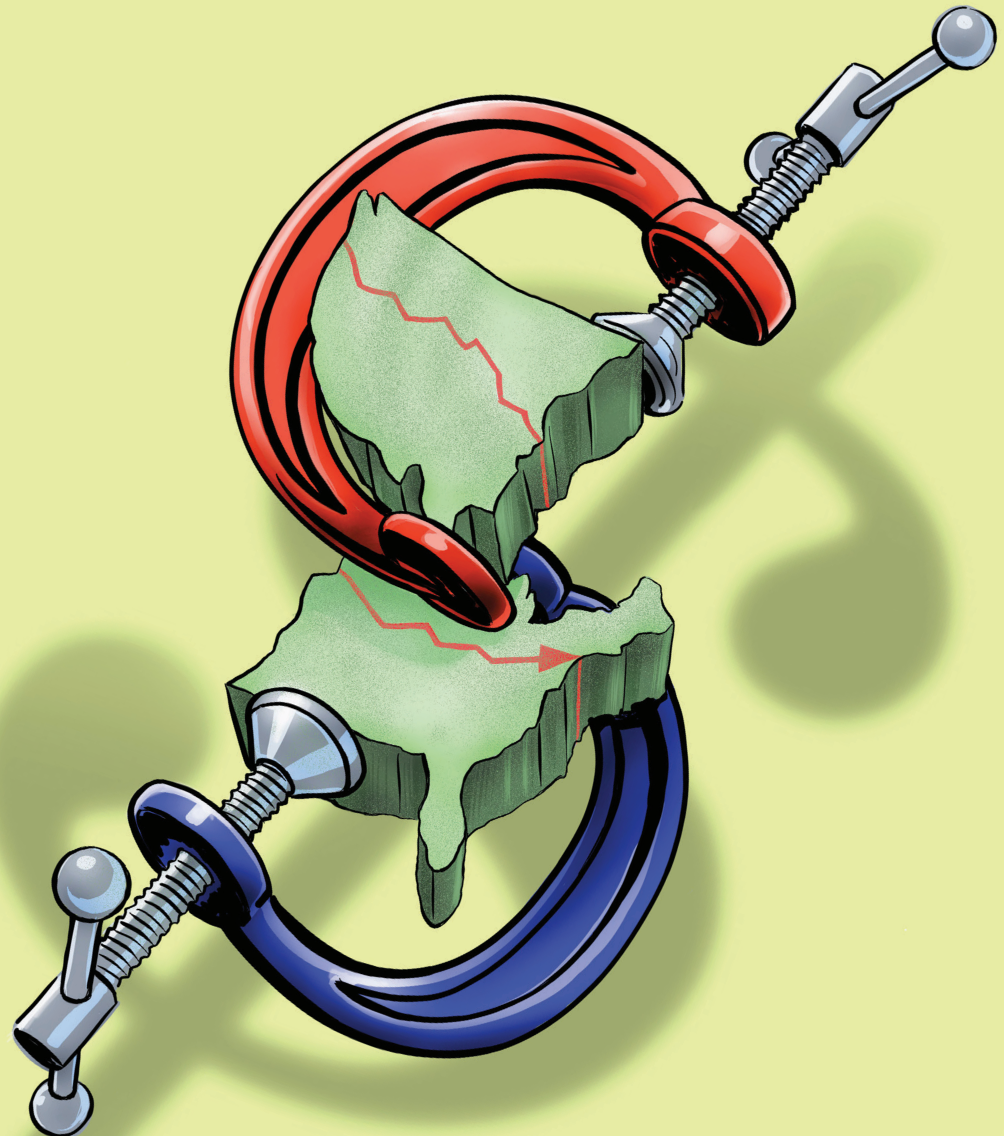
— Andy Peters

Rank	Institution/Ticker	Location	Total Assets ($000)	3-Year Avg. ROAE (%)	ROAE (%)	ROAA (%)	Efficiency Ratio FTE (%)	Net Interest Margin FTE (%)	Net Income ($000)	Net Income Growth YOY (%)	Core Deposit Growth YOY (%)	Noninterest Exp. Growth YOY (%)
1	Bank of Hawaii Corp. (BOH)	Honolulu, HI	17,089,052	15.30	15.27	1.10	55.60	2.93	184,672	1.77	0.90	1.05
2	Western Alliance Bancorp. (WAL)	Phoenix, AZ	20,329,085	15.00	15.65	1.72	41.48	4.65	325,492	25.29	17.18	13.31
3	FirstBank Holding Co.	Lakewood, CO	17,571,047	14.11	14.41	1.24	52.63	3.61	212,560	11.50	3.19	3.97
4	Bank of the Ozarks (OZRK)	Little Rock, AR	21,275,647	13.82	13.48	2.15	33.72	4.85	421,937	56.23	19.87	33.61
5	Midland Financial Co.*	Oklahoma City, OK	14,750,650	13.39	8.97	0.86	62.50	3.33	204,131	(31.85)	10.23	7.27
6	East West Bancorp (EWBC)	Pasadena, CA	37,150,249	13.17	13.71	1.41	47.88	3.49	505,624	17.13	8.35	5.48
7	Signature Bank (SBNY)	New York, NY	43,117,720	11.83	10.11	0.95	34.14	3.09	387,209	(2.30)	4.40	15.48
8	Home BancShares (HOMB)	Conway, AR	14,449,760	11.69	8.23	1.17	37.61	4.51	135,083	(23.74)	56.80	14.59
9	Commerce Bancshares (CBSH)	Kansas City, MO	24,833,415	11.49	12.13	1.28	61.43	3.20	319,900	15.55	(1.03)	7.34
10	Bremer Financial Corp.	Saint Paul, MN	11,994,235	11.43	11.37	1.06	61.04	3.60	124,024	4.90	11.23	1.61
11	Pinnacle Bancorp*	Omaha, NE	10,394,487	11.16	11.04	1.15	55.89	3.65	169,792	3.51	9.30	7.05
12	Cullen/Frost Bankers (CFR)	San Antonio, TX	31,747,880	10.36	11.48	1.20	54.56	3.68	364,149	19.68	4.32	3.16
13	Cathay General Bancorp (CATY)	Los Angeles, CA	15,640,186	9.50	9.10	1.19	44.31	3.63	176,042	0.54	10.31	3.29
14	FCB Financial Holdings (FCB)	Weston, FL	10,677,079	9.45	11.34	1.28	42.46	3.23	125,194	25.30	19.20	8.31
15	First Interstate BancSystem (FIBK)	Billings, MT	12,213,255	9.29	8.57	0.98	59.08	3.64	106,521	11.38	38.46	14.90
16	Texas Capital Bancshares (TCBI)	Dallas, TX	25,075,645	9.22	9.30	0.87	54.15	3.46	197,063	27.04	12.19	20.27
17	Hilltop Holdings Inc. (HTH)	Dallas, TX	13,365,786	9.22	7.02	1.03	82.82	3.63	133,144	(10.00)	11.94	(2.98)
18	Community Bank System (CBU)	De Witt, NY	10,746,198	9.22	10.21	1.49	57.67	3.69	150,717	45.18	20.36	21.13
19	MB Financial (MBFI)	Chicago, IL	20,086,940	8.93	11.41	1.55	63.02	3.73	304,040	74.45	3.45	6.90
20	Flagstar Bancorp (FBC)	Troy, MI	16,912,000	8.90	4.40	0.40	74.91	2.76	63,000	(63.16)	(4.83)	14.64

