

Beat the Clock

Credit Unions across the nation are investigating business lending. Some have included business services in their strategic plan, or are planning to get into it “next year” or “in the future.” Others have approval from their boards and may be licensed with the SBA, but have done little to move forward. There are also those who have started the process but have failed to see loans materialize. If your credit union fits one of these descriptions, read on.

Credit Unions need to develop a sense of urgency in this regard. Though the current picture is not rosy for small businesses looking for credit, it will likely improve. Some institutions will find that by the time they actually start offering business loans, much of the opportunity is gone. Credit Unions will soon face renewed competition from banks, as new banks are springing up. There are a number of new banks started specifically to target small businesses and replace community lenders lost to consolidation.

Banks are not the only competition, however. With the growth of community charters and “supersized,” multi-billion dollar credit unions, credit unions are beginning to compete amongst themselves. Those that do not aggressively maintain and grow their market share will end up with an ever-decreasing slice of the pie. Let’s look at two different situations and some considerations and solutions for each.

Those Credit Unions planning to enter Business Lending “at some point.” Credit Unions that do not have a defined plan or a definitive timeline are in the most precarious position. Like many projects, business lending often takes more time to rollout than planned. As well, the demand in the marketplace is apparent, and the regulators have spoken out in support.

The solution to this problem is to set definitive goals and decide upon a plan of action. Whether the first step is a survey of the membership, or a call from proposals from Consultants, Lender Service Providers and CUSOs, take those first steps. Once you’ve taken the first step, put a timeline in place for each following step. Taken as a whole, the project can become overwhelming and inertia will reign.

For those Credit Unions who are cleared to begin lending but have seen little demand, or those credit unions with clearance and infrastructure, but no loans. The first question to be asked is: how much marketing have you done? Do your members know you offer business lending? Are your employees incentivized to make referrals? Are your members incentivized to make referrals? Does your community know? What about those Chambers of Commerce you belong to, local media, and the Small Business Development Centers? Do you have dedicated Account Executives working on the issue?

There is no great magic in driving loans in the door. The key is publicity and visibility. Everyone is familiar with the adage "If you build it, they will come." Not in lending! If your members and your community don't know you offer business services and products, they won't know to ask for an application! If your Credit Union has the marketing capability, then utilize them! If not, consider outsourcing to a marketing firm. There are many to choose from, whether you want to employ a local firm, or a firm that specializes in helping credit unions.

In closing, the field of business lending is ripe for entry by Credit Unions. But it will not remain that way for long. Those institutions that are serious about growing, servicing their communities and maintain their market share must act quickly, or this opportunity will be seized by someone else.