



COMMERCIAL BANKING

INTERESTING OPTIONS

Local bankers say to expect more online services, higher rates for loans in 2014

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Interest rates, online and mobile solutions and increased competition from nonbank entities in lending and payment processing are all expected to have an impact on business banking in 2014, according to local business banking experts.

SD•B2B hosted a virtual roundtable to ask top executives at four of the region's most popular business banking institutions what trends could be expected in the coming year, and how their institutions aim to fill the evolving needs of businesses. Participating were American West Bank, California Bank & Trust, Silvergate Bank and Torrey Pines Bank.

The consensus was that as the economy continues to crawl upward, so too will interest rates, triggering increased costs for businesses and consumers. Bankers said an improving economy will also bolster confidence, translating into increased demand for credit for small businesses. Competition for business

accounts will continue to fuel the development of more and better online banking options, but could also contribute to the shrinking of branch sizes and number of community bank locations, bankers said.

Participants were Derek Eisele, Silvergate Bank vice chairman and chief lending officer;

Eric Ellingsen, California Bank & Trust executive vice president and chief financial officer; Scott Kisting, AmericanWest Bank chairman and chief executive officer; John Maguire, Torrey Pines Bank president and chief operating officer.

Q: What banking trends can we expect to see in 2014?

Derek Eisele: Rising interest rates will challenge banks to compete with other products that pay higher rates on deposits and investments. Mortgage businesses will be challenged as higher mortgage payments translate into fewer eligible borrowers, thus dampening buyer and refinancing demand.

The improving economy and global demand for U.S. products is fueling business lending, which will remain highly competitive for qualified business loans. The good news for businesses is that this competition should keep the fees, rates and terms priced in favor of the borrower.

Growing migration to mobile and online banking will result in fewer and smaller branches. Banks will see increased competition from nonbank entities regarding payment processing, deposit funds and all types of lending. They also will see increasing regulations with the continuing implementation of Dodd Frank (Dodd–Frank Wall Street Reform and Consumer Protection Act), the implementation of the qualified-mortgage rule and rising cyber security concerns.

Eric Ellingsen: California Bank & Trust expects to see increased demand for credit by small businesses as a result of a strengthening economy. We also see a continued shift to online and mobile banking channels. Our business customers are increasingly using online and mobile banking to research banking products, to make and receive payments, and to obtain statements. We continue to make significant investments in online and mobile banking solutions to help clients manage their finances from their device of choice. Additionally, we are launching a completely revamped website this month, providing customers with an enhanced user experience.

Scott Kisting: As the local and national economy continues to improve, we believe the optimism level of small- to medium-sized businesses will also rise and those business owners will look to expand and banks will be ready. AmericanWest has money to lend now and we're actively seeking qualified borrowers. Related to the economy, we believe short term rates should improve so the cost for borrowing should be less for lines of credit and other short-term borrowing that businesses need to grow and expand their inventory.

John Maguire: Short term, I expect interest rates to remain relatively unchanged, particularly if the Federal Reserve continues to delay its tapering of quantitative easing. The economy is showing signs of growth and will begin to expand more robustly, causing a modest rate increase. Businesses and consumers who borrow would have to cope with higher costs. Ideally, with an expanding economy, business and personal income should grow at a greater pace, which may offset increased borrowing impact.

There may be fewer players in the banking industry, particularly community banks, which focus on the commercial and business banking segment and are vital to the economy. A key problem is that many community banks (with less than \$1 billion of assets) are disappearing. Almost 95 percent of all U.S. banks are community banks, often the only banking options in the communities they serve.

Q: What new platforms does your bank have available for businesses?

Eisele: Silvergate Bank now offers mobile banking and mobile deposits for small business. We have also revamped our Lockbox processing service to become a boutique-style service. It is managed locally by a team dedicated to customizing everything from retention time, special handling instructions of invoices, exceptions items and information reporting.

Ellingsen: California Bank & Trust offers a full menu of banking products and services to fit the specific needs of each business. Services range from online banking, cash management solutions like ACH, the ability to deposit remotely, merchant card processing and Positive Pay to help prevent fraud, as well as international banking, remittance and trade services. We also provide a broad range of financing options including card products, equipment loans, real estate, working capital, leasing, acquisition financing, employee stock ownership plan financing and Small Business Administration loans.

Kisting: AmericanWest is a business-focused community bank. We offer all of the products and services a business could need.

We've organized ourselves internally for the unique needs of small- to medium-sized businesses. For example, when small businesses want financing they're generally responding to a market opportunity or an unexpected issue so they need an answer quickly. We provide an answer in just 48 hours to loan requests of \$750,000 and less. Plus, rather than require those clients to complete an application created for a large commercial client, we developed a modified application that's just two pages. Historically, our industry takes up to a month to make a decision on a complex commercial loan.

Maguire: As a division of Western Alliance Bank, a regional institution with \$9 billion in assets, Torrey Pines Bank has the muscle to provide a robust, cross-channel platform for businesses deposit, cash management and lending needs. Our capabilities enable us to meet the needs of 90 percent of San Diego's locally owned businesses.

We have the infrastructure to support day-to-day transaction accounts that include modern conveniences, like remote deposit capture. Our lending capabilities average three to five times that of a typical community bank. Our team of senior leaders who average about 30 years experience backs our personalized service.

Q: What support/services does your bank provide to small and large businesses?

Eisele: Silvergate Bank specializes in serving companies who value local decision-making and a banking team that can develop customized banking solutions to support their business. We offer cash management services as a support to all of our business customers. Our competitive earnings credit rate of 1.25 percent for Analyzed Checking is ideal for customers with higher balances. Other services include: Online Banking, Office Deposit, Merchant Card Processing, ACH Services, Positive Pay, Sweeps, Lockbox Processing and Bill Pay. Silvergate Bank serves businesses of all sizes with a specialization in small business.

Ellingsen: California Bank & Trust is dedicated to the growth and prosperity of businesses. Local teams of seasoned commercial and small business banking professionals specialize in different sizes and types of

businesses, providing expertise with all types of lending, treasury and cash management, banking and international trade services. Our bankers are backed by major resources, yet maintain local-decision making authority and regional expertise.

Our website has an extensive Business Resource Center covering a range of topics, from starting your business to financing, marketing and more. We also sponsor workshops provided through Accion San Diego—a nonprofit micro-lender dedicated to connecting entrepreneurs with the accessible financing. Our TEAM initiative (Tools, Education, Access and Mentorship) is designed with minority and women business owners in mind.

Kisting: We believe all businesses deserve the personal attention of an experienced banker; it shouldn't depend on your asset size. We've heavily invested in experienced bankers who truly understand what it takes to run a business and they bring that expertise to every client relationship. We listen and learn about that business—what are their short- and long-term goals, what sets them apart from their competition and how do they bring their product to market—only then do we recommend the right products and services that can help them succeed.

Maguire: Our approach remains as consistent with clients as it has been since we organized close to eleven years ago. Providing a high level of customer service starts with informing clients of (pending) changes in the banking environment so that there are no surprises when issues may arise. Constant communication is of the utmost importance with customers. Transparency is one of the greatest gifts I can offer my clients and honest answers will almost always strengthen the banker-customer relationship.

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