Community Banking in the 21st Century | Research and Policy Conference

Chart Book

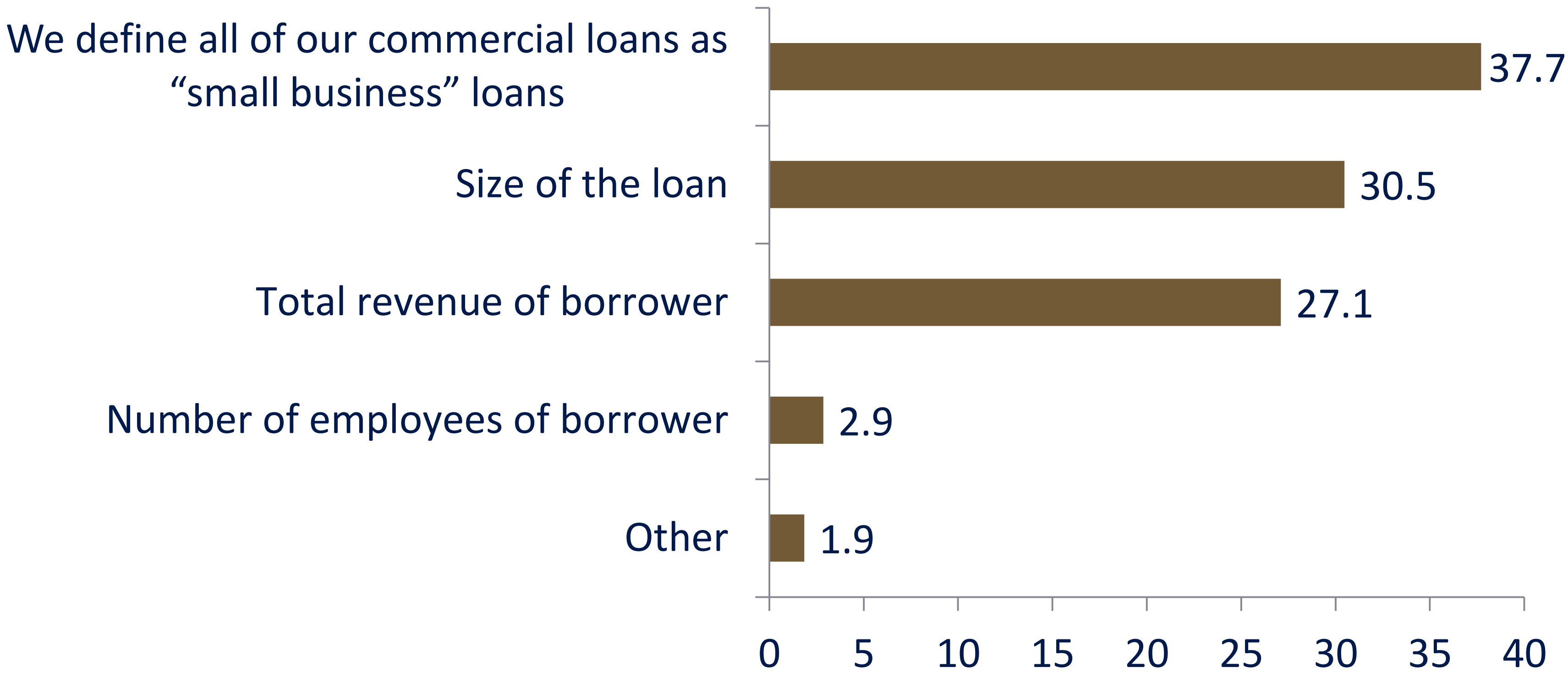
from the 2017 National Survey of Community Banks

CSBS
SINCE 1902
CONFERENCE OF STATE BANK SUPERVISORS

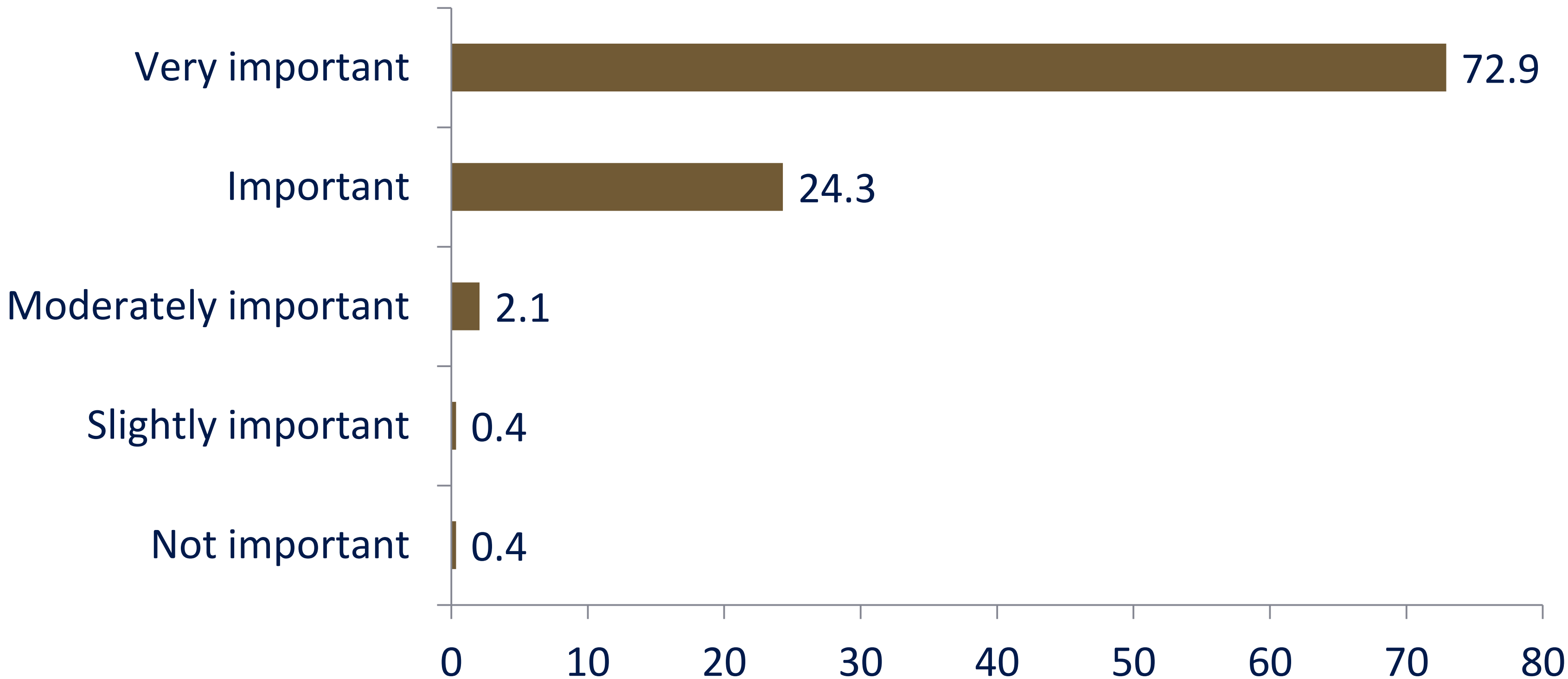
Overview of the 2017 National Survey

- The survey has been conducted annually since 2014
- The 2017 survey was administered by 37 state banking commissioners from April to July 2017
- A total of 611 community bankers participated in the 2017 survey
- Thirty (30) states conducted "5 Questions for 5 Bankers" interviews to supplement the survey data

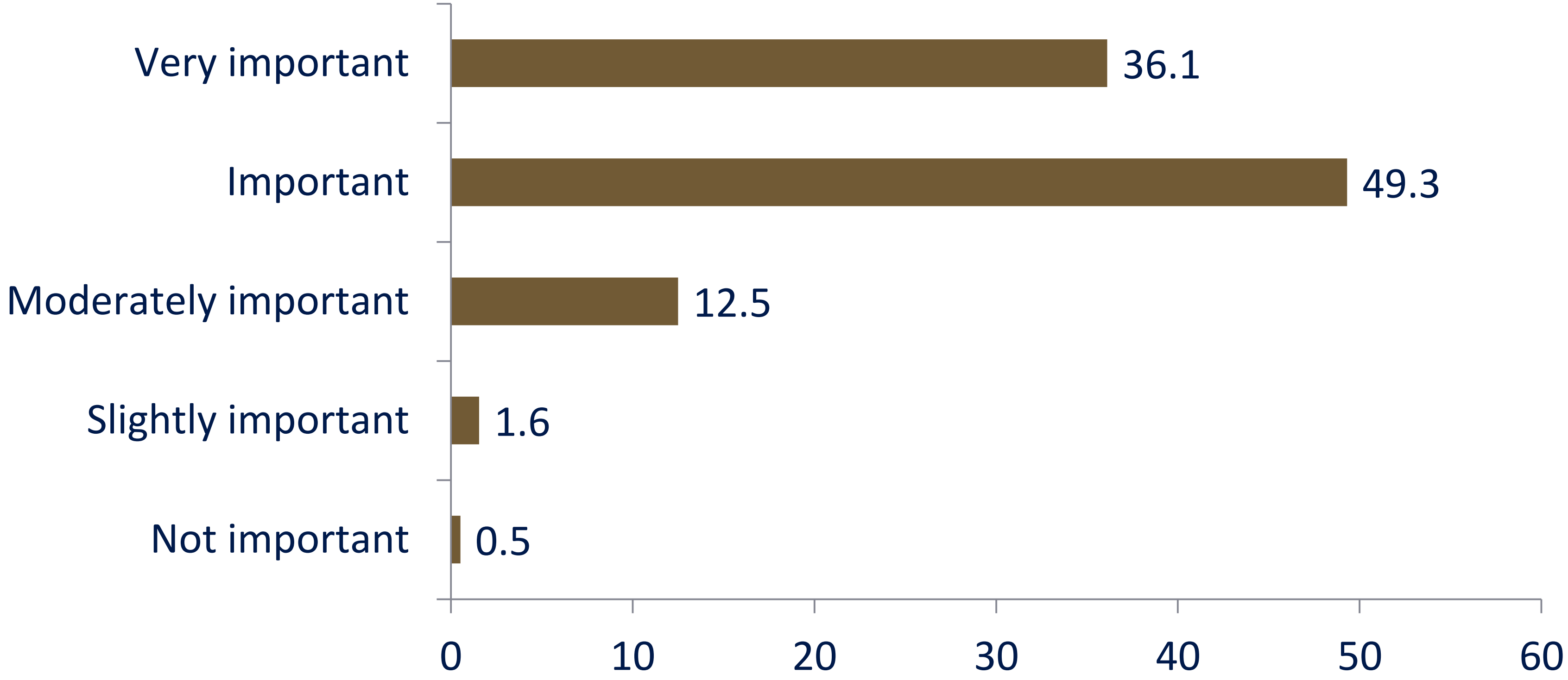
Community bankers use a wide variety of criteria to define a "small business" loan.



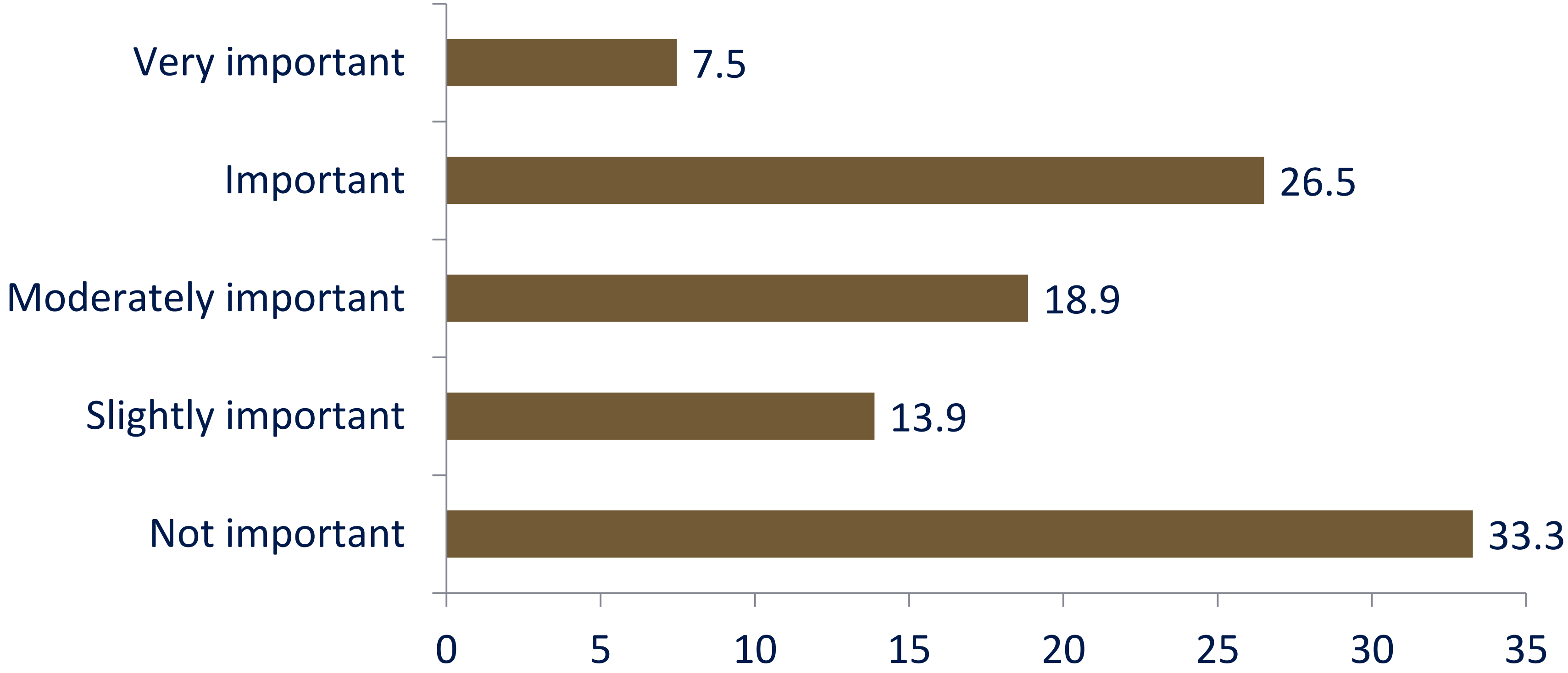
Community banks view financial statements as highly important in underwriting a small business loan.



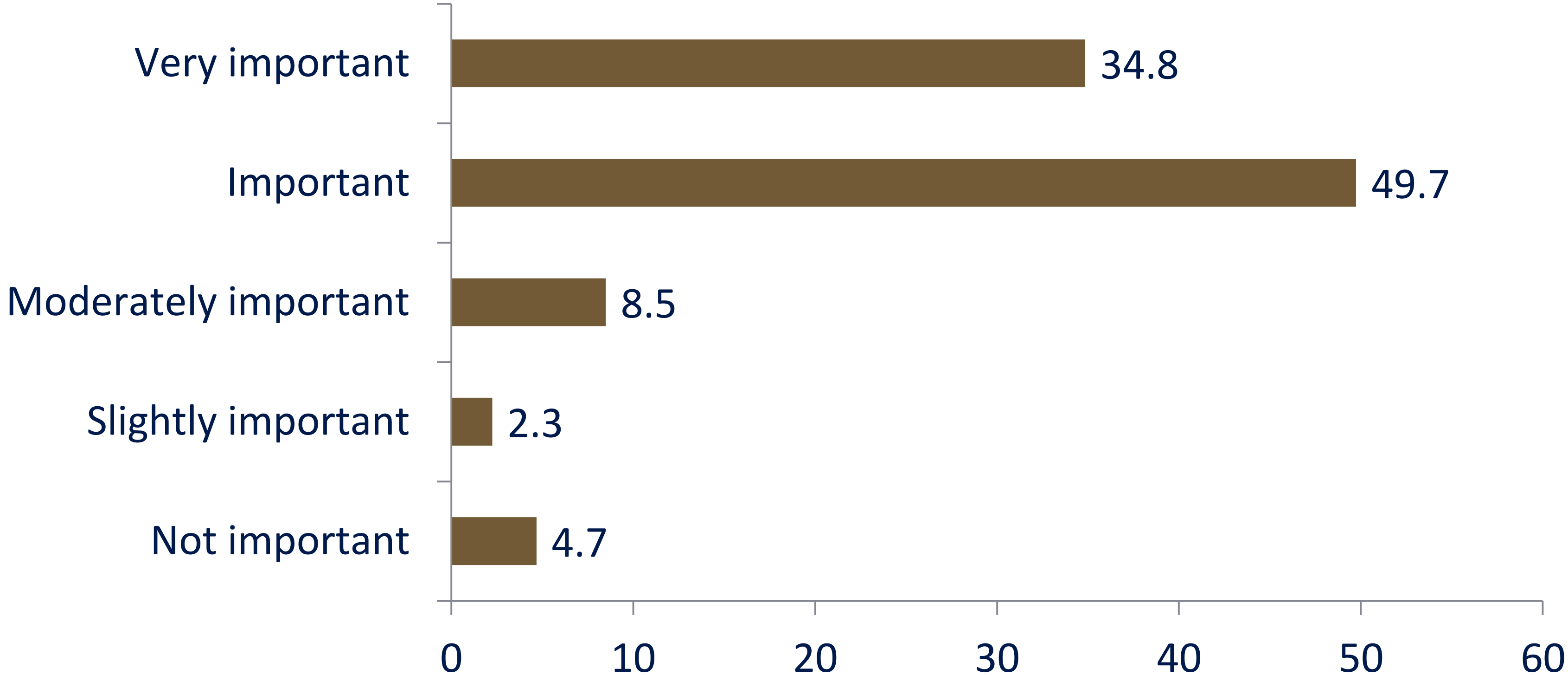
Business assets are an important factor in small business lending, regardless of whether it is collateral.



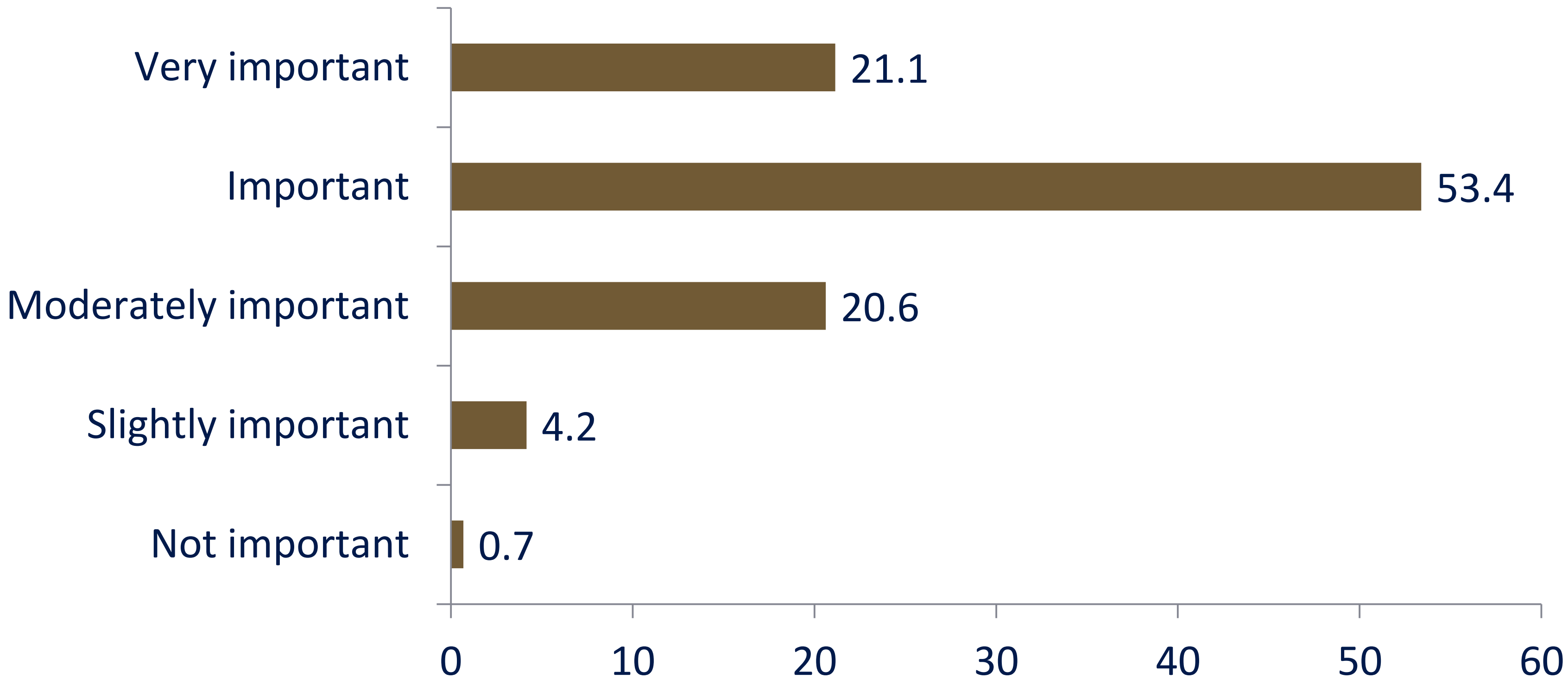
Business credit scores have not gained much of a foothold in small business lending.



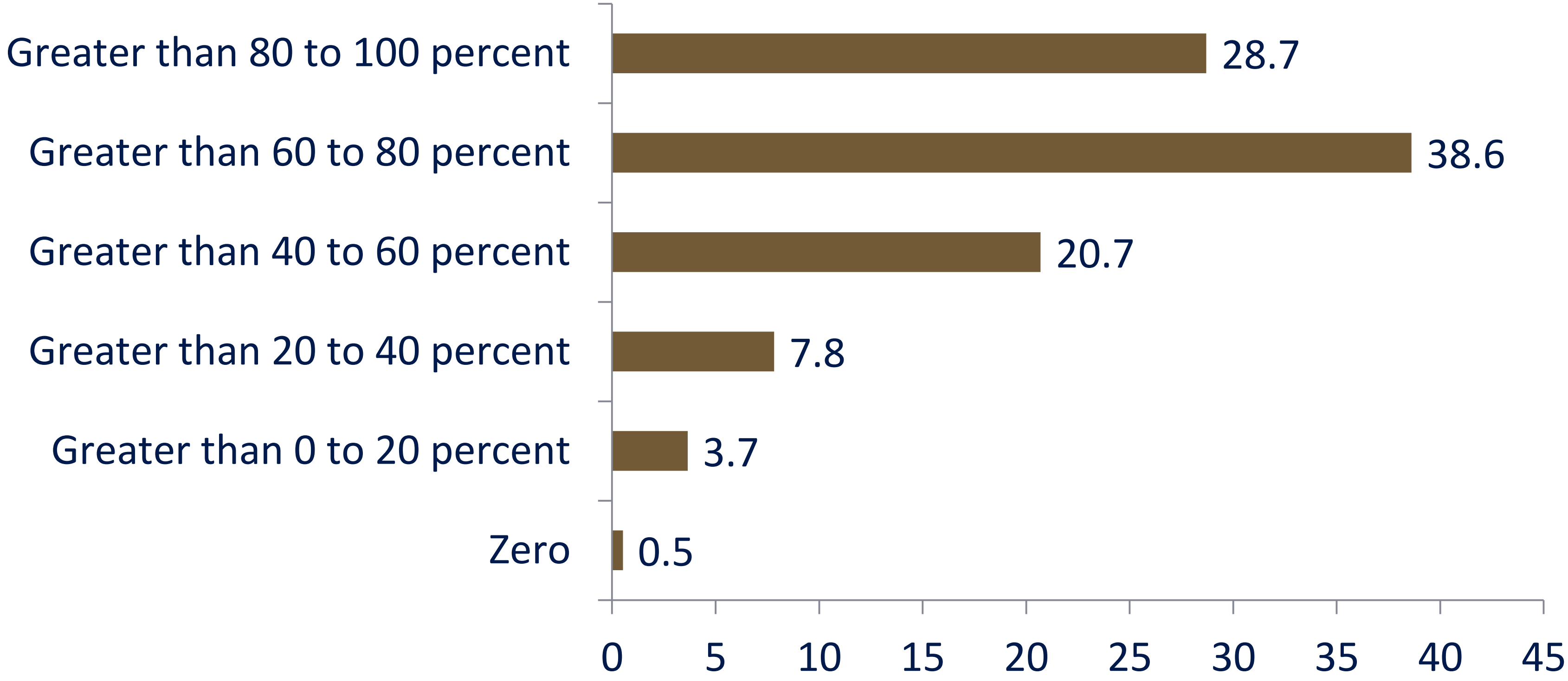
Business owners' personal credit scores are much more important than business credit scores.



