



Inquiry & Insight - To Outsource Or Not

by [Steve Brown](#) Topics: [risk management](#), [performance](#)

Summary: In our new BID feature, "Inquiry and Insight", we provide questions from readers and bankers and do our best to give you relevant, insightful answers.

An Ascend2 survey finds the most effective tactics to use in a marketing strategy are: social media marketing campaigns (53%); content marketing campaigns (48%); search engine optimization (47%); email marketing campaigns (39%); marketing automation campaigns (28%).

As you ponder this over your cup of coffee, we also wanted to welcome you to the inaugural issue of a new BID feature we call "Inquiry and Insight."

As you will see with these issues, we share specific questions we have been receiving from our readers and bank clients. Questions selected are likely on the minds of other community bankers too. So on a monthly basis, we will publish some of the most frequently asked questions. Along with that, we will do our best to give you relevant, thoughtful, insightful answers. Enjoy this new addition to our educational line-up.

Q: I am uncertain whether I should outsource certain services, such as ALM, CECL or CSA, because I don't want examiners to think that I have given up control. How do I justify outsourcing and for what services is it acceptable?

A: As business complexity and costs around compliance continue to rise, it's no wonder that more banks are considering outsourcing certain business functions. While some are reticent to go down this route, regulators have, in fact, given this practice a green light - with certain caveats.

Community banks today are looking to outsource many areas of the business that they either deem to be non-core, too complex or simply more cost effective to do outside. There are many moving parts with technology and changing regulations, so with limited resources and expertise in certain areas, it makes sense to outsource products such as ALM, CECL and CSA.

You might be surprised, but when you decide to outsource something, you don't necessarily need to justify your reasons to regulators. Recall that they are not concerned about the business drivers. But, they are concerned about the risks around those business drivers. They are also well-aware of the challenges community banks face and have been especially supportive.

To decide what might make sense to outsource, consider looking at the things you do each month and ask whether each project is your highest and best use of time. If not, perhaps that is a good candidate to outsource. Another question to ask here is how difficult it is to keep up with things and whether handing it off to someone else might free you up to be more strategic.

When you do outsource something, know that regulators still expect you to take appropriate responsibility for vendor management in these areas. We can't stress enough that while there's certainly a convenience factor to outsourcing, managing these third-party relationships is something you must retain in-house. You are ultimately responsible for any regulatory requirements, but moving from player to coach can free you up to do more important things than grinding through data.

No matter what you may consider outsourcing, be sure to understand the specifics of the programs and how the programs should be managed. To start, we recommend you do a thorough cost-benefit analysis, since the answer can vary for every bank.

Know that we can help with some of your outsourcing needs too. So, feel free to contact us for further discussion.

ECONOMY & RATES

Rates As Of: 05/03/2019 12:29PM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.42	0.01	0.06
6M	2.45	0.00	-0.03
1Y	2.40	0.02	-0.20
2Y	2.34	0.07	-0.15
5Y	2.33	0.05	-0.18
10Y	2.53	0.03	-0.16
30Y	2.92	-0.00	-0.09
FF Market	FF Target	Fed Disc	
2.41	2.50	3.00	
SOFR	Prime	Unemp	
2.50	5.50	3.60	

[More Market Rates](#)

BANK NEWS

Small Biz

[The Small Business Credit Survey](#) (a combined result of the 12 regional Fed Banks) finds: 43% of businesses applied for financing in the previous 12 months and 47% received the full amount (about the same as the year before); traditional banks were the main source of funding; borrowers who applied for funds from online lenders grew to 32% vs. 19% in 2016; net satisfaction with online lenders fell 6% to 33% in 2018; net satisfaction for the largest banks was 55% vs. 73% for community banks.

Online Lending

[Online lender Avant](#) will pay \$3.9mm to settle FTC charges that it was "deceptive and unfair" in its loan servicing practices. These practices reportedly included: failing to properly and timely credit payments made by checks, provided inaccurate payoff quotes to consumers and collected additional fees. Avant also allegedly forced borrowers to agree to recurring automatic debits of their bank accounts in order to get a loan.

BOLI Transfers

The IRS has issued proposed regulations that would allow tax-free transfers of policies between C corporations that do not have more than 50% of their assets in BOLI policies. The change syncs up regulations under the 2017 tax reform law.

Reduced EBA

It was recently announced that the Fed Reserve System voted with complete agreement to set the interest rate paid on required and excess reserve balances at 2.35%, effective May 2, 2019.

HAVE A QUESTION FOR INQUIRY AND INSIGHT?

Send any questions to me at steve.brown@pcbb.com and I will try to address them in one of the upcoming issues. I look forward to hearing from you!

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