REGIONALS, RANKED BY 3-YEAR ROAE

Rank	Institution/Ticker	Location	Total Assets ($000)	3-Year Avg. ROAE (%)	ROAE (%)	ROAA (%)	Efficiency Ratio FTE (%)	Net Interest Margin FTE (%)	Net Income ($000)	Net Income Growth YOY (%)	Core Deposit Growth YOY (%)	Noninterest Exp. Growth (%)
21	Webster Financial Corp. (WBS)	Waterbury, CT	26,487,645	8.89	9.76	0.97	61.39	3.31	255,439	23.32	7.21	6.22
22	UMB Financial Corp. (UMBF)	Kansas City, MO	21,771,583	8.77	11.88	1.21	68.46	3.15	247,105	55.61	8.47	6.99
23	Hope Bancorp (HOPE)	Los Angeles, CA	14,206,717	8.63	7.31	1.02	46.04	3.80	139,445	22.59	0.18	29.59
24	Pinnacle Financial Partners (PNFP)	Nashville, TN	22,205,700	8.60	6.26	1.02	46.64	3.67	173,979	36.75	75.67	49.07
25	Washington Federal (WAFD)	Seattle, WA	15,584,013	8.59	9.12	1.22	48.10	3.19	183,956	8.08	4.56	10.04
26	BOK Financial Corp. (BOKF)	Tulsa, OK	32,272,160	8.46	9.77	1.02	64.61	2.88	335,685	44.52	(2.71)	(0.48)
27	Synovus Financial Corp. (SNV)	Columbus, GA	31,221,837	8.39	9.27	0.89	58.78	3.52	275,474	11.63	4.51	5.95
28	First Citizens BancShares (FCNC.A)	Raleigh, NC	34,527,512	8.38	10.10	0.94	70.70	3.30	323,752	43.58	6.01	8.17
29	International Bancshares Corp. (IBOC)	Laredo, TX	12,184,698	8.34	8.81	1.31	55.06	3.60	157,630	16.94	1.99	1.78
30	BancorpSouth Bank (BXS)	Tupelo, MS	15,298,518	8.17	8.99	1.04	66.63	3.54	153,033	15.30	1.53	(1.43)
31	Wintrust Financial Corp. (WTFC)	Rosemont, IL	27,915,970	8.07	9.07	0.98	62.45	3.44	257,682	24.56	8.02	7.63
32	Columbia Banking System (COLB)	Tacoma, WA	12,716,886	8.06	8.00	1.11	56.18	4.18	112,828	7.59	31.21	5.03
33	South State Corp. (SSB)	Columbia, SC	14,466,589	8.03	5.26	0.77	56.90	4.15	87,554	(13.55)	51.58	17.26
34	Central Bancompany (CBCY.B)	Jefferson City, MO	12,891,144	7.96	7.34	1.01	58.66	3.27	128,050	(9.84)	4.23	1.89
35	Great Western Bancorp (GWB)	Sioux Falls, SD	11,806,581	7.89	7.94	1.20	46.66	3.91	137,114	7.38	5.15	9.73
36	PacWest Bancorp (PACW)	Beverly Hills, CA	24,994,876	7.85	7.71	1.58	41.63	5.10	357,818	1.60	22.59	7.11
37	United Community Banks (UCBI)	Blairsville, GA	11,915,460	7.83	5.75	0.62	55.47	3.52	67,821	(32.62)	12.01	8.81
38	Prosperity Bancshares (PB)	Houston, TX	22,587,292	7.82	7.26	1.22	40.66	3.19	272,165	(0.84)	4.89	(1.45)
39	Simmons First National Corp. (SFNC)	Pine Bluff, AR	15,055,806	7.71	6.68	0.92	57.90	4.07	92,940	(4.00)	68.17	16.07
40	Fulton Financial Corp. (FULT)	Lancaster, PA	20,036,905	7.63	7.83	0.88	66.35	3.28	171,753	6.27	6.36	7.73
41	Chemical Financial Corp. (CHFC)	Midland, MI	19,280,873	7.37	5.69	0.81	52.58	3.48	149,523	38.41	5.71	39.11
42	Trustmark Corp. (TRMK)	Jackson, MS	13,797,953	7.28	6.77	0.77	65.80	3.48	105,630	(2.57)	4.55	2.85
43	United Bankshares (UBSI)	Charleston, WV	19,058,959	6.95	5.09	0.85	46.87	3.57	150,581	2.38	27.42	38.93
44	Old National Bancorp (ONB)	Evansville, IN	17,518,292	6.90	4.98	0.63	63.89	3.48	95,725	(28.70)	18.38	(1.08)
45	Associated Banc-Corp (ASB)	Green Bay, WI	30,483,594	6.79	7.23	0.78	63.97	2.82	229,264	14.48	0.76	1.52
46	Arvest Bank Group	Bentonville, AR	16,788,378	6.74	8.83	0.79	74.03	3.35	134,897	36.96	1.03	1.65
47	First Midwest Bancorp (FMBI)	Itasca, IL	14,077,052	6.69	5.37	0.70	59.12	3.87	98,387	6.54	23.20	21.49
48	F.N.B. Corp. (FNB)	Pittsburgh, PA	31,417,635	6.48	4.89	0.68	54.25	3.43	199,204	16.57	31.80	32.67
49	Valley National Bancorp (VLY)	Wayne, NJ	24,002,306	6.42	6.55	0.69	62.77	3.15	161,907	(3.71)	(0.01)	3.84
50	Hancock Whitney Corp. (HWC)**	Gulfport, MS	27,336,086	6.38	7.68	0.82	58.98	3.43	215,632	44.43	13.99	10.77
51	First Horizon National Corp. (FHN)	Memphis, TN	41,423,388	6.20	5.96	0.59	71.93	3.12	176,980	(25.80)	28.06	3.66
52	Umpqua Holdings Corp. (UMPQ)	Portland, OR	25,741,439	6.00	6.20	0.98	63.35	3.90	246,019	5.61	5.83	1.70
53	IBERIABANK Corp. (IBKC)	Lafayette, LA	27,904,129	5.82	4.06	0.58	59.22	3.64	142,413	(23.75)	24.89	13.46
54	People's United Financial (PBCT)	Bridgeport, CT	44,453,400	5.78	6.03	0.79	59.41	2.98	337,200	20.00	9.04	7.59
55	Cadence Bancorp.	Houston, TX	10,949,338	5.75	7.63	0.94	52.69	3.59	94,216	44.27	8.11	2.60
56	Berkshire Hills Bancorp (BHLB)	Pittsfield, MA	11,570,751	5.67	4.44	0.56	61.40	3.42	55,247	(5.83)	36.62	41.17
57	Eastern Bank Corp.	Boston, MA	10,874,167	5.67	6.62	0.83	72.22	3.67	86,697	38.24	7.98	6.22
58	Apple Financial Holdings	New York, NY	12,808,959	5.67	6.89	0.59	61.04	2.20	75,423	20.00	4.60	25.05
59	Sterling Bancorp (STL)	Montebello, NY	30,359,541	5.54	3.72	0.50	41.26	3.54	93,031	(33.54)	91.91	23.82
60	Investors Bancorp (ISBC)	Short Hills, NJ	25,129,244	5.11	4.00	0.52	57.97	2.87	126,744	(34.03)	12.55	16.18
61	New York Community Bancorp (NYCB)	Westbury, NY	49,124,195	4.81	7.06	0.96	51.96	2.58	466,201	(5.89)	(4.00)	0.45
62	Third Federal Savings	Cleveland, OH	13,887,830	4.72	5.16	0.54	60.40	2.14	72,971	9.21	(4.35)	2.63
63	Stifel Financial Corp. (SF)	St. Louis, MO	21,383,953	4.47	6.44	0.92	89.18	2.38	182,871	124.33	16.37	9.19
64	BCI Financial Group	Miami, FL	10,176,887	4.19	4.50	0.53	47.28	3.02	48,227	(30.25)	40.82	18.67
65	First BanCorp. (FBP)	San Juan, PR	12,261,268	3.39	3.63	0.56	57.18	4.51	66,956	(28.18)	6.62	(2.98)
	Median for all institutions		**17,571,047**	**8.03**	**7.68**	**0.95**	**57.97**	**3.48**	**161,907**	**8.08**	**8.35**	**7.34**
	Median for the top 10		**18,950,066**	**13.28**	**12.81**	**1.21**	**50.25**	**3.54**	**266,230**	**8.20**	**9.29**	**7.30**
	Average for all institutions		**20,790,428**	**8.27**	**8.10**	**0.97**	**57.15**	**3.48**	**190,053**	**10.34**	**15.22**	**11.03**
	Average for the top 10		**22,256,086**	**13.12**	**12.33**	**1.29**	**48.80**	**3.73**	**282,063**	**7.45**	**13.11**	**10.37**