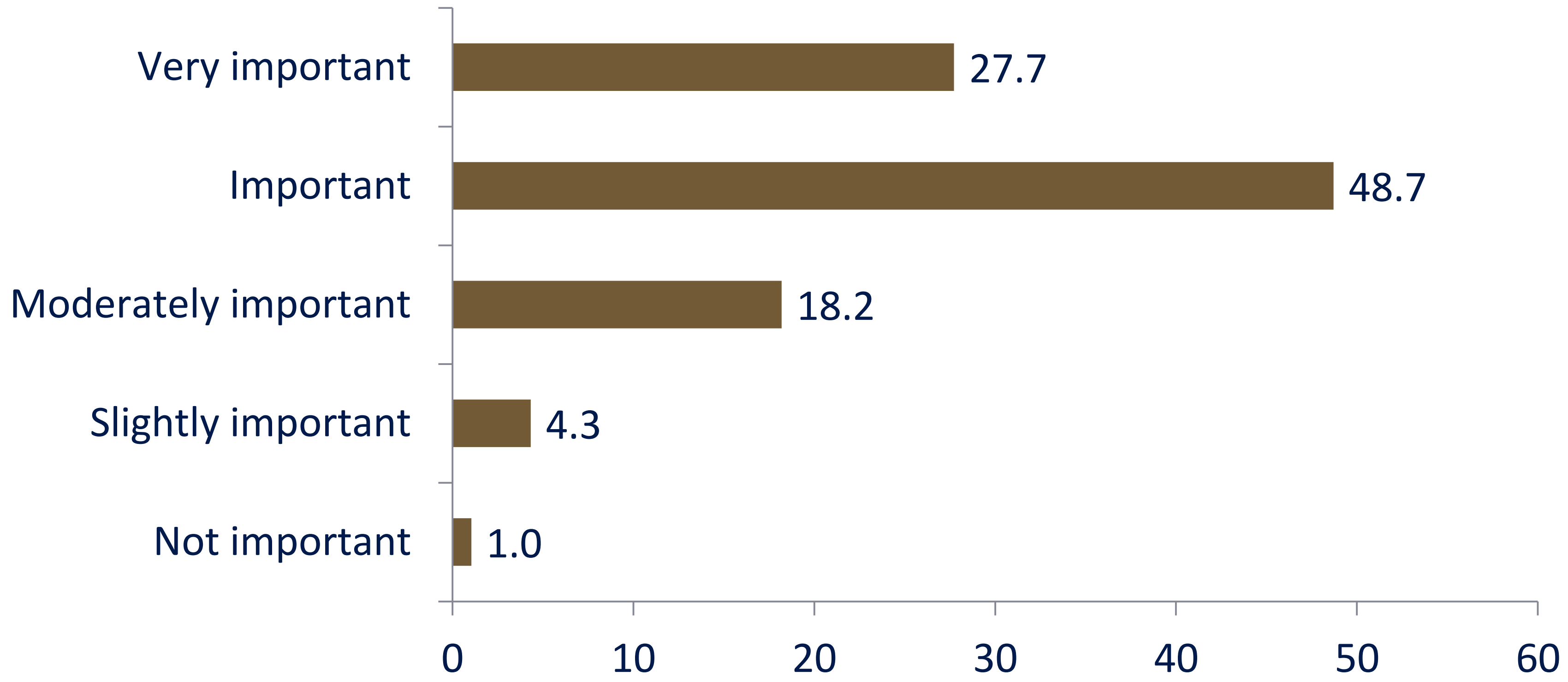
General business conditions play a large role in small business lending.



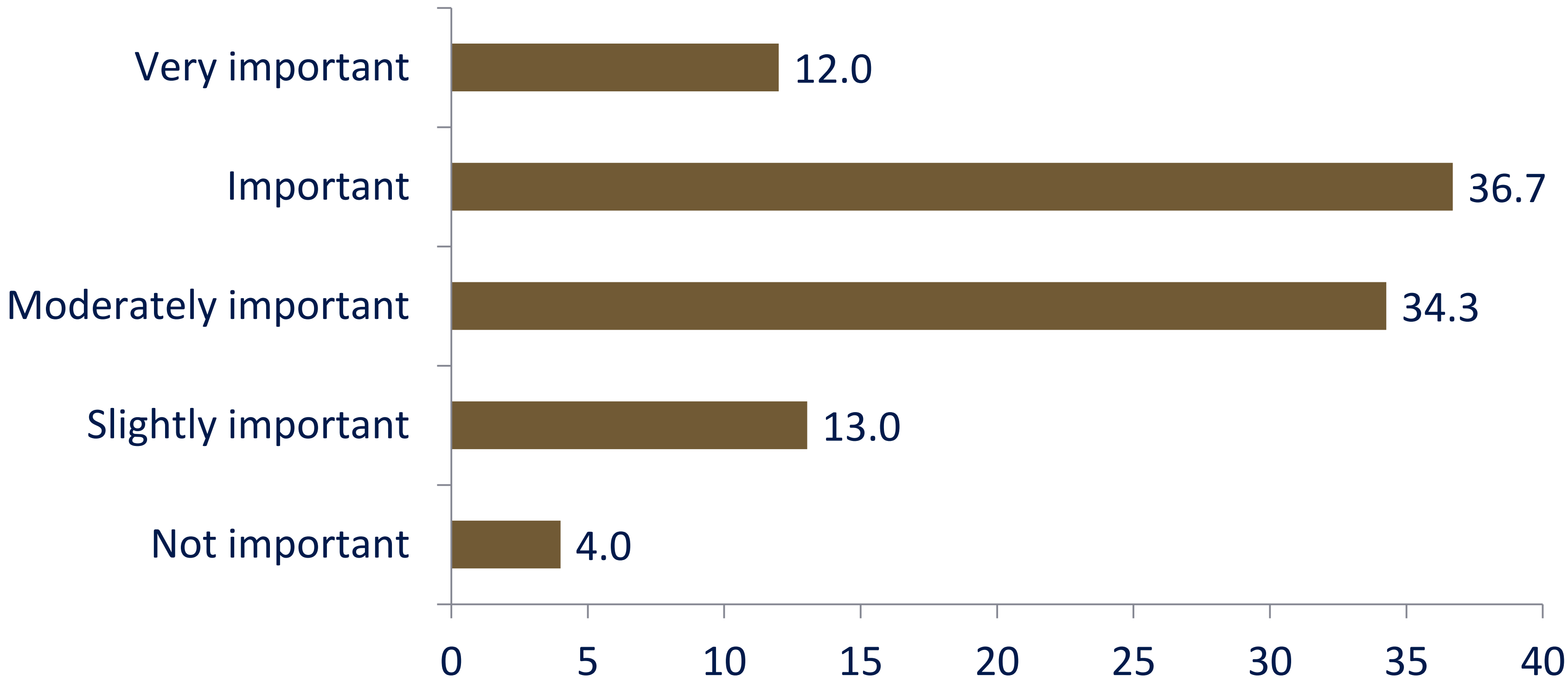
A large majority of small business customers had a banking relationship prior to a new loan.



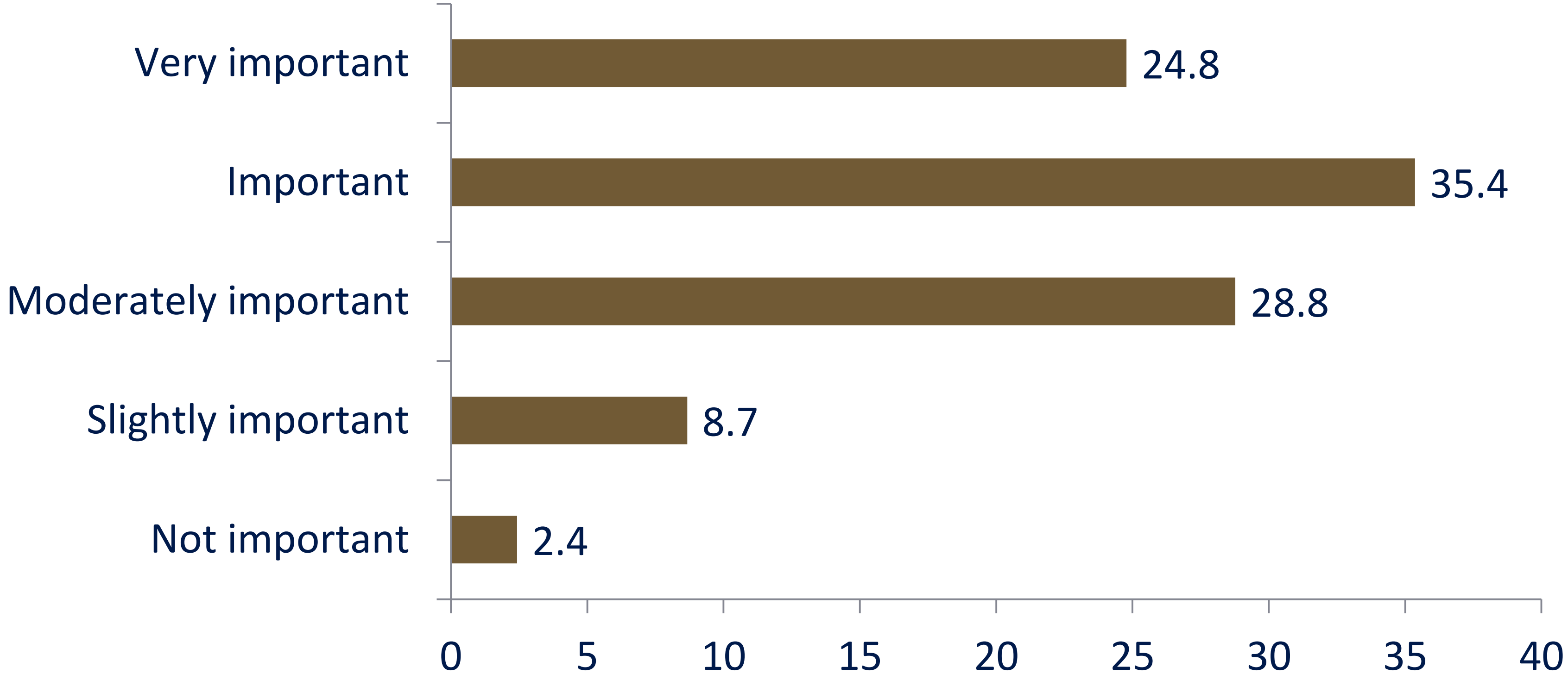
Banks attach great importance to a potential future relationship with small business customers.



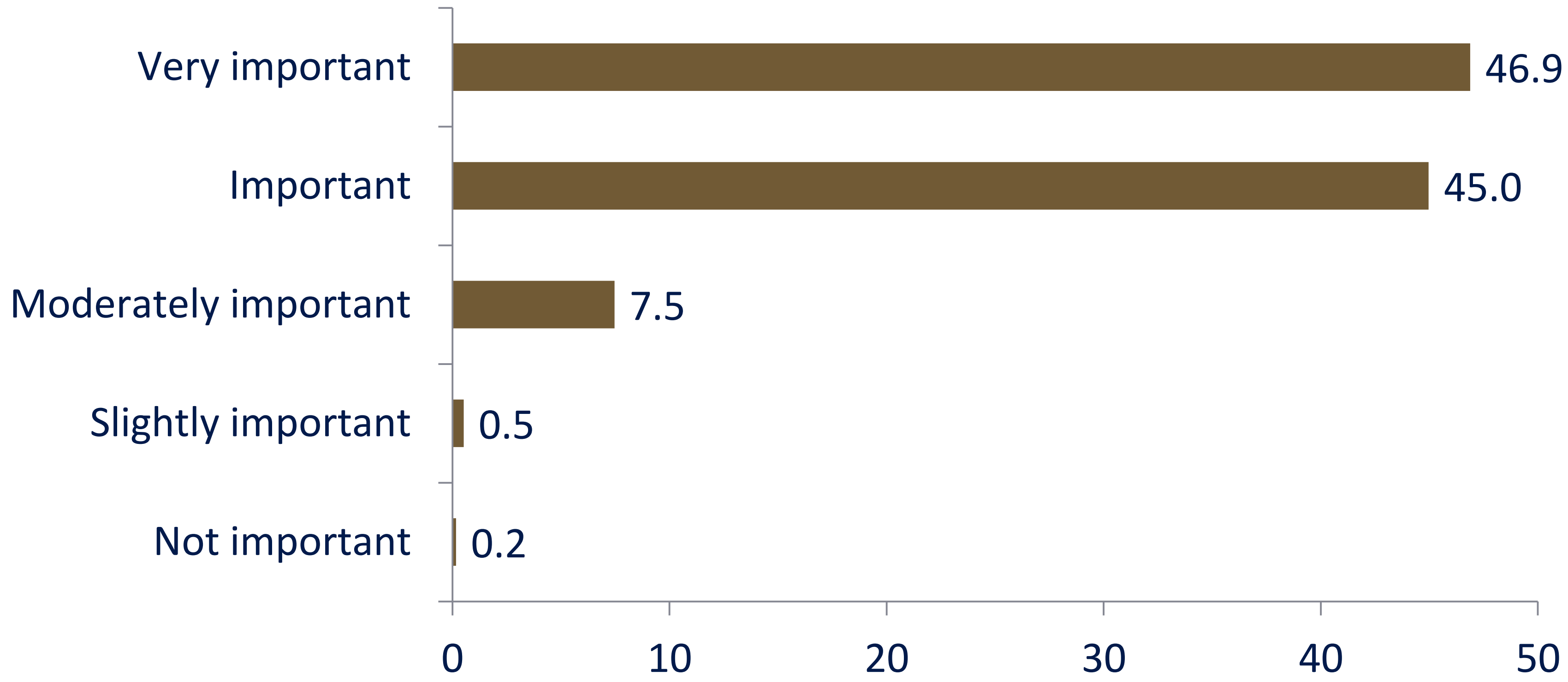
A prior deposit relationship with small business customers is important but not a deal-breaker.



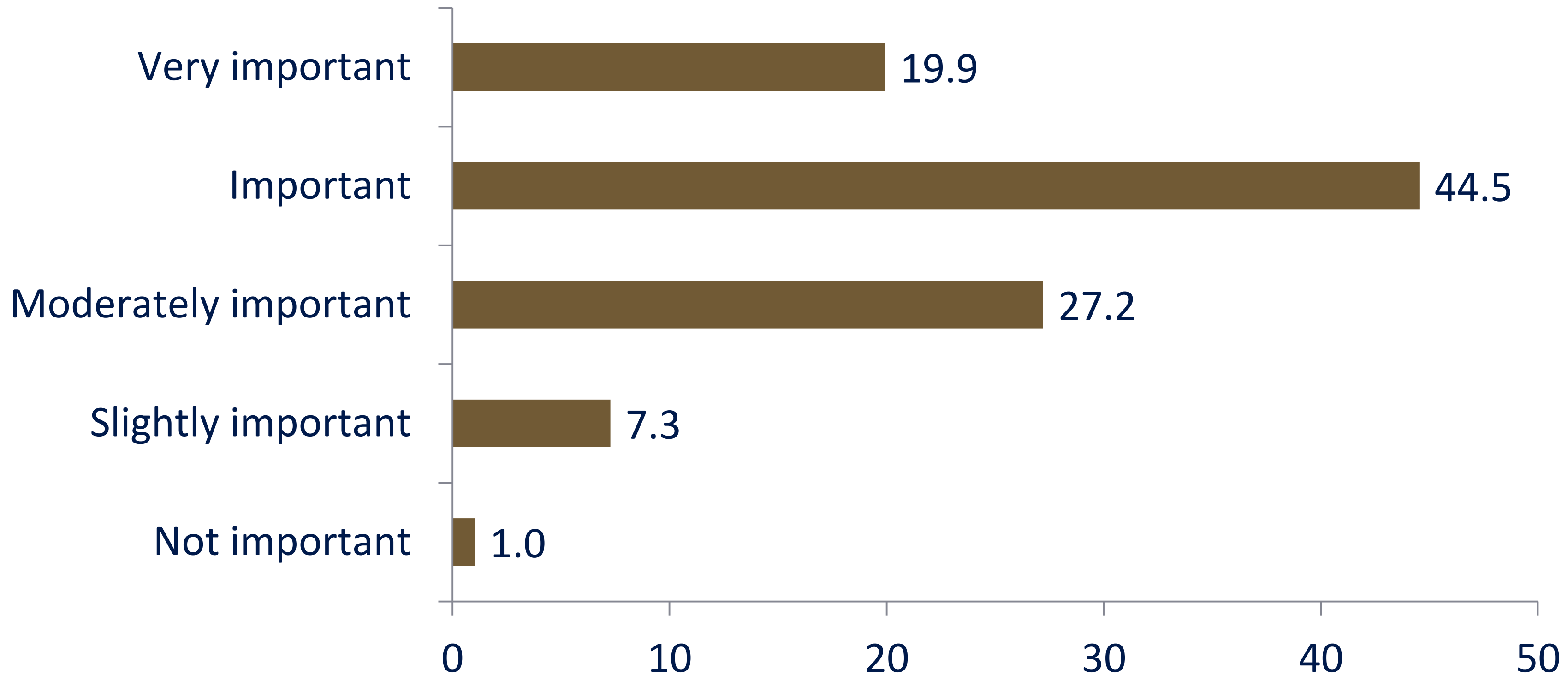
A prior lending relationship is somewhat more important than a prior deposit relationship.



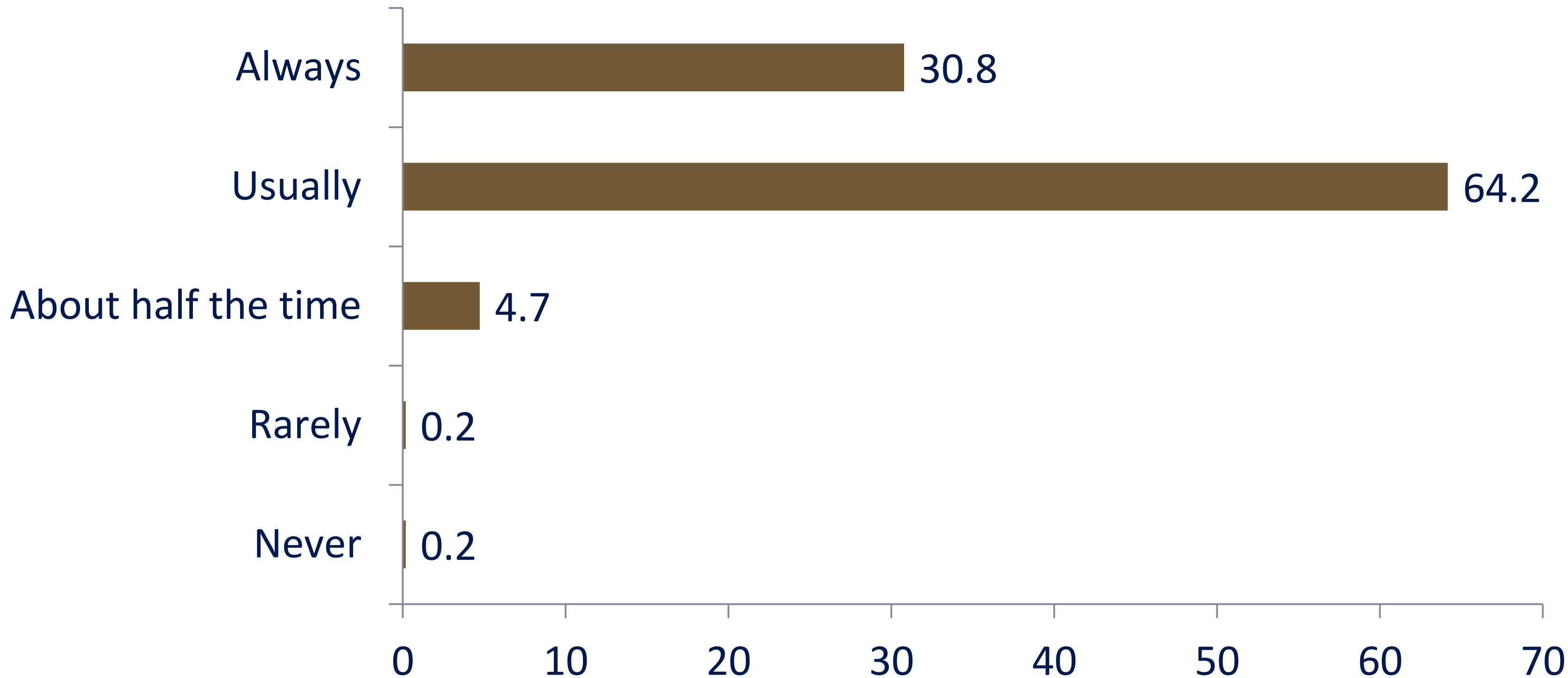
Nearly all community bankers view business collateral as highly important for small business loans.



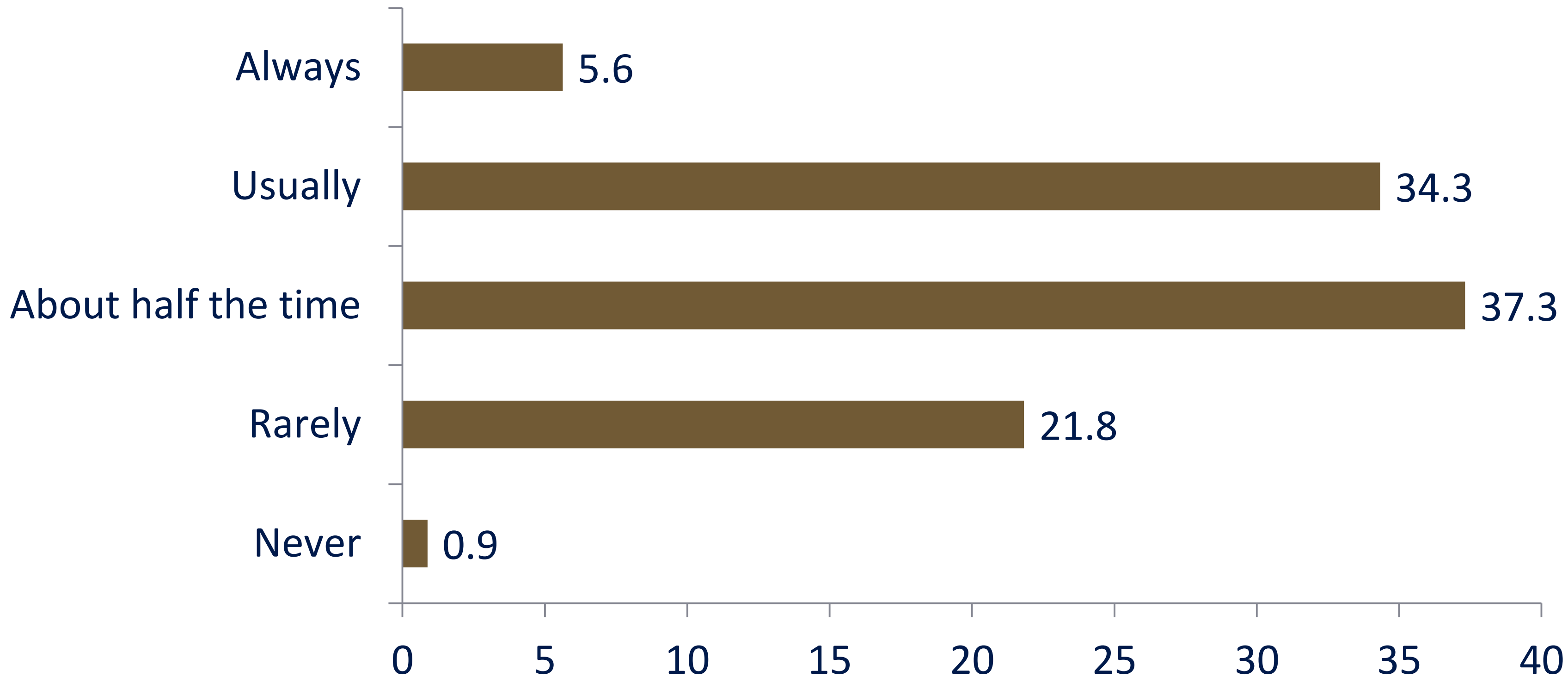
Small business owners' personal collateral is important but less so than business collateral.



