

Subject: Greenleaf Newsletter: Are We Facing A Bank Crisis? Plus, Don't Put Checks in the Mail!

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From: Greenleaf Financial Group

To: info@greenleaf-fg.com

**Hello Greenleaf,
Welcome to Our Client Newsletter**

In the March Issue:

- **Three Banks are Gone. Are We Facing a Bank Crisis? (Plus Money Tips in this New Interest Rate Era.)**
- **Is it Safe to Send a Check in the Mail? Only if You're Very Careful.**
- **Market News: Near-Term Uncertainty for Stocks, but Bonds Gain.**

**Three Banks are Gone.
Are We Facing
a Bank Crisis?**

The rapid closures of Silicon Valley Bank and Signature Bank, plus the sale of Credit Suisse to UBS, is a substantial worry for many people. Are we facing a large-scale bank crisis? What are the repercussions of the past few weeks for the economy and for individuals?

**Failed Banks Were
Outliers**

Silicon Valley Bank was highly

Question:

**Is it Safe to Send a
Check in the Mail?**

Answer: Alas, no. The crime of "check washing" is on the rise.

What is check washing?

In a typical check washing crime, a check is stolen from the mail and then payment details on that check are erased with chemicals. The check's signature is not removed. Then, the check is rewritten with a much larger

Market News

**Relief One Day,
Concern the Next**

Stock markets have alternated between days where investors are either relieved with the actions of regulators and governments or concerned about the wider economy.

What was an unwavering focus on the path of interest rates has been mostly set aside for a focus on the international

unusual in its business approach. It made loans to businesses that were too new or too small to get loans from other banks. Silicon Valley Bank also focused intensely on high-risk business segment, namely venture capital and technology start-ups. It also made some critically bad risk-management decisions.

What doomed the bank, however, was a widespread panic within its highly connected customer base, plus the ability to potentially withdraw millions of dollars with a few taps on a phone. In just one day, depositors tried to pull out some \$42 billion from Silicon Valley Bank.

Like Silicon Valley Bank, Signature Bank had high levels of uninsured deposits (97% and 90%, respectively). This made both banks vulnerable to bank runs as depositors feared the loss of their money. Whether Signature Bank's involvement with the volatile world of cryptocurrency was problematic is an unsettled question. Concerns about money laundering at Signature Bank, however, had been raised by the Securities and Exchange Commission (SEC).

Implications for Banks and Depositors

amount of money addressed to a new recipient and quickly deposited or cashed.

In an instant, hundreds or thousands of dollars can come out of your bank account and these dollars are difficult, if not impossible, to recover.

How do criminals steal checks?

It isn't hard to identify a bill payment in the mail, so most checks are stolen from personal mailboxes or USPS mail dropboxes.

Postal workers have been robbed of their master keys to dropboxes and fraud experts report that stolen keys can be bought online for as little as \$800.

How big is the problem?

Illinois reported 17,000 cases of washed checks in a ten-month period in 2022. Organized crime in Chicago sells washed checks and personal identity details online, using the proceeds to fund criminal activities.

How can you protect yourself if you want to write checks?

1. Use black or blue **GEL** inks. Gel inks soak into paper and are much more difficult to remove.
2. Don't use your own mailbox or an outdoor

on the international banking system and a renewed concern about a future recession.

These concerns have led to a jump in investment-grade bond prices and a gain of almost 2% over the past month for the broad U.S. bond market.

In contrast, small-company stocks have had a difficult month, declining about -7%. Small-company stocks -- particularly those that follow a value investing strategy -- have been hurt by worries over small and regional banks. There are more than 200 banks, for example, in the Russell 200 Index, which is the standard small-cap index. As a whole, financial stocks make up 17% of this index.

In addition, many commercial real estate stocks are small-company stocks and the real estate segment has suffered this year as higher interest rates, e-commerce, and work-from-home trends influence their profit margins.

Still, for the year-to-date, the broad U.S. stock market has maintained gains of about 3.5%. International stocks have already gained about 4%.

Looking past these two failed banks, it's undeniable that banks face some challenges. Banks have been paying depositors less than 1%, much less than other savings vehicles, such as money market funds at brokerage firms, which pay more than 4%. Consequently, banks have been losing assets.

If those losses continue and panic causes further bank runs, then there could be some near-term instability among banks. On the other hand, the surge in interest rates has made CDs attractive once again and banks with a good selection of CDs are attracting new customers.

In brief, if your bank deposits at any insured institution are less than \$250,000, then you have nothing to fear. Even in the case of Silicon Valley Bank, insured depositors could tap their savings within 48 hours of the bank's collapse and federal takeover.

Implications for Borrowers

Looking at the bigger picture, banks and lenders may be less likely to loan money except to the most attractive borrowers. If you will be borrowing to purchase a house, a car, or take out a line of credit, now is the time to start improving your attractiveness as a borrower.

First, check the accuracy of

collection mailbox. Take your letters and bills to a post office during business hours and hand them to a clerk or drop them in a mail slot **INSIDE** the building.

3. Freeze your credit at the three credit reporting agencies (*Experian, Transunion, and Equifax*) so that thieves cannot use your personal information to open accounts in your name.
4. Don't maintain a bigger balance than you need in your checking account. Instead, stash excess cash in a savings account and make transfers to your checking account as needed.

How can you protect yourself in other ways?

1. Pay your bills electronically. As long as you're not on a public wi-fi connection, fraud experts recommend online bill-paying over using checks because your bank account and the payment systems are encrypted.
2. Sign up for withdrawal and payment alerts for your financial accounts. Text

We are always happy to discuss your investments and your concerns with you. If you have a question, please contact us!

your credit reports at www.annualcreditreport.com. Make sure your address is correct and that information about your lenders, accounts, and payment history is accurate for all of your accounts.

Second, take steps to shore up your credit scores. Always pay your bills on time, don't get close to your credit-card limits (even if you always pay your card balance), and limit the number of new credit accounts.

Implications for Individuals

The past few weeks have featured many accusations, including some finger-pointing at the Federal Reserve's rapid and numerous interest-rate increases in 2022. It's true that higher interest rates are challenging for banks in the short-term, but they also lead to higher profits in the long term.

Individuals face a similar set of good and bad repercussions. The ability to earn 4.5% or so on cash holdings is a plus, particularly for risk-averse individuals.

Higher rates, however, mean individuals with adjustable mortgage rates or home equity lines of credit (HELOCs) are paying higher interest costs. If you have an adjustable-rate loan, make that loan a priority to pay down.

messages are best since you know the instant a fraudulent withdrawal or charge has occurred.

3. Contact your bank immediately if you see anything suspicious.
4. Sign up for electronic statements and review them soon after they are available.

What should you do if you are the victim of a financial crime?

1. Call your bank and take immediate steps to protect your account.
2. File a police report.
3. File a complaint with the *Postal Inspection Service* (1-877-876-2455) if your check was stolen from the mail.

California

Jennifer Hartman, CFP
jhartman@greenleaf-fg.com
323-395-8801
1239 S. Rimpau Blvd.
Los Angeles, CA 90019



GREENLEAF FINANCIAL GROUP
PRACTICAL SOLUTIONS | PERSONAL ADVICE | PROGRESSIVE IDEAS

Indiana

Kathleen Hartman, CFP, CFA
khartman@greenleaf-fg.com
317-993-3384
13295 Illinois St., Suite 322
Carmel, IN 46032

www.greenleaf-fg.com

Greenleaf Financial Group | 13295 Illinois Street, Suite 322, Carmel, IN 46032

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