Source: Capital Performance Group analysis of data provided by S&P Global Market Intelligence.
Ranking is of top consolidated bank holding companies, banks, and thrifts with total assets of between $10 billion and $50 billion as of 12/31/17 and is based on three-year average ROAE from 2015 to 2017. Additional data is for the 12 months ended 12/31/17; year-over-year changes compare 2017 to 2016. Financials are from SEC filings. If unavailable, regulatory financials were used. Excludes industrial banks, nondepository trusts, foreign-owned banks, and bankers' banks, as well as institutions with credit cards to total loans of more than 25%, loans to total assets of less than 20%, or loans to total deposits of less than 20% at 12/31/17. Excludes institutions with a leverage ratio of less than 5%, Tier 1 risk-based capital ratio of less than 6%, or total risk-based capital ratio of less than 10% during any quarter in the ranking period. Excludes institutions that received a tax benefit of greater than 10% of net income or that did not report data for any year in the ranking period. Also excludes institutions that have fewer than five depository branches and are owned by a company not primarily focused on commercial or retail banking. Ties broken using the 2017 ROAE and subsequently the 2016 ROAE.
*Denotes an institution that operated as a subchapter S corporation for at least one quarter between 2015 and 2017. Its profitability ratios were calculated from regulatory financials and adjusted using an assumed tax rate **The former Hancock Holding changed its name and ticker symbol as of May 25.



THE CRISIS ISN'T OVER

Ten years ago, it was a banking crisis, but it has become a political one.

By Victoria Finkle

Illustration by Jonathan Carlson

Ten years after the financial crisis, the regulatory pendulum has swung in banks' direction.

The economy is humming, new laws rolling back taxes and bank rules have been enacted, and there's a deregulatory shift underway across the Trump administration.

It can almost start to seem like business as usual again in Washington.

"The banks have their swagger back," said Neel Kashkari, president of the Federal Reserve Bank of Minneapolis.

But scratch beneath the surface and the crisis remains surprisingly relevant in the national political debate today — and the memory of the damage it did poses a greater threat than many bankers would like to admit.

The crisis played an outsize role in creating a polarized Washington. It helped push both parties further to the extremes, overturned the compromise-and-consensus playbook on financial issues, and left the banking system vulnerable to much wider swings of the policy pendulum. The populist forces unleashed by the crisis are still at large in both political parties, and banks remain a primary target.

Moreover, policymakers appear increasingly ill-equipped to tackle the big financial issues. Fannie Mae and Freddie Mac, the two biggest players in the housing market, have spent almost a decade in limbo at the hands of the government, while broader discussions about ways to fundamentally restructure the banking industry have largely been put on hold.

Some fear that the banking industry's recent victories — the passage of regulatory reform legislation and proposed deregulatory efforts by Trump officials — could even come back to haunt it at a time when there are rumblings that the economy could be headed for another downturn.

"These changes are significant, and nobody is really looking at the cumulative effect and what else is coming down the road," said Sheila Bair, who chaired the Federal Deposit Insurance Corp. during the crisis. "The timing on this is terrible — we haven't even tested these reforms through a cycle."

As the financial crisis reaches its tenth anniversary, should bankers really be celebrating?

The breaking point

When then-Treasury Secretary Hank Paulson walked into a meeting with Democrats in late September 2008, he was so desperate for a deal that he got down on one knee and literally begged House Speaker Nancy Pelosi not to walk away from an agreement.

It was the height of the financial panic, following the collapse of Lehman Brothers and the near-failure of American International Group, and the Bush administration understood the fate of the financial system might hinge on what happened next.

"If money isn't loosened up, this sucker could go down," President George W. Bush told policymakers privately, referring to the economy.

To prevent that, Paulson had devised a radical plan — with a whopping $700 billion price tag. He proposed that the government use this money to buy toxic assets from banks and stabilize the system.

It was a huge ask, so politically unpopular that many Republicans turned against their own president to reject it. The first attempt to pass it unexpectedly failed in the House, sending the Dow plunging by more than 700 points and further fanning the flames of the crisis.

