



## Training, Trust And Hedging

lending performance business customers

**Summary:** Lenders are seeing an increased demand for long-term loans. How can community banks satisfy this demand in a rising rate environment?

We thought it was interesting that CareerBuilder research found 58% of managers say they did not get any management training, and a survey by Harvard Business Review finds the same 58% say they trust strangers more than their own boss. This probably isn't the case at your institution, but training and trust are clearly very important. So, these might be worth a second look.

Banks are constantly tweaking their product and service offerings in response to competitors and market conditions. Right now, this is especially true, given that short-term interest rates are rising, but longer ones seem to be barely budging. This has many business customers pushing their banks to offer longer term fixed rate loans vs. floating rate that would move higher with the Fed.

This dynamic is creating tension between what the customer wants (fixed) and what the bank wants (floating). As such, lenders are seeing an increased demand for long-term loans. Yet, the current rate environment leads banks to push back in some cases and try to convince the customer to take a short duration conventional loan. This makes sense when you consider what lender in their right mind would want to bring any requests for long-term fixed rate loans up to the loan committee. Lenders know their committee usually has difficulty with deals that are longer than 7Ys; this is either due to what the committee expects or what has been drummed into them, as what the bank's balance sheet can naturally handle.

To state the obvious, lenders are better able to attract new customers when customer facing teams have a wider range of term options on loans. When a lender's offering is limited to conventional short-term loans vs. another lender with a wider variety of options, the odds increase that new customers will give additional consideration to the lender with more options.

Let's ease the pressure on this with a few quick thoughts.

**Find the right tool.** The best tool is one that both satisfies the bank and meets your customers' needs. The key to this is hedging your risk while managing uncertainty. This can be accomplished with hedging instruments, such as our [Borrower's Loan Protection \(BLP\)](#).

**Get educated.** Educate lenders and management on how and why hedging could serve the bank. Doing so can give you the floating rate loans you want in a rising rate environment, while giving the customer what they want too.

**Expand your options.** The market is highly competitive, so keeping customers (and staff) is critical right now. By arming your team with all of the tools available, they can more easily win the business with a broad spectrum of loan structures.

As we have done since our inception 20Ys ago, we want community banks to win the business; we will do everything we can to help you do so. That is why our hedging solution (BLP) is designed to help your bank and

give your customer what they want too.

There is nothing like a happy customer to make your day, and a happy manager to make your employee's day. Contact us to find out more about both!

## HEDGING SERVICES FOR COMMUNITY BANKS

Community bankers seeing long-term fixed rate demand from business clients can transform payments into a floating rate on their books using [Borrowers' Loan Protection \(BLP\)](#). Contact us today for more information.

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