

open for business



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introduction

Over the past few years, rapid advances in technology – combined with a global economic crisis – have dramatically transformed the U.S. financial services industry. Community and regional banks and credit unions – once the most popular players in America’s financial game – are seeing flashy new competitors take the field and steal their spotlight. So who are these new players? Fintechs.

With their big budgets, seemingly endless resources, and the latest, greatest technology at their disposal, fintechs can be a good fit for many businesses. So traditional financial institutions must start offering more digital services, or risk losing business to them.

The good news for banks and credit unions is that they offer their customers and members something most fintechs can’t – a personal relationship. Businesses really do prefer working with their community-based financial institutions. If banks and credit unions can match the 24/7/365 convenience and online digital experience of fintechs, they can successfully compete with these industry disruptors.

lessons of the pandemic

Without question, the COVID-19 pandemic (and the statewide lockdowns, business shutdowns, and nationwide workforce disruption that ensued) dealt a crippling blow to the U.S. economy. Businesses were challenged in ways never before seen in modern history. Yet the difficulties businesses faced in the middle of economic turmoil isn’t what’s noteworthy.

What’s most remarkable is the resilience of the American people. Although the pandemic shook the country’s economic foundation to its core, it also propelled people into action – and into innovation. Those who suddenly found themselves unemployed turned to their passions and skill sets to become entrepreneurs. Displaced workers took advantage of training opportunities to learn new skills that qualified them for better, higher paying jobs.

As they embraced their changed reality, American workers took time to reflect on their lives, re-evaluate their careers, and weigh their options. Being their own boss made them aware of their value and empowered them to demand more from employers – higher wages, flexible work schedules, and the opportunity to work remotely. What’s more, workers weren’t afraid to leave jobs that were no longer fulfilling. In fact, since early 2021, millions of employees have voluntarily left their jobs in a trend that has been dubbed the Great Resignation.

Individuals aren’t the only ones innovating their way through the pandemic. SMBs are doing it too. Bolstered by Paycheck Protection Program (PPP) loans and driven to find different or more efficient ways to operate, small businesses that have stayed afloat are working hard to rebuild and surpass their former levels of success. They’ve created new products, services, and delivery channels to meet the evolving needs of their customers.

It's not just existing businesses that are emerging from the pandemic: new businesses are on the rise. In the third quarter of 2020, there were nearly 1.5 million new business applications in the nation, up 77% from the previous quarter.¹ Clearly, the pandemic has created a set of needs that new businesses are rushing to fill – like video-based services, online learning, delivery and pickup, sanitation, and home-based work solutions.

These two trends – new businesses starting and older ones reestablishing themselves – have caused a resurgence in commercial activity. Additional good news is that today's small businesses are likely to be more resilient than before and more open to new and innovative ways to carry out their services.



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new prospects for community-based financial institutions

The revival of small and midsize businesses in the wake of the pandemic is an event that shouldn't be ignored. It's an important moment, and there is a generational opportunity for community-based financial institutions to do what they do best, which is to provide financial services that promote the success of their accountholders, whether consumer or business.

The small business market is as diverse as it is nuanced. The mix of business types varies considerably by region – a rural area would have

very different businesses than an urban area, for example – and some locations are dominated by specific industries. Understanding the creditworthiness of these businesses often comes down to having an intimate understanding of the communities in which they operate. This is where community-based financial institutions have a distinct advantage over fintechs – and why they are best positioned to serve the needs of both new and existing SMBs.



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taking the lead

Just as in the consumer market, community-based banks and credit unions have an advantage over the big national banking brands in terms of building relationships in the local community and tailoring solutions to meet the needs of business borrowers. That includes loan products, card programs, lines of credit, deposit products, and payment solutions. Small businesses face all the same challenges as larger ones, but with fewer resources – especially time. Any steps to [automate or simplify](#) their tasks are welcomed.

For community-based banks and credit unions to be powerful allies to small business, they need a technology partner that can provide an [open platform](#) and tools for configuring solutions to meet the requirements of local businesses. They need the ability to integrate third-party solutions through open APIs. Their core technology partner should be willing and able to help them integrate fintechs and other vendors into their platform.

In addition to having the right technology, institutions looking to expand their support for commercial accounts can benefit from the example of others that succeeded in this market. Some community-based financial institutions are doing an excellent job of attracting small business accounts.