Only with continued coaxing from Paulson, the president and others did Congress ultimately approve a revised version of what became the Troubled Asset Relief Program a few days later.

This was a turning point in the crisis. But it set in motion something else as well — the beginning of the end for the old political order. The impact of that one vote would reverberate for the next decade in a way that was not imaginable at the time.

From the outset, TARP was seen as deeply unfair. Here was the government bailing out the banks, even as regular people suffered the effects of an economy in free fall and a devastated housing market.

"You take the fact that over the last 30 years people in the middle-income categories haven't seen the kind of gains that they would have expected to have seen, and then they see these banks with a $700 billion bailout package put together," Sen. Bob Corker, R-Tenn., said in an interview. "That created in itself tremendous resentment in our nation. And it's still there, right? We're seeing it play out in elections."

Executives in other sectors also saw the program as unfair, especially after the Treasury announced its emergency bailout of General Motors and Chrysler several months later, earning GM the nickname "Government Motors."

While the banking system has largely rebounded from the depths of the crash, the economic recovery has been uneven. Banks are reporting record profits and the stock market is soaring. Yet for vast swaths of the country, wages have barely budged.

The gap between the rich and everybody else has also widened. The richest 1% of Americans now control nearly 40% of the country's wealth, while the next 9% control nearly the same amount. The vast majority of Americans, meanwhile, have watched their share fall since the crisis — the bottom 90% held slightly more than 20% of total wealth in 2016, down from roughly 30% in the early 2000s.

Put simply, the financial crisis cost the country trillions of dollars in economic damage, but in the years since, the wealthy have enjoyed disproportionately large gains.

This disparity has helped to fuel a broad antipathy toward Wall Street and the political system that propped it up, anger that has given rise to the Tea Party and Donald Trump on the right, and policymakers like Elizabeth Warren on the left.

It's clear now that the bailout did its job by saving the economy. But in so doing, it remade the political system, unleashing the forces of populism, partisanship and paralysis that are testing the country in a different way.

This is the story of how the financial crisis still haunts Washington.

How it was

To consider how much the policymaking landscape has changed since the financial crisis, it's worth looking back at the years before it flared up.

In the late 1990s, Donald Trump was a real estate tycoon who had not yet launched his reality television show, "The Apprentice." Elizabeth Warren was a relatively obscure Harvard professor studying bankruptcy. Sen. Bernie Sanders, a self-described socialist from Vermont, was a House member out of step with most Democrats, who wanted to be seen as pro-business.

The country's largest banks were a potent political force. After 20 years of trying, they scored a major victory in 1999 with the passage of the Gramm-Leach-Bliley Act, which formally removed the barriers separating commercial and investment banks. The legislation passed by a wide margin with a strong bipartisan vote.

There was a feeling in Washington that Wall Street could police itself and, unshackled from unnecessary government oversight, could help the economy continue to grow and prosper.

"What you had was a Washington consensus of deregulation," said former Rep. Barney Frank, D-Mass. The country's largest banks "were big and well financed and generally respected in America as successful enterprises."

And while interest groups including community banks vigorously opposed Gramm-Leach-Bliley, they didn't stand a chance at preventing it from becoming law.

"The community banking industry did everything it could to stop that bill and they were just rolled over like a speed bump on the financial legislation highway," said Camden Fine, the former president and chief executive of the Independent Community Bankers of America, who ran the trade association for 15 years before retiring this spring.

At the same time, Fannie Mae and Freddie Mac were powerful players on Capitol Hill, employing huge teams of lobbyists tasked with helping the government-sponsored enterprises avoid additional regulation, including higher capital requirements.

And although it's hard to believe now, banking issues largely did not cut down party lines, instead splitting, if anything, along regional divides. Consensus was possible and often reached on major banking legislation for decades before the crisis, including with the Riegle-Neal Act of 1994, which relaxed restrictions on interstate banking, and the Housing and Economic Recovery Act of 2008, which was approved the summer before the crash in an effort to head off problems in the subprime mortgage market.

But so much has changed.

Populism on the right

The shift began as the government leapt into action to stem the economic damage from the financial crash. For the many who felt they had not caused the situation and were helpless to stop it, the crash stoked ill will toward big finance and big government alike.

"The financial crisis and its devastating aftermath turned millions of Americans on the left and right into angry populists," said Larry Sabato, a professor of politics at the University of Virginia and the founder and director of its Center for Politics, which promotes civic engagement.

Enter the Tea Party and the conservative right.

Within a few months of the bank bailout, reports surfaced that the Obama administration, which had only recently taken office, planned to use some of the TARP money to help struggling homeowners. Critics on the right erupted, portraying it as a government handout. That view was embodied in a diatribe by CNBC commentator Rick Santelli, who mobilized a crowd of incensed traders on the floor of the Chicago Board of Trade in February 2009.

"We're thinking of having a Chicago tea party in July," he said, to claps and cheers from those around him. "All you capitalists that want to show up to Lake Michigan, I'm going to start organizing it."

It turned out to be a critical moment, crystallizing the populist animus on the right that led to the creation of the Tea Party. That wing of the GOP didn't support the bank bailout, and it rallied around opposition to Obama administration initiatives like healthcare reform.

But anger over the bailouts remains a prominent feature, so much so that rolling back the Gramm-Leach-Bliley Act, and reinstating the Depression-era Glass-Steagall Act, became part of the GOP's official platform in 2016.

The Tea Party targeted candidates too likely to compromise on economic and social issues, and subsequently pushed the entire party to the right. That deeply conservative energy played a critical role in helping Republicans seize the House in the 2010 midterm elections.

And even as the Tea Party brand faded, it paved the way for Trump, who tapped into the same resentment of "elites" and the establishment class during his successful 2016 presidential run.

"Donald Trump would not have been elected President without the Tea Party," Sabato said. "They knew how to organize and found a candidate in Trump who spoke to their fury and prejudices in a way [John] McCain and [Mitt] Romney could not. 'This is our last chance to save America' — we heard this over and over at Trump rallies and on social media. That energy propelled Trump to a slender victory in key states. Trump owes the Tea Party rebellion a great deal."

Populism on the left

But the bailout didn't just change the Republicans. Democrats were also upended by it.

"Under this bill, the CEOs and the Wall Street insiders will still, with a little bit of imagination, continue to make out like bandits," Sanders said on the Senate floor in September 2008, before voting against the TARP package.

Pelosi, Frank and other Democrats played a critical role in passing TARP. But after the bailout was enacted, many on the left grew disappointed that Obama's programs ultimately seemed to be helping far fewer struggling homeowners than the White House had projected, all while the banking system seemed to be gaining momentum.

That frustration could later be seen playing out in the Occupy Wall Street protests and Sanders' own meteoric rise as a Democratic presidential candidate nearly eight years afterward.

