

## Bad News Is Good News For Banks & Small Biz

by [Steve Brown](#)

There are days when there is so much negative news in the press that we wish we could just close our eyes and will it all away. Much to our dismay, it seems the old adage is true: bad news sells. To further prove this point, content recommender Outbrain did a survey several months ago that found headlines with positive superlatives like "always" or "best" performed 11% worse than neutral headlines. Meanwhile, headlines with negative superlatives like "never" or "worst" performed 50% better than neutral ones. Compared with their positive counterparts, negative headlines received a 69% higher average click-through rate.

We understand people's negative proclivities, but we're going to be contrarian here and focus on some good news we recently came across concerning banks and small businesses. More than 2-out-of-5 small business owners (43%) say their bank has been helpful to their business over the past year, according to the fifth annual U.S. Bank Small Business survey. Not only that, but the satisfaction level is the highest it's been since 2011.

We think banks deserve a pat on the back for the quality of service they provide to small businesses. It's refreshing, for example, to see how the lending spigot has opened up and continues to improve for small businesses. As evidence, we point you to a report that shows US small businesses increased borrowing for a 3rd straight month in May, pushing the Thomson Reuters/PayNet Small Business Lending Index to its highest level in more than 7Ys.

It's notable how much times have changed since the most recent recession when banks as a group were about as popular as termites and carpenter ants. It's gratifying that many small business owners have changed their tune about banks and now feel they're getting the products and services they desire. When U.S. Bank asked about the top things they'd like to see from their business bank that they're not getting today, 36% answered, "Nothing, as my bank provides me with everything I need."

Of course, there's always room for improvement so banks might want to pay attention to a few areas of deficiency that were cited. For example, 23% said they'd like their bank to serve as a financial mentor. For banks that don't already do this, we highly recommend they start helping their small business customers unburden themselves from the weight of financial management - or mismanagement, as the case may be. Small businesses often rely on commercially available computer programs or an antiquated pen-and-paper approach to manage their monies, but many of them don't have a good grasp of financial management and are anxious for assistance.

There are a few other areas where banks could make changes as well, according to the poll. For instance, 22% percent of small businesses said they would like their bank to know them and their business better; 22% wanted access to a network of other business owners; 21% desired the availability of more funding; and 20% wanted their bank to adjust to meet their needs.

We share with you these constructive criticisms not to pile on negativity, but rather to encourage you to take your small business relationships to the next level. Our goal is to give you an added dose of confidence that your efforts aren't going unnoticed. Keep up the good work as we seek continued positive tidings from small business owners in the future.

# ECONOMY & RATES

## Yesterday

The Fed's decision to end the asset purchase program coupled with its statement economic improvement is largely on track caused Treasury yields to see a 7bp lift by the close of the day.

## Today

As of the morning, Treasury yields are unchanged as market participants gear up for initial [jobless claims](#) and [GDP](#) announcements.

Rates As Of: 10/30/2014 08:49AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.01	0.00	0.00
6M	0.05	0.00	0.00
1Y	0.10	0.00	0.00
2Y	0.47	0.00	0.00
5Y	1.57	0.00	0.00
10Y	2.29	0.00	0.00
30Y	3.02	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

[More Market Rates](#)

## BANK NEWS

### M&A

Iberiabank (\$15B, LA) will acquire the holding company of Old Florida Bank (\$833mm, FL) and New Traditions Bank (\$518mm, FL) for about \$259mm in equity or about 1.85x tangible book.

### M&A

A private investor that lent the parent company of Advantage Bank (\$260mm, CO) \$2mm back in 2013 will acquire the bank for about 42% of tangible book.

### M&A

First United Bank and Trust Co. (\$2.5B, OK) will acquire First American Bank (\$290mm, OK) for an undisclosed sum.

### Apple Pay

In an effort to boost customer adoption rates, Wells Fargo announced it would pay \$20 to credit card customers that try out Apple Pay. Apple says more than 1mm cards were registered the first three days following Apple Pay's launch.

### ID Theft

Aite surveyed recent identity theft victims to find out how they felt their financial institution handled the problem and how much they were assisted as they tried to clear fraudulent transactions from their accounts. The data finds 28% of those surveyed said their level of satisfaction would be ranked as terrible, followed by good (24%), poor (20%), fair (16%) and excellent (12%). Bankers can clearly do more here to improve, as difficulties in addressing this issue continue to evolve.

### Vendor Risk

The CFPB issued a report that highlights issues that surfaced during exams around mortgage servicing. The report indicates examiners have found insufficiencies or weaknesses in policies, problems with procedures and information sharing with vendors that service loans. We recommend community bankers active in mortgage lending activities double-check this area and consider ramping up internal audit resources to avoid issues in the future.

### **Reputation Risk**

A study by the World Economic Forum finds on average about 25% of a company's market value can be attributed directly to its reputation. Meanwhile, a report by Deloitte finds 87% of executives say reputation risk is more important than other strategic risks.

### **GDP**

Many Wall Street firms are projecting GDP will be 3.0% for Q3.

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