

STRATEGIC PLAY, A LITTLE LUCK AND BANKING

by [Steve Brown](#)

You may not have known it, but Hasbro has sold 250mm sets of the popular game Monopoly since 1935. We would venture to say many of those have been purchased by bankers, since so many we know like to count money, make loans and collect interest just by passing "Go." While much of the game is based on how well you can roll the dice, strategy applies and overbuilding can put one into the poor house when foreclosure time arrives. Given the stress on the industry these days, maybe bankers should give every customer a copy of the game, as a reminder of how important it is to manage one's money wisely.

Speaking of managing money wisely, we recently came across a survey of how Fortune 500 companies are dealing with the economic crisis and the top things CEOs at these firms are doing to get through such challenging times. Since so many apply to community banking and small business customers, we thought you might be interested in seeing what this group is up to.

At the top of the list, cited by 26% of CEOs, is the decision to cut costs. This decision has already been made by about half of this group, while the other half is still analyzing whether and how deep such cuts may need to be. Given an already double-digit unemployment rate, this could put a future damper on economic growth and lead to a longer timeline to climb out of this mess, so bankers should be prepared.

The next biggest strategic shift made by CEOs is to focus on reducing or restructuring debt. Cited by 24% of company leaders, it is evident that lowering obligations along with core costs is a critical endeavor. Community bankers interested in maintaining loans should be proactively contacting customers to see what can be done to "amend and extend" certain loans in order to keep key customers current over the longer term.

Third on the list of most important decision already made or to be made is a focused effort to increase cash flow and liquidity. This isn't surprising when you consider stockpiling cash in uncertain times is a common strategy. About 22% of CEOs are now focused on improving cashflow, so here again; community banks can capture new customers or deepen relationships with existing ones, by offering creative deposit programs and/or restructuring loans. Bundled packages are a decent strategy to keep customers happy while maintaining funding and margin during such challenging times.

Next up, 9% of CEOs said they were looking to raise capital. Companies often confuse capital with liquidity, which opens a door for community bankers. Banks can expand customer relationships by offering loans that cashflow properly, have adequate guarantor support and are in an industry the bank is still interested in servicing. Plenty of good quality small businesses are still operating, but finding them and offering a compelling package of services is critical to success.

Tied for 5th on the list, at slightly less than 9%, are ramping up corporate communication and focusing on the core business. Now is not the time for community banks to be quiet when it comes to marketing and public relations. Customers need to know you are actively lending, ready to assist them and interested in helping through the downturn. In addition to focusing externally, a renewed

emphasis on internally identifying where core earnings are coming from and protecting/growing these streams is important. Now more than ever, community bankers would be well-served to focus on communication and core services to get through the turmoil.

As with the game of Monopoly, strategies must adapt, given the roll of the dice and competition. Community bankers have seen many industry changes and have had to adapt as well. By focusing efforts on core values, while adapting the business model (without losing the bank's core identity) during such challenging times, community bankers will dodge Boardwalk and make it around the board and collect yet another \$200.

BANK NEWS

Bank Closures (123 YTD)

On Friday, the FDIC closed: [1] Century Bank, FSB (\$728mm, FL); and [2] Orion Bank (\$1.9B, FL) sold it to IBERIABANK (\$4.19B, LA). IBERIABANK will assume all deposits of both banks for a 1.5% discount. In addition, IBERIABANK will purchase \$706mm of Century's assets and \$2.7B of Orion's assets with \$656mm and \$1.9B under a loss share agreement, respectively. [3] The FDIC also shuttered Pacific Coast National Bank (no relation to PCBB) (\$134mm, CA). Sunwest Bank (\$468mm, CA) will assume the deposits, without a premium and virtually all the assets.

RESPA Compliance

An ABA study found that 55% of banks still have work to do in order to be in compliance with the new RESPA rules starting Jan 1. As an aside, 71% of respondents thought the new rules will negatively affect credit decisions.

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