

## SMALL BUSINESSES & COMMUNITY BANKING

by [Steve Brown](#)

Community banks continue to be the backbone of small business lending and jobs opportunity in this country. If you were beginning to doubt that, or thought the bigger banks would eat your entire lunch box and all the food within it, consider a new survey by Biz2credit. Analysis of 1,000 loan applications found approval rates for small business financing requests were 45.1% for community banks, while rates for banks with assets above \$10B were only 9.2%. Yes, you read that right -community banks approved 5x more small business loans than large banks on average. Since small businesses drive jobs growth, you can bet dollars-to-donuts that community banks are going to deliver the dough to make it that happen. Pat yourself on the back, high five around the branch and let customers know you are there for them, even when they get turned down by a larger bank. Community banks support small business and drive jobs growth - period.

That doesn't mean you should rest on their laurels (by the way, this reference comes from ancient Greece, where laurel wreaths were symbols of victory worn around the heads of gods). Even if you don't know what a laurel is, you know thumbing your nose at the largest banks for anything is about the same as thumbing your nose at your big brother - you might get away with it for awhile, but when they catch you alone you are in for a beating. The largest banks know community banks have a good business in small business and they have begun to ramp up their offerings. You only have to visit the websites of Wells Fargo, JP Morgan, Bank of America or others and you will find small business pitches are all the rage. Make no mistake, these larger banks are on the hunt in small business lending and they want to take the best customers from community banks. You might also want to take a look at all of the business you do with larger banks to see if you can move it somewhere else. Leaving money with them or doing business with them helps fuel your competition. Perhaps it is time to reconsider other options out there in 2012.

The large banks have really ramped up one area in particular and that is corporate mobile banking. These large banks are offering options to small business clients in this area to meet demand and because studies show small business owners want more time and convenience. Large banks see this as a relatively inexpensive way to capture these clients.

Take a look at JP Morgan for instance. They have a new iPhone/Android application that allows small business owners to view historical data on their accounts, view secure account information, project cash balances, get alerts when balance levels shift above or below certain levels and get detailed account information. This information is also available via an iPad or tablet, so it can truly go anywhere the customer goes. Next up, JP Morgan says they plan to add wire approvals, ACH item notification and multiple language navigation.

Wells Fargo on the other hand, seems to be trying to duplicate its online functions through these delivery channels. Business owners can key in wire transfers, ACH and other transactions, approve them and view pending transactions. Wells has also launched a mobile application that lets customers capture check and money order images and make remote deposits to their account. The Wells approach lets customers view a consolidated picture of all accounts; access transaction history for 18 months; track deposits; budget; have up to 25 people to view balances; get email alerts; set

credit limits and download statements. Make no mistake; Wells Fargo and JP Morgan are chasing your small business customers and this is one area they are exploiting.

The good news is that you can still attack this large bank penetration point into your business. A study by Ponemon Institute finds that right now, only 21% of people feel protected from fraud when using mobile banking and 51% who have not yet used mobile banking say they don't think it is safe enough. You can't avoid this big bank push into your customers forever, but it is nice to know you still have time to explore options. Talk to your small business customers and let them know you too are open for business and ready to help.

## **BANK NEWS**

### **FDIC 2ND**

Tom Hoenig, former KC Fed President, should get approved today from the Senate Banking Committee to become the next FDIC Vice-Chair under Marty Gruneberg.

### **Branch Sales**

In an effort to slim down, Citizen's Bank will solicit bids in the next 2 weeks to sell 27 in-store branches located in Stop 'n Shops around the NY area.

### **Lower ROE**

The top 10 global financial institutions project the impact of Basel III on their balance sheets equates to an average 300bp to 500bp reduction in ROE.

### **Europe**

Given all the talk about Europe heading into recession, we found it interesting that BLS data shows US state GDP would only be impacted by 1.8%. That said, states that would be hit the hardest and export the most to Europe would be UT (5.6% of state GDP); SC (4.1%); WV (3.9%); LA (3.5%) and KY (3.1%).

### **TARP Profit**

The Treasury updated the tale of the tape on TARP and said of the \$245B lent to banks, \$258B has been returned resulting in a \$13B profit.

### **Linked CDs**

Goldman Sachs is rolling out 4 CDs linked to equity markets in an effort to give their bank customers a hybrid product. Rates are reportedly between 50bp and 24% depending on equity index performance.

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