

## HOLIDAY COMPETITION

by [Steve Brown](#)

It is the end of the week and many people are just beginning to enjoy the holiday season ahead. Festive attitudes abound, people are working to close the books on a better year than the one before, snow is falling here and there, and even bankers hope to find something under their proverbial tree this year. You have to love this time of year, but you also have to keep your eyes on the competition to stay ahead. That is one reason we were intrigued to see Bank of America deepening their ties with Intuit in order to better target small business customers. Bank of America said it would offer Intuit Full Service Payroll, which delivers fully outsourced payroll functions, to its 4mm small business customers. The service delivers live advice, spots potential errors in paychecks before they are cut, handles voluntary withholdings and calculates local, state and federal taxes. The service will be offered for 1 month free, then for \$99 per month, plus \$2 per employee and \$10 per state for companies with out of state staff. Intuit already processes payroll for more than 1mm small businesses, while Bank of America hopes to tap into additional fee sources, as well as capture the 20% of small business owners who indicate dissatisfaction with their bank and find processing payroll challenging or extremely challenging. As an aside, JP Morgan Chase is offering something similar through ADP. One area done very well by Wells Fargo over the years is in boosting its products per customer through product bundling. Wells is currently touting a business services package (customized by state) that bundles various offerings in return for reduced monthly fees. Wells begins the package with business checking (includes overdraft options); then adds a requirement for a minimum of three other services (debit, credit, bill pay, savings account, loan or line of credit, CDs, electronic online vendor/employee payment program, merchant services or payroll services) and then rounds it out with a minimum deposit of \$6,000 (or payroll/merchant or a recurring monthly account transfer) for small business customers to get the monthly service fee of \$12 waived. This tactic works quite well, as customers are offered a smorgasbord of options they can choose from that seem customized to fit their needs. This also makes these clients much "stickier" and longer-lasting for Wells, which gives their staff plenty of time to cross-sell additional services, decrease acquisition costs and increase profitability. Finally, we focus in on the small business offerings from JP Morgan Chase. Here, we find an aggressive push to originate loans, highlighting the fact that the bank lent over \$10B to over 250,000 businesses last year and indicating the bank is "lending to more businesses with more money, more bankers and lower rates." The approach centers on lines of credit, term loans and credit cards as the basis for the lending push. Chase then goes further, augmenting the lending push with one that targets outsourced payroll services (targets business owner pain) and fraud protection services (targets fear). As with Wells, Chase is highly focused on getting customers to open a business checking account and then moves right into the online channels (to focus on simplicity and availability). Along with the payroll service, Chase targets debit, credit, CDs, savings, invoicing, ACH, wires, mobile, funds transfer, bill pay and mobile deposit capture. We have heard from community banks all over the country that large banks are aggressively targeting small business customers and that makes sense. These customers are very profitable and other lending opportunities nationwide are sparse. These large competitors also know that banks with assets under \$10B hold 58% of the outstanding loans to small businesses and they want to capture it. That is one reason why loan rates being offered by these big banks have fallen as low as 3.50% in some markets to certain small business customers, terms are as long as 15Ys (to boost cross-sell opportunity over

time) and simplicity is a focus (online is cheaper than other delivery channels). Make no mistake - the big banks want your small business customers. Make sure you enjoy the holiday season, but also sleep with one eye open to be sure the Grinch in your market doesn't try to steal your Christmas.

## **BANK NEWS**

### **Robo-indicted**

The first criminal charges in robo-signing were handed down yesterday as a NV jury indicted 2 CA residents responsible for supervising the forging of thousands of mortgage foreclosure documents between 2005 and 2008.

### **Consumer Compliance**

Am FFIEC statement said the CFPB would make an initial determination of asset size based on a financial institution's 6/30 call report to determine whether the bank was over \$10B in assets. After the initial determination, an institution generally would not be reclassified unless four consecutive quarterly reports indicate a change is warranted.

### **Still Pain**

According to the Center for Responsible Lending, 2.7mm households that received mortgages between 2004 and 2008 have lost their homes to foreclosure and another 3.6mm are currently 60+ days delinquent. The conclusion is that we are slightly more than 50% done working through the housing crisis. The report went on to detail common contributors to this massive problem, pointing out CA had the most foreclosures and option ARMs caused many issues.

### **Small Biz RDC**

According to research firm Aite, less than 5% of small businesses use remote deposit capture. Cost was the main reason cited for limited use.

### **Check This Out**

Despite all the hype they would soon disappear, studies show 23% of all non cash transactions still happen by check.

### **Small Biz**

An Aite survey finds 33% of small businesses have been a target of online fraud.

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