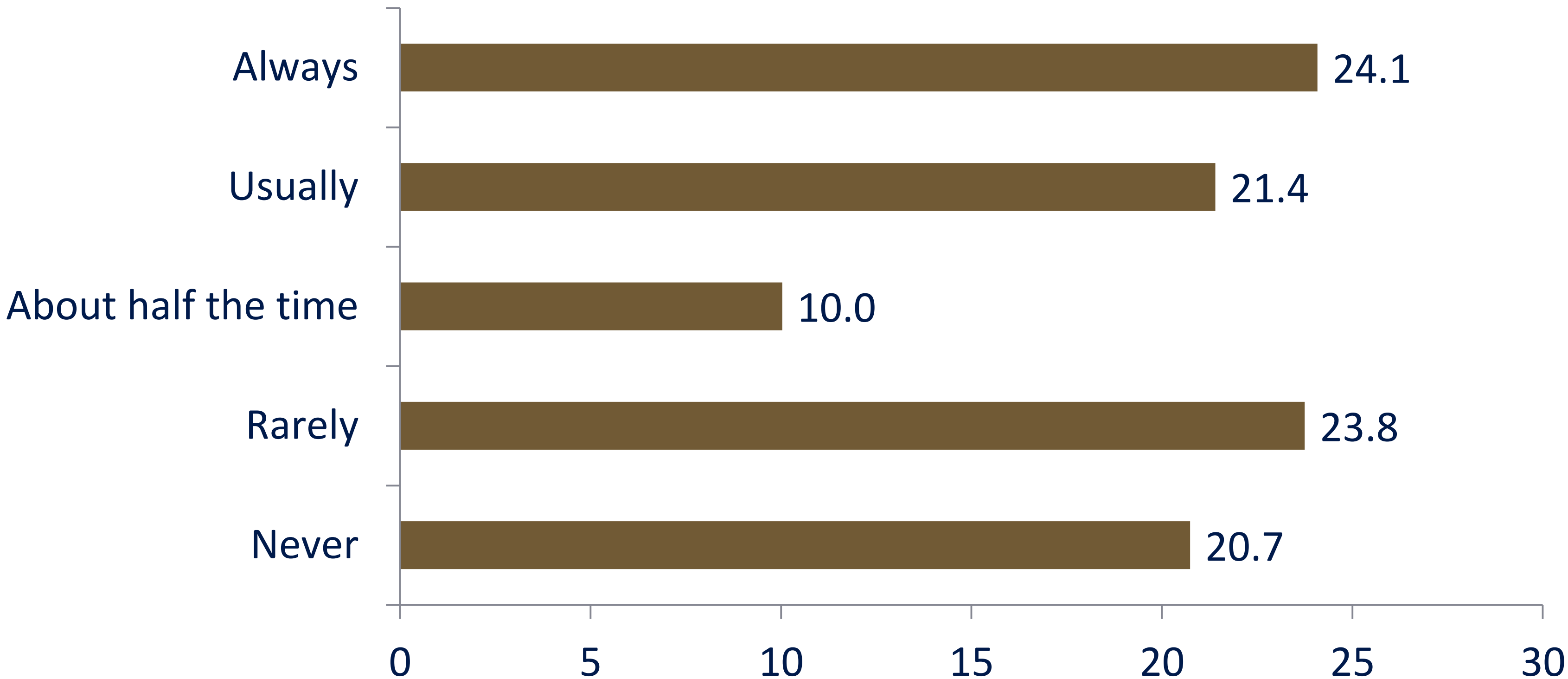
Small business loans are predominantly backed by business collateral.



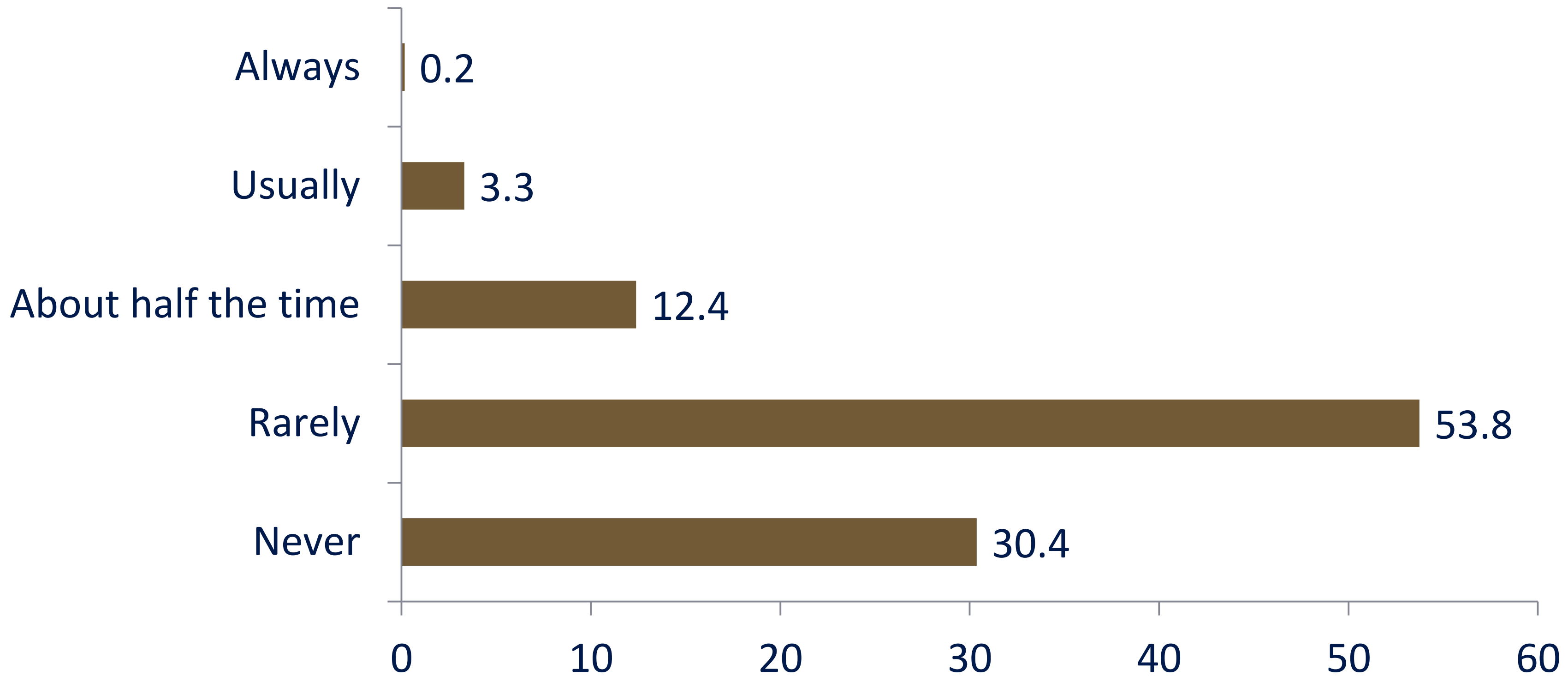
Small business owners' personal collateral is required much less frequently than business collateral.



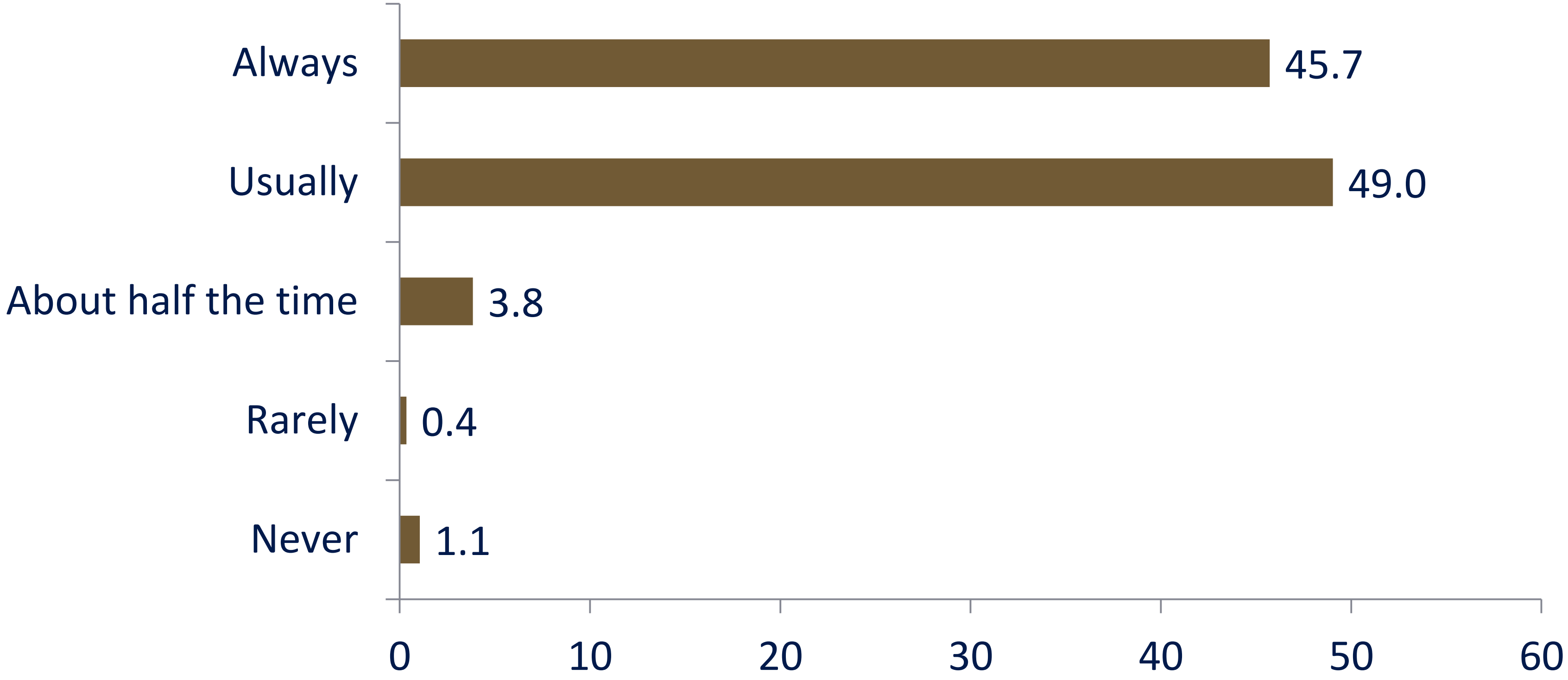
Community banks are requiring guarantees on small business loans about one-fourth of the time



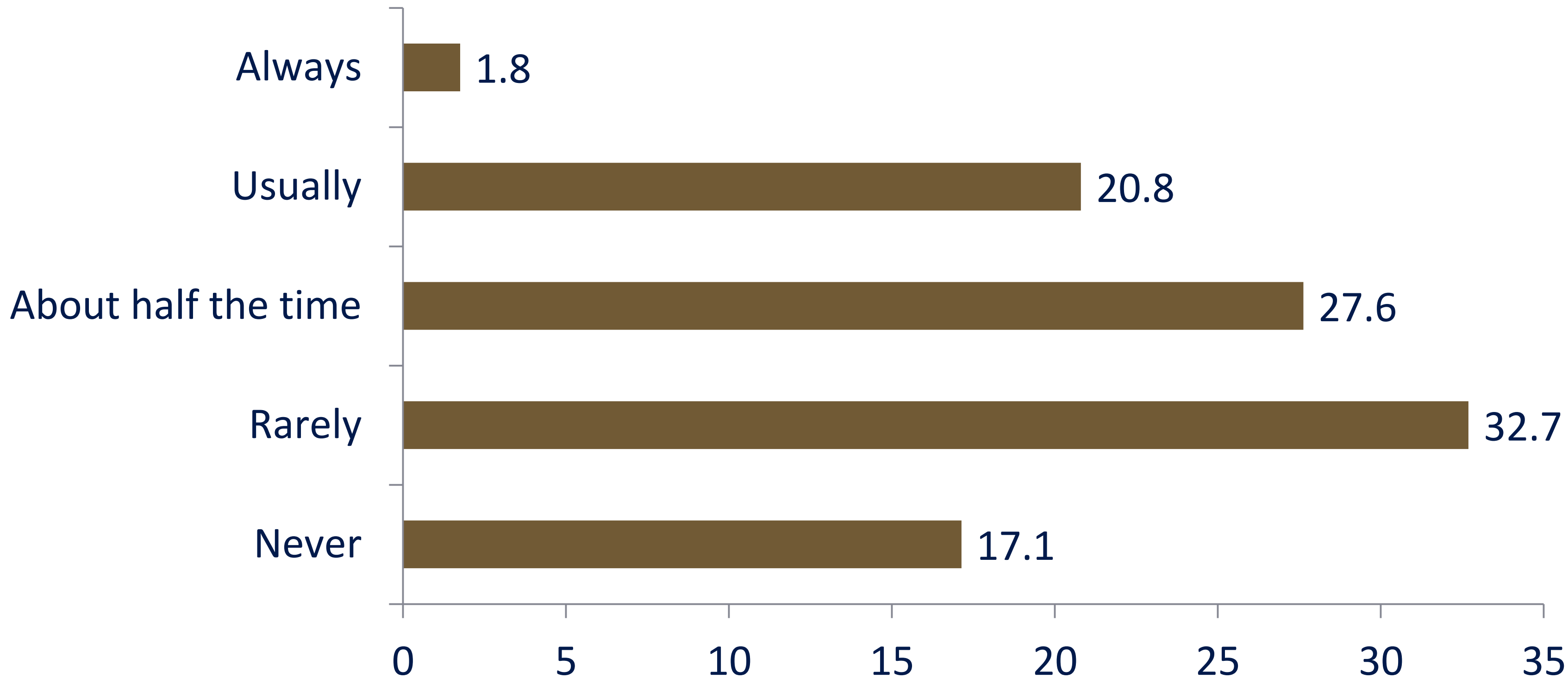
A majority of banks rely on the Small Business Administration but their volume is not high.



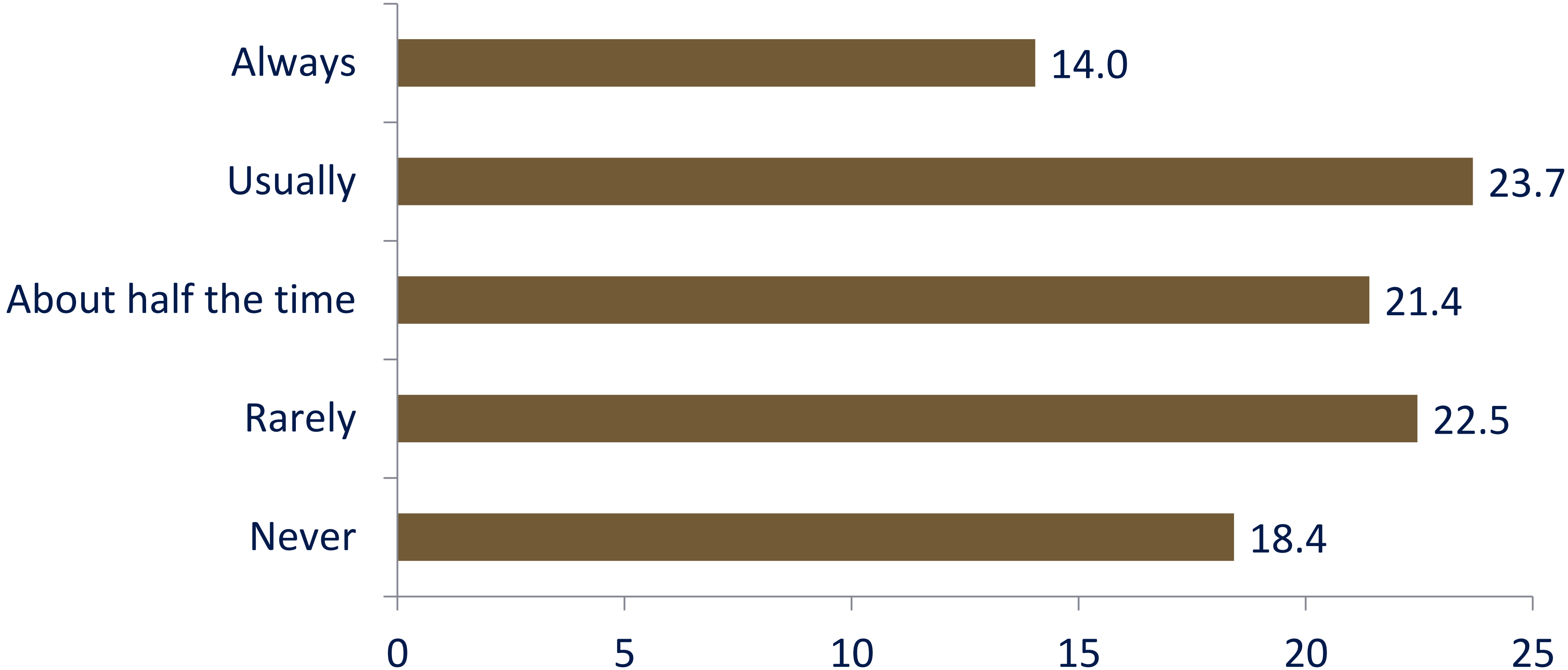
The provision of deposit services to small business borrowers is extremely common.



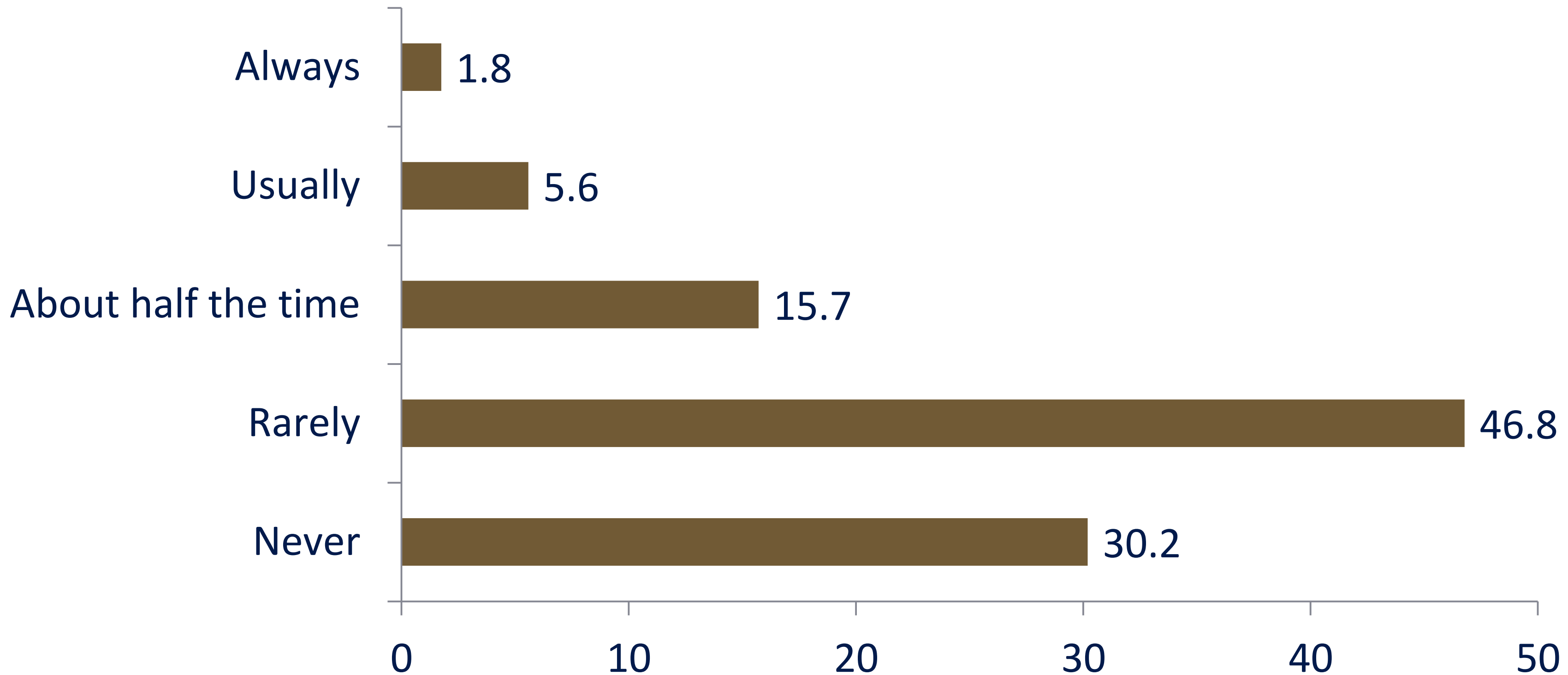
The provision of long-term strategy advice to small business borrowers is relatively uncommon.



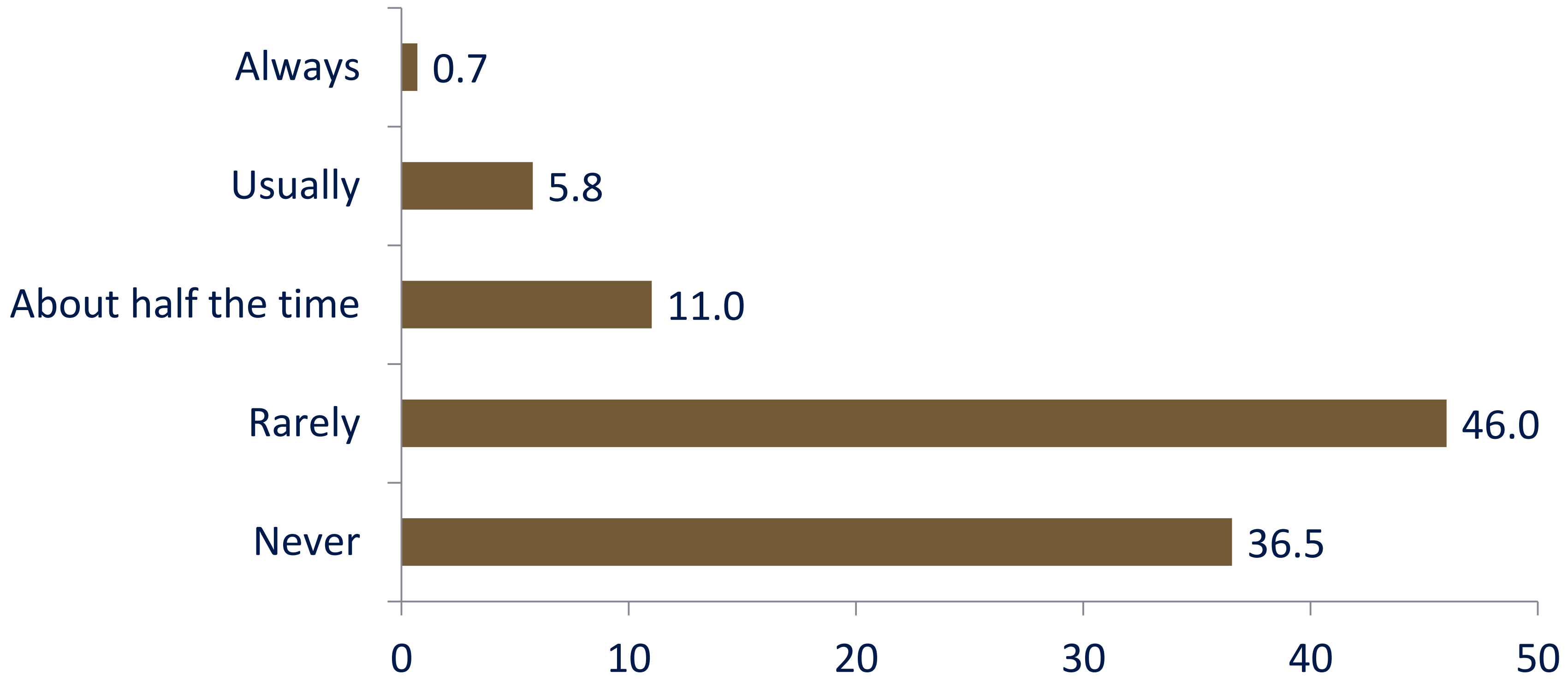
Banks engage in a wide variety of cash management strategies to small business borrowers.



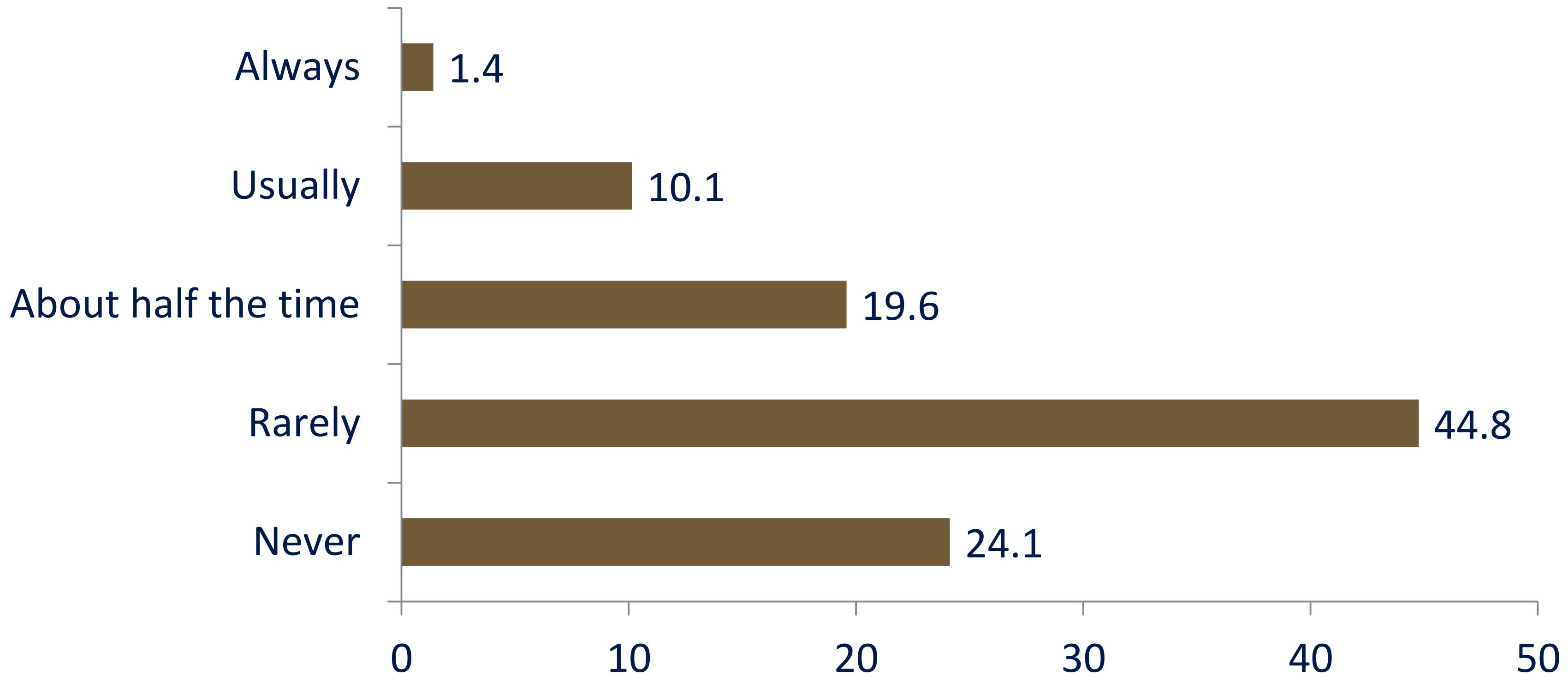
Connecting small business borrowers to other customers or suppliers is relatively uncommon.



