



The Continuing Fight For Business Customers

by [Steve Brown](#) Topics: [fintech](#), [competition](#), [lending](#)

Summary: What can community banks do to keep their business customers in this fierce, non-relenting competitive landscape?

Community banks still seem to be underestimating the impact fintechs can have on their lending to small businesses, as only 7% of community banks see fintechs as a major competitor for this business, according to the latest [2018 Community Banking in the 21st Century survey](#). But, with both fintechs and larger banks aggressively courting small businesses, community banks need to realize that "business as usual" is no longer an option.

From major banks such as the Bank of Montreal (BMO) to military insurance and banking provider USAA, there is no shortage of players hoping to lure small businesses away from community banks to become their new go-to source of lending. Not surprising, the way they are all hoping to do this is by utilizing technology. In the case of the new BMO Business Xpress lending platform targeting small businesses, the turnaround time is as little as a few minutes.

While we know that community banks aren't exactly ignoring the importance of technology, it is important to realize that you need to invest in upgrading your technological capabilities across the board, and not just what customers see and interact with. Though small businesses still look at community banks favorably, more competitors continue to enter the field, making the challenge to hold on to business customers tougher than ever. So when it comes to holding on to these customers, community banks should focus on and invest in ways to speed up decision-making and lending capabilities - without doing so in a manner that will leave you making riskier loans.

Following are a few of the things you could consider in this fight to hold onto and gain more business customers:

- Online loan applications are key to speeding up the lending process. They not only allow for loan applications to be filed electronically, but also to be reviewed and managed in that way. At present, only 39% of banks offer online loan applications, according to the survey's findings. Look into your options here to stay ahead.
- Competing with the technological sophistication of fintechs is incredibly difficult and costly, so you may want to carefully consider partnering instead. Of course, scrutiny and due diligence are needed and all banking regulations apply.
- Consortiums with other community banks can help too, but these can also be loose associations. So, care and thoughtfulness should be considered here as well.
- One good way to decide where to turn next is to survey your small business customers. Ask them what their needs are and identify the areas where your bank can provide greater support or services that will cement your relationship. After all, without that information, you have a greater chance of going down the wrong path, no matter your method.

The pressure is on when it comes to finding and retaining your customers so keep refining your approach carefully, but consistently, to get the best opportunity over time.

ECONOMY & RATES

Rates As Of: 03/05/2019 12:13PM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.44	0.00	0.08
6M	2.53	0.03	0.05
1Y	2.54	0.00	-0.06
2Y	2.55	0.03	0.06
5Y	2.53	0.02	0.02
10Y	2.72	0.00	0.03
30Y	3.08	0.00	0.07
FF Market	FF Target	Fed Disc	
2.40	2.50	3.00	
SOFR	Prime	Unemp	
2.38	5.50	4.00	

[More Market Rates](#)

BANK NEWS

M&A

1) Wintrust Financial (31B, IL) will acquire Oak Bank (\$196mm, IL) for \$46mm in cash and stock. 2) Fairwinds Credit Union (\$2.3B, FL) will acquire Friends Bank (\$95mm, FL) for an undisclosed sum. 3) Abington Bank (\$314mm, MA) will merge with Pilgrim Bank (\$266mm, MA) for an undisclosed sum. Pilgrim is owned by Hometown Financial Group (\$2.2B, MA). 4) Citizens Financial Group (\$161B, RI) will acquire M&A advisory firm Bowstring Advisors (GA) for an undisclosed sum. 5) Exchange Bank (\$2.6B, CA) will acquire the CA trust and wealth management business of American Trust and Savings Bank (IA) for about \$375k and get \$85mm in assets under administration. 6) Texas First Bank (\$1.1B, TX) will acquire Preferred Bank (\$283mm, TX) for an undisclosed sum. 7) River Road Financial (LA) was formed to facilitate the acquisition of a commercial bank and is doing just that with the proposed acquisition of Mississippi River Bank (\$112mm, LA) for an undisclosed sum. 8) German American Bank (\$3.9B, IN) will acquire Citizens First Bank (\$476mm, KY) for \$68.2mm in cash (23%) and stock (77%).

Defending CECL

Fed Chair Powell told Congress he does not believe CECL will lead large banks to pull back on consumer lending, but that the Fed is monitoring things and doing everything it can to avoid disruptions.

Stronger Banks

[Fed Chair Powell also told Congress](#) that US banks are much better capitalized and more liquid than before the crisis.

ON DEMAND HELP FOR COMMUNITY BANKERS

Community bankers face many difficult challenges every year, but you are not alone. Our experts stand ready to help you address a variety of issues. Go [here](#) to view options and opportunities.

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