



## People, Lending and Business Opportunity

by [Steve Brown](#)

Shakespeare made famous the line "Neither a borrower nor a lender be." Bankers may despise Shakespeare as a result, but what he was really saying was lending between friends is risky and not a good idea because it can lead to resentment or the end of a good friendship. Maybe bankers should be thanking Shakespeare for this quote as it has certainly led to some good loan opportunities over the millennia.

Nowadays, it is much easier to borrow and lend money in any part of the planet. However, for foreign small business customers, things can never move fast enough. These customers like to produce, sell and be paid in their own currency.

This is the basis for foreign exchange, where one country's currency is valued and converted into another based on supply and demand. Currencies worldwide are constantly in flux for a variety of reasons. Given the US Dollar (USD) is the world's currency however, many things are converted back and forth into dollars.

The world of foreign exchange is huge because when goods or services are purchased from another country, the currency of that country is usually the way payment is ultimately made. Further, when overseas businesses seek to invest in the US, they do so first by converting their own currency into the USD so they can make payment to local entities who will only accept USD.

It is this constant back and forth between countries and the financial factors impacting them at any point in time that can lead to variations in currency conversion rates. Movement in interest rates, political unrest and other factors can shift exchange rates quickly as traders worldwide adjust to such changing factors.

This information is important for community banks to know because local businesses using the internet now do business all over the world. The Census Bureau reports that there are close to 300,000 small and medium sized exporters and overall goods and services exports now exceed \$2.4T. The government also reports that 95% of consumers live outside US borders, so understanding international trading processes are important for community banks and your small business customers.

To understand the basics, through PCBB your bank can send a wire in a foreign currency for a customer of your own. This helps you and your customer save time, reduce risk, and perhaps gain a competitive opportunity as well. Doing so also locks in the exchange rate.

There are also various ways to send and receive foreign payments. These include wire transfers, foreign bank drafts and foreign check deposits. Wire transfers are executed in much the same way you would do your domestic wires, while foreign bank drafts are drawn on a bank outside the US that are payable in the currency of that country. Meanwhile, foreign check deposits are checks drawn on

foreign banks that are denominated in either the foreign currency or USD. PCBB can help your bank convert these to USD as a cash letter for deposit to your account.

No matter how many languages you speak or don't speak, your bank can get involved simply and easily in foreign exchange and we can help. This is critically important for future business, as a recent Wells Fargo survey finds 80% of businesses agree companies should expand internationally and 60% plan to increase their long term international business development planning in the next 12 months.

If you still need more convincing, consider research by World First that found 52% of small business owners do not think their bank understands their currency needs, yet 65% say they plan to use their bank for their currency needs. Opportunity abounds in foreign exchange for community banks as small business customers sell more things abroad. Consider the potential as BIS research finds foreign exchange trading averages \$5T+ per day. After all--the world's mine oyster. Call us and we'll help your team get started.

# BANK NEWS

## **M&A Activity**

1) First State Bank (\$366mm, NE) will acquire Farmers State Bank (\$50mm, NE) for an undisclosed sum.

## **Online Competition**

Mobile payment provider Square said it will now offer loans to small businesses that use its card reader. Square is partnering with Celtic Bank (\$451mm, UT) and under the loan offering will reportedly keep 10% of each loan and loans must be repaid within 18 months.

## **Energy Loan Risk**

Regulators are telling banks to be strict when evaluating energy loans, which experts say will likely push the classified levels of such loans above 50% this year.

## **Industry Snapshot**

Kroll Bond Rating Agency in an interview by Bloomberg said: US banks have raised lots of capital; they look stronger than their European counterparts; US banks are slowly building reserves for oil and commodities exposures; and the largest are cutting staff as they slowly shrink (occurring as mortgage lending activities decline for the most part). Expect single digit declines over the next 5Ys.

## **Contract Workers**

Research by Ardent Partners finds 54% of workers today hold traditional jobs, but by the end of 2017, that will decline to 41% as companies continue to shift more toward hiring contract workers or outsourcing. Also of note, research by researchers at Princeton University and Harvard University finds that the number of workers in alternative work arrangements (variations from the standard workday, work week or work location, flexible work schedules, job sharing, etc.) has risen to about 16% of the total workforce.

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