

WHAT SMALL BUSINESSES WANT

by [Steve Brown](#)

According to the American Counseling Association, the most common thread in broken marriages is a communication breakdown. It's no different in banking. Poor communication often leads to dysfunctional or severed relationships. The first step in healthy communication is to figure out what the other side wants. To get you started, here are three things small businesses want from their banks. Small business loans - During the recession, lending to small businesses dropped precipitously. While a number of indicators signal an improvement in access to loans, there are still plenty of small businesses who can't get them. As such, many of these businesses are turning to creative sources. They are leveraging accounts receivable financiers, merchant cash advance lenders, micro lenders and others to get funding. The good news is that according to the Oct. Biz2Credit Small Business Lending Index, community banks approved more small business loans than they rejected for the first time since the Great Recession. Small bank lending approvals jumped to 50.1% in Oct. from 47.6% in Sep. At the same time, however, alternative lender approval rates rose slightly to 64.7%, up from 64.6% in Sep. The figure for alternative lenders was the highest recorded since the Biz2Credit Index began. While it's a good sign that the credit crunch for small businesses is easing, the risk for banks is that when the economy improves significantly and banks can afford to lend more, previously turned away business customers may be unreachable. While you shouldn't be lending to every Tom, Dick and Harry who comes in the door, at the very least consider borrower appetite for alternative funding before closing potential windows of opportunity. Advice - Only 29% of small business owners describe themselves as "very savvy" regarding financial matters, according to a recent Bank of America Small Business Owner Report. When seeking advice, they tap into a broad network for help, including accountants/bookkeepers (75%), other small businesses (50%), financial advisors (48%) and friends/family (40%). Community banks should make sure to move into a trusted advisor position, by leveraging these resources and providing an easy path to communicate with your bank. The survey also found that 48% of small businesses said the "ability to work face to face with a banker in my community" is the most important quality for a bank to offer. That feeds right into community banking. By taking time to get to know customers and developing strong interpersonal relationships, your bank can go a long way in becoming the advisor of choice. Reasonable fees - While banks can't afford to give services away for free, caution in levying fees is required. The fee equation is particularly important when it comes to profitable customers. Small businesses don't necessarily expect everything for free, but they do expect fees to be reasonable. Find the balance of recouping your cost and earning a reasonable return and you have found your Zen. To maintain healthy banking relationships, communication is everything. For maximum success, know what your customers want and communicate effectively as you deliver it.

BANK NEWS

For Sale

Bloomberg is reporting Bankia SA (the largest Spanish bank to get a bailout), is trying to sell its bank in Florida, City National Bank of Florida (\$4.3B, FL) in a deal that could be worth \$500mm. City National has 26 branches.

Branch Purchase

Sterling Financial Corp. (\$9.5B, WA) has entered into a definitive agreement to buy the Seattle-area branches of Boston Private Financial (\$6.1B, MA) for an \$11mm premium. The branches have about \$190mm in deposits and \$270mm in loans.

Branch Closures

Citigroup has announced it will close 62% of its PA branches (13 of 21), as it focuses on urban geographies over suburban ones and seeks to improve efficiencies as it reduces costs.

Cyber Attacks

InformationWeek is reporting the distributed denial of service (DDoS) cyber attacks on Bank of America, JPMorgan, Wells Fargo and others came through compromised PHP Web applications as well as many WordPress sites. The hackers then connected into the sites and launched simultaneous attacks on multiple banks.

Robbery Statistics

The FBI has released the latest statistics and reports that in 2011: there were 5,086 bank robberies, burglaries, and larcenies (4% were violent and 1% involved the discharge of a firearm); perpetrators walked away with \$38mm in cash; demand notes were used 44% of the time, firearms were used 19%, weapons were threatened 35% and explosives were threatened 2%.

NCUA Sues

The National Credit Union Administration (NCUA) has added JPMorgan Securities to the list of eight other firms it is suing over the sale of mortgage bonds to corporate credit unions. The NCUA said Bear Stearns (JPMorgan purchased) ignored underwriting standards when it sold \$3.6B in mortgage securities that lost money when the market collapsed.

Facebook Lawsuit

Morgan Stanley has agreed to pay \$5mm to settle allegations that one of its investment bankers overstepped his bounds by handwriting a script used by the CFO at Facebook to lower revenue expectations and orchestrated phone calls from analysts to favor large investors over smaller ones during the IPO.

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