



## Fido Gets Attention - So Do Customers

by [Steve Brown](#)

Fido has officially gone high tech. With apps that are called the "Uber for the four-legged set", you can now find dog walkers and pet-sitters at your fingertips. DogVacay and Rover are leading the pack in terms of funding. But, Wag Labs operates in 12 cities already and, along with Swifto in NYC, provides GPS of Fido and his dog walker. Fido continues to draw the attention of investors as the market value of this industry is estimated at \$1B in revenue, according to IBISWorld. Just as Fido is getting more attention in the world of tech, some could say the consumer is getting just as much attention in the world of banking.

Consider that in the 1990's community banks controlled 80% of the consumer loan market. Yet, since the Great Recession of 2008 when regulations were tightened sharply, many community banks withdrew from the mortgage lending arena entirely. The CSBS reports that consumer loans represent only 6.2% of total loans at community banks.

However, the segment is growing at 4.3% YOY, so perhaps there is some hope. Further, the CSBS reports that 76% of smaller financial institutions provide 1-4 family fixed rate loans, and 59% have an alternative adjustable rate mortgage product.

As community banks try to attract more customers, they find themselves increasing mortgage offers in some areas. Overall, 1-4 family fixed rate mortgages represent an average of 24% of small bank lending portfolios according to the CSBS and it is growing. This product also increased 6.5% in 2015 vs. 2014. Further, mortgage lending grew faster with community banks than the overall industry. All of this said, many community banks still find restrictions and rules too difficult - especially for QM and ATR so the jury is still out as to how much opportunity there really is.

Community banks don't confine their consumer offerings to mortgages either. CSBS found 74% include home equity loans in their offering, 76% have small-dollar unsecured loans, 90% have auto loans and more than 50% of the banks provide credit cards. Although these numbers seem high, the percentage of total loans in some of these areas shows that customers are not taking advantage of these offerings (auto loans comprised only 3% of total loans in 2015).

When asked for the reasons for renewed interest in mortgages and other consumer products, community bankers indicated the following: 42% said they are trying to keep up with the competition, about double the number who cited market expansion or profitability.

Certainly, community banks are aware of the need to provide more services online as well, especially with younger customers. Here, the CSBS found 81% provide mobile banking vs. 71% last year, and 33% of banks offer online loan applications. That being said, there are still challenges for community banks with technological execution so the journey continues.

As community banks continue to see increased competition in the small business lending market, some are looking elsewhere for areas of potential growth. Consumer lending is one of those areas of opportunity, but the rules are stringent so make 100% sure you know what you are getting into before you jump in. Whether it is mortgage loans, HSA accounts or auto loans, you may want to review your product portfolio to see where you can provide additional value to current customers.

As you move down the consumer path, be sure to watch where you walk as well, to avoid potentially stepping on something that Fido left behind that could leave your shoe with an awful smell.

# BANK NEWS

## **M&A Activity**

1) Glacier Bank (\$9.3B, MT) will acquire The Foothills Bank (\$315.6mm, AZ) for about \$62.4mm in cash and stock. 2) The Little Bank (\$367mm, NC) will acquire Union Bank & Trust Co (\$298mm, NC) for about \$30.7mm in stock or roughly 1.29x tangible book.

## **Less Innovation**

Research by Bank Director finds 63 percent of bank CIOs and CTOs say regulation is negatively impacting financial innovation.

## **Digital Wallet**

Research by Fiserv finds 41% of millennials say they would leave their wallet at home if they could store all the information they needed onto a digital wallet.

## **Not Worried**

Research by the AICPA finds people indicate the highest level of upbeat satisfaction about their financial situation since 2007.

## **Offline Safety**

Research by TSYS of consumers finds the payment types ranked highest for safety for in store purchases are: credit card (35%), cash (32%), debit card (18%), no preference (10%), PayPal (2%), prepaid or gift card (2%) and check (1%).

## **Bad Habits**

Research by Deloitte finds 23% of people surveyed always use the same password.

## **Women Directors**

Research by Equilar finds the percentage of women on the board of a Fortune 100 company has increased from 18.8% in 2010 to 21.6% in 2014 (15% in 5Ys).

## **More Security**

Research by Metaforic finds 54% of those who do not use mobile banking say they would adopt it if it could be proven they have stronger app security.

## **Regular Relationship**

Research by CCG Catalyst finds 90% of millennials say they have an existing relationship with a traditional financial institution.

## **Company Match**

Research by the Vanguard Group finds the average large company employer matching 401(k) contribution is 50 cents on the dollar for the first 6% of pay.

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