

## PREMIUM SMALL BUSINESS DEPOSIT MARKETING

by [Steve Brown](#)

When it comes to building deposits, marketing on rate can get a bank in quick trouble. Currently, the bon ton is for independent banks to package or bundle their products in order to deliver a more complete set of customer solutions and change the marketing focus from rate to service. During our Liability Coach work, we conduct an audit of a bank's current deposit products, to uncover what offerings are helping and which are not. The approach draws from an analysis of 55 metro markets and over 200 independent banks. In it, we have found one of the more underutilized deposits tools is the premium business package. By combining a premium checking with a premium money market and targeting small businesses, banks can gain traction in this market segment. In parts of the Northwest, MidWest and South there are places where this package is not offered by a single bank. We have done some research and have come up with what a successful package might look like in terms of the cost/reward trade off. Please keep in mind that the details below are averages and should be adjusted given the particular demographics and economic status in the area of specific operation. The target customer in this case is a seasoned small business that maintains an above average balance in their account and appreciates superior service. To begin, both accounts we are about to highlight must be opened with a minimum \$5k balance and a maintenance fee of \$50, waived for accounts over \$10k. The checking should allow for 300 free transactions per month, with transaction costs \$0.35 thereafter. On the money market side, if you are not going to use our soon to be released On/off balance sheet sweep product (more information will follow), then customers should be allowed 50 free transfers/deposits into the account, with a charge of \$0.75 for items over that. While this overage item charge is high, keep in mind that the account does not have a maintenance fee and allows up to 50 free deposits. The account allows 6 pre-authorized transfers back into checking, with a Reg. D fee of \$15 for every DDA transfer above that number. The money market account comes with 3 tiers. These include current earnings of 1.00% for balances below \$5k, 3.05% for balances below \$20k and 4.19% for balances over \$25k. In addition to these two flagship products, this platinum package should come with 3 free personal checking accounts, no-fee Visa cards, free first order of checks and a discounted safe deposit box. For banks that can pull it off, adding an investment portfolio review and sweep option helps keep things competitive. While there are many variations on the above theme, we have found this premium small business package to be competitive with other bank offerings, while generating the highest level of fee income. The package is particularly effective when competing against de novo banks and credit unions, since they have a much lower percentage usage of a premium business product. If your bank does not already have a premium business package, we would encourage you to look into it. For banks that do not have the resources to do fee analysis and competitive surveys, our Liability Coach product can help. The program assigns a dedicated person responsible for assisting that customer in driving down their cost of funds.

## SALES FINANCE LOANS

For banks looking to diversify their concentration in CRE and construction, might we suggest a portfolio of home improvement loans? This diversified group of loans either has a high FICO score or "A" rated credit support (about 50% of the portfolio), giving banks an excellent consumer risk profile.

All servicing is done by the originating bank and the portfolio is offered at par for an approximate 6.75% yield (versus 5.90% for similar duration securities). We have \$12mm available with a portion ready for immediate settlement. To learn more about this program, contact us for a package and schedule of available credits.

## **BANK NEWS**

### **Acquisition**

NewAlliance Bancshares (\$6.9B, CT) will acquire Westbank (\$820mm, MA) for \$116mm, or about 1.86x book.

### **Acquisition**

Industrial Bank of Taiwan (\$3.4B, Taiwan) will buy EverTrust Bank (\$331mm, CA) for an undisclosed amount.

### **Proposed Regulation**

The FFIEC has released a new regulatory proposal that would require banks to develop and implement an ID theft prevention program that includes policies and procedures for detecting, preventing and mitigating theft in connection with bank accounts. The program would require a detection process for "red flags" relevant to operations, mitigation strategies and procedures to validate address change requests. Comments are due in the next 60 days.

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