



Leapfrogging Across the Land with Cross-Country Branches

branch strategies

Summary: More and more CFIs are leapfrogging into markets far away from their home turf. We detail a few examples of why they are doing this and review some best practices to make sure your far-away branches succeed.

Cross-country road trip movies are always fun — almost as much as road trips themselves. Some classic examples include 1987's "Planes, Trains and Automobiles," with high-strung Steve Martin stuck with goodhearted but annoying John Candy as travel companions from New York City to Chicago. Or there is 2006's quirky "Little Miss Sunshine," with an all-star family driving a VW bus on its last legs from Albuquerque to Los Angeles to the finals of a children's beauty pageant.

While it's common for a community financial institution (CFI) to expand in contiguous markets, some are opening branches or buying into geographies far outside their existing footprints, for a variety of reasons. The cross-country market can be a fruitful one, if you thoroughly research the markets you're eyeing. This can help determine if your institution has a decent chance of gaining market share, either by serving existing customers who spend time there or with products and/or high-touch service that distinguishes you from larger banks in that new area.

If your CFI is considering a cross-country move, glean some best practices from these CFIs to help make sure that your far-away branches succeed.

PA to FL. A CFI in Pennsylvania [now has a presence in southwest Florida](#) to serve its "hometown" customers who winter in the Sunshine State. The CFI's commercial loan office in Florida caters to snowbirds who want to invest in business or commercial real estate there, and the institution plans to also open a branch there in the near future.

What we can learn: Form an advisory board. The CFI created an advisory board made up of professionals in its Florida market, including business leaders, attorneys, and accountants, who intimately knew the ins and outs of the market. Having this input from locals helped them make thoughtful decisions about their strategy.

MN to FL and AZ. Stearns Bank, a CFI in Minnesota, [picked up branches in Arizona](#) from a failed financial institution and later opened new branches in Florida. Not only does the institution want to capture the business of snowbirds and retirees who have relocated to the southern states, but it also saw the cross-country move as an opportunity to expand its equipment financing, small business, and construction lending operations.

What we can learn: Draft specialized risk management and compliance programs. Stearns Bank created a risk management and compliance framework specific to each of its new markets in Arizona and Florida, staffed by those experienced in those markets. "There's a framework and level of expertise to it," says its CEO.

ND to AZ. Western State Bank, a CFI in North Dakota, [bought an existing branch in the Grand Canyon State](#) before acquiring two whole banks there. For this institution, serving snowbirds wasn't the priority, as North Dakotans don't typically winter in Arizona. Instead, the CFI saw an opportunity to gain market share in the

Phoenix region that’s dominated by larger banks. “We’re a full-service bank,” the president says, “but we’re also very focused on the business banking side. We felt we could stand out by leveraging our existing relationship-based banking model in that new market.”

What we can learn: Relocate staffers familiar with your institution. To maintain the type of service that your institution is known for back home, consider relocating staffers who are versed in your CFI’s culture and procedures to your new markets, like Western State Bank did. Another CFI from Montana with cross-country branches in numerous states offers relocation opportunities for its staffers everywhere. “We cover eight states,” the CEO says, “so we’ve seen that work both ways. As a community bank, we like being able to let people transfer from one area to another without having to leave us.”

Three CFIs — two from AL and one from AR — to NC. All three CFIs moved to the Charlotte area because of the opportunity to pick up market share in the fast-growing region, as well as a vast financial services talent pool. Truist Bank, headquartered in Charlotte, drastically reduced its headcount by the thousands after the institution closed its merger-of-equals deal with SunTrust in 2019. That talent could easily find a new home with one of the three new CFIs now present in the area.

What we can learn: Hire experienced people in the new markets. It’s also particularly advantageous if you can poach expertise from others, and also take advantage of larger institutions such as Truist Bank laying off thousands.

Consider leapfrogging into far-flung markets with cross-country branches to boost your assets and profitability. But do your homework first and make sure you bring in the right local expertise — while maintaining your own special brand of service.

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ECONOMY & RATES

Rates As Of: 07/17/2023 05:50AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.49	0.06	1.07
6M	5.52	0.05	0.76
1Y	5.30	-0.09	0.59
2Y	4.72	-0.17	0.29
5Y	4.01	-0.14	0.01
10Y	3.81	-0.03	-0.07
30Y	3.92	0.06	-0.05
FF Market	FF Disc		IORR
5.08	5.25		5.15
SOFR	Prime		ORER
5.05	8.25		5.07

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