



Peer Review

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# Thinking Smarter: Community Financial Leaders Talk About Thriving in Tough Times

Something interesting has been happening in the financial services marketplace of late. While the customary banking giants are tackling difficult issues such as loan losses, consolidation, regulation and bad press, many community financial institutions are seeing phenomenal growth.

Customers who may be dissatisfied with larger, national banks, or simply scared to continue/expand their relationship with a national FI because of concerns about long-term solvency, are flocking to community banks. One-to-one customer service is in fashion again, and community banks and credit unions have been experiencing unprecedented growth and

customer acquisition. First Data talked to three of our customers who are prospering in these difficult economic times. Armed with five questions, we asked our customers for insight on what is happening at their community financial institution and how other institutions can learn from their success.

Old Hickory Credit Union

## Malinda M. Warchus

Assistant Vice President

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**"Safe and Strong for 75 Years" is the slogan fixed prominently on the home page of Old Hickory Credit Union. The member-owned, nonprofit financial cooperative is located just outside of Nashville, Tennessee, and is celebrating 75 years in business and doing quite well these days.**

**FD: Overall, is the current environment hurting or helping your business?**

MW: Absolutely helping. Membership is up, checking accounts are up as well; but where we're seeing big growth is in auto loans and mortgages. We recently implemented an indirect lending program, where consumers can electronically submit a car loan application directly from the dealer to us. This is really bringing customers in the doors. Unlike the bigger banks, we have plenty of money to lend. We're 14% capitalized, which is double the industry recommendation, and in February we brought in \$6 million in loans, three times the normal \$2 million mark for a cold-weather month. And March looks great!

**FD: Are you seeing customers migrate to your institution from larger banks?**

MW: Yes, our membership is growing, and we've seen an increase in checking accounts, auto loans, mortgages and business banking accounts, which are brand new for us. Small-business banking has traditionally been locked down by the bigger institutions. Now they are strapped for cash to lend, but small businesses still need capital and we have plenty to lend, so they're coming our way.

**FD: What do you think the motivation is for customer movement?**

MW: I think, overall, people have been unhappy with the larger banks for awhile. Sure, the convenience was there—which is why customers stuck with them for so long—but now safety, security and service are big again. Credit unions started during the Great Depression, when people needed help. Then we became old fashioned. We played it safe and didn't take risks with our money, and we got a reputation for being "your father's credit union." Now it's coming back full circle. That conservative approach paid off and we're financially sound and have money to lend, and the bigger banks are struggling. It's going to be about service, safety and security for awhile, but it will eventually turn back to convenience again. I do think the psyche of the American people has forever changed. It's rare to talk to someone who hasn't changed their spending habits.

**FD: What are you doing to capitalize on the struggles of the bigger banks?**

MW: We definitely feel a sense of urgency to get as much of the business we can now while the big guys regroup. We've been running television ads, billboards and Web videos promoting our lending program. The ads have worked well for us, even with the indirect auto loan program. Because of the ads, people at least know they are dealing with a trusted institution. We're proud of our credit union and the fact that we're surviving, actually thriving in these difficult times. Our conservative nature is paying off in the form of new customers.

**FD: In order to compete with larger institutions, do you feel there are any services you are lacking?**

MW: Really, I don't feel there is anything we aren't offering that would keep us from competing with a large institution. We have mobile, we have free ATMs, Internet banking and bill pay, but we have the added bonus of safety and security that the big banks can't necessarily brag about right now. The only thing I wish we had to offer our members is more branches. We have seven right now, but more would be better. People want that feeling of knowing you're there. We do the best we can and try to keep up with our members through e-mail when they can't get by the branch. Every e-mail that comes in is answered within minutes, usually by a vice president of Old Hickory. You can't get that at a bigger bank. Our members feel a sense of ownership and are not shy about asking for numbers and explanations of where we spend the money. We don't have corporate jets or fancy offices. We're frugal because we're all about making profits for our members, and it's paying off.

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*Old Hickory Credit Union uses the following First Data products: Internet Banking, Bill Pay and Presentment, Mobile Banking, Internet Business Banking, E-Statements, Finance Center.*

Happy State Bank

## J. Pat Hickman

Chairman and CEO

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**This community bank in the panhandle of Texas has much to be happy about, with a near 20 percent increase in deposits and hundreds of new customers since November 2008. Happy is also celebrating reaching the \$1 billion mark and 100 years in business, and they did it all free of federal funding.**

**FD: Overall, is the current environment hurting or helping you?**

PH: The turmoil in the financial market is substantially working in our benefit. Where do I start? We've had hundreds of new accounts move to us from the mega conglomerates, we've had a big boost in the amount deposited in our bank and we became a billion-dollar bank, all in the past few months, since the onset of the banking crisis. Good things are coming the way of the community bank these days. For example, one of the mega banks decided to shut down its trust department in Amarillo—laid off the workers in that department and moved everything to Dallas. We picked up where they left off—hired their workers and picked up those trust accounts. These were assets a bank our size would kill for. We also had the opportunity to purchase eight Citibank branches in the area, bringing our total to 20.

**FD: Are you seeing customers migrate to your institution from larger banks?**

PH: Absolutely. As I mentioned earlier, our deposits are definitely up. We've had a huge influx of new customers who have come to us from other institutions. Many of them told us while opening a new account that they're bitter about banks who took federal financing, and that's one reason they're moving to us.

