

## PATIENCE DELIVERS RESULTS

by [Steve Brown](#)

The heron is a specialized hunter that often stands motionless in the water for up to an hour, waiting for fish to come within striking distance. Heron's are intelligent and have even been documented using bait such as seeds, insects, flowers and leaves to lure prey within striking distance. Unlike the aggressive diving seagull, the heron's success is built on patience. Community bankers too have many fish swimming by, so remaining patient and choosing when to strike can improve success.

Consider the housing sector. Here, prices continue to fall and the largest banks are embroiled in lawsuits too numerous to mention. In addition, of the roughly 4mm homes on the market nationwide, about 35% are bank-owned, about 7x higher than normal. Add to this number another 1.7mm homes that include pending foreclosures and loans on the edge of default, and it pushes the number up even further. Clearly, single family residential lending is not for the weak of heart, but that doesn't mean there isn't potential opportunity for a patient community bank seeking to grow loans in a tough environment. You obviously have to be extremely careful, but as the 2Q data shows, some loan growth is happening in this sector and both fees and spread levels remain relatively attractive.

Technology has changed business and email now dominates as the primary communication channel. That creates issues as well, but before we get into that, we stop to see what is happening with your business customers first. Here, a new Constant Contact study finds 83% of your small business customers say email is the first tool they use when going online for their business each day and 72% check email 6x or more per day. If you want to generate more loans and stay in front of your customers, having their email address and contacting them via this channel is one good way to stay in touch. As for the issues of email in the workplace, studies find not having to look someone in the eye leads people to act in a more competitive and arrogant way than they normally would. Our advice here is to set the standard and carefully read your missives before you send them out for public consumption.

Technology and customer interests have also increased interest in social media. It is gaining traction as a way to stay in touch with customers and the same survey finds some 13% of small business owners now check Facebook and 4% check Twitter more than 6x per day. Meanwhile, another survey by Citibank finds small business owners plan to increase their use of their website to drive business (66%); market using social networking sites (47%) and use email marketing (46%) to boost sales in the next 12 months. Finally, a third survey by Entrepreneur finds the top social media accomplishments reported by small businesses in 2010 were staying engaged with customers (63%); developing a higher awareness of their business within the market (61%) and identifying and attracting new customers (59%). Having a program to help your small business customers in all of the above areas can deepen your relationships and provide future opportunity.

Finally, we leave you with our last small fish of interesting information. A recent JD Power survey finds only 43% of customers who purchased an additional banking product made that purchase at their primary bank. There are many potential reasons for this, but promotional offers were frequently cited, so those could be worthy of another look if you are trying to influence purchase decisions. Also of note, the study found customers who stay with their primary bank for additional products are most

driven by positive past experience and perceptions their bank is more focused on customers than profits.

There are always things you can do to improve your bank, expand your product offerings or capture new customers. In this difficult market, however, it seems that as with the heron, patience will be needed as you look at the options swimming by before you strike.

## **BANK NEWS**

### **Mega CRE Sale**

Bank of America has reached an agreement to sell approximately \$880mm of commercial mortgages at a discount of 20% to 25% off the face value.

### **Closing Branches**

International Bancshares (\$11.8B, TX) will close 55 grocery store branches in an effort to continue offering free checking to customers and reduce expenses. International said interchange legislation changes that take effect Oct 1 and caps what banks can charge merchants for debit transactions has reduced revenue and is forcing the closures. The bank will cut 500 jobs as a result.

### **M&A**

The insurance unit of BB&T will acquire Liberty Benefit Insurance Services for an undisclosed amount, in a move to expand its California operations. Liberty is an employee benefits broker for commercial clients.

### **MERS**

State attorneys general and county officials across the U.S. are rumored to be readying a lawsuit against the Mortgage Electronic Registration Systems (MERS).

### **PIMCO**

In their first deal, the asset manager finally gets a bank for its bank fund. If approved by regulators, PIMCO will take a 20% stake for \$25mm in ECB Bancshares the parent of East Carolina Bank (\$812mm, NC). ECB has a current TX Ratio of 31% and an average 3.65% ROE for the last 5Ys.

### **Hired**

Daughter of scion Donald and reality TV personality, Ivanka Trump, joins Signature Bank's (\$13B, NY) board.

### **Facebook**

Introduces a service offering free \$50 advertising credits for 200K small businesses. Maybe your bank should hold a training session with customers on social media?

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*