
SMALL BUSINESS

by [Steve Brown](#)

We are always trying to help our community bank customers help small business customers. In that regard, you might want to make your customers aware of a few things this time of year. To capture new customers, studies find the most important online shopping incentives are free shipping (74%), finding better discounts (60%) and avoiding crowds (47%). That matters to small businesses, particularly when you find nearly 60% of people plan to buy more than 50% of their gifts online this holiday season. Spread the word and help your customers get new customers (and support the cashflow requirements of their loan with your bank).

Speaking of spreading holiday cheer and helping, we thought you might be interested to know low vacancies, the ongoing housing crisis and better rent growth have made the multifamily sector the star on top of the tree. Foreclosures, short sales and not wanting to live with mom and dad look like some of the myriad of factors that will keep this lending sector strong well into next year and beyond.

We couldn't leave Scrooge out this time of year, so a quick review of the industrial sector shows it could be at risk given additional issues around the European crisis. As point of fact, the Eurozone is the 3rd largest export destination for US goods, accounting for 15% of total exports, so when the region gets a cold the US gets the sniffles. Some states that could be specifically impacted include: VA (coal); UT (commodities); AL, CT, KY SC & WA (auto/aircraft); CA, FL, NC, NY & TX (tourism, finance, entertainment & technology). Small businesses with exposure to these industries within these and other states could feel an impact if Europe continues to struggle, so be prepared.

On the deposit side of the world, saving for something specific is catching on. Whether that is saving for a vacation, college or something else people find special, studies find that after 6 months, average account savings can increase by up to 46%. A new study by the American Society on Aging finds 70% of people over 65 will need help with daily activities. Maybe it is time to start thinking about offering or suggesting a special deposit account for this to possibly extend the duration on your liabilities (30% of people who put money into this account won't need help for daily activities as seen above, so that could be good).

If that deposit idea doesn't interest you, consider research from the University of Chicago that found retirees pay 7% to 10% less for food because they shop more often and use coupons more. If you are trying to target this age group for products or services, consider using a coupon of some sort, or setting up a special account where they can deposit the difference they saved for something else they might want down the road.

Banks that have been stung in some form or fashion from the credit crisis might consider brushing up their loan review process to expand beyond the 5 C's of Credit (Character, Capacity, Capital, Conditions and Collateral). Others that you might want to incorporate could include: Code (of ethics); Competence; Confidence (you have in them); Cash ratio; Covenants (your first way out); Callability (how you can call the note) and Circuit breaker (the switch you will flip to get out in an ugly situation). That takes us to the 12 C's, but we are sure if you think about it for a while, others will pop into your head. The problem with any letter of the alphabet is that there isn't much evidence that humans are any good at assessing all of the risks and tend to be inconsistent. Expand beyond the first part of the

alphabet, as you consider how you underwrite, where you may have gone wrong during this downturn and how to avoid that in the future.

While holiday cheer is on the minds of many, it might also make sense to remind your customers about being extra vigilant this time of year. Studies find 76% of identity theft comes from the theft of a wallet, purse or computer; 9% is stolen online or through a data breach; another 9% is a result of forgery and 6% happens when people change addresses or through postal fraud.

BANK NEWS

Warning

IMF Chief Lagarde said the global economy faces the prospect of "economic retraction, rising protectionism, isolation and . . . what happened in the 30s [Depression]", as European tensions again flared over suggestions that the UK's credit rating should be downgraded before France's. She further said, "There is no economy in the world, whether low-income countries, emerging markets, middle-income countries or super-advanced economies that will be immune to the crisis that we see not only unfolding but escalating."

Exit Fee

In what is being called an effort to slow credit union to bank conversions, CUNA is recommending that the NCUA start to require credit unions wishing to convert to banks to post funds in an escrow account equal to their Temporary Corporate Credit Union Stabilization Fund future assessments.

Morgan Stanley

The only Wall Street firm not announcing job cuts this year (up to this point) said that they will lay off 1,600 workers in January.

Construction & CRE Focus

Sensing a market opportunity, Umpqua Bank (\$12B, OR) announced that it will launch a separate unit to focus on construction financing, as well as owner occupied and investor lending. Umpqua said it sees multifamily construction as a key area of growth, as well as lending on office and industrial properties. The Bank also said it will require a certain level of lease contracts in place or guarantees to mitigate risk and will open 3 dedicated offices in Portland, Seattle and Walnut Creek (CA). Of note, a quick analysis of 3Q FDIC data shows Umpqua's construction and land to capital ratio is about 25%.

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