

December 2009

Frequently when I talk to each of you I am asked my view on the economy or perhaps my view of the economic component of a pending State or Federal piece of legislation. Each of you politely thinks I may know more than someone else. This may come as a surprise to you but I do not have all answers, although I do have some rather strong opinions on most issues. Many request a prediction on where interest rates are going and when. Those of you with savings, question when rates will be going up. Many of you who borrow from us want to know how much lower rates will go and how you can lock for the long term when rates bottom out.

I can tell you this; rates are in my opinion, artificially low. I expect these rates to continue in this range for at least 12 months. I believe it is the opinion of the Federal Open Market Committee that economic activity is weak. Much more needs to be done to improve economic growth. More people need to find work; existing consumers need to capture more confidence about the future. Savers can reasonably expect saving rates to remain where they are. Borrowers will continually look for the “bottom.” My crystal ball is not accurate enough to predict the exact bottom.

The question that we all hear from the electronic media is “when will banks start to lend?” First, let me editorialize that I do not think banks stopped lending. Community banks and Cape Cod Cooperative Bank in particular were responsibly lending, before the September 2008 Financial Meltdown; after which we continued to lend. In fact our Residential Lending Department has had a record year. In part this was due to new customers seeking lower rates and moving away from the mortgage company environment that they felt was responsible at least in part for the financial crisis.

On lending to businesses, our principal remains; 1) Do they have a good sound business plan so our money will help, not hurt the business? 2) How will the business repay us? I recently read that America’s lending problem is not that Banks are lending too little but that the businesses who are borrowing do not have enough paying customers to generate repayment. So please be assured that we do continue to lend, but we expect good business plans, up-to-date financials from the borrower, and a logical expectation of how you will repay. We have had to say no to applicants if we did not believe the new loan truly helped them.

My summer newsletter outlined the issues that were a part of new Financial Reform Legislation. At the moment the President is the lead cheerleader and brow beater. Representative Barney Frank is the quarterback and has gained House of Representatives approval by doing some horse trading. This bill is better than it was when it was initially offered, but has flaws in several important areas of cost and governance. The Senate Bill proposed by Senator Dodd is poor. The Senate has started all over again, which it should. Of course at the same time, Health Care Legislation is consuming significant time. 2010 will be interesting.

So, what else can you expect from us?

As we look to 2010, the role of technology and public policy will continue to play an increasing part in everything we do. Early in the 1970's as ATM cards were introduced, the buzz was that we would be a checkless society before 1980. Then, it seemed checks would be relics of the past by the 21st century. To date, they remain an important part of payment systems. However, technology and public policy are driving some important changes for the year ahead. Technology is clearly driven by demographics and consumer requests for real time, immediate interaction. Public policy is being driven by the need to at least control costs, and preferably lower costs. The Federal Reserve is closing check clearing facilities to increase efficiency and to respond to the number of transactions now being completed electronically. Changes in postal service and delivery costs are forecasted; as a result, you will see some changes and we will add new services available to you.

We are currently in the process of rolling out Mobile Banking. This will make banking available to you via your cell phone. It will allow you to check balances and make transfers within your accounts and will allow us to send text or email messages of importance to your cell phone. You may request a reminder about a maturing Certificate of Deposit, the confirmation of an electronic deposit being received, an alert that your checking balance has fallen below a balance you like to keep as a minimum, or even an alert that your checking balance is getting too high.

We will become the last of the banks in the region to move away from paper statements and processed checks as you currently know them. We will be converting to Imaged Statements and checks. We will also have the ability to offer to send statements to you electronically, greatly reducing the delivery time. This changeover is projected to occur this summer.

We will continue to focus on relationship accounts that exchange benefits between the bank and the customer. Expect some new and exciting options in the spring.

We will remain committed to our customers and our communities. We will continue to serve customers in the manner we would like to be treated ourselves.

I wish you all a happy and successful 2010.

Joel.