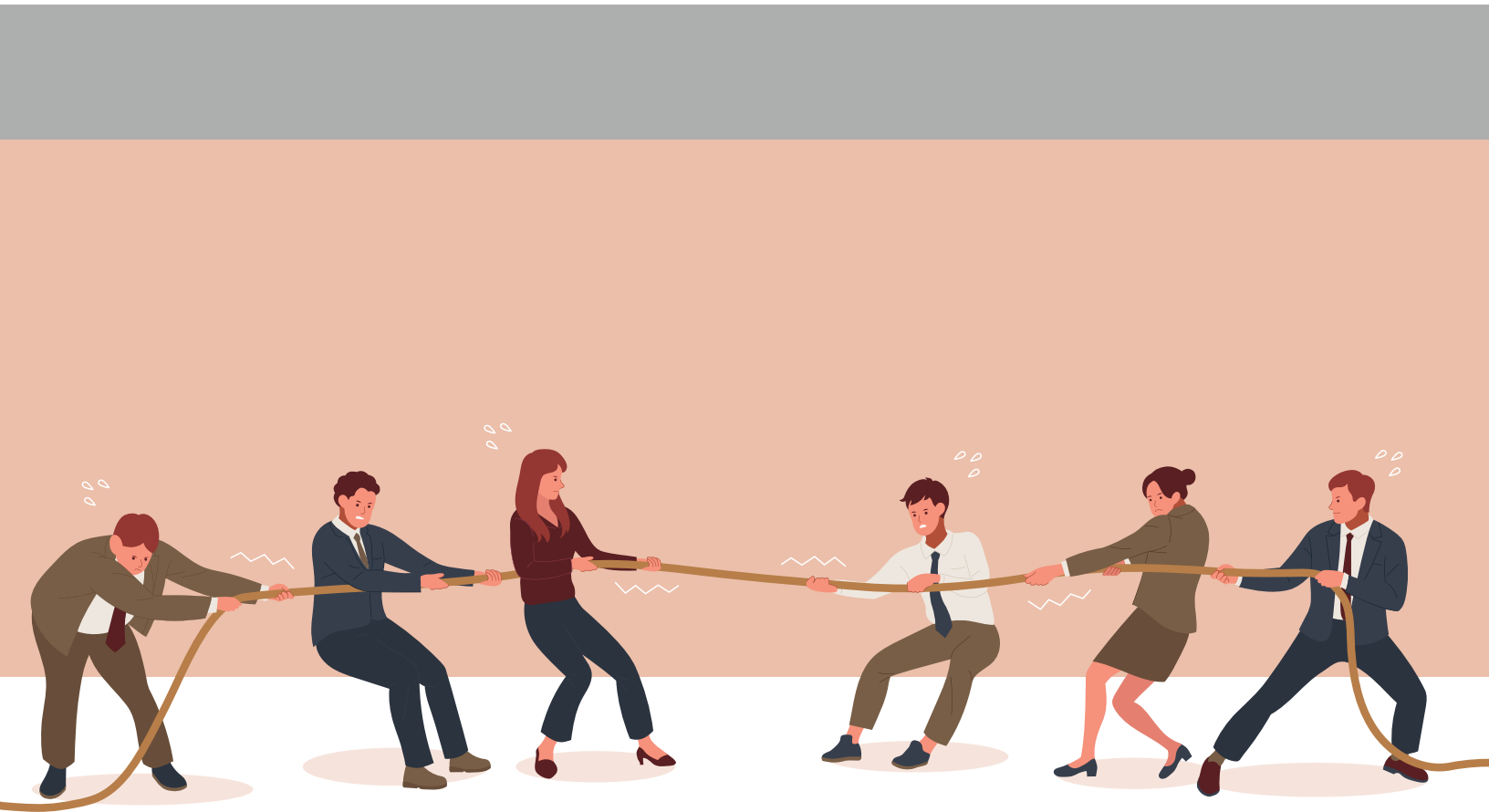


WHITE PAPER TRILOGY

The Battle for Small Business Lending

Part 3: Effective Rallying Cries to Bring the Borrowers to Your Side



Part 1 of the White Paper Trilogy: *The Battle for Small Business Lending* discussed the many different types of competition charging the battleground.