If you're looking to attract and retain small business accounts at your institution, consider these helpful commercial strategies:

- **Awareness** – *Build a separate and distinct web page specific to the commercial products being offered.* The page should include relevant keywords to ensure that your institution is appearing in search queries by potential businesses. Provide key contact names and profiles so the business owners know who to reach for a specific financing need.
- **Engagement** – *Schedule educational sessions for small business owners* at a local branch or online. Topics for these sessions could include marketing resources, tax advantages, debt management, A/R finance, and integrated receivables, for example. You can host the sessions and bring in outside experts such as a representative from the SBA, an accountant, or a digital marketing professional.
- **Adoption** – *Offer digital financial products and services through portals that allow businesses to serve themselves.* This is important for reaching millennial and Gen Z business owners who prefer being self-sufficient. Promotions can be shared through social media and digital channels to reach this demographic.

case in point: Wildfire Credit Union

Michigan's Wildfire Credit Union is a \$1B institution with a substantial commercial loan portfolio. Its largest business loan sectors are real estate and equipment, though they also service manufacturing and medical providers. Wildfire experienced its biggest commercial loan growth ever in 2020 – during the pandemic – and that growth doesn't include PPP loans.

The credit union attributes its success to three factors:

- Offering a full suite of lending and deposit solutions
- Competitive pricing
- Good relationship-building skills and being easy to work with



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Mark Schuiling, Wildfire's Chief Technology Officer, offers some advice to those building a commercial portfolio: "Take stock of what you'll offer – the type of loans and the terms – and then architect how the process will work. Take it slow and try to think through the scenarios before they come up."

The credit union uses its existing technology base, the Symitar® core platform, to manage loans. Wildfire uses solutions built into the core such as a participations module and a collateral tracking module. It also created its own solutions using the

platform's modification tool. For example, through customization, the credit union was able to automate reporting, notification of expiring documents, and repricing and re-amortization schedules. Regarding these modifications, Schuiling reports, "It was a challenge at times but nothing overwhelming. Anyone with reasonably decent developers and some experience with setting up processes could do it."

Wildfire uses as many business services as it can from within the Symitar platform – savings and checking accounts, credit cards, mortgages, and so on – so they can keep all the data consolidated. Among other benefits, this prevents staff members from having to learn different systems. "It really comes back to having everything in one system," says Schuiling. "That makes everyone's lives easier and ultimately provides a better member experience across all channels."

case in point: FirstBank

With \$11.9B in assets, Tennessee-based FirstBank completed a large acquisition in 2020 and wanted to enhance its commercial lending process with new speed and accuracy. The bank – which already partners with Jack Henry for its core system, digital banking and payments solutions, and hosting of their IT infrastructure in a private cloud environment – wanted to expand its partnership with Jack Henry and selected the company's digital commercial loan platform to create efficiencies while digitizing the experience for both borrowers and lenders.

"We've enjoyed a successful relationship with Jack Henry for years; they have a strong reputation in the digital space because of their dedication to exceptional service, focus on simplified borrower experiences, and eagerness to do the right thing," explained Wade Peery, chief administrative officer of FirstBank. "As the industry embraces digital acceleration, Jack Henry's digital commercial lending platform puts us in a position of strength.

It will allow us to meet borrowers where they are, making our interactions more meaningful and convenient. Plus, the platform seamlessly integrates with our core, creating efficiencies that will help us fulfill loans more quickly."

Based on conversations with frontline leaders, FirstBank developed a list of requirements for a new platform. They wanted to be able to:

- Streamline and standardize the process
- Digitize workflows
- Enhance reporting to boost transparency and data integrity

Jack Henry met those requirements and more, providing FirstBank with a platform that will save time and create a more digital, innovative, and user-centered experience for everyone.

"Our partnership with Jack Henry enabled us to meet customer needs during this last year, competing on a personal and remote level that others could not. Our customer feedback is a testament to this success," said Peery. "We look forward to applying this same digital-first approach enterprise-wide ... one that leverages modern technology to enhance – not replace – human interaction."

helping today's savvy small businesses

The dramatic changes in our economy and culture have challenged us all in recent years. Some Americans chose to create entire new businesses in response. Many existing business owners improvised and changed their operations – not just to survive, but thrive. It comes, then, as no surprise that local businesses are not interested in returning to the way things were done in 2019. They want to move forward to a more

efficient digital future. Now is the time for their financial institutions to show they too are open for a new way of doing business.

The “open for business” mindset is based on flexibility, adaptability, and responsiveness. These are areas in which community-based banks and credit unions have traditionally excelled, and a flexible technology base makes seizing the rapidly growing small business opportunity possible.

jack henry™ commercial services

Jack Henry's core platforms are built for customization to meet the needs of small and midsize businesses. Services for lending, collateral tracking, account analysis, and much more are integrated into its core systems. Jack Henry also offers solutions such as a modular open-API foundation for digital banking, digital loan origination, business bill pay, and faster payments support.

create limitless possibilities

[Learn how](#) our next-generation technology and solutions can help you build commercial relationships.

For more information about Jack Henry, visit jackhenry.com.

sources

1. Tai, Jack, [Startup Surge: Pandemic Causes New Businesses To Double](#), Forbes, January 2021.