

No Need to Chase Cheese Wheels

by [Steve Brown](#)

You don't normally think about cheese when you think of community banking, but there is an event in Gloucester, England called the Cooper's Hill Cheese- Rolling and Wake that might change your mind. At the event, runners chase an 8 pound round of Gloucester cheese down a crazy steep hill. Winners take home a wheel of cheese and as much as we love grilled cheese sandwiches, it does seem odd to risk life and limb over such a prize (perhaps there is a tomato soup swim on the other side of the hill we didn't see). This race no longer officially exists after running for more than 200Ys because the insurance types got hold of it and officials felt that the potential for and history of serious injury was too much. After all, broken arms and legs are common, so the last year there was an official race was 2009. Despite this, the competition has continued, some competitors wear costumes and it is a popular event.

Many community bankers working to get loans on their books may feel like they too are chasing a wheel of cheese down a steep uneven slope. Competition among lenders to win the business of qualified buyers has pushed coupon rates on loans ever lower over time. Many question whether anyone is getting paid enough for the risk being put on the balance sheet. At the same time, generation of earnings only gets more difficult in an environment of ever-compressing margins and securities are no answer with a 1% handle, so what can a bank do?

If your bank has turned over all the rocks in your business footprint and still is having difficulty finding loans at a price that works, consider our National C&I Loan Program. Many community banks are also looking for diversification in the loan portfolio, which in many cases still contain primarily real estate and these loans provide a place to park some excess funds until loan demand picks back up (or to diversify).

In this environment, many community banks we talk to are working diligently to try and originate C&I loans in their local market. That process takes time and also requires a different expertise than CRE lending.

Our C&I program of larger shared national credits offers loans from nationally recognized corporations. Loans typically are floating rate, many have floors and they generally have a maturity of 3 to 5Ys. PCBB performs loan servicing and provides ongoing information updates. This helps provide diversification and loan growth, while keeping acquisition and ongoing maintenance costs low. It is also possible to utilize yield enhancement with rate floors for some of the loan.

We are happy to give any community banker that is interested a demonstration of our national C&I program. It can provide much needed growth and diversification, to allow you the time and ability to seek out the very best customers in your market.

PCBB works to help community banks meet many of the challenges of this difficult business environment and this is one that can make sense for banks seeking loan growth and diversification. Call us and we would be happy to show you how this program and others work. After all, there is no need to chase a wheel down a steep hill when you can just drive to the store and buy it from a wide selection.

BANK NEWS

M&A

Union First Market Bank (\$4.0B, VA) will buy StellarOne Bank (\$3.0B, VA) for about \$445mm or a 20% premium to its Friday closing stock price.

M&A

Wilshire State Bank (\$2.8B, CA) will buy BankAsiana (\$207mm, NJ) for about \$32.5mm.

Loan Growth

Bankers know their loan portfolio will grow on average at about the pace of GDP so it is monitored closely. The BEA reports the national rate for 2012 was 2.50%. By state, the fastest growing were ND (13.4%), TX (4.8%), OR (3.9%), WA (3.6%), MN (3.5%) and CA (3.5%). Meanwhile, those seeing the slowest growth were CT (-0.1%), WY (0.2%), NM (0.2%), SD (0.2%), DE (0.2%) and ID (0.4%).

Growth Strategies

A survey by Deloitte of financial services companies finds the top five areas most often analyzed when considering growth strategies are reputational impact (90%), return on investment (87%), risk profile (79%), capital requirements (79%) and match to core capabilities (75%).

Lending Activity

Note that the latest Beige Book release of May described growth as "modest to moderate," a slight decrease compared to the "moderate" characterization of Apr.

Customer Satisfaction

Capgemini reports 57% of bank customers say they are satisfied customers, but the same percentage also say banks do not have a good have a good product-channel fit and 63% say banks could do a better job understanding their needs and learning their preferences.

Latest

SNL Financial reports that as of Q1 2013, the Top 10 largest banks and thrifts in the US by assets in order were JPMorgan Chase (\$2.4T), Bank of America (\$2.2T), Citigroup (\$1.9T), Wells Fargo (\$1.4T), Bank of New York Mellon (\$356B), US Bank (\$356B), HSBC North America (\$305B), PNC (\$301B), Capital One (\$300B) and TD Bank US (\$223B).

Customer Behavior

Gallup research finds 70% of customers surveyed would switch to lower cost digital channels if they were given positive incentives like increased deposit rates or lower loan rates of about 25bp.

Competition

A survey by Deloitte reports 70% of financial executives surveyed say competition in the industry has increased in the past 12 months. The same percentage also said finding appropriately qualified talent is their top concern.

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