Warren, meanwhile, launched an entire political career off her call to create the Consumer Financial Protection Bureau, which was ultimately included in the Dodd-Frank Act of 2010. That success helped spur her on to run for Senate in 2012, where her campaign targeted problems with Wall Street. She argued that big banks had prospered while consumers were left behind.

"People feel like the system is rigged against them. And here's the painful part — they're right. The system is rigged," she said in a milestone speech at the 2012 Democratic National Convention. "Look around. Oil companies guzzle down billions in subsidies. Billionaires pay lower tax rates than their secretaries. Wall Street CEOs — the same ones who wrecked our economy and destroyed millions of jobs — still strut around Congress, no shame, demanding favors, and acting like we should thank them."

Warren focused intently on how influence is peddled in Washington, pointing to a revolving door between the banking industry and government. That view has come to embody progressives' distrust of federal regulators and their relationship with the financial sector.

"There's greater skepticism of regulatory capture and misuse of power," said Brian Knight, director of the program on financial regulation at George Mason University's Mercatus Center.

Yet progressives like Warren and Sanders, both potential 2020 presidential candidates, aren't alone in their sharp criticisms of the banking industry. Other rising stars of the Democratic Party are still focused on the financial crisis and its aftermath.

That includes Alexandria Ocasio-Cortez, the progressive New York candidate who shocked the establishment when she overwhelmingly defeated Rep. Joe Crowley, a senior congressman with ties to Wall Street, in the state's Democratic primary this summer. The 28-year-old Ocasio-Cortez worked as a waitress and bartender in college in the wake of the crash to help her mother stave off foreclosure on their family home.

Like Warren, Ocasio-Cortez campaigned on reinstating the old divisions between commercial and investment banking that Gramm-Leach-Bliley eliminated, blaming their repeal for the financial crisis. She also opposed a recently passed regulatory relief bill, slamming Democrats who supported it.

Her victory was a reminder that the crisis remains a potent issue on Main Street even a decade later.

"Banks have lobbied big-[money] Democrats to champion deregulation and make it look 'bipartisan,'" she tweeted in June. "This is corruption. Plain and simple… This is why I am running for Congress. Because we cannot stand idly as big banks gut every last protection working families have left."

Large vs. small banks

The shift in sentiment after the bailout also flipped the political power of the banking industry. Big banks, once seen as the central drivers of the economy, became toxic.

"Beginning with TARP, they lost influence — we did a lot of things in TARP over their objections," said Frank, pointing to compensation restrictions and other terms of the deal.

Paulson would go on to essentially force the nine largest institutions to accept capital injections under the program, despite pushback from top executives.

"They substantially lost influence over the legislative process when Lehman Brothers collapsed and the crisis hit, and they never regained it," Frank said.

As a result, they went underground. Instead of advocating directly, they started to use community institutions "as the point of the spear on their lobbying efforts," said Jesse Van Tol, CEO of the National Community Reinvestment Coalition, essentially using small-bank legislation as a vehicle for large-bank provisions.

The Wall Street giants also have shifted their focus to other methods, overturning Obama-era rules they don't like in the courts as well as working the regulators. Under the Trump administration, which is likely to provide a friendlier ear, even more of the focus has turned to the bank agencies.

"The largest institutions still have influence, but it's entirely through the regulatory process," Frank said.

The country's smallest banks, in contrast, have seen their political stock soar. The regulatory relief law opposed by Ocasio-Cortez passed largely because it was marketed as a small-bank relief measure, despite containing some goodies for larger institutions.

Partisanship

What's more, the recent relief package is remarkable because it follows an intense eight-year war among the parties over Dodd-Frank's very existence. It marks by far the most significant changes to the law since its passage.

The partisan divide seen during this latest legislative battle extends back to the very writing of Dodd-Frank. Despite bipartisan negotiations early in the legislative process in 2009, those talks quickly broke down, leaving Democrats — who at the time held majorities in the House and Senate — to set the terms of the debate.

In the wake of the crisis, leaders in Congress and the White House wanted to move quickly on legislation to respond to the crisis and its consequences. The law ultimately garnered only a handful of Republican votes when it passed in July 2010, souring relations across the aisle.

Industry veterans are still divided as to why talks broke down — Democratic impatience or Republican obstructionism. Although Republican ideas were incorporated into the law, the fact that so few in the party supported it left Dodd-Frank as a central political battleground.

"Until quite recently, Democrats have treated Dodd-Frank like it's holy writ and perfect, and Republicans have treated it like it's abhorrent and absolutely wrong in every way," Knight said.

Even after passage of regulatory relief, that fight continues.

For those on the right, the legislative win this spring marks an important step forward in righting the wrongs of Dodd-Frank.

"We've seen a trend of overregulation — a punitive way of going about regulating — and the new administration now is trying to pull that back," said Rep. Blaine Luetkemeyer, R-Mo., a senior member of the House Financial Services Committee who previously worked as a state bank examiner and community banker.

But on the left, the backlash to the regulatory relief bill was swift, led by Warren and others who began calling the legislation the "Bank Lobbyist Act." That backlash likely will have consequences for future banking bills and might play a role in the midterm and presidential elections.

Moderate Democrats who supported the bill were sharply criticized by progressives, which could chill any further outreach on banking issues in the near future.

"Senate Republicans voted unanimously for the #BankLobbyistAct. But this bill wouldn't be on the path to becoming law without the support of these Democrats," Warren announced on Twitter in March, as the bill cleared the chamber. "The Senate just voted to increase the chances your money will be used to bail out big banks again."

The divide over Dodd-Frank remains

most stark when it comes to the consumer agency created under the law. Although the CFPB remains widely popular with the public, it has become a symbol of government overreach for many on the right.

"The one piece that kept us from having a bill that could stand the test of time — and not be challenged the way Dodd-Frank has been — was the consumer bureau," said Corker. "If it had just been set up, not unlike other entities, where you had a board or commission that was appointed, and you had a rulemaking process that they had to approve, I think we would have ended up with strong bipartisan support."

The agency, now in Republican hands, is in the midst of a complete overhaul — creating a certain amount of whiplash for banks that had feared the CFPB's reach under Obama-appointed Richard Cordray. The Trump administration has made fast work of unraveling core functions of the bureau, halting ongoing rulemakings, reopening finalized rules and dropping court cases.

But those same forces rapidly changing the CFPB's direction are likely to once again be in play when Democrats eventually take power. Just as the Trump administration could quickly remake the agency, the next Democratic president may want to go further than Obama and Cordray did.

Like the law that created it, the CFPB has become a symbol of Washington's polarization.

Paralysis

Yet the impact of the crisis isn't just visible in what's changed. It's also apparent in what hasn't.