Part 2, *Go Digital or Get Defeated* discussed the one solution that is powerful enough to obliterate obstacles to small business lending and defeat the competition— ***the power of a digital loan platform***.

So now that you have intel on the competition and your sales arsenal is filled with tactical digital strategies, let's talk about effective rallying cries to bring the business borrowers to your financial institution. In other words, why should they borrow from **you** rather than a challenger bank, online lender or even worse, a megabank?

Well, we have more than a few reasons why small businesses would want to work with their community bank or credit union to secure credit. Some of it is digital-banking dependent, but most of it is not.

So get ready, it's time to **SOUND THE RALLYING CRIES!**



COMPETITIVE COSTS!

The formula is simple – bigger banks seek bigger profits, and usually charge bigger fees and higher interest rates on loans. As we mentioned in the first white paper of the series, “[The Competition is Charging the Battleground](#),” the megabanks tightened—not loosened—their underwriting standards during the pandemic, when millions of small businesses were struggling financially to stay afloat.

While community banks also charge fees, they generally cost less than larger institutions. John Darin from [The Milford Bank](#) based in Milford, CT explains: “Many community banks offer lower fees or better terms and interest rates than their national counterparts. For small businesses, every dollar saved or earned makes a difference.” In fact, when community financial institutions utilize digital loan platforms that save them processing time and costs, they often pass along the savings to their borrowers.

And credit unions are nonprofit organizations. Profits earned by the credit union are returned to members in the form of reduced loan rates, fewer fees, and other perks like surcharge-free ATM usage. <https://www.bankbound.com/blog/why-bank-locally/>





RELATIONSHIP BANKING!

Community financial institutions are locally owned, invest in their communities and generally care about the well-being of their local retail and service establishments. In fact, they might even get to know their small business account holders personally, creating more customized opportunities for them, and believing enough in their personal character and qualifications to invest in their business with a loan.

Molly Ray from Continental Bank based in Salt Lake City says “Community banks can create more personalized possibilities for you rather than forcing you to choose from a cookie cutter list of options. They are able to get to know your needs and make suggestions based on your unique circumstances, customizing a plan to fit your business. It is likely you will work with the same few people throughout the life of your loan or deposit.”

We mentioned a notable statistic from the Federal Reserve’s 2021 Small Business Credit Survey in the first white paper of this trilogy, but it bears repeating here. Small businesses reported far higher satisfaction levels working with small banks and credit unions than they did working with big banks and online banks, and it’s certainly not a stretch to assume that their banking relationship played a major role in their sentiments.



APPROVALS!

Faster, easier loan approvals go hand-in-hand with relationship banking. Often, when a small business owner seeks funding from their local financial institution, their holistic relationship with that bank or credit union will be factored into the decision, rather than being rigidly determined by a single computer-generated score or algorithm.

As Coastal Carolina National Bank tells their customers, “at local banks, loan approvals and other critical decisions are made locally by people who live in the community, have face-to-face relationships with their customers, and understand local needs. Because of this personal knowledge, local financial institutions are often able to approve small business and other loans that big banks would not.”

Community banks and credit unions can use their intimate knowledge of the area to make loan decisions, according to Bankbound. Their insight into local market conditions can lead to approval of small business loans that a national bank may not value.

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EFFICIENCY/SPEED!

It is no surprise that big, bureaucratic banking institutions impose cumbersome, time-consuming application processes on both their consumer and business borrowers. It is simply more difficult for small businesses to obtain loan approvals from megabanks with their strict underwriting criteria, which usually requires more detailed information on cash flow, revenue or potential growth that many smaller businesses simply do not or cannot maintain—especially in our post-pandemic marketplace.

“Local banks and credit unions make their decisions in-house with less red tape and hoops for you to jump through.”

Referring to small banks, Molly Ray at Continental Bank says, “because of decision-making being locally based, business owners don’t have to wait around as long for the loan they need. Extended wait times will affect your cash flow and ultimately the success of your business. This is especially difficult when, after a wait time of weeks or months, you end up being denied anyway.”

Bankbound echos Ray’s sentiments: “when you have broken equipment, your business shouldn’t have to suffer while you wait for a loan. Local banks and credit unions make their decisions in-house with less red tape and hoops for you to jump through. Faster loan decisions keep your business on track and turning a profit.”



PERSONAL COMFORT/SECURITY!

