



Is There "A Home" For Internet-Only Branches?

by [Steve Brown](#) Topics: [digital banking](#), [funding](#), [business customers](#)

Summary: Banks are always seeking new customers, but how do you go about doing so outside your geographic community? Some community banks are using internet-only branches to do this.

The Urban Institute found millennial homeownership is only 37% at this point, a whopping 18% below the level of Gen X and boomers when they were the same age. Reasons vary, but include: getting married later in life (30% later); holding off on having babies by 32% (a driver of homeownership); renting in more expensive locations (down payment takes longer) and holding more student loan debt (46% of graduates back then vs. 75% now). As you figure out how to get this cohort as a customer, it always helps to have some raw data to lean on.

Banks are always seeking new customers, but how do you go about doing so outside your geographic community? Some banks are tinkering with offering nationwide deals on deposit and loan products through an internet-only brand, while still advertising market-rate products to existing customers in local areas.

A community bank in WI has a separate online brand to offer deposit products outside its branch footprint. This supports loan growth without damaging efforts in local markets. The bank has seen average assets maintained by online customers that stretch to about 4x greater than those from the historic bank brand. The bank also has a niche loan product offered strictly by its online brand: loans for high-end motor homes. Offline, the bank markets the loans by bringing its own motor home to meet-and-greets, while online, the bank runs promotions to win VIP passes to premier NASCAR events. Because most of the customers for the luxury motor homes tend to be owners of their businesses, the bank also launched a business money market account.

Another community bank in NE has a separate internet-only brand offering online savings accounts with no monthly fees or minimum balance requirements. The online brand also offers checking accounts, credit cards, 529 college savings plans and investment products.

Still another community bank in NY has an internet-only brand that offers a high-yield savings account with a current rate of 2% APY. This is the highest rate in the country, according to Bankrate.com.

As can be seen, community banks along with the big banks seem to be tinkering with online branded offerings. So, to help those who may be considering launching a separate internet-only brand, we offer a few things to think about.

First, you may want to brainstorm a catchy name to grab the attention of people searching the Net for great deals.

Next, don't be afraid to tout your online brand on social media, even if customers of your existing brand also see what you have to say. Existing customers may also appreciate the sorts of deals that brand offers and that can reduce your delivery costs.

Third, if you decide to experiment with new launches, particularly specialty loans, make sure you're well-versed in the niche or bring in experts.

Finally, keep regulators informed. They don't mind banks testing out things with more limited offerings, but they also want to understand security and other factors too.

Whether this is something for your bank or not, you now know some of the ways that other community banks have done it.

ECONOMY & RATES

Rates As Of: 07/30/2018 12:03PM (PDT)

| Treasury | Yields | MTD Chg | YTD Chg |
|-----------|-----------|----------|---------|
| 3M | 1.98 | 0.07 | 0.61 |
| 6M | 2.18 | 0.08 | 0.66 |
| 1Y | 2.40 | 0.09 | 0.67 |
| 2Y | 2.67 | 0.14 | 0.78 |
| 5Y | 2.85 | 0.11 | 0.64 |
| 10Y | 2.97 | 0.11 | 0.57 |
| 30Y | 3.11 | 0.12 | 0.37 |
| FF Market | FF Target | Fed Disc | |
| 1.91 | 2.00 | 2.50 | |
| SOFR | Prime | Unemp | |
| 1.88 | 5.00 | 4.00 | |

[More Market Rates](#)

BANK NEWS

Recession Odds

A Wall Street Journal survey of economists projects the probability of a recession within the next 12 months at 17.8% (taken in July). Meanwhile, the prior 5Ys projected chances ranging from a low of 10.0% (July 2015) to a high of 21.9% (July 2016).

App Adoption

[CNBC reports](#) the percentage in each demographic of those who use peer to peer (P2P) over cash and check at least 1x per week is as follows: Millennials (75%), Gen X (69%), and Boomers (51%).

Breach Cost

[Ponemon reports](#) data breaches ended up costing an average of \$3.6mm for companies globally in 2017 with the average cost in 2018 increasing to \$3.86mm. The US had the greatest average breach cost at \$7.91mm.

IT Spending

Goldman Sachs research finds 89% of CIOs at large public banks say they expect to have flat or higher overall IT spending in 2018.

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