The post-crisis climate has made it even more difficult to tackle sweeping reforms to the financial system. It took eight years to pass significant changes to Dodd-Frank, and those alterations were fairly modest — relative to GOP aims to repeal the law entirely — leaving most of its central tenets untouched.

For some on both the right and left, that means there's been a failure to truly address the risks that the largest institutions pose to the financial system. While the crisis-era law arguably strengthened existing rules, it didn't overhaul the industry's structure.

"The economy was so fragile in 2009-2010, I believe policymakers said, 'Let's not do anything too dramatic, let's keep the system in its basic structure and let's just try to strengthen it,' " said Kashkari, who was also a former Treasury official under Paulson.

Although calls for reforming the biggest banks continued for years after the passage of Dodd-Frank, led by Warren, Sanders and others, the climate for addressing those concerns has further weakened. Kashkari has frequently spoken out on the problem of "too big to fail," releasing a report earlier this year outlining ways to tackle it. He warns that critical problems remain unaddressed.

"Our analysis is that a crisis absolutely could happen again," he said. "I am worried that not only have we not gone far enough to take the action that we should take, the winds are blowing against us and now there's a tendency to try to roll [existing rules] back."

Washington also has failed time and again over the past decade to resolve what to do with Fannie Mae and Freddie Mac, which remain in limbo under the government's conservatorship, despite some legislative false starts in recent years. The administration has suggested that it plans to pursue the issue next year, but is bound to bump up against the many political hurdles that have blocked previous efforts.

"The crisis has left us in a place where it's harder to reach consensus on the smaller issues and the broader political climate makes it difficult to tackle the big issues," said Aaron Klein, a fellow at the Brookings Institution and former Obama Treasury official.

The storm over D.C.

There is a tendency to believe that the U.S. has always been this politically divided. But with a few notable exceptions, research says that's not the case.

"The divisions between Republicans and Democrats on fundamental political values — on government, race, immigration, national security, environmental protection and other areas — reached record levels during Barack Obama's presidency," concluded the Pew Research Center last fall, after studying this divide since 1994. "In Donald Trump's first year as president, these gaps have grown even larger."

This trend is also reflected throughout history.

Such polarization is both "common and predictable" after a financial crisis, wrote Amir Sufi, an economist at the University of Chicago, in a 2016 essay, based on his study of historical trends with researchers from Princeton and the University of British Columbia.

"Not surprisingly, we find, after almost any financial crisis, ruling governments became substantially weaker, while opposition coalitions grew stronger," he added. "This increased overall political partisanship and fragmentation, often leading to gridlock and ineffectual policymaking, just when bold moves and major financial reforms might have been particularly beneficial."

Here in the U.S., what started as an economic crisis has become a political one — and there is no one to beg for a bailout this time around. ◻

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THE GREAT AMERICAN AMNESIA

As memories of the financial crisis fade, consumers are back to their old spending and saving habits — which is to say lots of spending and very little saving.

By Kevin Wack

September 2008 was one of those rare interludes when the world shifts beneath your feet. Markets froze. Fabled banks stood on the precipice. The U.S. government, after initially standing by idly, brought out its bazooka. After a generation of deregulation, it genuinely seemed possible that the U.S. banking system would be nationalized.

The crisis had immense economic and political consequences over the following decade. It helped fuel the rise of the Tea Party, and later, both Trumpism and the anti-corporate left. It led to new regulations that transformed banking into a safer, far more boring industry. And it wreaked havoc in tens of millions of American lives. Foreclosures became an epidemic. College graduates were forced to move into their parents' basements. Aging workers had their retirement plans upended.

But 10 years later, what's remarkable is how little the financial crisis changed Americans' relationship to debt and savings. We still borrow more and save far less than prudence would dictate.

U.S. household debt, which declined between 2008 and 2013, has rebounded sharply. By the first quarter of 2018, it was at an all-time high of $13.2 trillion. The composition of our debt has changed, and we've been better able to manage our obligations, thanks in substantial part to an extended period of low interest rates. But the crisis did not teach us a lesson about the perils of borrowing too much.

Nor did it lead us to place more value on savings. Between 1960 and 1984, the U.S. personal savings rate — which is savings as a percentage of disposable personal income — never fell below 8%. That level of national thrift is far out of reach today. In December 2017, the personal savings rate dropped to 2.4%, its lowest level since the debt-fueled boom of the mid-2000s.

In a much-discussed Federal Reserve survey that was published last year, 35% of U.S. adults reported that they would not be able to pay all of their bills if faced with a $400 emergency. Given that context, one can only hope that the next downturn will be far less severe than the last one, because Americans are again exposed.

"Ten years ago, a lot off the problems economically for households were sort of covered up in debt," said John Thompson, chief program officer at the Center for Financial Services Innovation. "And it sort of feels like that's starting to happen again."

Unable to save

After the financial crisis, some observers argued that Americans were entering a new era of frugality, in which lenders would not be able to rely as heavily on interest income. And for a time it appeared Americans were changing their money habits. A survey that was conducted by the Consumer Federation of America in

February 2009 found that 44% of consumers were making an effort to pay down their debt, compared with 38% the year before.

"To state the obvious, consumers went through a severe shock," said Harit Talwar, the head of Marcus, the consumer finance arm of Goldman Sachs. "I've been in various focus groups over the last 10 years, and heard consumers directly. It's very personal. Everybody knows somebody who really struggled."

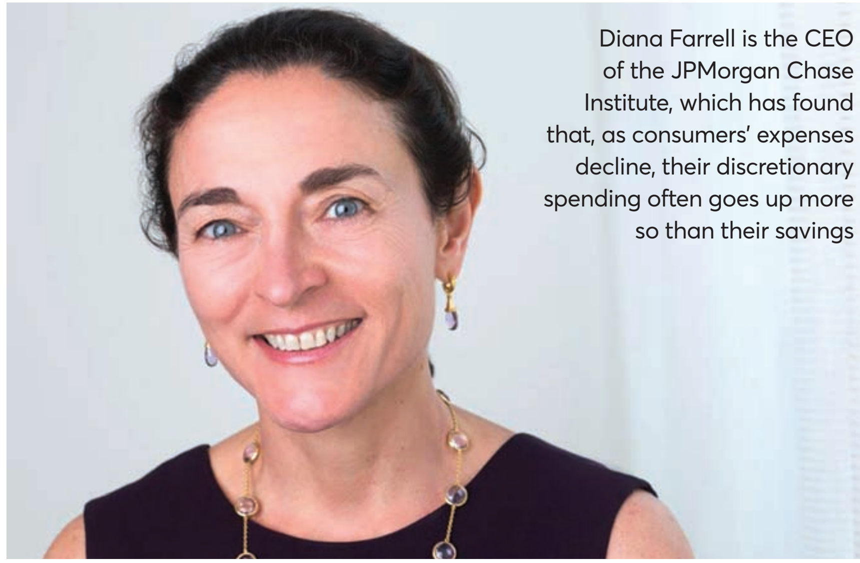
But it is unclear whether consumers changed much at all, even in the short term. The personal savings rate climbed as high 11% in 2012, but that proved to be a temporary blip, which was likely caused in large part by lenders writing down delinquent consumer debt.