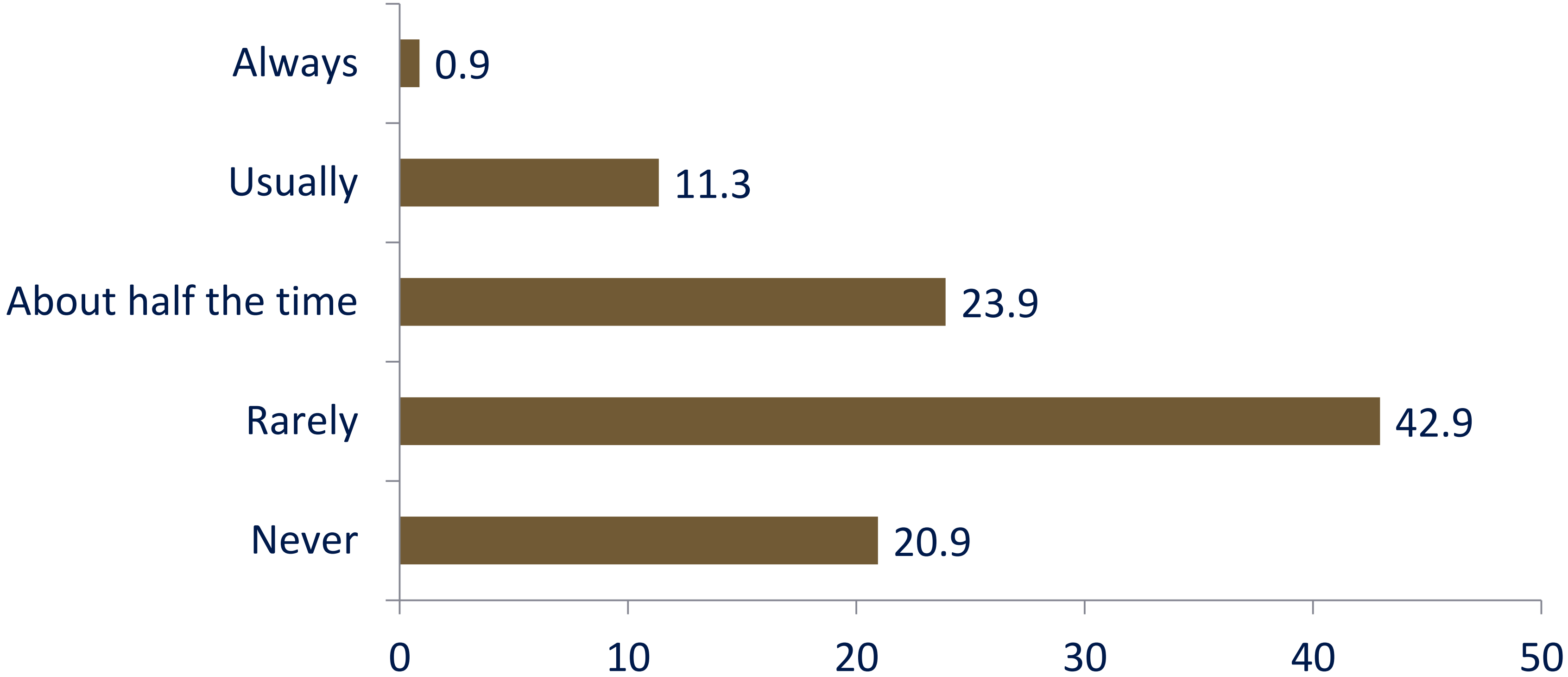
Providing product development advice to small business borrowers is relatively uncommon.



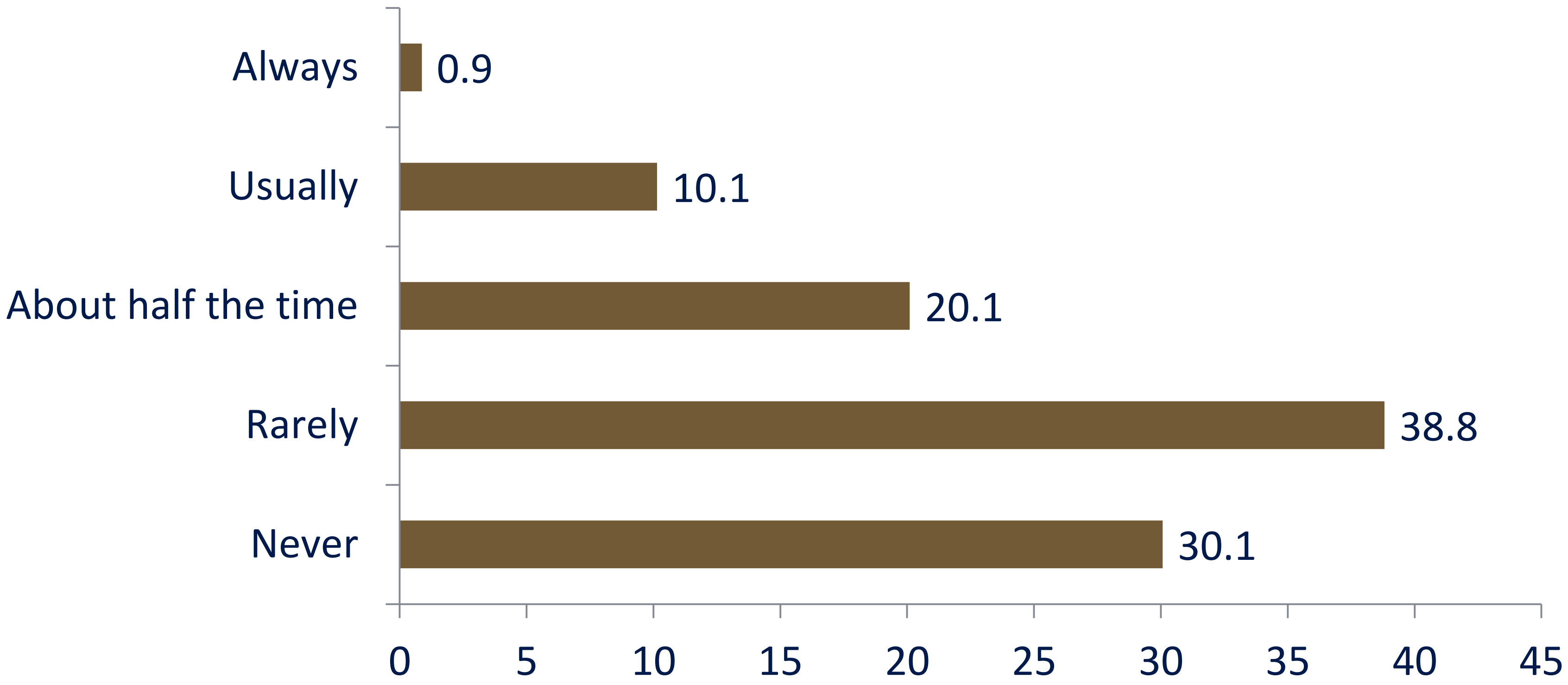
Providing succession planning advice to small business borrowers is relatively uncommon.



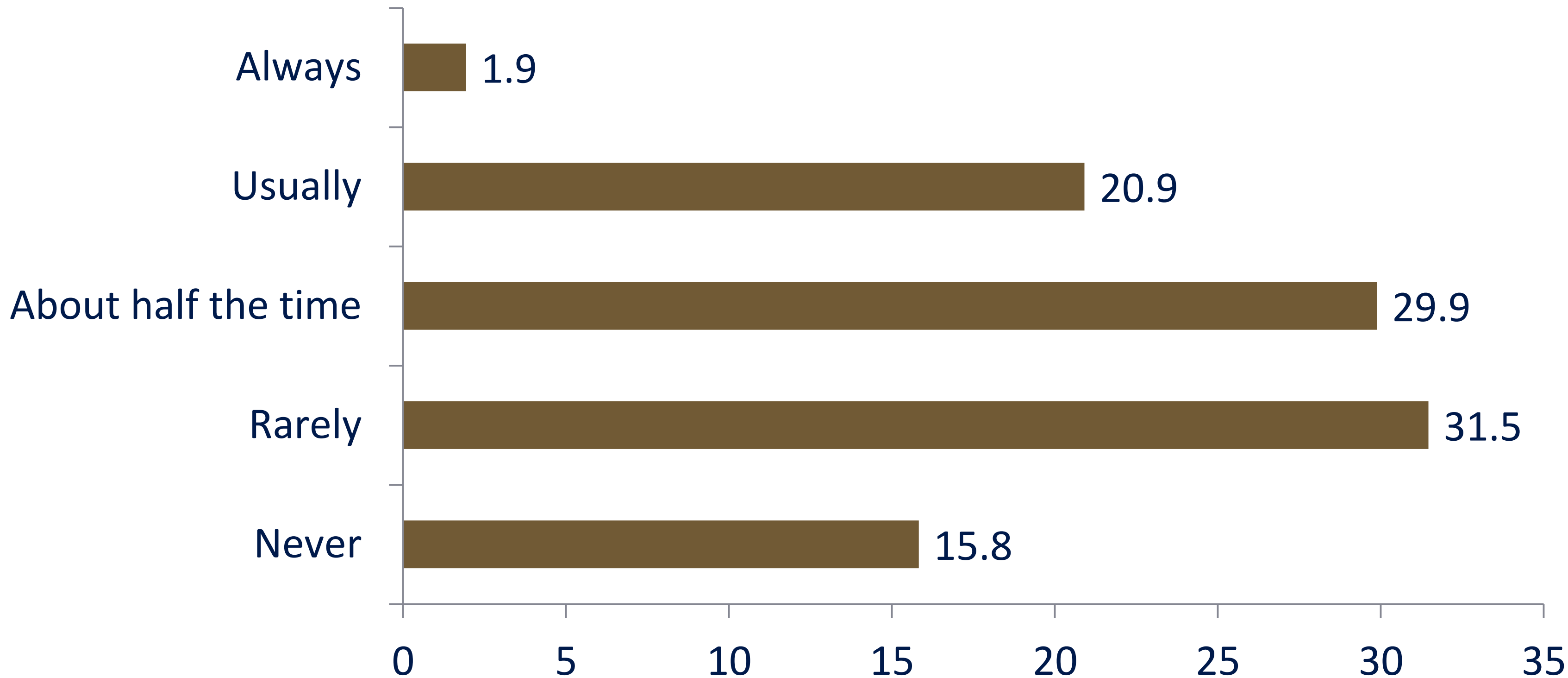
Providing operations advice to small business borrowers is relatively uncommon.



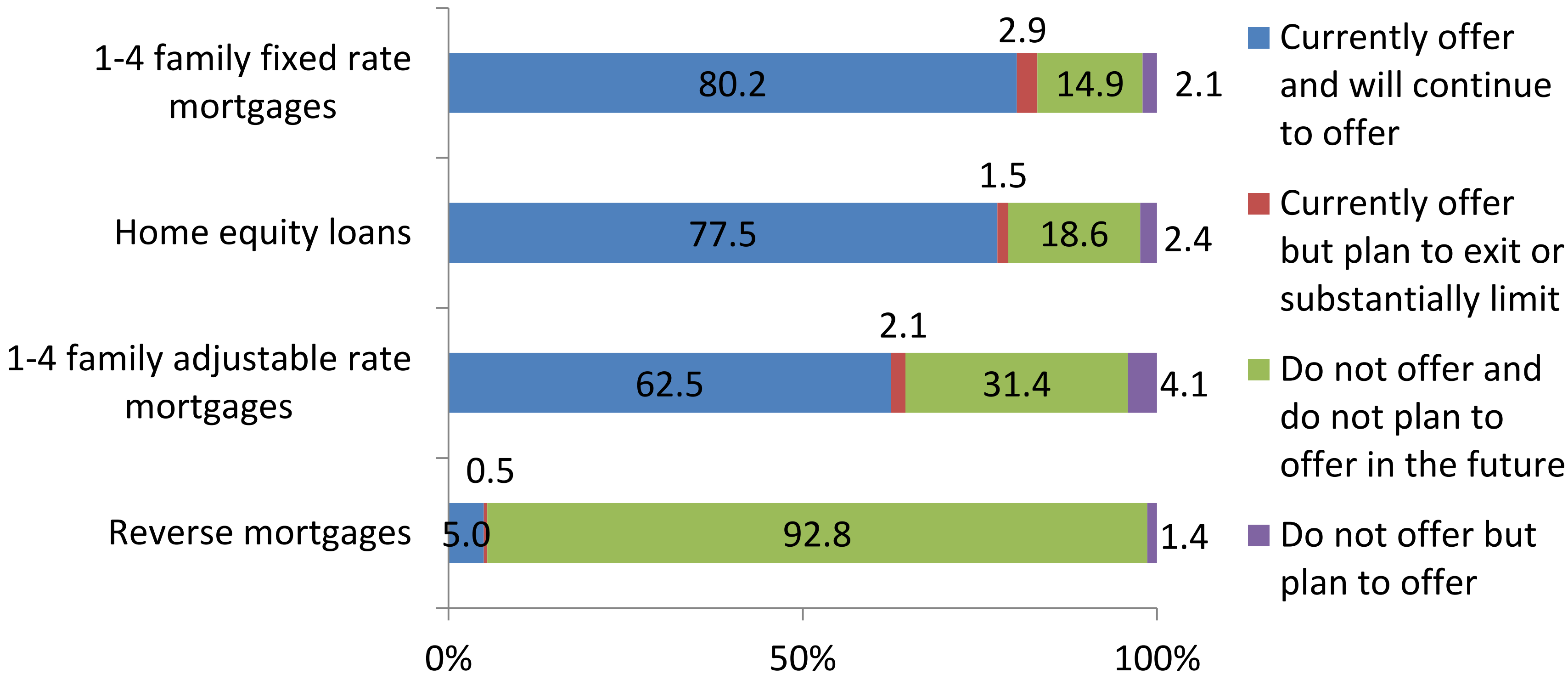
Providing wealth management advice to small business borrowers is relatively uncommon.



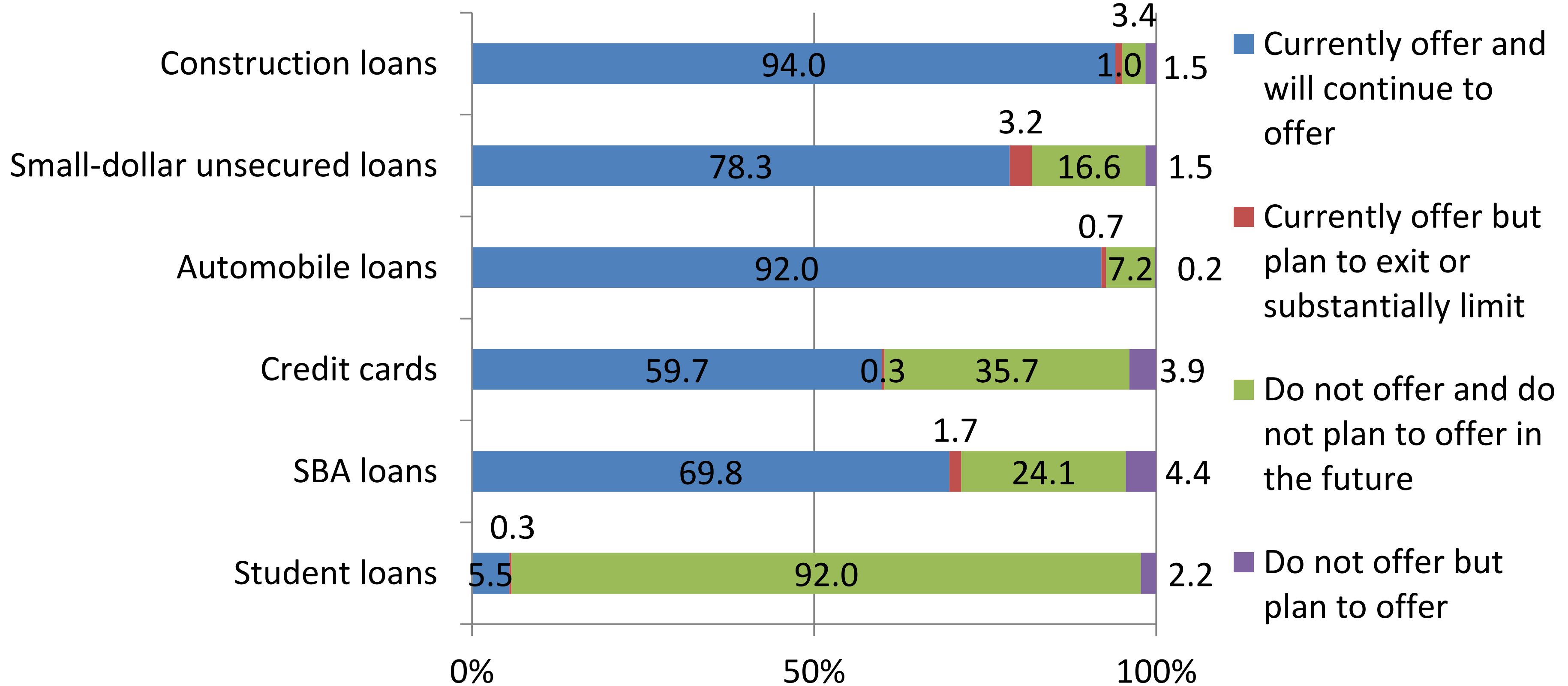
Providing other general management advice to small business borrowers is a mixed bag.



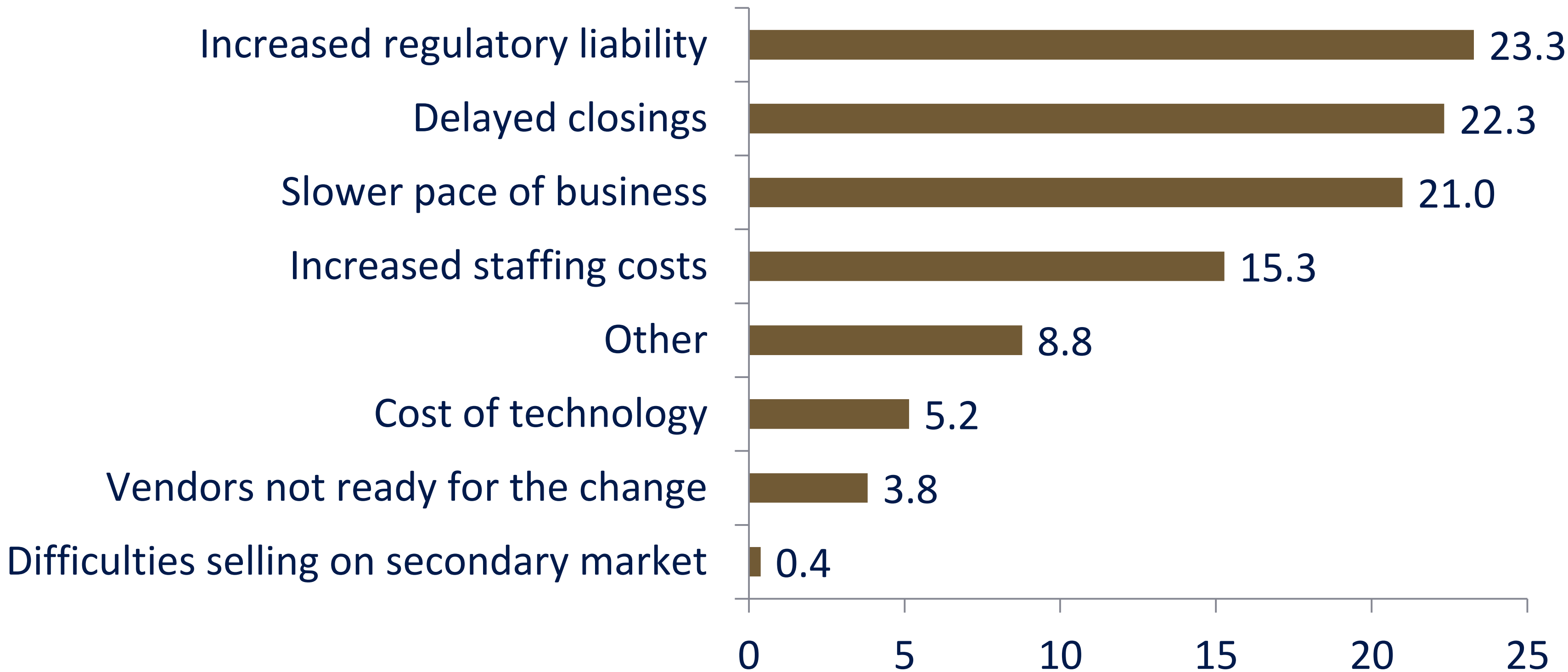
Community banks provide lots of housing loans, but are rather averse to reverse mortgages.



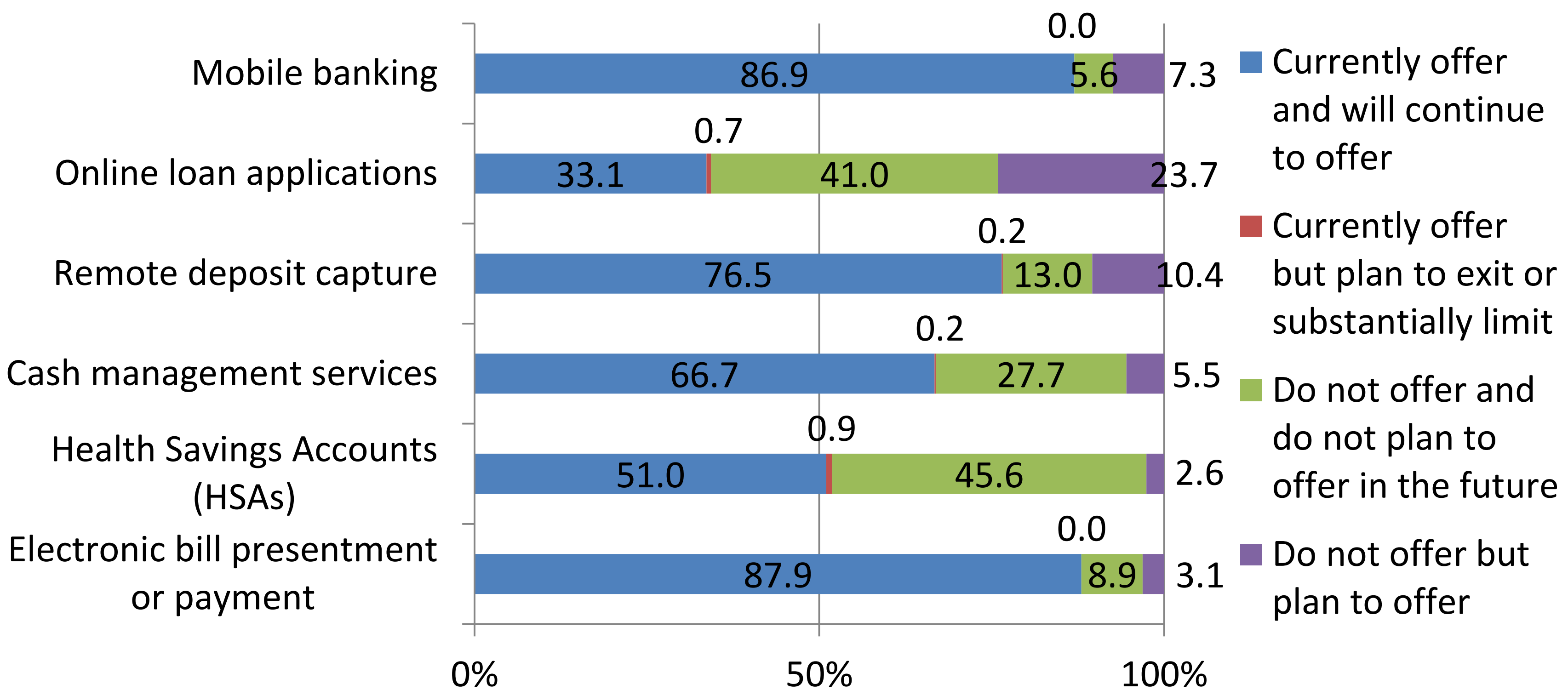
Banks offer a wide variety of non-housing loans with the exception of student loans.



