

BECOMING A STARTUP FRIENDLIER BANK

by [Steve Brown](#)

If you're a social network game developer, an online shoe seller, a travel agent, or an IT security consultant, this could be the year your business takes off. IBISWorld, a market research and analysis firm, includes these industries among the eight hottest areas for startups in 2013.

When it comes to funding start-up activity, many banks today pass on the opportunity, deeming it too risky. The failure rate is just too high and startups don't usually have the assets or revenue

streams to back up a standard loan. As a result, entrepreneurs have turned to alternate sources of financing such as angel investors, crowdfunding, venture capital & peer-to-peer networks.

Banks might want to reconsider that approach and consider ways to take back the business that has slipped by. Despite empirical evidence that the number of start-ups in this country is on the decline, this won't be the case forever and some industries are growing rapidly. What's more, business begets business, so if you do right by a startup, chances are they'll sing your praises to other entrepreneurs and drive your future business. Many community banks are already startup friendly. But there's always room for improvement, and with that in mind, here are some ideas worthy of consideration perhaps.

Get more involved in SBA lending. Many banks are signed up to participate in SBA programs, but opportunity lies all around for the savvy bank focused in this area. Talk to peers, check with the SBA directly to hear about new opportunities and learn more to help your bank succeed even more in this area.

Be an information repository. Small business startups need lots of advice about running a business and they don't always know where to get it. Consider publishing a small business start-up guide and offering special support such as free seminars. Topics for the informational seminars could be centered on the needs of start-up companies such as obtaining credit, marketing, attaining profitability, employing staff and the like.

Focus on service first, product second. While most banks have identified the small business sector as an area in which they want to increase lending, the approach can be misguided. Instead of focusing in on products to sell, take the time to understand the ins and outs of each startup's operations. Do your homework about their industry and then when you talk to these potential clients they will see you as an expert willing to help them. That drives faster traction and sells products and studies show it is nearly always more effective as well.

Offer the right products and services. In addition to lending, many startups are interested in products that help them save time and money. These may be relating to invoicing, collections, payroll and more, so expand your horizons to sell more. Whether a startup's needs are simple or complex, banks can offer a host of products to meet these needs.

Consider specializing. Some banks may focus on equipment loans, while others concentrate on small business working capital. Whatever your specialty, emphasize it and you may find more business opportunities. Entrepreneurs are enterprising individuals and if they are happy with your bank's services, rest assured other business owners will come knocking.

No matter what you do, stay focused as you keep talking to business owners and you will maximize your opportunity.

BANK NEWS

1 Closure (13 YTD)

Regulators unexpectedly closed the third bank unit of Capitol Bancorp (\$1.6B, MI), Central Arizona Bank (\$32mm, AZ) and sold it Western State Bank (\$576mm, ND). Western gets 1 branch, assumed all deposits and entered into a P&A agreement with the FDIC.

M&A

First Bank (\$6.5B, MO) said it will sell its subsidiary that provides homeowner association services to Union Bank (\$96B, CA) for an undisclosed sum.

Exit Strategy

The Fed reportedly has completed a plan to exit the \$85B per month they are purchasing in bonds through a series of periodic steps. They reportedly will not follow a steady and uniform process and the amount they will buy will depend on market conditions. The latest WSJ survey of economists finds 55% expect the Fed to start reducing bond purchases late this year, while 45% say it will be 2014 or 2015.

Economy

JPMorgan projects GDP will slow from 2.5% Q1 to 1.5% in Q2 and then slowly accelerate through year-end.

CRE Lending

FDIC data shows the aggregate delinquency rate on CRE loans held by commercial banks was 8.75% and the charge off rate was 2.90%. Both are much lower than levels expected in adverse regulatory modeling.

Geofencing

Banks should similarly note this term refers to the process of "fencing in" customers based on their geographic location using GPS. For example, once a customer goes inside a specific geographic fenced-in area, targeted marketing data is customized and sent to that customer based on their proximity to a business they regularly frequent. Geofencing can also be used to track mobile employees, such as outside sales teams, delivery drivers and others to alert management teams when they go "outside the fence."

Customers

A survey by Mojiva finds 79% of those surveyed now read financial news on their tablets or smartphones and 72% use a banking app or visit the online site at least weekly.

Bank Lending

Research finds banks continue to loosen credit standards as they try to address the more than \$2T in excess deposits vs. loans currently in the system.

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