**FD: What do you think the motivation is for the customer movement?**

PH: People don't feel safe at big banks. They're scared, and I think there is a lack of respect. They're angry. Complementing that is the general consensus regarding community banks. We have a good reputation and are seen as the good guys. The banking associations, as well as my fellow community banks, are doing a good job of getting the word out that we're not the ones who caused the problems.

Also, there is a vast difference in the philosophy of the mega conglomerates and that of a community bank. Big banks are primarily focused on selling products; we are primarily focused on service, what we call relationship banking. I don't think the customer service found at a large bank can hold a candle to the service you'll receive at a community bank.

**FD: What are you doing to capitalize on the weaknesses of the bigger banks?**

PH: No TARP! We have a statement on our Web site that talks to fact that we are TARP free. Frankly, we just don't need TARP. Many of our fellow community banks are promoting security and safety, but we've always promoted that. It almost raises questions if you say too much. We don't have to say we're strong, because people in the area know that.

**FD: In order to compete with larger institutions, do you feel there are any services you are lacking?**

PH: When we bought the eight Citi branches, there were concerns from those customers who moved over to us that we could not compete with the "e-services" the conglomerate banks offer. Would we have the same services to offer? Can we compete with their electronic solutions? We certainly evaluated our systems and made sure we had all the bells and whistles today's customers demand. We have 24/7 phone banking, mobile banking, remote deposit capture and other commercial services for our business customers. We thought we could compete; we hoped we could compete. Our new customers who came over from Citi have let us know that our Internet banking solution offers everything Citi's did, and more. The bigger guys' services are cookie cutter. You can't really massage that service to meet the needs of the individual customer. We've had a lot of momentum driving us to where we are today; buying the Citi branches, hitting the billion dollar mark and being recognized in *Texas Monthly Magazine* as one of the "TOP 100 Companies to Work for in Texas." We're blessed to be an independent, community bank in the Texas Panhandle; it's a great place to be.

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*Happy State Bank uses the following First Data products: Internet Banking, Bill Pay and Presentment, Mobile Banking, Internet Business Banking, E-Statements, Internet Banking in Spanish, Finance Center.*

The Exchange Bank of Alabama

## Becky Morgan

Vice President

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**Exchange Bank: Safe, Secure and Solid. That is the mantra of this booming financial institution in Northern Alabama. With a \$10 million surge in deposits in the last three months creating a boost in DDA balances, their 100th Anniversary is not all they are celebrating this year.**

**FD: Overall, is the current environment hurting or helping your business?**

BM: We have faced challenges as many have, but we are looking to this time as an opportunity. We've shown tremendous growth since the credit crisis hit. We've grown \$10 million in deposits just since the first of the year. We've had an increase in demand accounts and an extra \$4 million in loans, which shows community banks are becoming very popular in these turbulent times. Customers want the personal touch again. They want to speak to an actual person when they call, they want quick answers to loan requests, and they want a local voice; all of which we can provide. The regional banks can't compete with that.

**FD: Are you seeing customers migrate to your institution from larger banks?**

BM: We've talked to many people who have switched to us from a larger bank. Our growth started back in November when the market was so uncertain. Our CEO wrote a letter speaking to our safety and stability and we published that in the local newspaper and on our Web site. Many people in the community read that letter and came in to talk with us. They were glad to learn we provide all the conveniences they have with the big banks, but with a personal touch. Anytime during regular business hours, they can pick up the phone and talk to an employee of the bank—not an operator at some faraway call center, not a recording, but someone who can give them the answers they're looking for.

**FD: What do you think the motivation is for the customer movement?**

BM: I think people are tired of the changes and mergers many banks have had. They seem concerned about the stability of some of the larger banks. People want to do business with a bank they have confidence in. I think they're also concerned about the banks that took part in the government bailout. We did not participate. We're a well-funded, financially solid bank with money to lend. In fact, we've had new customers who have come to us because their big bank told them they couldn't accommodate their financial needs at this time.

**FD: What are you doing to capitalize on the struggles of the bigger banks?**

BM: The letter from our CEO attracted a lot of attention from the community. I think that helped bring in people who were looking to make a move and support a local bank. The letter ran as an ad in our local paper and was also mailed to prospective customers. In addition, to promote our business banking products, we mailed postcards to local businesses asking *Are you tired of paying high fees? Give us a chance.* We have a robust business banking suite of products, and our pricing is normally lower than the other banks. But really, even though we see the opportunity to grow our business, our biggest focus is on our customers; taking care of them and making sure they know what they mean to us. We want them to feel safe in these troubled times. Our business growth is coming naturally.

**FD: In order to compete with larger institutions, do you feel there are any services you are lacking?**

BM: Not really. Customers are surprised to find we offer basically the same products they are currently using with the larger banks. We have to do so in order to compete. They walk in the doors and ask *What services can you offer me? If I have a question with my statement, who can I call?* They want that local service, but they also demand the same conveniences they get with a larger bank. Based on customer demands, we try to keep up with the technology they desire. Last year our new product was remote deposit capture, which is popular with our business bankers. This is the year of mobile banking and we're ready to launch that any day, and our customers are excited. We don't have surcharge-free ATMs; this hasn't been a huge demand with our customers. They are big debit card users, and less ATM frequenters. We feel confident our products and services, in combination with our excellent customer service, will keep our current customers happy and attract more down the road.

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*The Exchange Bank of Alabama uses the following First Data products: STAR® Network Processing, Internet Banking, Bill Pay and Presentment, Mobile Banking, Internet Business Banking, E-Statements, Web Site Design and Hosting.*