

A New Banking Vision for the 21st Century

As we journey into a new century, I dream of popularizing the RF banking brand and the RF financing methods using well-trained and dedicated RF bankers. Judgment of a person, a manager, an investor, a banker, a board of directors, a politician, or a community leader cannot be regulated by a government decree or a set of laws. Judgment is personal and depends on the prevailing culture. Making a judgment depends on the way people were raised by their parents, their value system, and their deep-seated belief that a higher authority—a much higher authority than government regulations and laws—is watching over them.

The RF banking brand has been tested in the United States since 1987 at American Finance House LARIBA, with great success and a proven track record. Later, we branched out to test it on community banking operations, to see first whether it could be implemented and second (and most importantly) whether the consumers in a small conservative city like Whittier, California would accept it. We are very pleased to report that the principles of RF banking and finance were accepted and proven to be successful not only by our auditors and examiners but also by many of our customers, who kept referring their neighbors, friends, and associates to do business with us. It was proven also that in 2008, in the midst of the worst banking and economic meltdown in America's history since World War II, RF banking and finance rescued both LARIBA and the Bank of Whittier from becoming a participant in that meltdown. The results show it.

Strategically, it is important to make sure that we learn from the mistakes and errors in judgment of the 20th century that led to the 2008 meltdown. The option of acquiring other banks has proven to be unsuccessful, especially in the area of creating a cohesive RF banking culture that trickles down even to the newest teller. RF bankers have to be trained from scratch, and these RF banking pioneers should be prepared to lead in the effort to

produce more RF bankers who believe in the cause and the culture of RF banking. The other option of building a “brick and mortar” branch system has proven to be very expensive and difficult to manage, especially for a new banking brand that needs to be popularized with the lowest expenses.

To plan for the future, one must take a peek at and articulate a vision of that future. With the growth and sophistication of the Internet, it is a fact that most people do not go to their bank branches after opening the account. A new generation—not only in the United States, but all over the world—is now Internet bound. That is why the new RF banking system should benefit from the latest trends in Internet banking and Internet communications, without sacrificing security and privacy, by using the most up-to-date and sophisticated systems and techniques. We have attempted to do that at LARIBA and the Bank of Whittier, and we were very successful, not only in serving the city of Whittier and its surrounding neighborhoods in southern California, but also all 50 states.

One very serious hurdle would limit the expansion of our RF banking service to achieve our dream: the variation of banking laws from one state to another state in the United States. For example, a bank charter or license must be secured in almost every state to practice depository services in that state. It is true that a national bank can serve from one location, but there is another layer of regulation that limits the expansion outside that area—the Community Reinvestment Act (CRA). This is a very big challenge that has to be resolved.

As we proved that the pilot experiment worked, we have been contacted by many who believe in the RF banking and finance brand and its values and methods. They invite us to open branches in their communities. The standard response we give is “We would be happy to do so, if we can establish that there is real demand for our services.” We usually propose the following steps, in order not to be hasty, not to waste money, and not to compromise our reputation:

1. Start a virtual branch in our computer system by creating a soft branch in the financial ledger. In the branch’s ledger, we keep track of the new accounts and deposits made from that community, as well as the financing facilities (loans) invested in that community. When the level reaches a certain critical mass, we go to the next step.
2. Open a loan production office (LPO) that is responsible for promoting the financing of community needs; it is not allowed to take deposits, but can encourage the use of Internet banking.
3. Open a small branch and encourage Internet banking. If the branch is in the same state where the bank is chartered, local leaders of the community are invited to become shareholders. This adds local content and

contribution, in terms of money (capital), intellect, and reputation, to the effort. In addition, a small local executive board should be formed to give the effort a local feel and legitimacy. If the bank starts operations in a different state, shareholders from that state must be added as a prerequisite to opening that branch.