When Americans' expenses fell in the post-crisis era, discretionary spending increased more so than savings, as two studies from the JPMorgan Chase Institute illustrate.

In the first study, the institute, which uses customer data from the New York-based megabank to research economic trends, identified more than 4,300 consumers who had an adjustable rate mortgage that reset to a lower interest rate between April 2010 and December 2012.

Over a two-year period, those customers increased their credit card usage so much that the spending hikes exceeded their mortgage-related savings by 4%.

The second study looked at the spending habits of more than 25 million Chase credit card and debit card holders during a period in late 2014 and early 2015 when gasoline prices were on average $1 per gallon lower than they had been a year earlier. The researchers found that individuals spent roughly 80% of the money they saved at the gas pump.



Diana Farrell is the CEO of the JPMorgan Chase Institute, which has found that, as consumers' expenses decline, their discretionary spending often goes up more so than their savings

Diana Farrell, the institute's CEO, lamented that many Americans do not understand the need to establish a base level of spending that is below their income. "A lot of people don't necessarily have a good grip on their finances," she said in an interview.

Certainly wage stagnation during the post-recession period has made it difficult for families to save. That is particularly true in lower-income households, which also have been squeezed by rising costs for housing and higher education.

And to analyze consumer behavior in isolation is to miss a big part of the picture — namely, how outside factors shape that behavior.

"Consumer behavior is largely like water. We kind of take the path before us," said Mariel Beasley, co-director of the Common Cents Lab at Duke University, which applies insights from behavioral economics to the study of Americans' financial well-being.

In the age of targeted marketing, retailers have become highly skilled at persuading us to open our wallets. In comparison, efforts to encourage frugality, such as America Saves Week, are modest. "Savings in this country is invisible," Beasley said.

Banks and other lenders also have a big impact on consumer behavior. Consider, for example, the steep rise in automobile debt after the crisis — outstanding car-loan balances rose by 76% between the first quarter of 2010 and the same period eight years later, according to data from the Federal Reserve Bank of New York.

Undoubtedly some people delayed making car purchases until after the crisis ended. But the rapid growth in auto loans was likely more attributable to an increase in the available supply — lenders took note of the high percentage of car owners who made their loan payments on time during the crisis and subsequently loosened their standards — than it was to changes in the demand for transportation.

The comparatively small market for secured credit cards provides another example of how the financial industry has been encouraging consumers to favor debt over savings.

Secured cards are designed for individuals who do not qualify for mainstream credit. Before getting access to a line of credit, customers put down a security deposit, which serves as a savings mechanism. But secured credit cards are being used by only a tiny fraction of consumers who could benefit from them, according to a 2016 study by the Center for Financial Services Innovation.

One key reason is that credit card issuers do little marketing of secured cards, which tend to have low or even negative profit margins in the first year or two, the study found. So consumers who could benefit from secured cards may turn instead to high-cost payday lenders.

"Arguably the greatest barrier to increased uptake of secured credit cards is their invisibility to most consumers," the study's authors wrote.

Myths about millennials

The Great Recession was particularly hard on Americans who were coming of age in the late 2000s. Those who'd just graduated from college were saddled with staggering levels of student debt and facing a weak job market. Those who hadn't finished college fared even worse, since they were competing against their better educated peers for low-wage work that was in short supply.

In recent years, two narratives have taken hold about the effects that the financial crisis had on millennials' relationship with debt. There is reason to be skeptical of both, though.

The first narrative is that millennials, because they went through the crisis at an impressionable age, are more wary of credit card debt than older generations. In a LendingTree survey from 2015, only 61% of millennials reported that they had at least one credit card, compared with 79% among members of Generation X and 89% among baby boomers.

But there may be numerous reasons that millennials have fewer credit cards, starting with the fact that they have been trying to dig out of a financial hole and are less likely to qualify for mainstream credit. "Younger consumers are generally less creditworthy," said Ezra Becker, a senior vice president at TransUnion.

Another factor in millennials' relatively lower reliance on credit cards is the fact that older generations established their spending habits at a time when debit cards were far less common than they are today. Also a potential culprit: a 2009 federal law that restricted the ability of credit card issuers to market their products on college campuses.

The second narrative that has emerged since the crisis is that millennials are less interested in owning a home and a car than previous generations. The more likely scenario is that many millennials have resigned themselves to delaying major purchases that previous generations made at younger ages.

Young adults often are still trying to pay off their student loans, and many of them are living for longer periods in cities, where car ownership may be optional. Meanwhile, mortgage standards have tightened, and home prices are soaring in many parts of the country.

A 2017 survey by TransUnion found that 74% of millennials who did not already have a mortgage planned to buy a home eventually. "A set of specific circumstances has resulted in a generation that has postponed the typical milestones of adulthood — job, home, marriage, children — and all the purchases that go along with them," said a TransUnion report on millennials.

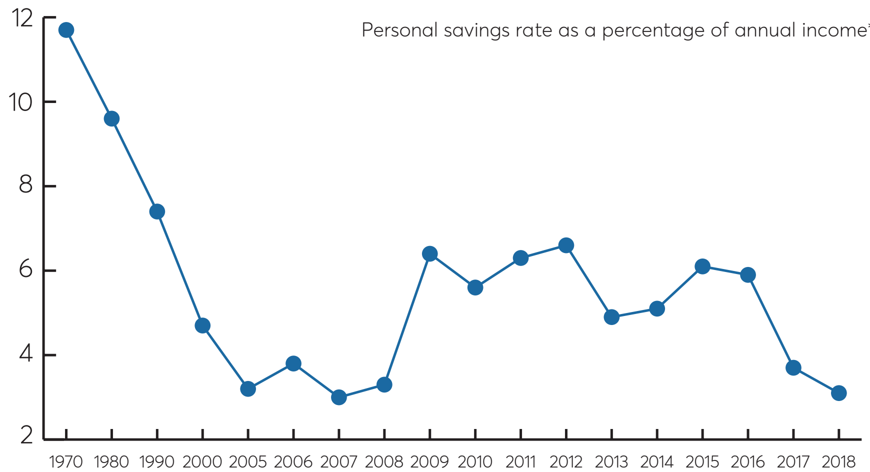
Across all U.S. consumer groups, home equity is probably the realm where the crisis had the biggest long-term impact on financial behavior.

