



Successfully Expanding PPP Relationships

👉 lending PPP

Summary: CFIs have been successful in expanding relationships with small business owners who came to the institution during the pandemic for a Paycheck Protection Program (PPP) loan. Indeed, some PPP borrowers even moved their entire banking relationship over to the CFI. We look at some of the ways CFIs have been able to deepen those relationships.

REI sure knows how to expand customer relationships. Founded in 1938 as a co-op by [a group of mountaineers banding together to purchase affordable ice axes](#), Recreational Equipment Inc. now sells a whole host of equipment, clothing, and other items for backpackers, day hikers, rock climbers, cyclists, kayakers, and other outdoor enthusiasts. Members get annual dividends to spend on next year's wish lists — and REI holds routine sales with deep discounts to entice them to do so. Then there are the helpful classes, like backpacking navigation, wilderness survival skills and international adventure travel basics. The co-op even offers REI Adventures, where you can join a group to hike in the Grand Canyon, cycle around the San Juan Islands, or trek to the Everest Base Camp in Nepal. Once you become a member, chances are you'll become hooked.

Similarly, a number of community financial institutions (CFIs) have been successful in expanding relationships with small business owners who came to their institution during the pandemic for a Paycheck Protection Program (PPP) loan — and then were enticed to buy more products and services. Indeed, some PPP borrowers even moved their entire banking relationship over to the CFI. Here are some ways CFIs have been able to deepen those relationships:

SBA loans. Once their borrowers' PPP loans were forgiven, many CFIs then offered those small businesses SBA 7(a) loans for working capital and other needs, as well as SBA fixed-rated 504 loans to buy or improve property, equipment, machinery, and other assets. More than a few CFIs that were introduced to government-backed lending via PPP loans, were then ready to try offering SBA loans for the first time.

An Oregon CFI executive last year taught a virtual introductory class offered by a trade group of SBA lenders — to a whopping 400 participants. The executive has this to say: *"It is astronomical how many institutions have realized after doing PPP loans that SBA is not as scary as they thought."* If you're interested in learning more about this line of business, there are plenty of resources to help you — [starting with the Small Business Administration](#).

Microloans. After PPP, a New York CFI introduced a new product for those borrowers whose businesses make less than \$1M in annual revenue: microloans up to \$25K to further invest in their ventures.

"PPP loans at least gave them a lifeline, so, post-pandemic, we're trying to reach out to the surviving entities and help strengthen them so they can continue to grow," says the CEO. *"There has to be a follow-up to PPP loans to small businesses, and we view that as one of our missions. Because if we don't strengthen our small businesses, we can't strengthen our communities."*

Digital lending. Many CFIs that made PPP loans invested in processes to expedite the underwriting, funding, and even the loan forgiveness process. Such investments have enabled them to now offer a variety of digital lending products. To be most successful, CFIs need to make sure their online application process is easy to use,

complete with the ability for prospective commercial borrowers to upload any necessary documents. CFIs also need to make sure that decisioning is relatively quick, expedited by automated processes throughout the application workflow.

Online account opening. After securing a PPP loan, many small businesses were enticed by CFIs to then open a business checking account via a streamlined online account opening process.

Says one industry consultant: “[CFIs] have traditionally approached small-business banking with the assumption that small-business owners are looking for in-person, in-branch experiences. However, small business banking expectations have also changed during the pandemic. Small businesses want superior digital experiences, starting with their first touchpoint with a financial institution. Most say they will not do business with an institution that doesn’t offer online account opening, regardless of whether they prefer to open an account online or in-person.”

If your institution is considering the launch of an online account opening process, be sure to also offer the ability for small businesses to make mobile transfers and mobile check deposits, and also provide immediate notifications for large purchases to determine whether they could be fraudulent.

If your institution was successful in making PPP loans, then you’re also likely to be successful in securing the entire relationship of these borrowers. The CEO of a California CFI said, “When I talk to other CEOs across the country, they tell me the same thing: PPP borrowers who were first rejected by their larger bank decided to stop being customers there and brought over their entire relationship to the community bank that gave them a PPP loan.”

The selling point? The “C” in CFI !

“The message we need to send to everybody is that community banking remains strong,” the CEO says. “Their respect and perception in their communities has been strengthened even further through the pandemic, and we just need to re-emphasize the role we’ve played during the pandemic. In 2022, community banks will continue to play a vital role, and we need to get that message out.”

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ECONOMY & RATES

Rates As Of: 08/01/2022 05:49AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.41	0.69	2.35
6M	2.91	0.40	2.72
1Y	2.95	0.01	2.56
2Y	2.92	0.03	2.18
5Y	2.71	0.03	1.45
10Y	2.69	0.04	1.18
30Y	3.05	0.04	1.14

FF Market	FF Disc	IORR
2.33	2.50	2.40
SOFR	Prime	QIBR
2.27	5.50	2.32

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