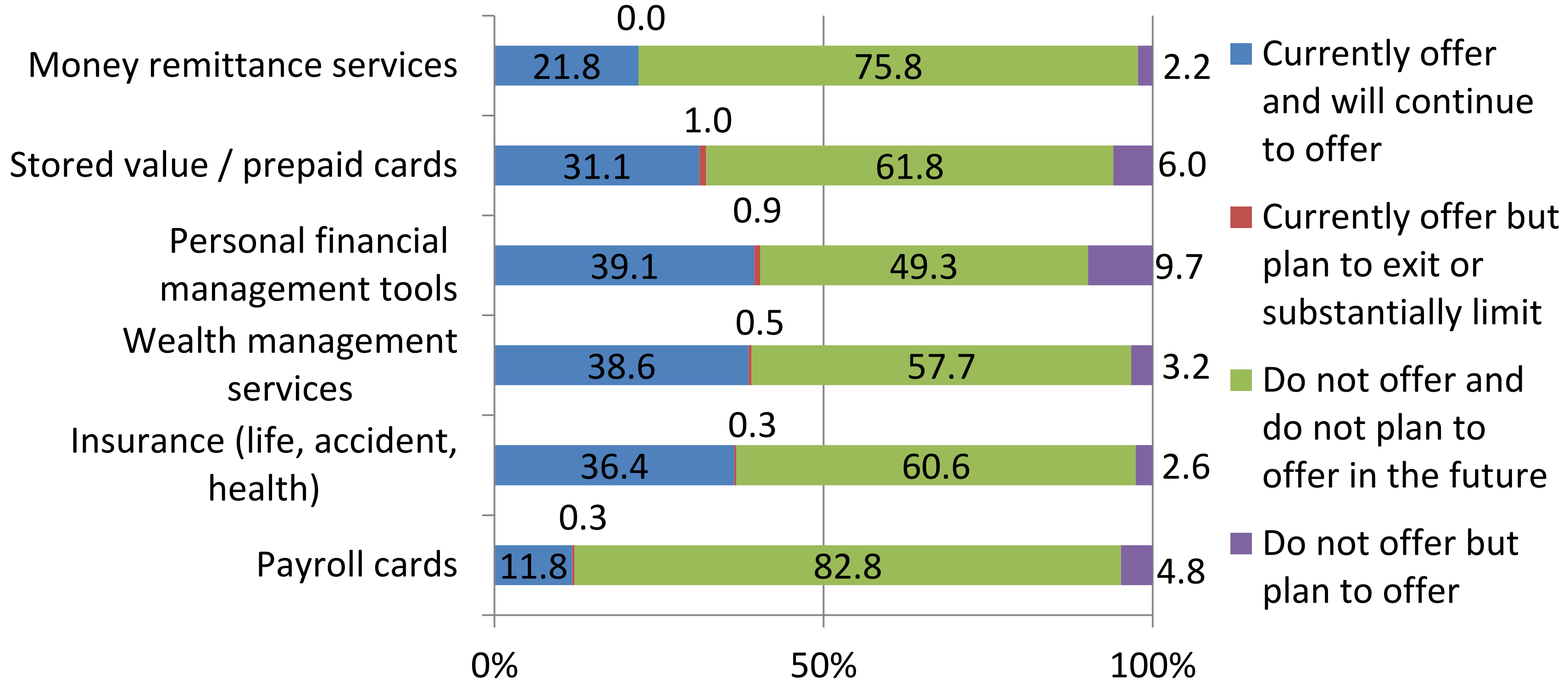
Explicit staffing costs are only the fourth biggest effect of the TILA-RESPA Integrated Disclosure (TRID) rule.



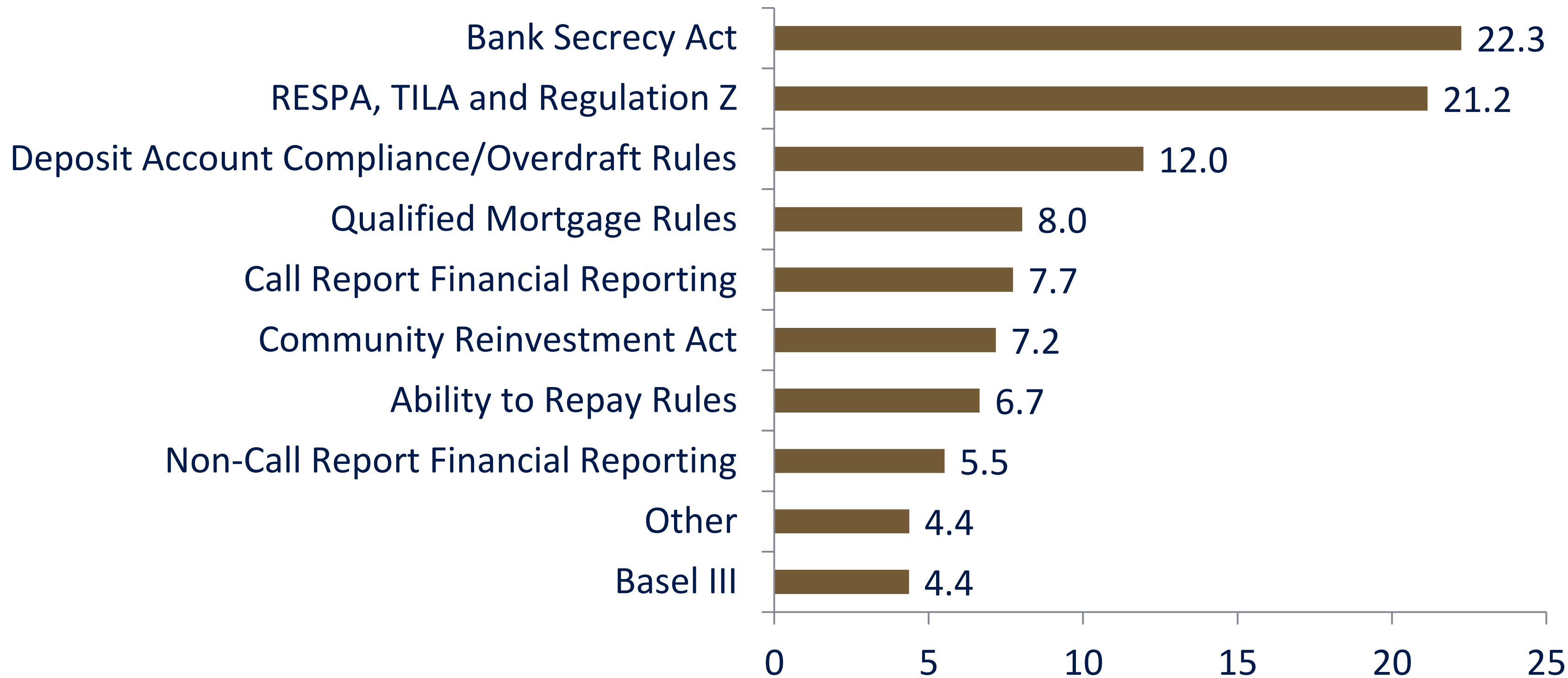
Technology-related products are highly important to community banks.



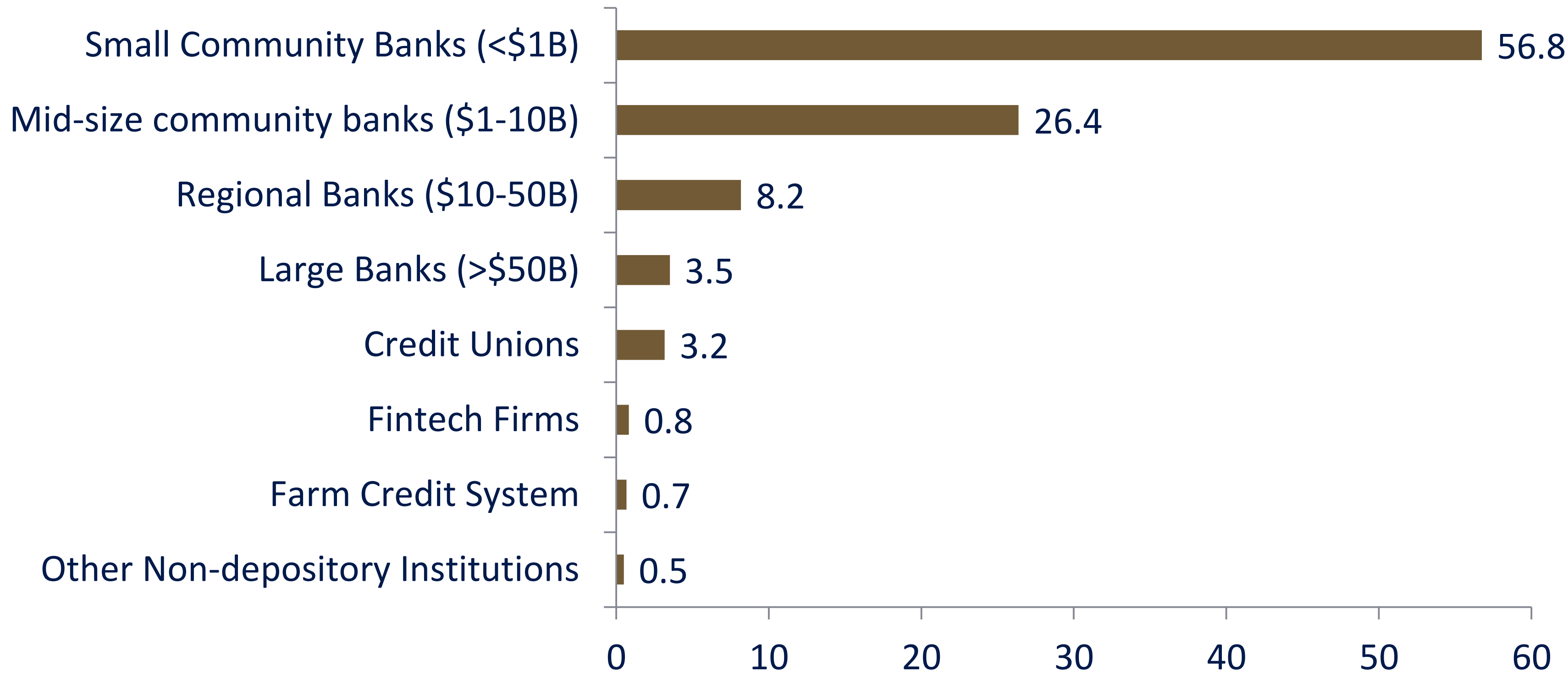
Other lines of business remain much less popular.



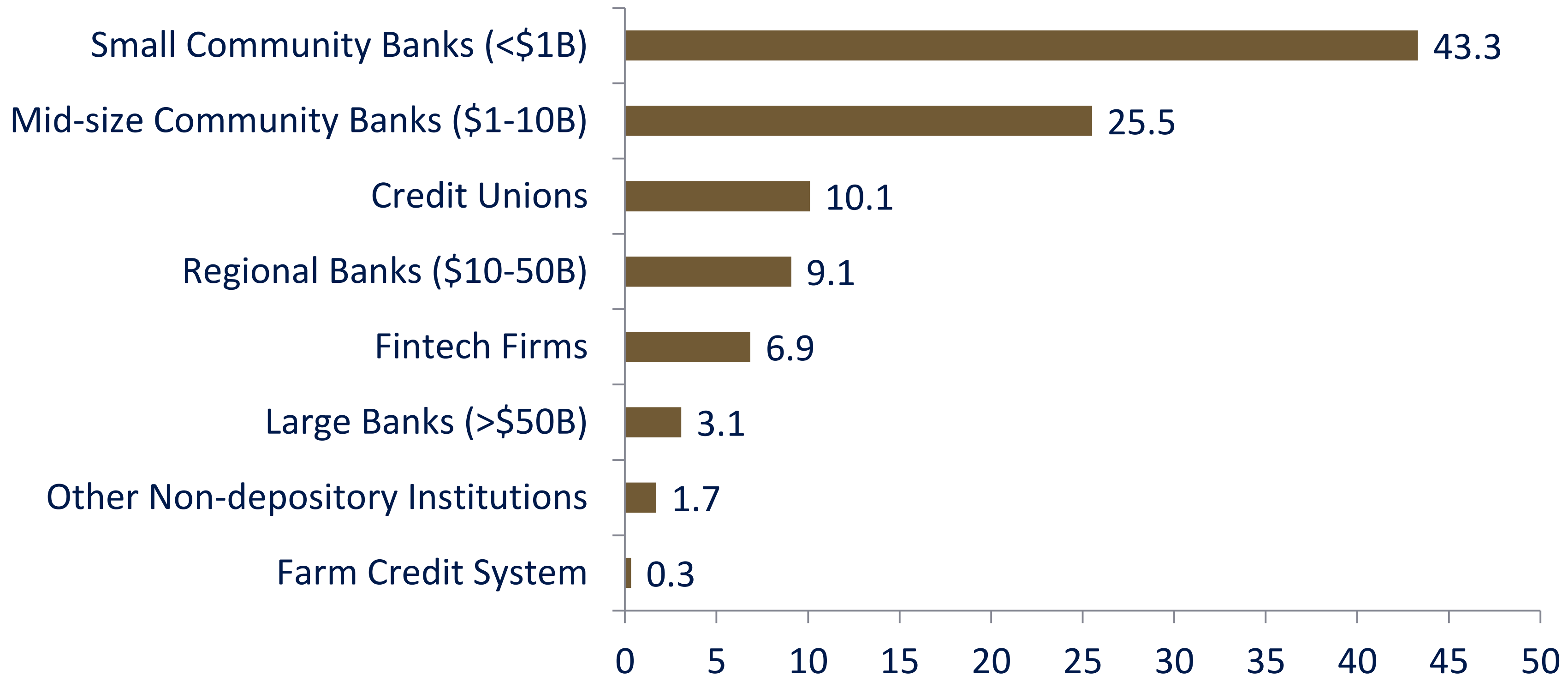
BSA and TILA-RESPA account for almost half of bankers' estimated compliance expense.



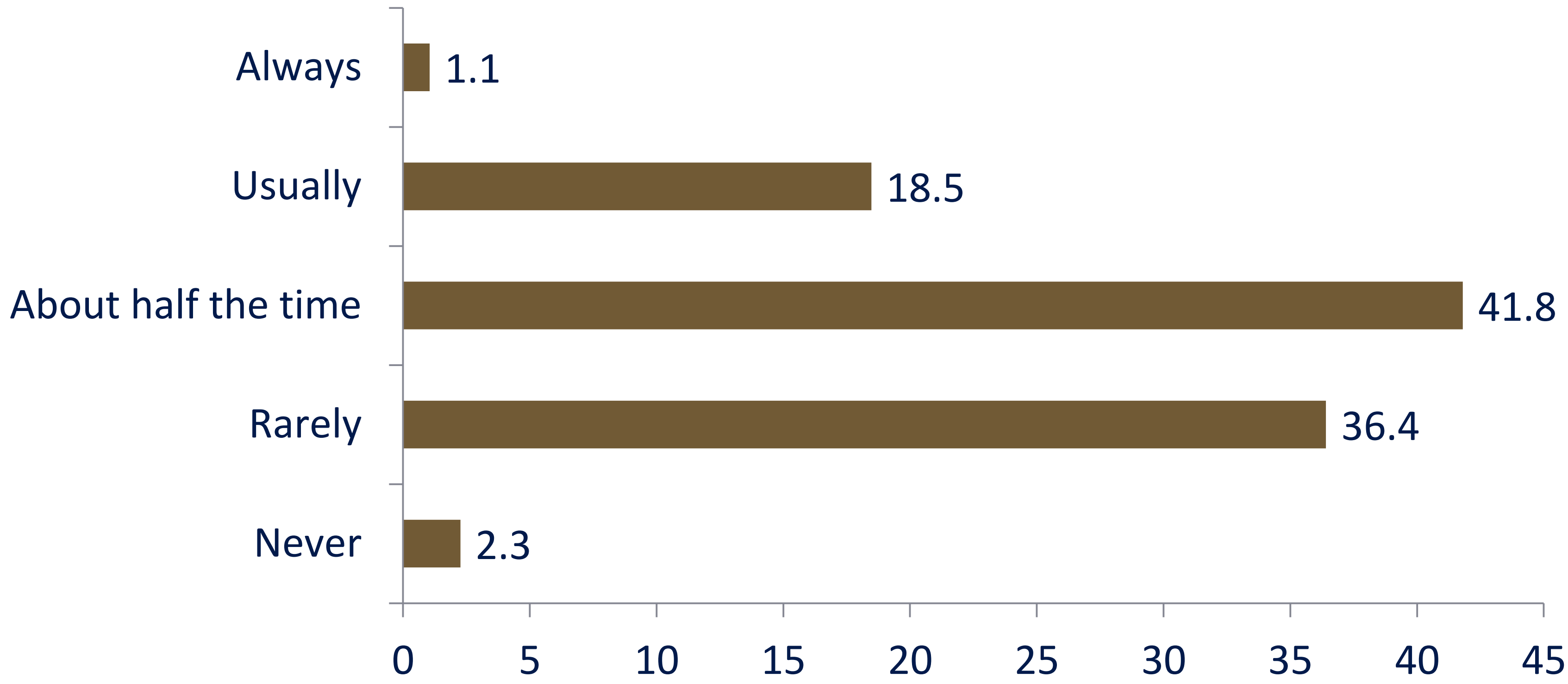
Other community banks are by far the biggest source of current competition for small business loans.



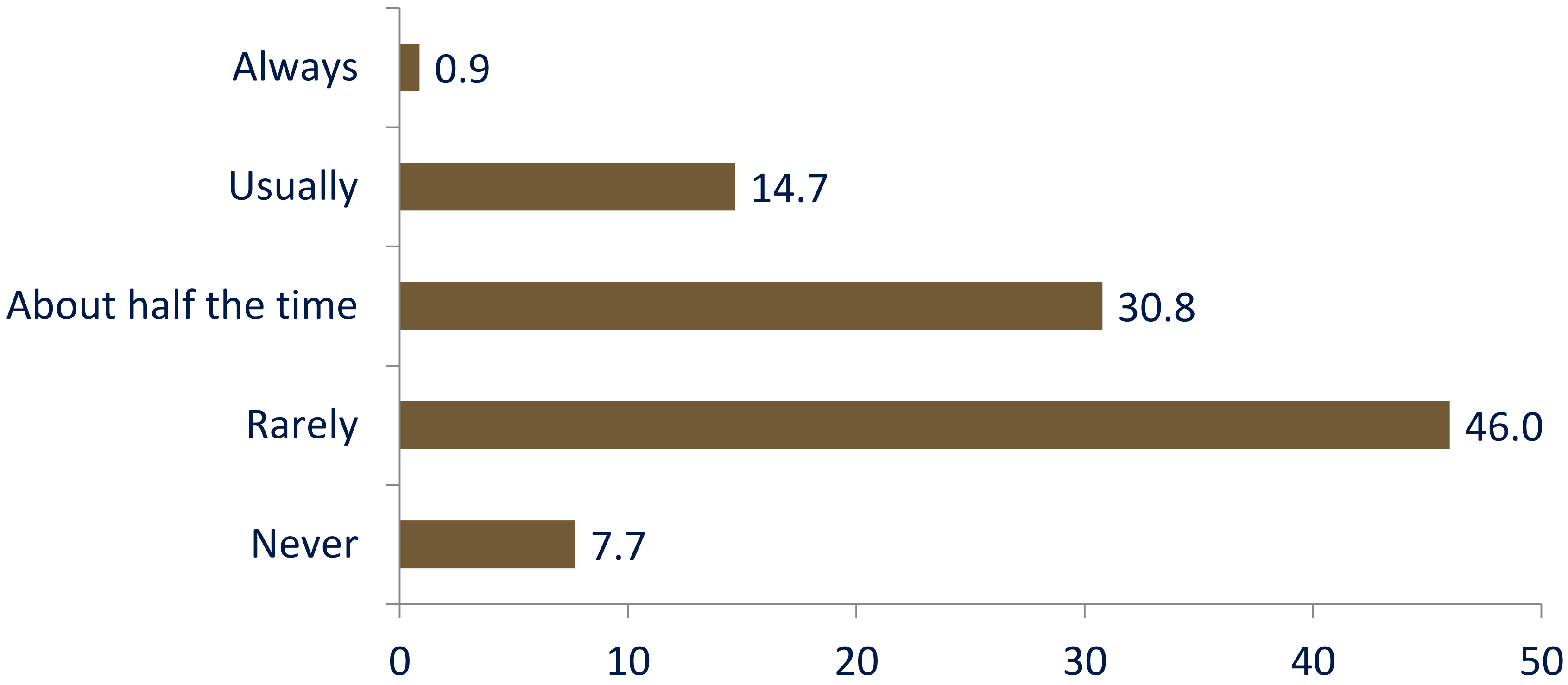
Credit unions and fintech firms are expected to grow as a source of competition for future small business loans.



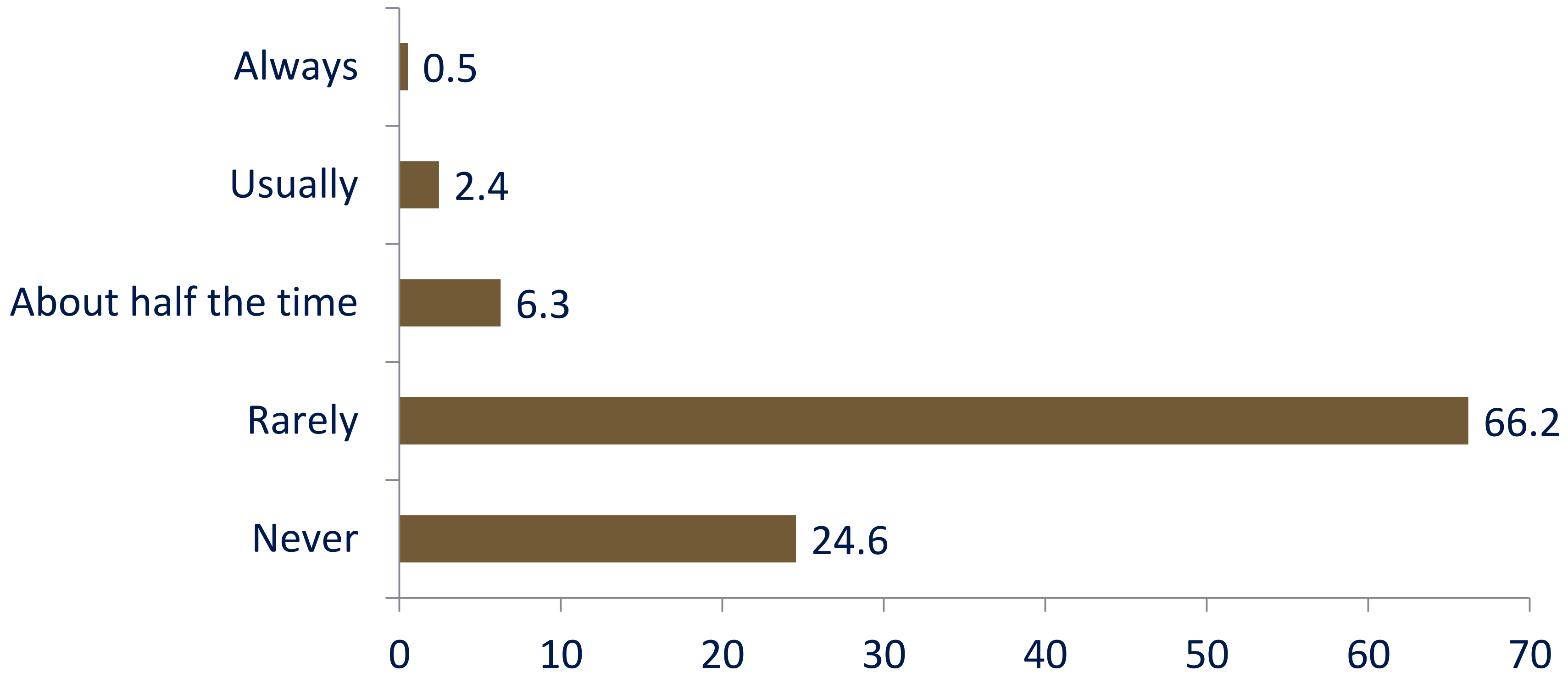
Lowering interest rates on small business loans in response to competition from other lenders was relatively rare.



