

Taking Small Things For Granted

by [Steve Brown](#)

We recently came across an interesting tidbit about the Declaration of Independence. You may not know it but there are 26 "official" copies known to exist. These copies are owned today by American and British institutions, as well as private owners. All of them were printed on paper on July 4, 1776, the same night the real deal was committed to parchment.

It's hard to imagine what history would have looked like had his monumental signing not taken place. It's equally difficult to imagine how different things would be had the colonial fighters, who were clearly the underdogs, not prevailed. One reason history buffs offer for the surprise victory is that the British grossly underestimated the resolve of American colonists to succeed. Put another way, the Brits took for granted they would win and put in less effort as a result.

Even prior to the credit crisis, community bankers have been taken for granted off and on by the press and others. Some would also say community bankers themselves take for granted that small business customers will always be around. While we don't believe community bankers take anything for granted these days, it is true that small businesses have traditionally preferred working with community banks.

Data from 2012 published on the National Federation of Independent Business's website shows how competitive things are becoming however. It estimates that 27% of small businesses changed banks in the previous 4Ys alone. While the information is somewhat dated, it still serves as a powerful reminder that community banks aren't the only game in town and competitors are quite formidable indeed.

To be sure, switching banks can be a hassle, but that doesn't mean small businesses won't bolt if they feel your bank isn't a good fit for their business. Part of the problem is when banks try to one-up the competition without having a good understanding of what the small business customer actually wants. Digging deeper into various industries, doing additional research and leveraging customer relationships you already have are all ways your bank can help differentiate itself when dealing with small business owners from all walks of life.

It is critical to make sure your customer facing teams understand the intricacy of how small business customers operate and what the entrepreneur is looking to get out of the relationship. In some cases that will be lending and cash management services and in others it may be a more strategic business planning or retirement angle.

Certainly community banks need to also stay relevant with the products and services offered, including mobile. You must also be mindful not to underestimate the competitiveness of the loan market. Consider the latest data from the FDIC that shows community banks accounted for 45% of small loans to businesses in Q1 but large banks are also aggressively coming down market. As these behemoths try to encroach on your lending turf, they are joined by other alternative providers that seem to be sprouting like weeds on the internet these days. Just recently, for instance, mobile-payments startup Square launched Square Capital, a credit program for small businesses. The

program is similar to what PayPal already offers, and there are a number of other opponents popping up to challenge community banks in the increasingly crowded small-business loan arena.

As with our forefathers back in the day, community bankers may be underestimated and that is fine. The key when that occurs is to keep moving forward as you hold onto every single relationship you capture until the fighting ends. Small business owners still love community bankers, but the fight is on so keep on battling.

BANK NEWS

M&A

The Gratz Bank (\$206mm, PA) will acquire The First National Bank of Minersville (\$81mm, PA) for an undisclosed sum of cash and stock.

M&A

Ohio Valley Financial Group (\$259mm, KY) will acquire BankTrust Financial (\$130mm, KY) for an undisclosed sum of stock.

M&A

Mortgage origination and processing company Complete Financial Solutions Inc. (WA) has signed an agreement to acquire 23.3% of American Patriot Bank (\$74mm, TN) for \$245k and will purchase a controlling interest for an additional \$1.1mm within 9 months of approval of a change in control by bank regulators.

M&A

D. L. Evans Bank (\$997mm, ID) will acquire Idaho Banking Co. (\$102mm, ID) for a reported \$10mm at a bankruptcy court auction.

M&A

The First (\$988mm, MS) will acquire Bay Bank (\$78mm, AL) for an undisclosed sum.

M&A

Cross County Bank (\$199mm, AR) will acquire Forrest City Bank (\$56mm, AR) for an undisclosed sum.

M&A

MutualBank (\$1.4B, IN) will acquire Summit Mortgage Inc. (IN) for an undisclosed sum.

M&A

The Union Bank Co. (\$555mm, OH) will acquire The Ohio State Bank (\$94mm, OH) for an undisclosed sum. Union will assume \$3.0mm in trust preferred stock plus unpaid interest, repay \$550k in senior debt and make a cash payment of 50% of Ohio's tangible capital at closing.

Significant Restructure

Sun National Bank (\$3.0B, NJ) will cut 38% of its employees, close 30% of its branches, move its headquarters, dispose of its home mortgage and commercial business units and take a one-time charge of \$20mm to dispose of \$96mm in problem loans, as it seeks to right-size the institution and boost profitability. Sun had been struggling and recently announced it hired a new CEO.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.