

Making Money on the Margin

Home Equity Lines—the perfect growth strategy to enhance the bottom line.

By Karen Miller

With rumors abounding about the Federal Reserve's next interest rate move, the market seems to think that the upward rate adjustments might ease for awhile.

One strategy to combat shrinking profits due to thin margins is to "grow the margin"..

That's great news of course, however, it also means the flat yield curve will also remain with us for awhile. For most banks and credit unions this means interest rate margins will not change for the foreseeable future, creating continued challenges for growth and profitability.

Most banks and credit unions in the Northeast are posting declining profits as compared to one year ago, clearly illustrating this long struggle to survive.

One strategy to combat the

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shrinking profits due to thin margins is to "grow on the margin", at a spread that helps alleviate the profit pinch. Expanding the balance sheet by booking assets with a spread of at least 1% on

ancements of high credit quality and a variable rate of interest to help offset the vast fixed rate loan portfolios that many financial institutions hold.

As an added bonus, most homeowners



the net expansion of assets over the cost of funds makes perfect sense for most institutions.

Home Equity Lines of Credit are the perfect vehicle to insure that this minimum spread is maintained; they have the added en-

today usually "bank" where they have their real estate loans, particularly if in-house staff is attentive to cross selling.

If you are not aggressively marketing Home Equity Lines, you are missing a perfect growth strategy.