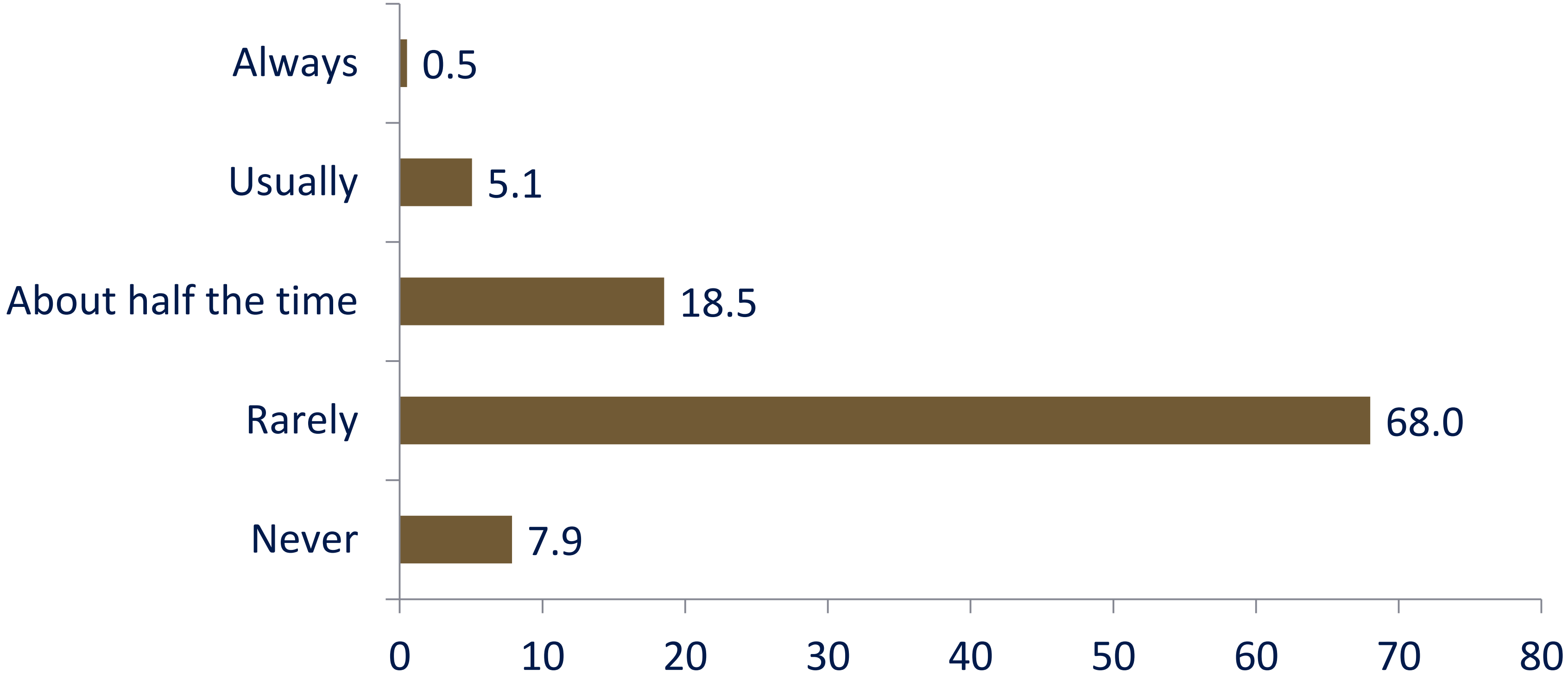
Lowering fees on small business loans in response to competition from other lenders was even more rare.



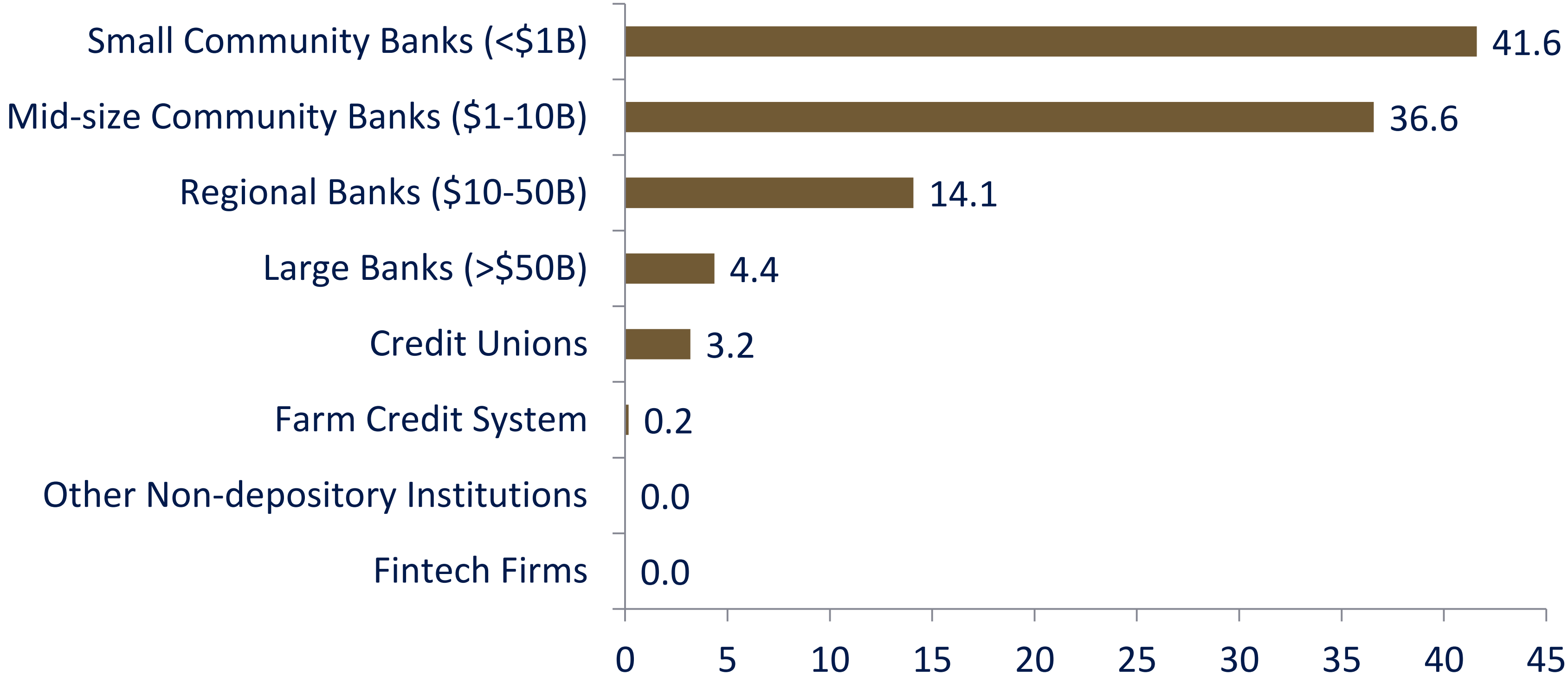
Reducing collateral requirements on small business loans in response to competition from other lenders was extremely rare.



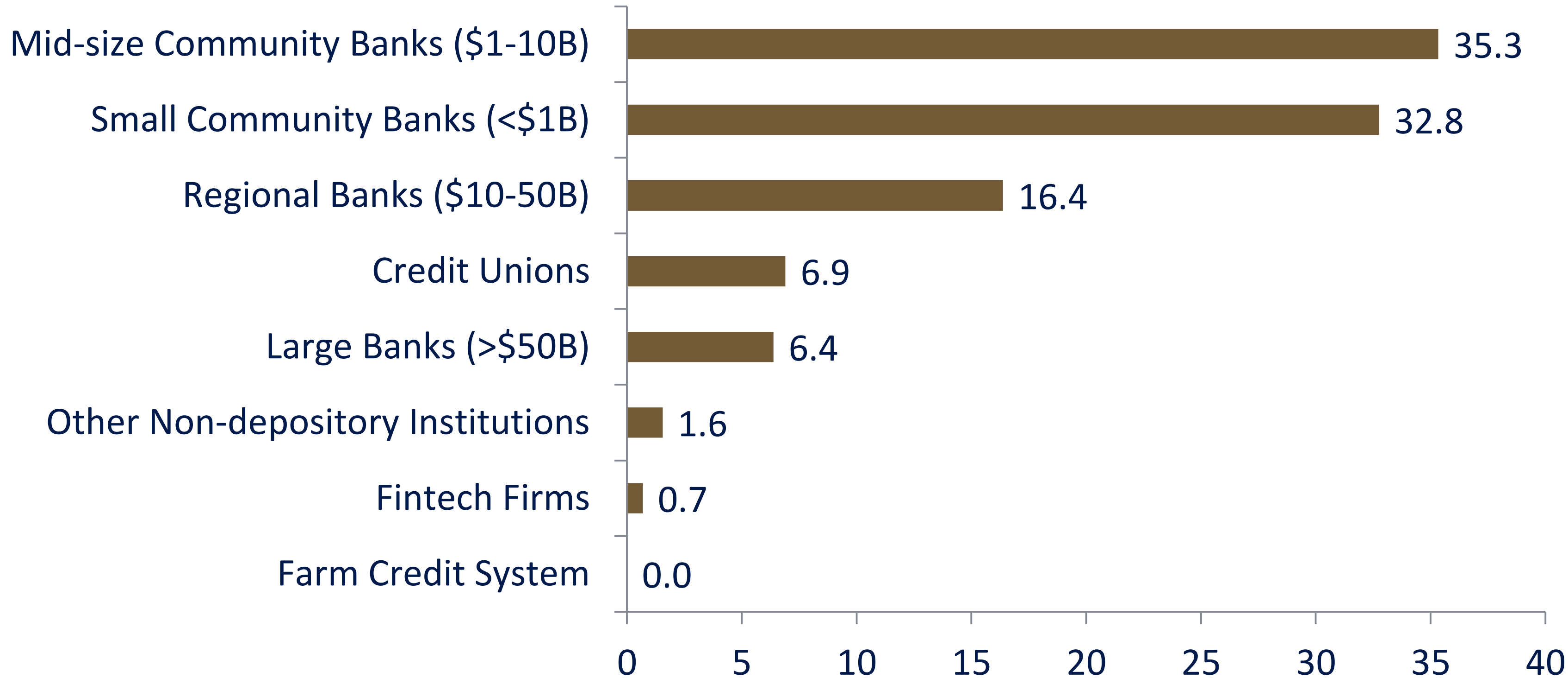
Extending the maturity of small business loans in response to competition from other lenders was also rare.



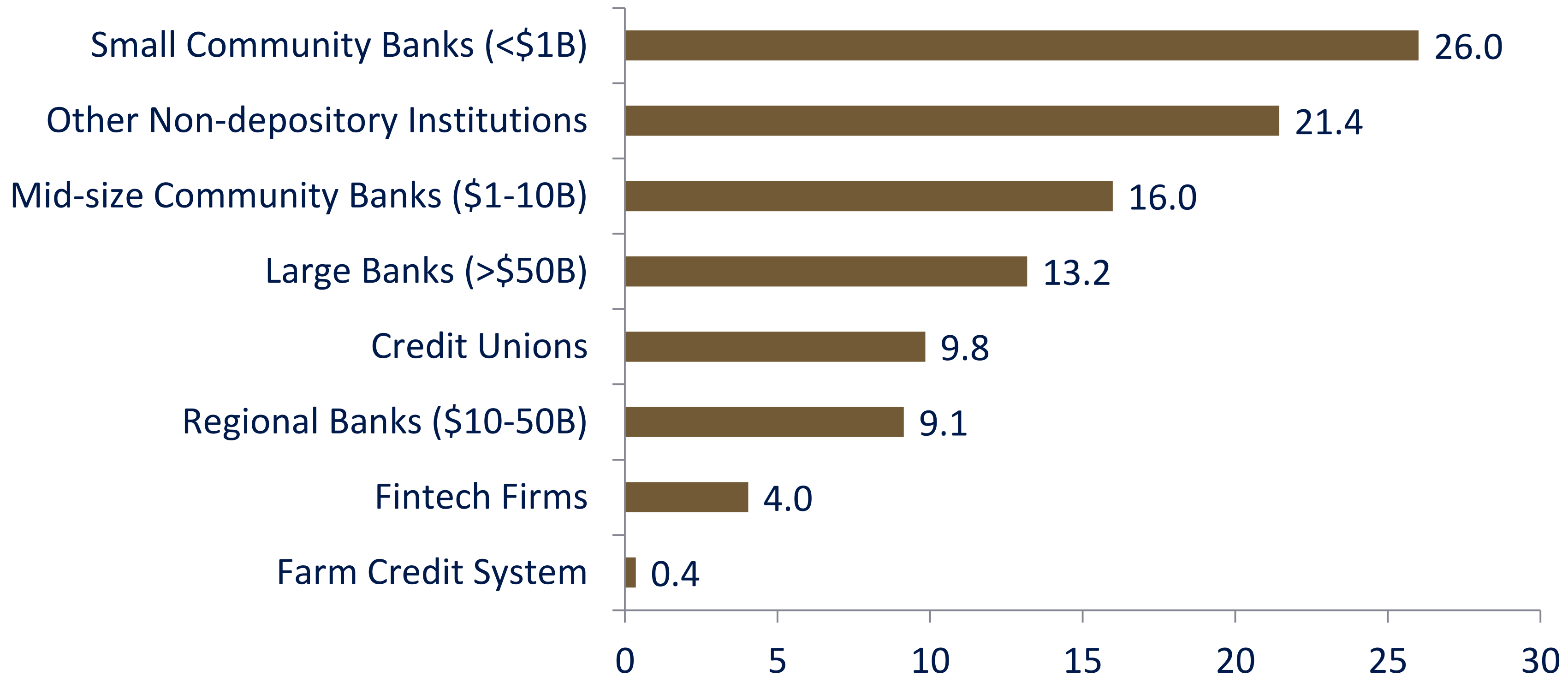
Community bankers consider other community banks to be the greatest source of competition for commercial real estate loans, reflecting a clear market niche.



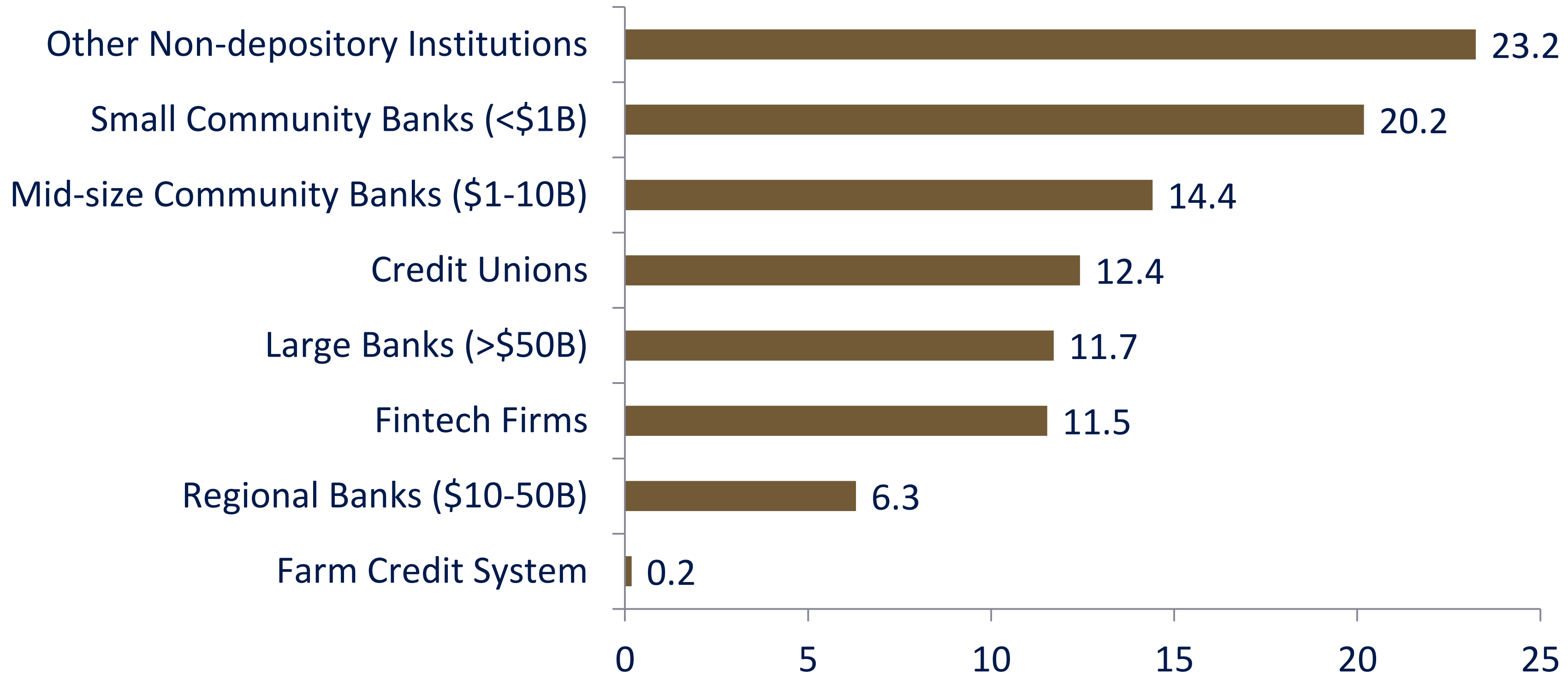
More than two-thirds of surveyed bankers believe that CRE lending will be dominated by community banks in the future.



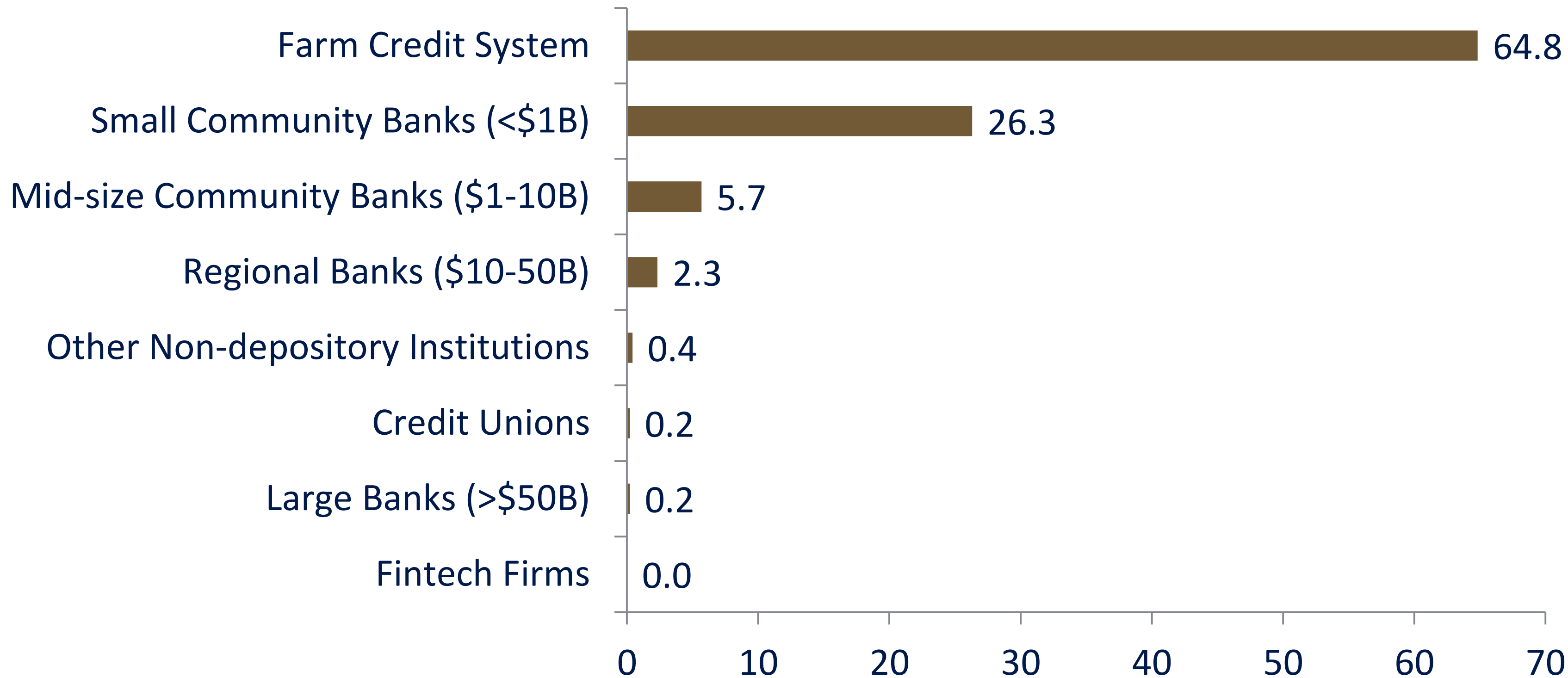
Other non-depository institutions are a close second as a current source of competition for mortgages.



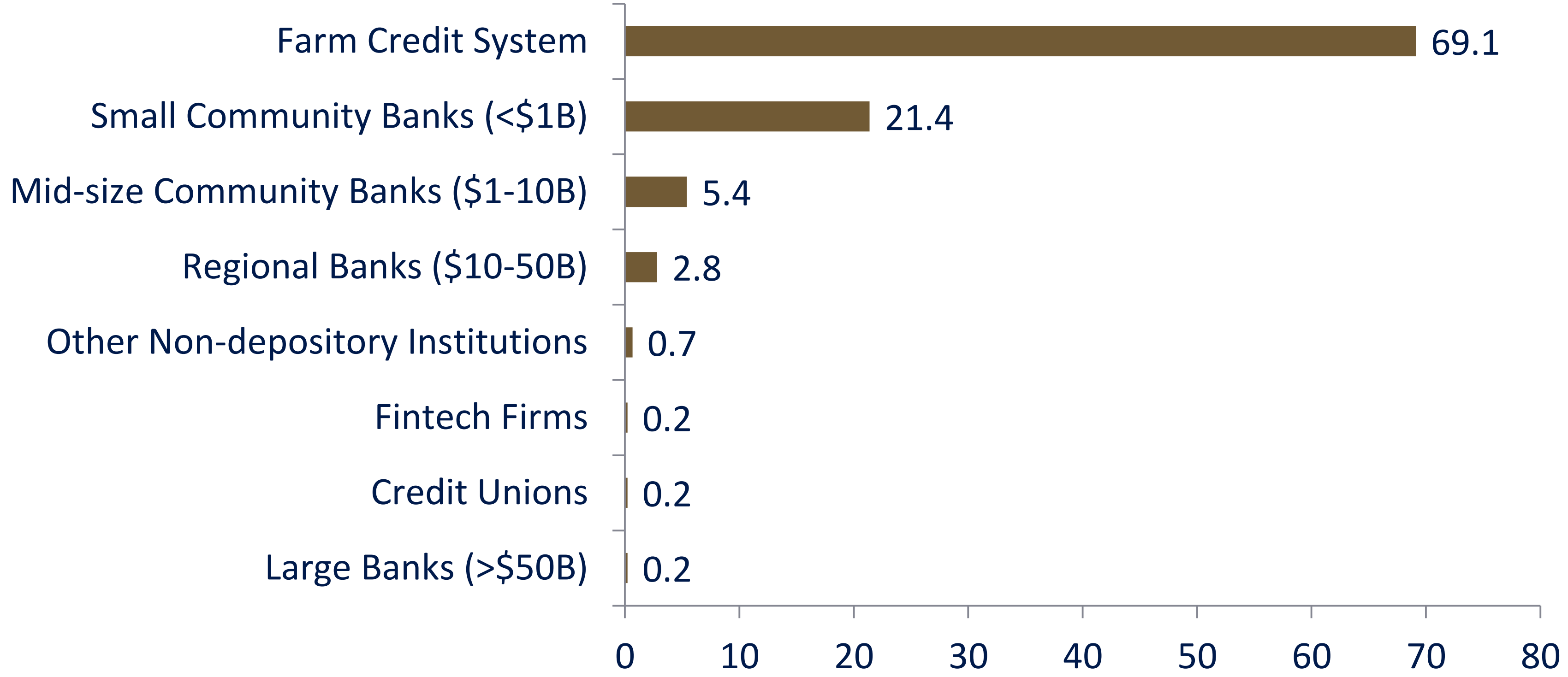
"Other non-depository institutions" are expected to overtake community banks as a competitor for mortgages in the future.



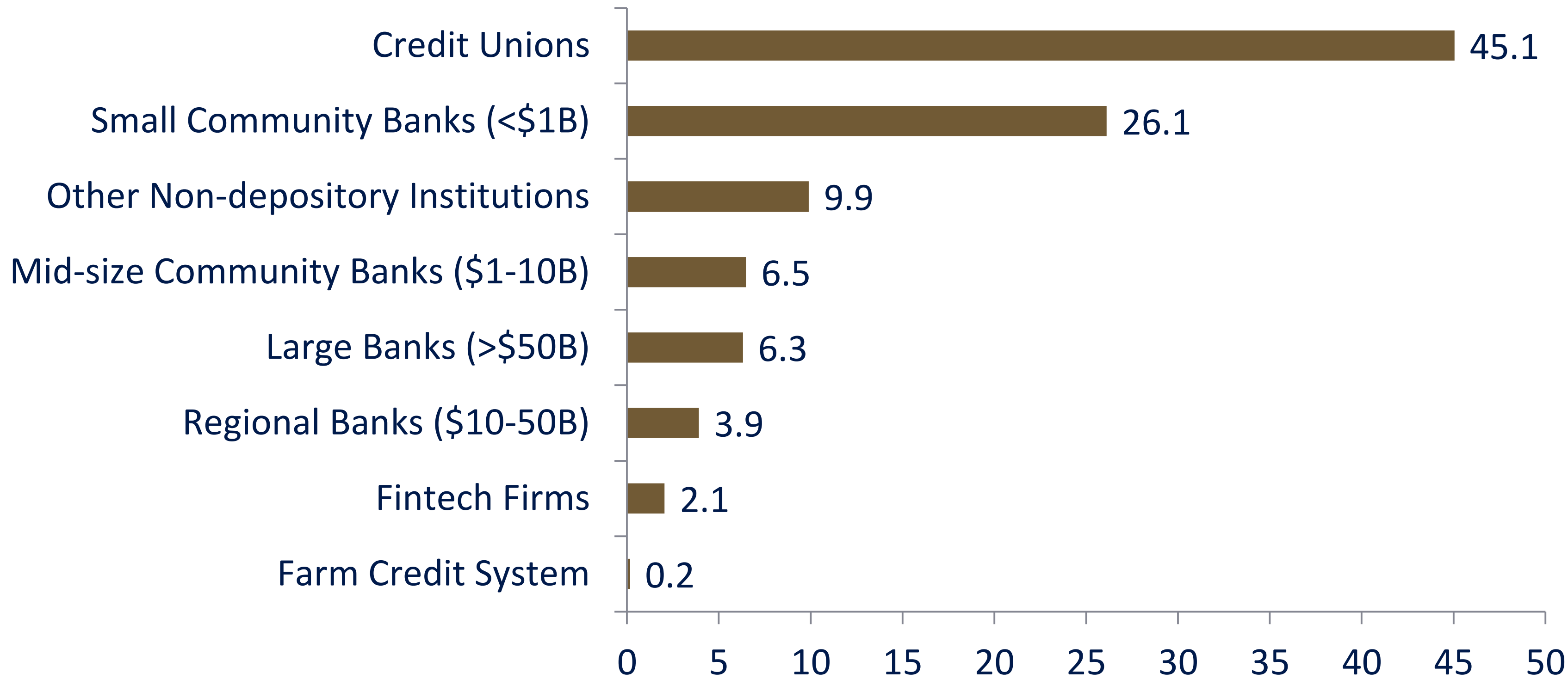
Community banks see the Farm Credit System as the dominant competitor for agricultural loans.



