Taking Stock: Hold onto the shares, let go of the bank

by Malcolm_Berko

Dear Mr. Berko: I bank at LaSalle Bank, which is being taken over by Bank of America. I bought Bank of America when you recommended it last year and it's done nothing. Should I sell it because I have a very small profit? And what's your take on the takeover by Bank of America? Will we be getting better certificate of deposit and lower loan rates?

O.N.

Elgin, Ill.

Dear O.N.: The takeover by Bank of America is not a fait accompli, because the Royal Bank of Scotland and a few others seem to have ambitious interests. However, I've said it before, and there's value in saying it again, "When your old bank is taken over by another bank (especially a Big Box bank) its time to change banks," especially if the bank doing the "taking" is Bank of America (BAC-$51.05).

BAC wants to purchase LaSalle Bank for a nifty $21 billion and current LaSalle customers could be screaming "bloody murder" in the months to come. At LaSalle, you are treated like a next-door neighbor and tellers as well as branch managers know you by name. As the takeover progresses, so will changes at your local LaSalle, beginning with the branch managers who will be replaced by a cadre of BAC-trained robots. Within a year, many LaSalle people in the mortgage and loan division, the bookkeeping, human resources, tellers, communications, etc. will be looking for new jobs.

Your once "comfy" branch bank relationship will segue from a warm, personal ambience to a mechanical, cold, Big Brother-is-watching atmosphere. Monthly fees might increase, the cost to carry your business and personal checking accounts could grow, CD rates might be lowered and BAC will litter your mailbox almost daily with spam advertising, the envelopes of which are indistinguishable from your checking account, bank card, loan and mortgage statement envelopes. Soon you'll be tossing the important envelopes in the trash along with the BAC's huge deluge of spam advertising mail.

Now if you don't mind being frequently tweaked by BAC's myriad changes, you can adjust and do it the Bank of America way. But there are several things to which you might have trouble adjusting:

1. BAC branches do not accept your mail-in deposits and branch employees are instructed to return your marked deposit.

2. Worse, if you deposit an out-of-state check, BAC requires a three-week wait for it to clear. A reader recently wrote that she deposited a $67,000 check from a large brokerage and BAC insisted on a 14 business day wait to clear the entire amount. The reader, unaware of this hold requirement, bounced a written check to his son a week later. When the branch manager was advised of the reader's problem she responded: "that's the rule and I can't change it." That's sad, because I know BAC clears out-of-state checks electronically the following day so the money's there earning interest at BAC for all that time rather than the depositor. I don't think you had that problem at LaSalle.

3. You can't phone a BAC branch office like you could at LaSalle. Branch offices don't take direct phone calls from depositors like you or me and BAC doesn't want "relationship" banking services for the little guy. So if you remain after BAC swallows LaSalle, you will just be another UND (unwanted nuisance depositor) with the largest bank in the world.

However, I must acknowledge that I own a few shares of BAC and have owned them long enough to enjoy a couple of 2-for-1 splits. And while I've received numerous complaints (since recommending BAC in my column) from readers who have been pinched and nipped by BAC's business practices (especially BAC's refusal to timely clear out of state checks), I won't recommend that you sell your shares.

BAC's revenues and net income have more than doubled since 2004 and could do it again in the coming four to five years. The dividend yielding 4.4 percent, has grown from $1.60 in 2004 to $2.24 this year with the potential to increase to $2.32 by year's end. This is a swell growth and income stock run by the hard-nosed businessmen to whom folks like us are like dandruff on a blue sports coat.

I believe BAC will continue to grow its revenues, its earnings and dividends over the coming years and I believe the stock price will increase accordingly.

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