Sizing Up The Competition

by Steve Brown

Once a year, couples from all over the world gather in Sonkaj?rvi, Finland to participate in the Wife Carrying World Championships. It's a freestyle competition, but the most popular positions for completing the rugged obstacle course include traditional piggyback, over the shoulder, and the Estonian Carry (where the wife hangs upside-down over her husband's back with her legs around his shoulders, holding onto his waist). We have a more local version of the competition here in the US that's held in mid-Oct at the Sunday River Resort in Maine. There, winners of the North American Wife Carrying Championship bring home the wife's weight in beer, 5X her weight in cash and they win a chance to compete in the World Championships in Finland the following summer.

No matter what competition you enjoy in your off hours, if you've recruited loan officers in the past year or so, you've probably noticed competition for that sort of talent has heated up. As evidence, consider that 75% of the executives and board members who responded to the Bank Director's 2014 Compensation Survey said their bank promoted or hired new talent at the executive level in 2013, with lending the main thrust of this hiring.

Given that talent is in limited supply, some banks have also started to raid each other's loan officer ranks, while others are actively recruiting on local college campuses and hoping they can quickly train young eager minds. Meanwhile, pay levels for loan officers are also on the rise, which adds an unwelcome layer of stress for many small banks trying to expand their loan portfolio.

Staying competitive can be a challenge for the banks that don't have deep enough pockets to keep up with rising pay. Even if your bank can offer compensation that's a cut above the competition, dangling big bucks won't necessarily seal a deal. What's more, many a bank has been burned by agreeing to a package with attractive pay, investing the time, money and energy into training and yet still losing the new hire to a competitor shortly thereafter.

We've written before that compensation is not the only carrot a bank has in the hiring process and this continues to be true, even in the highly competitive market for loan officers. While you may lose out on certain candidates if you're not keeping up with the Jones's on pay, there's still a lot to be said for culture, company stability and ample opportunity for career advancement--all areas where many community banks have much to offer.

Of course, if you're trying to beef up your loan officer ranks, you can't afford to be completely out of the ballpark in terms of pay, so you'll have to do some homework to get a better feel for current trends. As a frame of reference, it might help to know that the median annual salary for loan officers was $61,400 in 2013, according to data from the BLS, but that is a national number and regions can vary widely. To get state-specific information, you may want to check out an online salary tool data that's derived from BLS's Occupational Employment Statistics semi-annual survey. In CA, for instance, loan officers made a median of $71,300 in 2013, while in New York the median was $82,000, the data shows. Again, adjust for experience and monitor closely what competitors are willing to pay to truly stay on top of things.

Whenever you are in hiring mode, it always makes sense to size up the competition, but your own bank's needs and structure also should be front and center. Many banks can still win the talent race by bringing in capable individuals at a fair price, ramping up training for less experienced staff, providing a clear path/opportunity for advancement and mentoring.

BANK NEWS

M&A

Sturgis Bank & Trust Co. ($307mm, MI) will acquire The West Michigan Savings Bank ($38mm, MI) for about $4mm.

Closing Branches

BOKF ($27.6B, OK) said it will discontinue its grocery store branch model and close 29 branches and relocate an additional 10 in-store branches to new locations. The bank expects to save $7mm to $8mm annually and said changing customer behavior toward more mobile and online banking was a key factor.

Customer Approval

The Financial Crimes Enforcement Network (FinCEN) said it is not required that banks terminate accounts of money services businesses (MSBs) and that banks can continue to serve these clients, while still meeting Bank Secrecy Act requirements. FinCEN reiterated banks should assess the risks of customers on a case-by-case basis and that it did not support wholesale termination of MSB accounts.

Prepaid Changes

The CFPB has proposed new rules around prepaid cards that are similar to credit cards and checking accounts. Under the new rules issuers would have to: provide periodic statements to purchasers (or make account information available online for free); resolve account errors promptly; protect users against unauthorized or fraudulent transactions and standardize disclosures.

LIBOR Change

The Intercontinental Exchange (ICE) said it would discount license fees for financial institutions that use LIBOR as a pricing benchmark on loans or other contracts. ICE said banks with assets less than $1.5B can use LIBOR at no charge, while those between $1.5B and $10B would have to pay $2,000 per year and those above $10B would have to pay $16,000 annually. Banks should note that the fee is retroactive to July 2014, when ICE took over managing LIBOR.

Small Biz

BAI research finds more than 50% of all business transactions occur at a branch, 25% of small businesses use mobile banking and 8% use mobile bill pay.