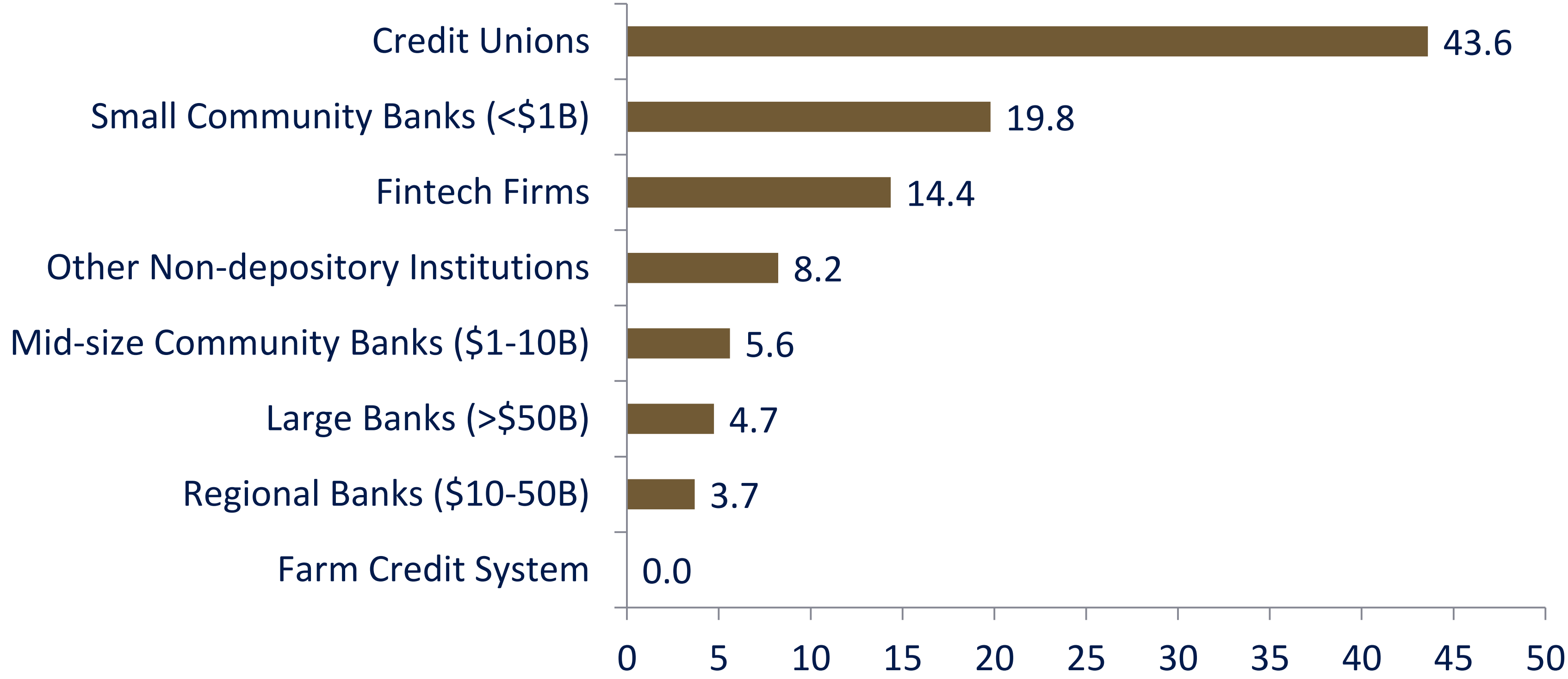
Community banks see the Farm Credit System expanding its dominance for agricultural loans in the future.



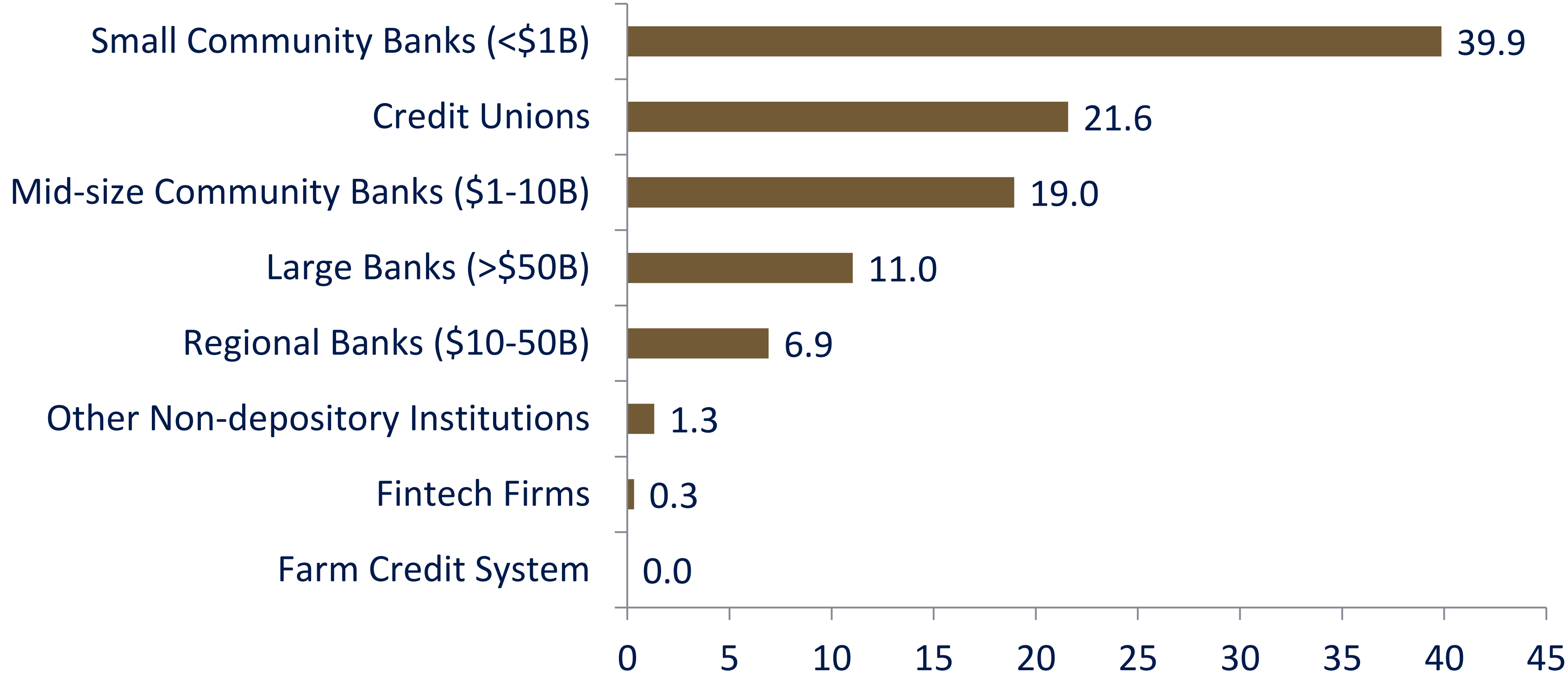
Community bankers' worries about credit union competition are most focused on consumer loans.



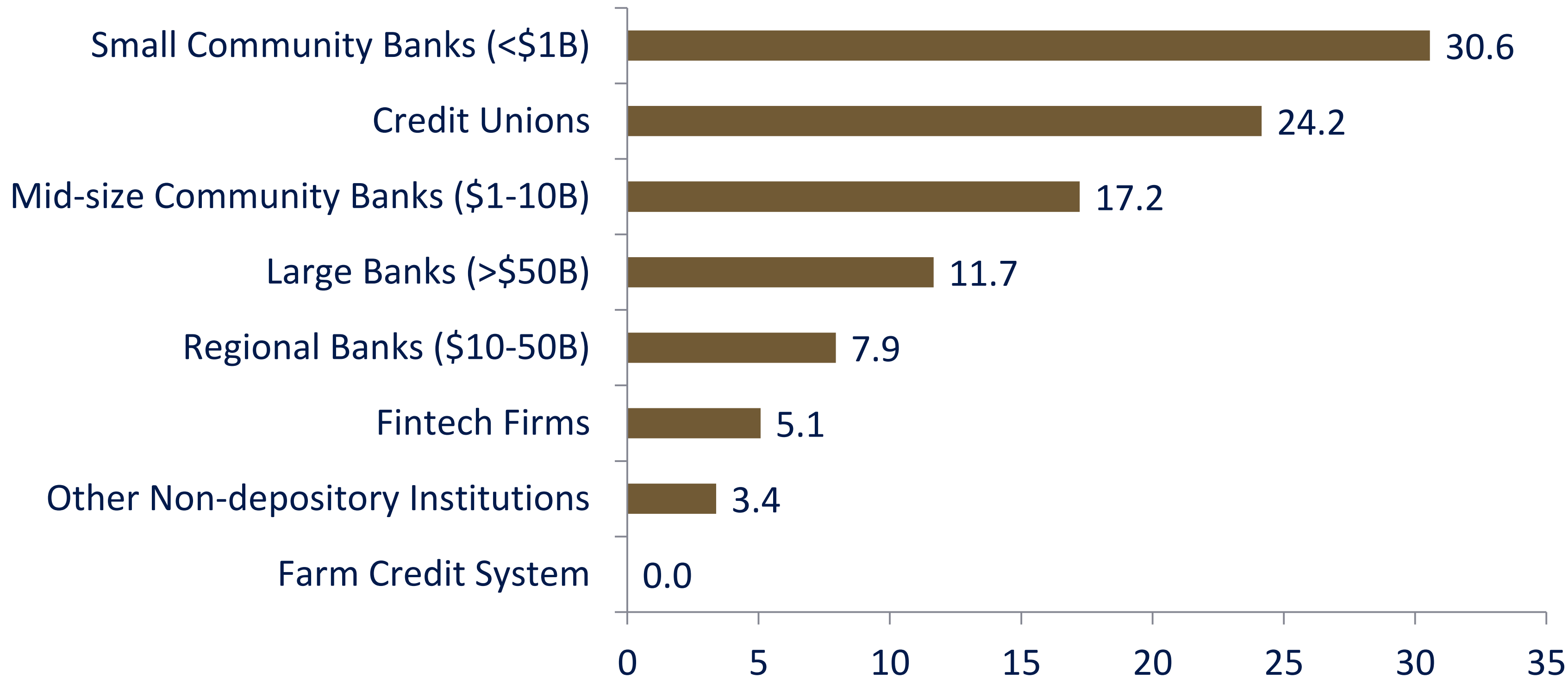
Community banks see fintech firms rapidly becoming a source of consumer loan competition in the future.



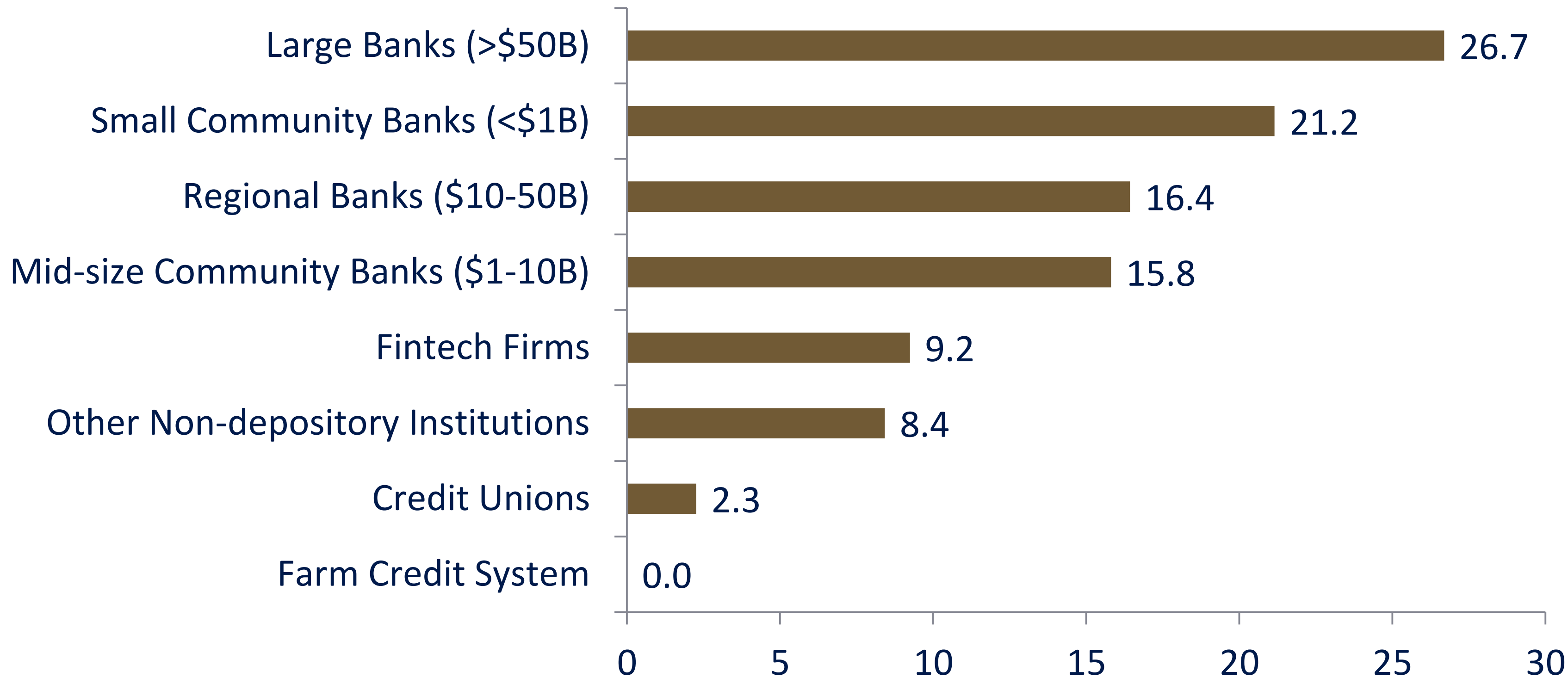
Credit unions are currently a distant second to small community banks as a source of competition for deposits.



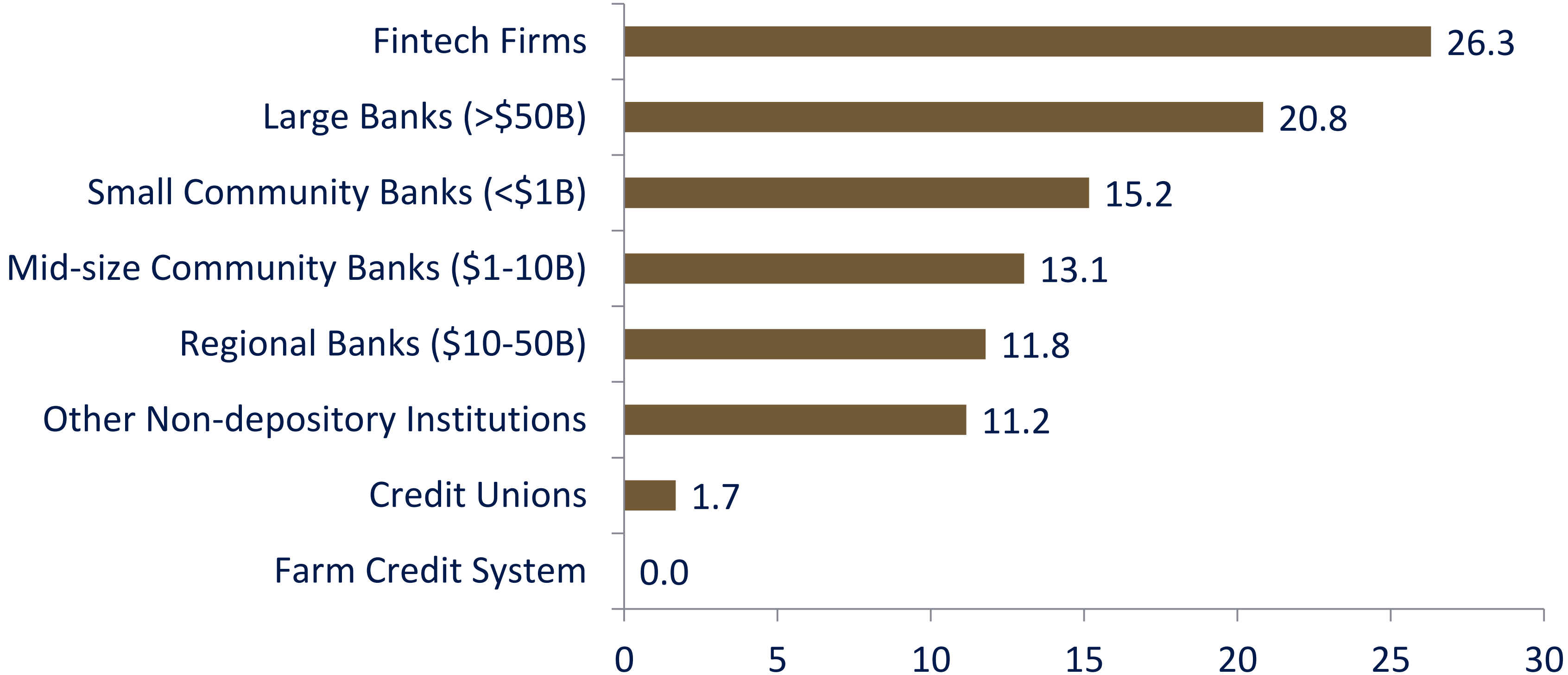
Community bankers expect deposit competition from credit unions to grow in the future.



Because of their technological advantages, community banks see large banks as their greatest source of competition for payment services.

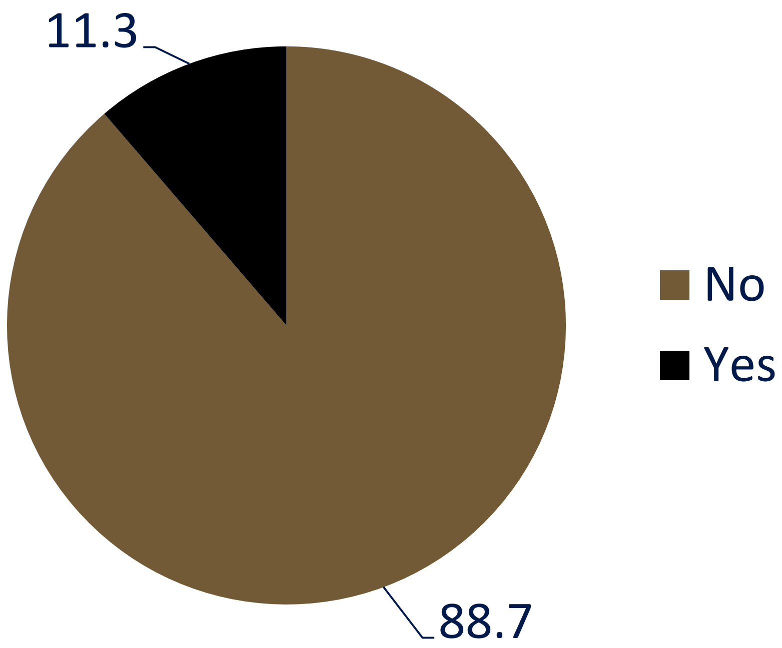


Fintech firms are expected to surpass large banks as community banks' greatest source of payment-service competition in the future.

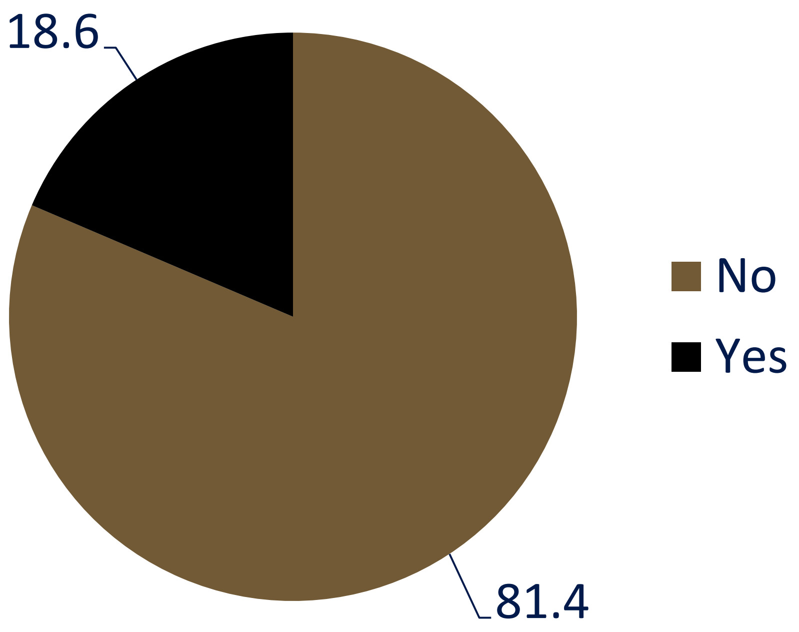


Community banks receive far fewer acquisition offers than they make.

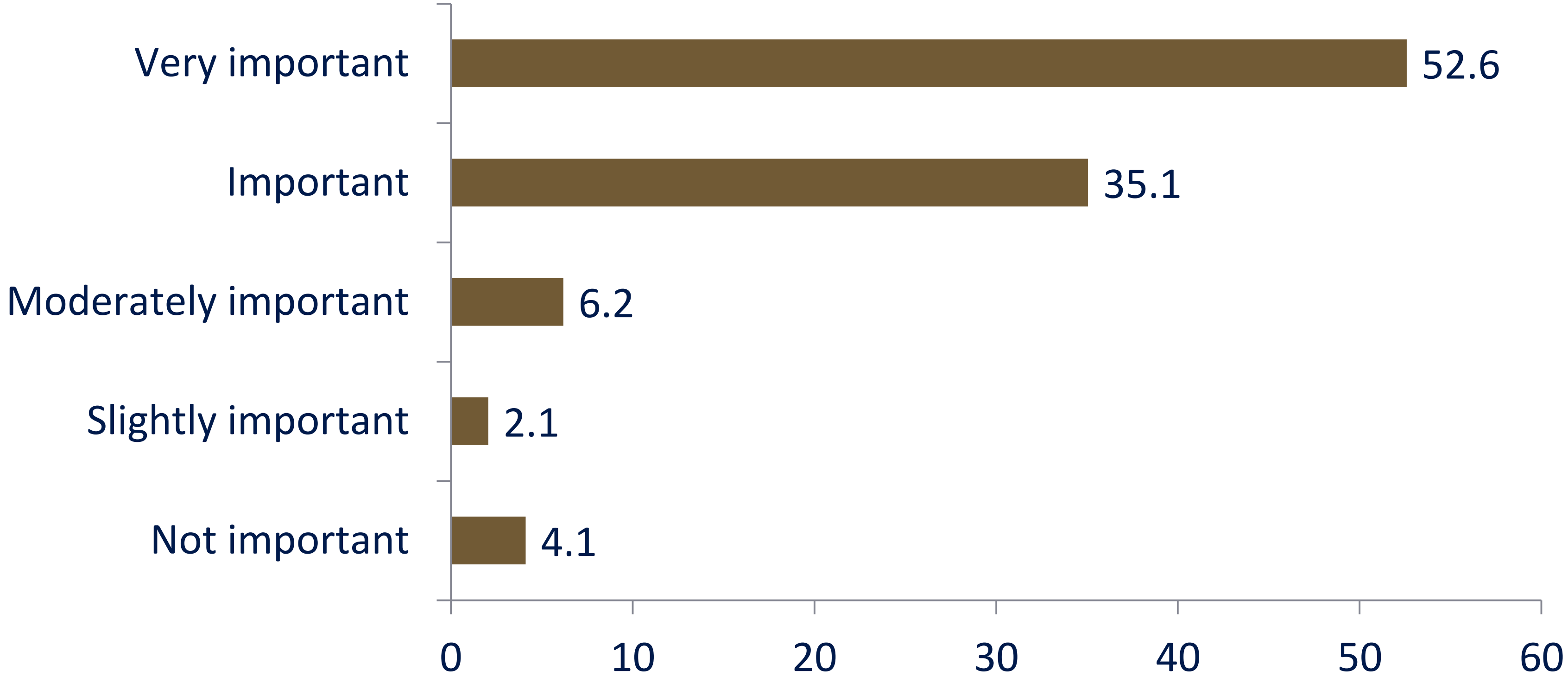
Received an acquisition offer in the last 12 months?