Before 2008 many Americans saw their home equity as a way to finance consumption or speculate in real estate, but that is far less true today. A recent LendingTree study found that 43% of consumers who tap into their home equity plan to use the proceeds to make home improvements, versus less than 1% who plan to buy an investment property.

"I think before the financial crisis, many, many, many American consumers saw their home as a bit of a piggy bank," Brad Conner, vice chairman of the consumer banking division at Citizens Financial, said in an interview. "Obviously it was a very rude awakening to folks."

A bygone era

The U.S. personal savings rate long hovered in the 10%-12% range. But in the last two decades it has generally remained at a much lower level. The financial crisis interrupted that trend in 2008, but not for long.



Source: Federal Reserve Bank of St. Louis *Note: Personal savings rate shown is for January 1 of each year

How much of that shift is the result of consumers' own experiences during the Great Recession, as opposed to lenders tightening their lending standards, can be debated. Conner said that both factor into the current dynamic.

The broader question is whether the crisis dimmed America's love affair with homeownership. But even 10 years later, it is perhaps too soon to provide an answer.

The national homeownership rate plunged from 69% in 2006 to 63% in 2016, a trend driven by the millions of Americans who could no longer afford their bubble-era mortgages, the tighter lending standards that emerged after the crisis and the rise of single-family rental homes.

In the first quarter of this year, the U.S. homeownership rate was back above 64%, which was almost exactly its 30-year average between 1965 and 1995.

Looking ahead

Conversations about U.S. consumer debt often focus on whether another bubble is forming, and whether the next crisis is around the corner.

Right now, there is no sign that the sky is about to fall. Mortgage-related loans, which make up about 71% of the nation's consumer debt, no longer rest on the assumption that house prices will rise forever. Delinquency rates remain low across various asset classes thanks in large part to a strong labor market. And as a percentage of disposable income, household debt is near its average from 1990 to 2018.

The big question is what will happen to consumer debt levels as the Fed continues to raise interest rates. In an optimistic scenario, Americans who have been unable to earn a decent return on their savings over the past decade will start to sock away more of their earnings.

In a gloomier future, U.S. consumers will continue to borrow freely even as rates climb. The ability to make their debt payments will erode with time, which will leave them vulnerable to the next economic shock. And then the same cycle that has unfolded over the last decade will begin again. ◻

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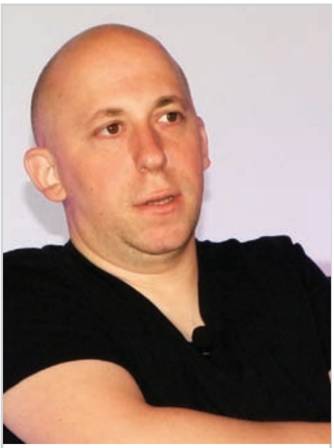


DAN KIMERLING

"To run a startup is to chew glass and learn to like the taste of your own blood."

Founder of Deciens Capital, saying startups are more driven than incumbents

DAVID WEISS

"These lakes can be very wide and deep, like the Great Lakes. Boats have been known to sink in the Great Lakes."

A principal at the advisory firm Market Structure Metrics, on banks' struggle to create the "data lakes" that facilitate use of artificial intelligence

JOHN WAITES

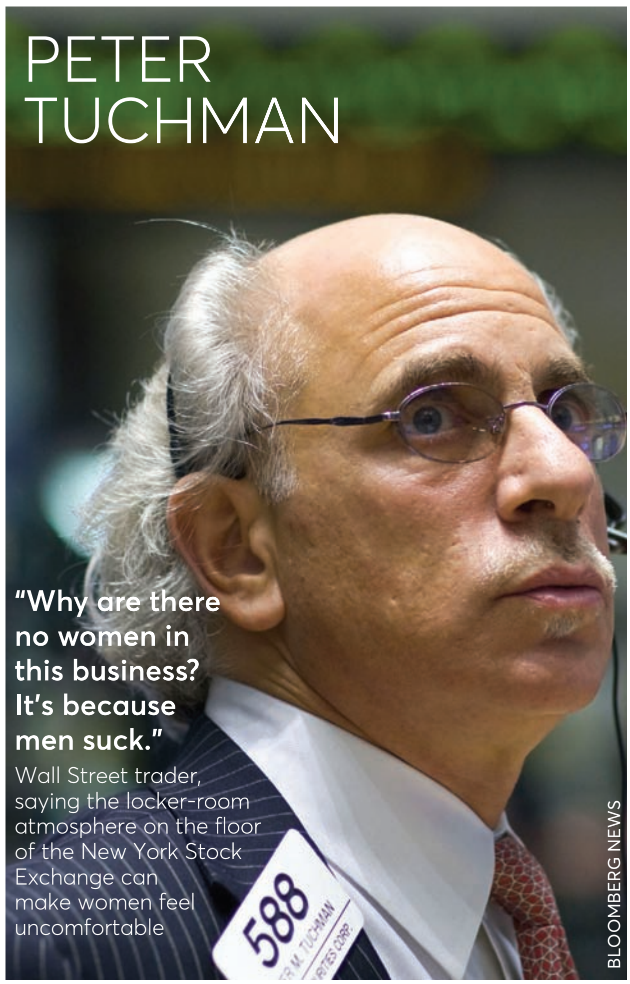
"If the law's not going to be improved by Congress, we have to help these young people who are drowning in student loan debt."

U.S. Bankruptcy Court judge, arguing for flexibility on forgiving student debt

DOMINIC VENTURO

"The banking industry used to be very focused on creating a product and selling the product, and if you could get one person to use two products, even better. Solving customer problems wasn't a normal part of the conversation."

U.S. Bank's chief innovation officer, on how banks must change as tech giants encroach



PETER TUCHMAN

"Why are there no women in this business? It's because men suck."

Wall Street trader, saying the locker-room atmosphere on the floor of the New York Stock Exchange can make women feel uncomfortable

BLOOMBERG NEWS

SEN. ELIZABETH WARREN

"They go on and on about how 'big government' restricts freedom and makes it harder for businesses to succeed. That's a big, greasy baloney sandwich — a greasy baloney sandwich that has been left out in the sun too long and has started to stink."

Massachusetts Democrat, after Republicans succeeded in easing post-crisis bank regulations

MICHAEL O'ROURKE

"You're sure you didn't want to walk that one over?"

President and CEO of Signature Bank in Illinois, to a business customer who deposited a $30 million check via remote capture despite being just a block away from a branch

RICHARD SCOTT BLACKLEY

"I think the final place of where technology is going to settle out is probably beyond what our current comprehension is."

Capital One's chief financial officer, declining to predict tech's impact on banking over the next five to 10 years

ANNE BODEN

"If you look at the big banks, the only difference between them is the color of the carpet in the branches."

Founder and CEO of Starling Bank in the U.K., arguing that challenger banks like hers give consumers a much-needed alternative to the incumbents

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