Many business consumers still depend upon having a local physical branch—even if they don’t need it or use it, they know it’s there. They can’t get this from Chime and many of the other online-only neobanks or challenger banks.

Community financial institutions provide the valuable benefit of old-school, face-to-face, human interaction that big banks simply cannot offer. Small businesses aren’t run by numbers – they’re run by living, breathing humans whose ability to repay loans can often be at least, partially, determined by personal character, work ethic and past experience with their institution. And once the loan is secured, can a big bank be relied upon to provide personalized service?

In an interview with the Reading Eagle, Timothy Snyder, president and CEO of Fleetwood Bank said, “When a consumer chooses a bank, the proximity of a branch to the home or workplace is often the top priority. There may be other qualities worth considering, however. Does the person reviewing your loan application understand the request? Once approved, will that bank continue to service your loan or sell it to a different institution? If you run into a problem, will you know who to call?”



CONVENIENCE AND PRIVACY

While physical branches and personal interactions are a critical benefit offered by community financial institutions, many smaller banks and credit unions also have implemented digital services and technology. That gives small business borrowers the valuable combination of personalized service plus the convenience and privacy of digital banking/digital loan applications.

With a digital loan platform, your borrowers can apply for business loans privately, whenever and wherever, and enjoy 24/7 access to their loan status. And if/when they have a more serious issue, they can visit their local branch and engage in a face-to-face human interaction.

Despite embracing financial technology, Timothy Snyder at [Fleetwood Bank](#) wants to continue building relationships with their customers. “I liken it to back to when ATMs and drive-up windows came to be,” Snyder said. “We’ve got to be prepared to meet our customers where they want to bank, and, right now, that’s on their phone and electronically.”



COMMUNITY BENEFITS & GIVING BACK

Doing business with a community bank or credit union allows small businesses to play an important role in the strength and stability of their communities. In their blog, PA-based [American Heritage Credit Union](#) said “in addition to offering better rates and fewer fees, credit unions typically process loans locally. And, as local lenders, credit unions reinvest their deposit dollars right back into the community. When you open an account with a credit union, you’re helping support businesses and families right near you.”

And while many financial institutions of all sizes often donate to charitable organizations, the difference is that community banks and credit unions primarily focus on local causes and organizations that help to support the consumers, businesses and communities they serve. With the support of their members and staff, American Heritage Credit Union raised more than \$48,000 and donated more than 30,000 books to support literacy in their community through their [“Books for Kids” program](#).

As MA-based [Pentucket Bank](#) states, “local banks don’t gamble your money.” To increase their profits, big banks often use customer deposits to make “speculative” investments that often put their customer’s money and the entire financial system at risk if something goes wrong. Pentucket Bank focuses their efforts on productive investments that aim to strengthen small businesses and their local economy while keeping their customers’ money safe.

CONCLUSION - White Paper Trilogy: The Battle for Small Business Lending

We at Velocity Solutions are steadfast advocates and supporters of community banks and credit unions, their customers, members and communities they serve. Our combined experience spans hundreds of years working directly with community financial institutions, listening to our clients' challenges and opportunities and working diligently to continually provide innovative solutions.

Our ability to swiftly and proactively develop these solutions stems from our seasoned leadership team, providing a powerful mix of financial, analytical, legal, marketing and technical backgrounds. This unique blend of expertise allows us to develop a true consultative relationship with our clients and help them succeed within the ever-changing economic, technological and regulatory environments—and a pandemic to boot.

If our content has provided insight or ideas for you, please always feel free to [inquire](#) about what we can do for your bank or credit union.

About Akouba™ by Velocity Solutions

Akouba™ by Velocity Solutions is a secure, cloud-based digital lending platform for retail and commercial lending. The Akouba platform was built to reduce end-to-end time of loan origination, increase profits and give both borrowers and financial institutions a streamlined experience. Akouba is the only small business loan origination platform endorsed by the American Bankers Association (ABA).

Founded in 1995 and servicing the transaction accounts of over 30 million consumers and business owners, Velocity Solutions

is the leading provider of revenue-driving solutions for community banks and credit unions. Our Velocity Intelligent Platform™ powers Akouba and all of Velocity's solutions, using machine-led intelligence that delivers powerful analytics and drives revenue, loans, account holder engagement and non-interest income to our client financial institutions. For more information, please visit: www.myvelocity.com/akouba.