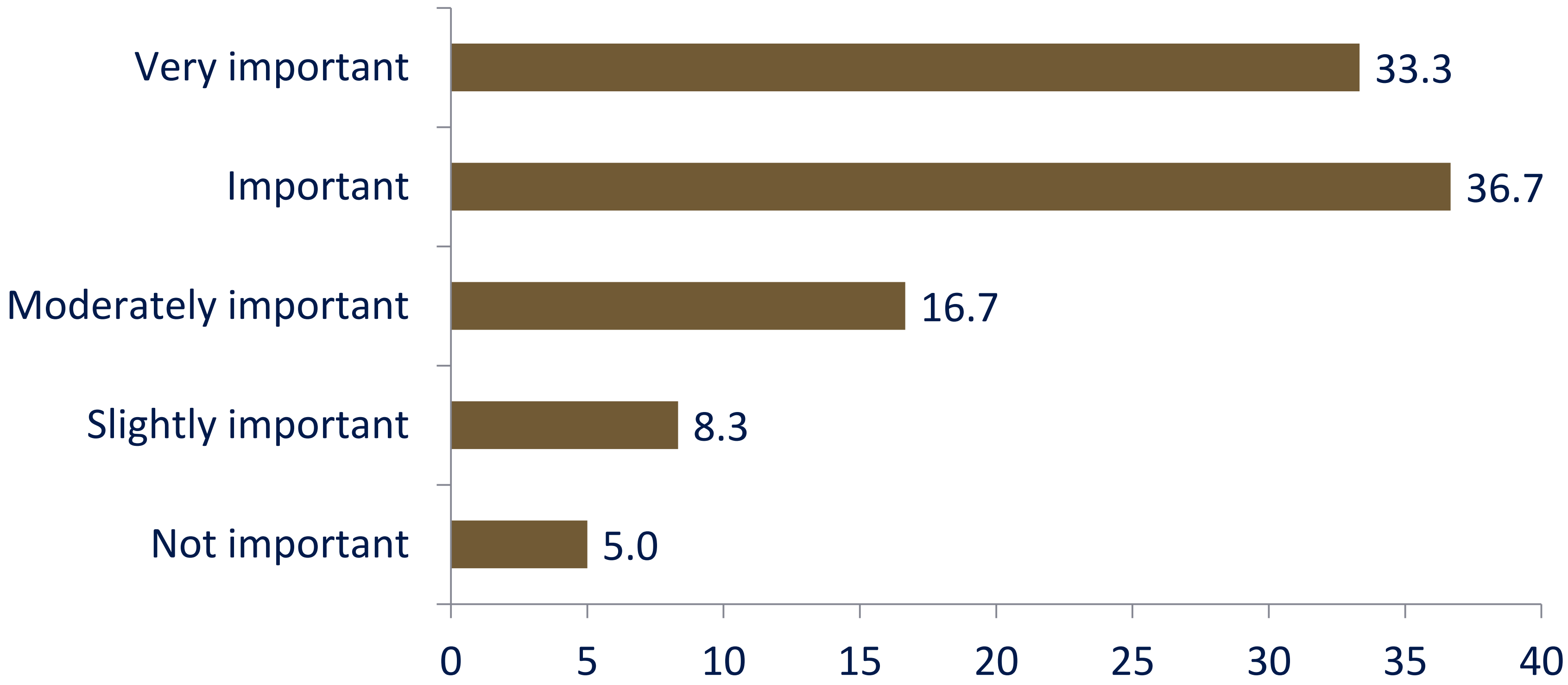
Made an acquisition offer in the last 12 months?



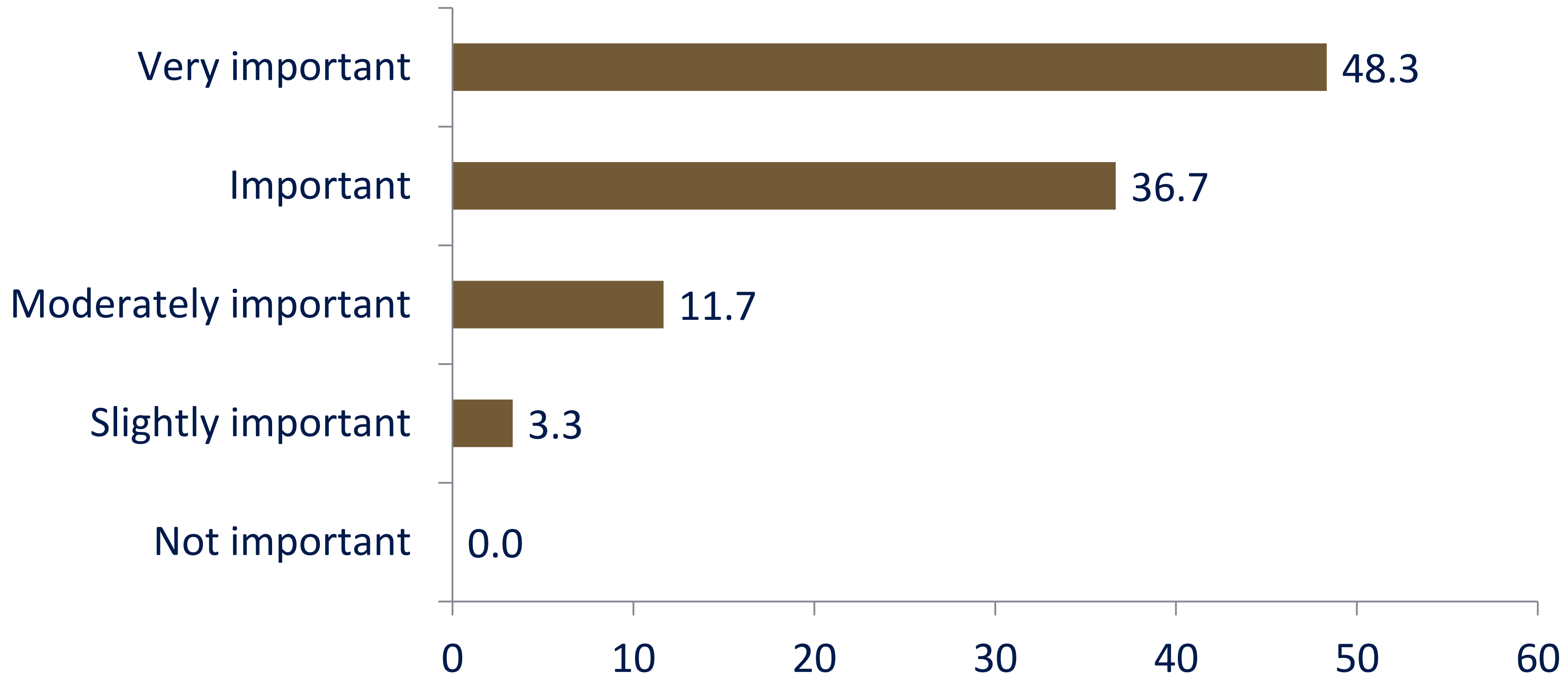
Community banks view achieving economies of scale as a highly important reason for making an acquisition bid.



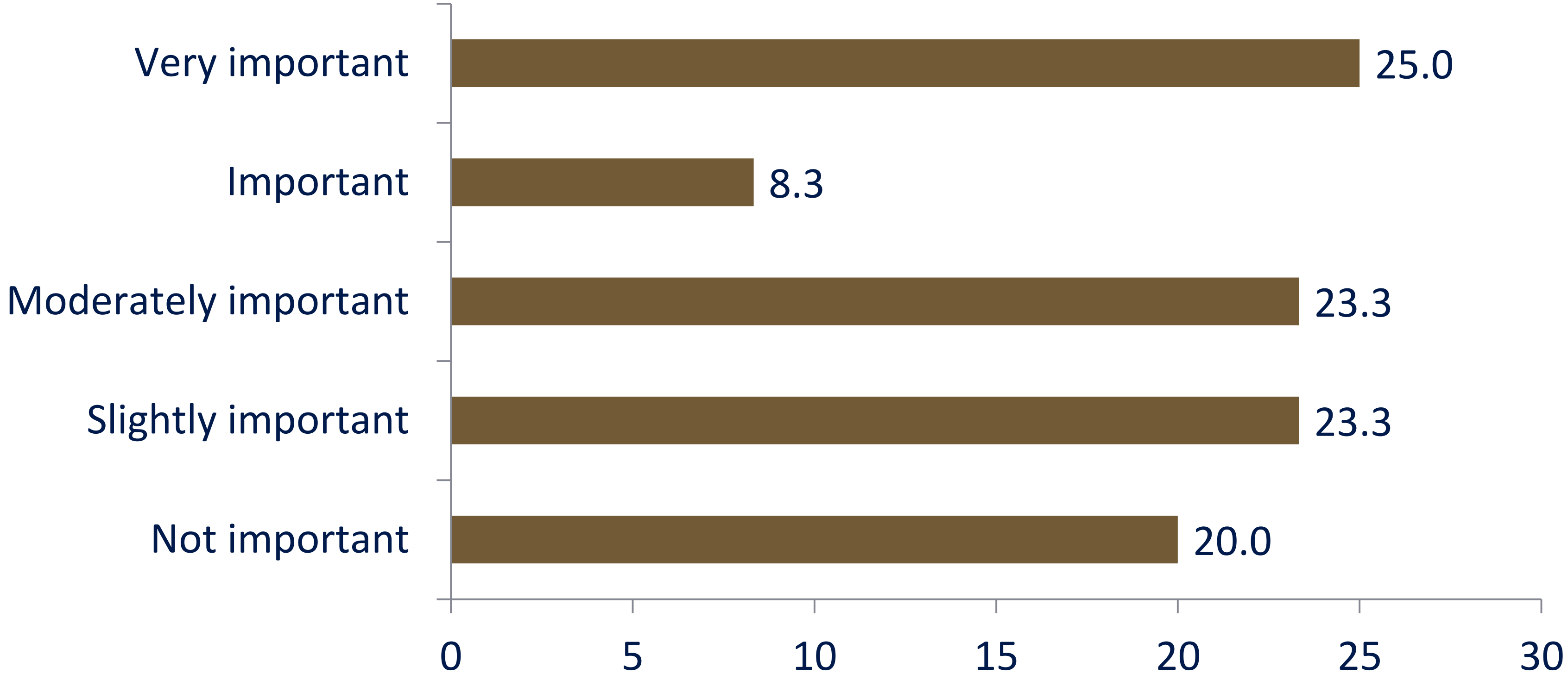
Community banks view achieving economies of scale as an important reason for accepting an acquisition offer.



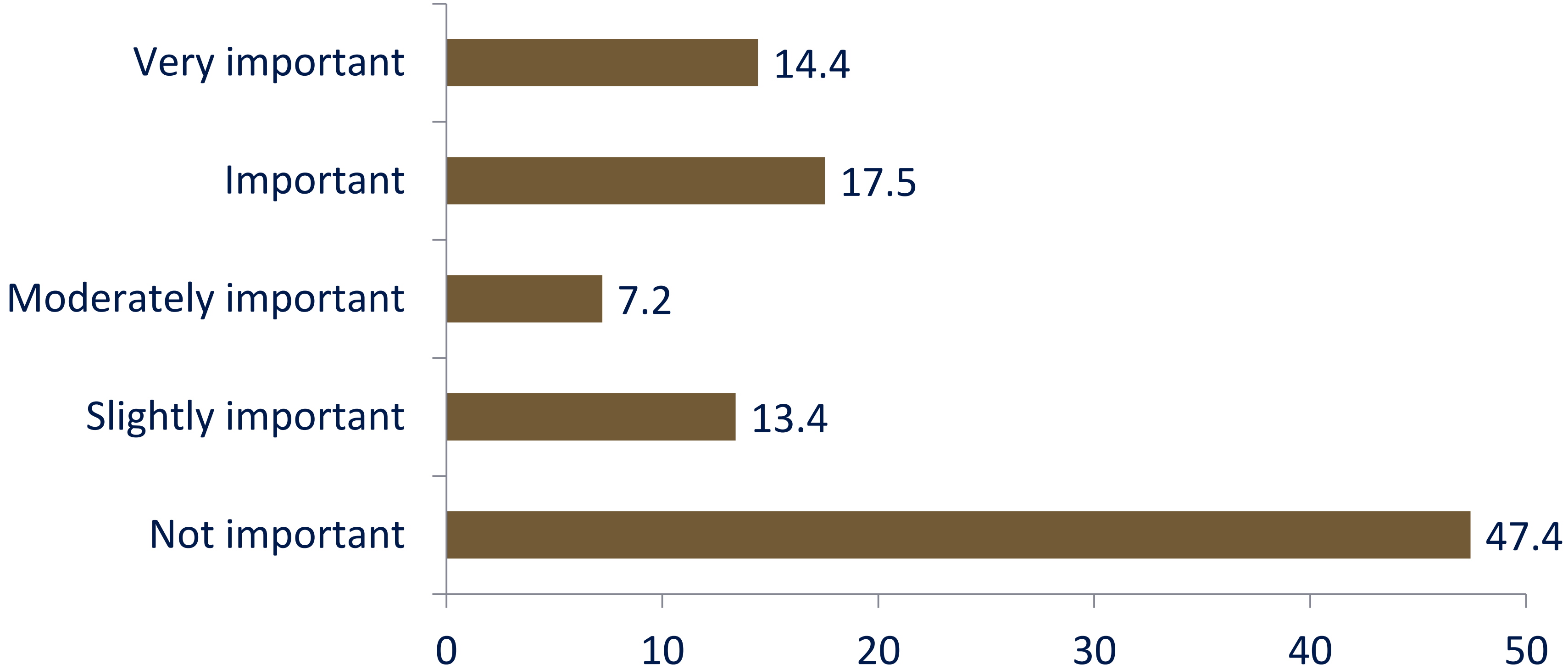
Community banks view regulatory costs as an important reason for considering an acquisition offer.



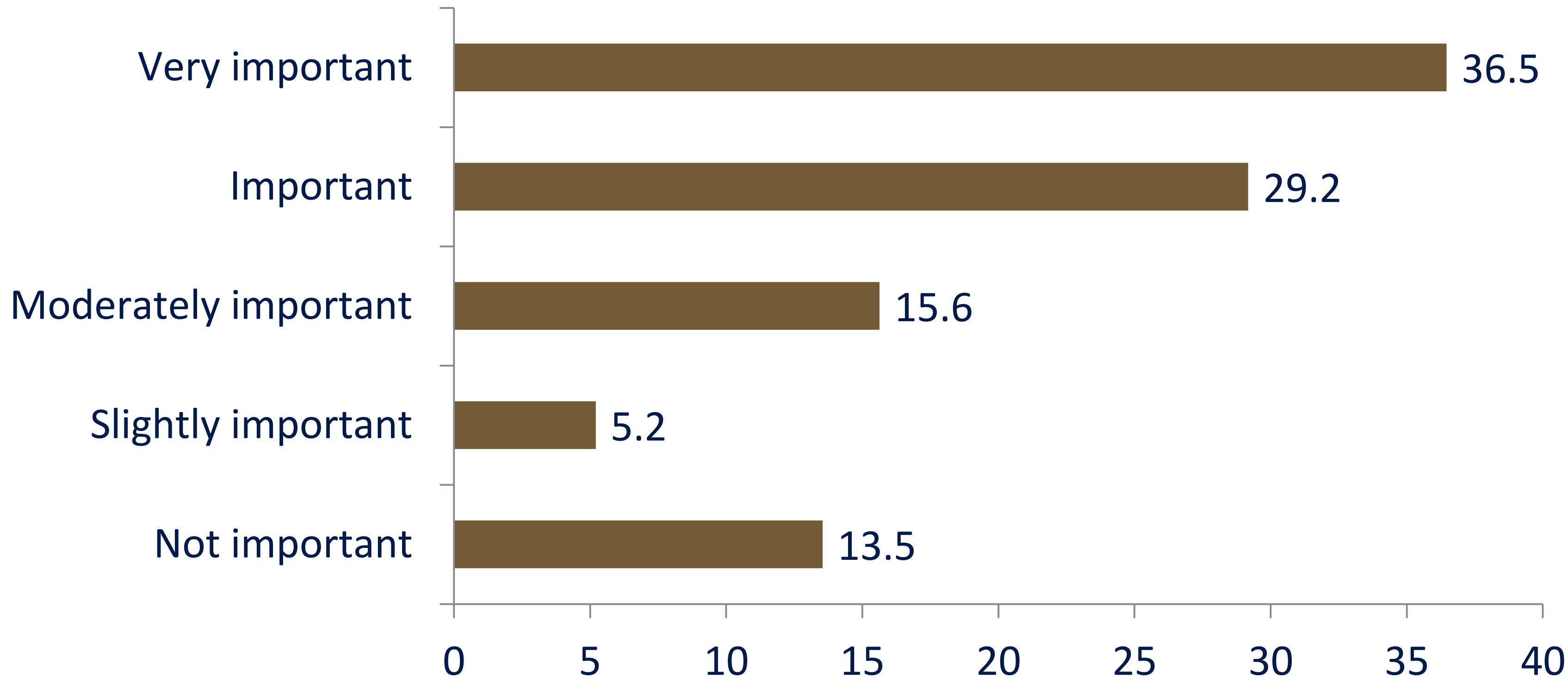
Succession issues, while important for some banks, are not a driving force in accepting acquisition offers.



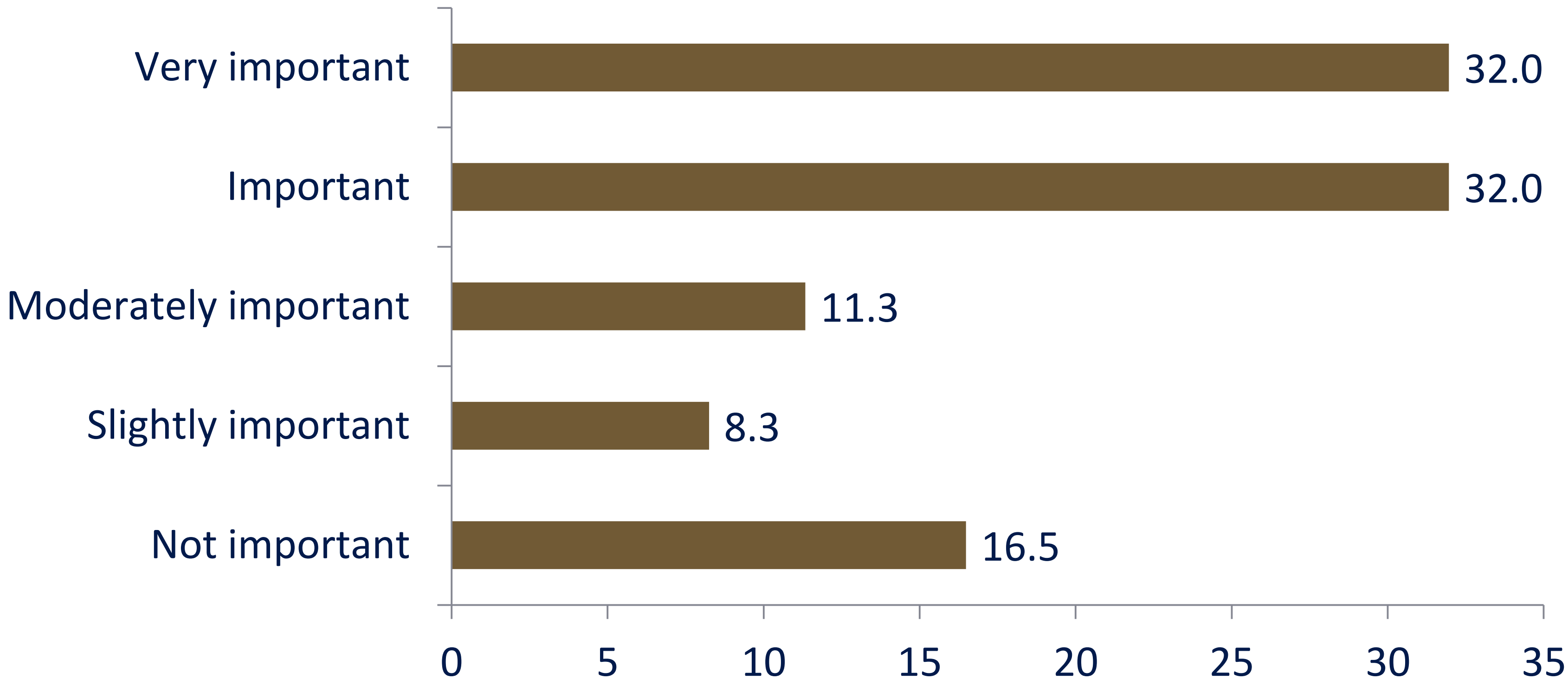
Community banks do not generally view succession planning as a factor when making an acquisition bid.



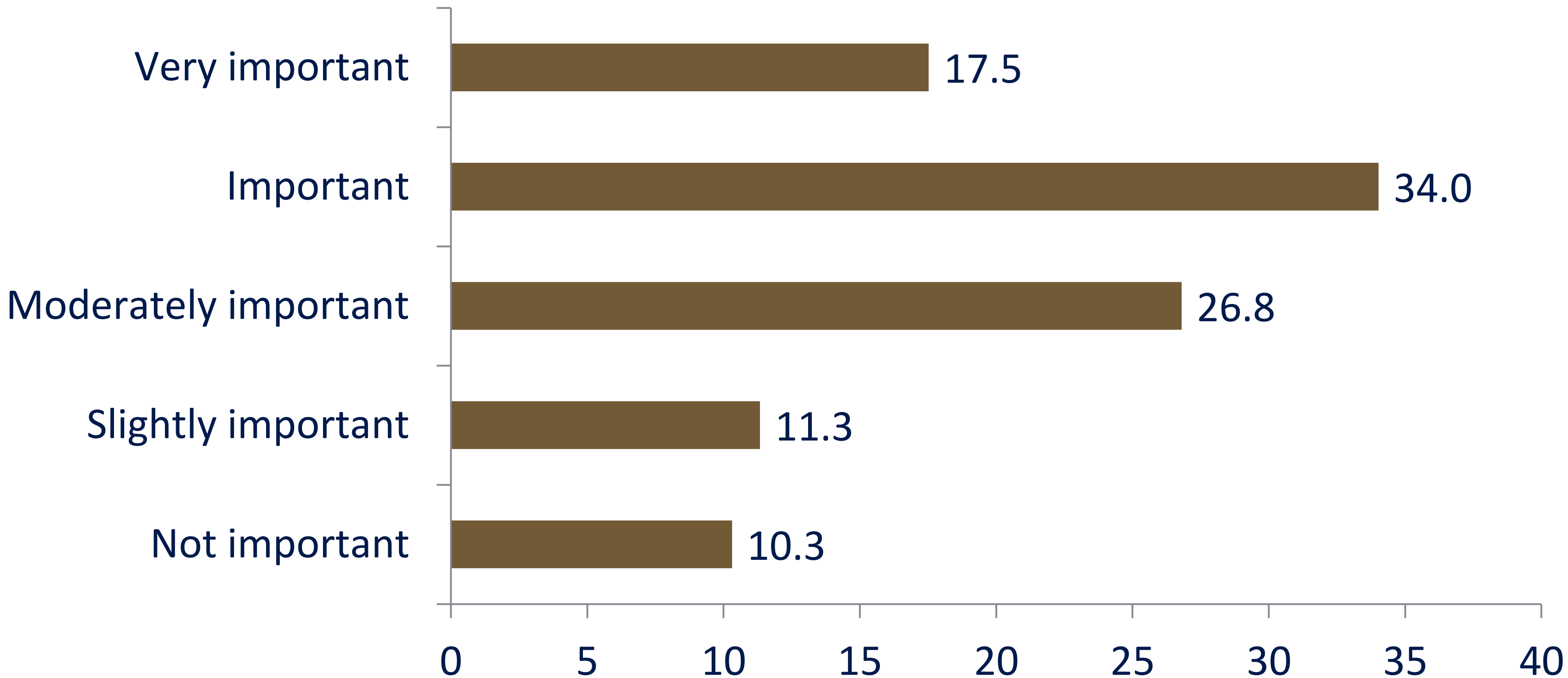
Entry into a new market is a highly important reason for making an acquisition bid.



Community bankers view expansion within a current market as important when making an acquisition.



Community bankers see the opportunity to exploit under-utilized potential as an important reason to try and acquire another bank.



Acquiring talent is not a major driver of a community bank's decision to try and acquire another bank.