

## Why are small banks struggling to recruit millennials?

- Jackie Stewart
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Community bankers want to make their business cool again.

About 56 million millennials were in the workforce, or were looking to join, it as of 2017, according to Pew Research Center analysis of Census Bureau data. That equals more than a third of the nation's job pool.

So recruiting, training and retaining younger talent is top of mind for many community bankers, according to a recent panel hosted by the American Bankers Association.

“When I was going into banking we wanted to be bankers,” said Rita Lowman, president of the \$333 million-asset Pilot Bank in Tampa, Fla. “It was a great

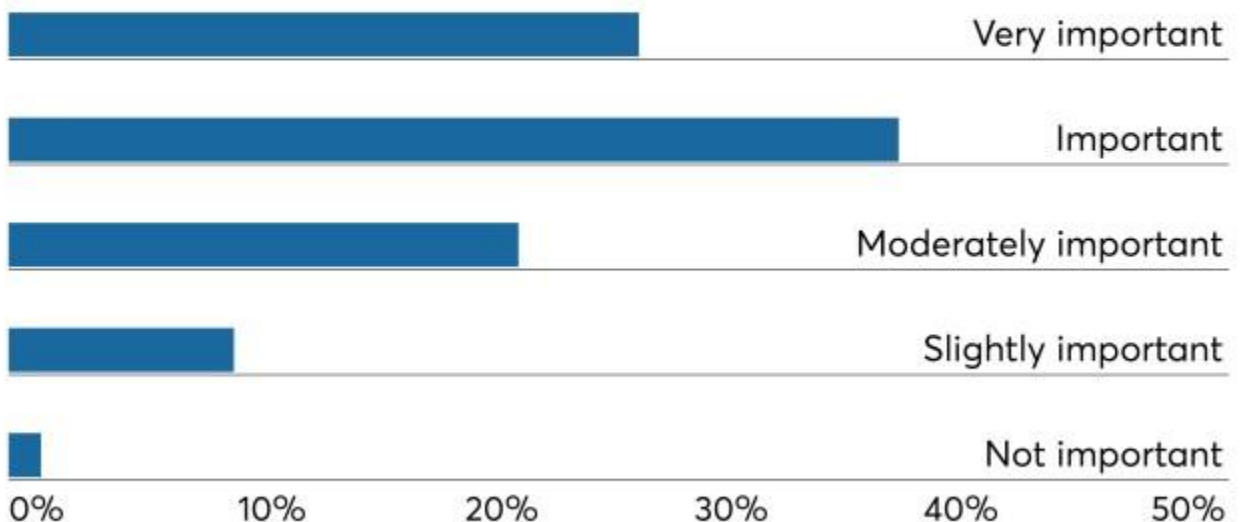
opportunity. Young people don't see banking as sexy anymore. They go into the fintech world and those types of things."

Preparing younger bankers is one of many challenges for small banks. Others include fighting for deposits, competition from online banks and credit unions and regulatory burden.

## Gotta have it

A high percentage of community banks believe emerging technology is critical to meeting customer demand

● View on adopting new technology



Source: Survey by Fed, CSBS and FDIC (521 banks polled from April to July)

The other panelists were Micah Bartlett, president and CEO of the \$770 million-asset Town and Country Financial in Springfield, Ill.; Jeremy Callais, chief financial officer of the \$305 million-asset M C Bank & Trust in Morgan City, La.; Simon Cruz, president and CEO of the \$373 million-asset Intercredit Bank in Miami; J. Steven Fisher, chairman and CEO of the \$616 million-asset Farmers & Merchants Bank in Salisbury, N.C.; Julie Livingston, president and CEO of the

\$212 million-asset Marblehead Bank in Massachusetts; and Susan Whitson, CEO of First National Bank in Waverly, Iowa.

Here is an edited transcript of the conversation.

**What do you see as your biggest challenges?**

SIMON CRUZ: Easily the biggest challenge we're facing is interest rates rising and the compression of our net interest margin. We're in a market with all of the largest banks, so there is tough competition.

J. STEVEN FISHER: Talent is a big one, because banks didn't have time to invest in people during the recession. So there's a gap of talent. We're having to work our way through that gap. We're all realizing we weren't training as much as we should have been. We were focused on putting the fires out in the living room.

JULIE LIVINGSTON: Massachusetts has legalized medicinal and recreational marijuana and Salem, where I have an office, has approved three medicinal and four recreational locations. So one of the challenges for us is getting some clarity from the federal government on the marijuana banking. This represents a public safety issue by not being able to bank this business, and it is a very profitable.

We would all love the deposits, but they're putting it in a vault. It isn't just the dispensaries. It is the one-offs. It's the landlords. Their accountants, their lawyers, their employees who are paid in cash.

SUSAN WHITSON: We saw the tax law change last winter and then the tariffs right behind it. You just see a little bit of hesitation there. The second thing is that

we've had very low unemployment rates for quite a time period. I think there would much more opportunity for growth if there were more workers. Some of our competition comes from nonprofit entities. There's a \$4 billion credit union in our market, plus Farm Credit, so we see it on both the ag and retail sides.

The other thing we see from the competition is the regulatory side is different. We see unfairness in competition just from regulation, including a lack of [adhering to the Community Reinvestment Act].

### **Why is it hard to attract younger employees?**

JEREMY CALLAIS: We're just about to cross over 100 employees. We've talked about taking people in that we would like to work with and we think would be loyal — and train them. Zero banking experience. It helps that we're in the energy market because a lot of people who recently had been in executive positions lost them. That has proven to be good for our bank.

FISHER: It is a multifaceted issue. Getting painted with that brush during the recession didn't help make our industry incredibly desirable for young people. For banks our size, a lot of times we allowed larger banks to do our training for us. They had fantastic training programs. The old Wachovia was probably our best training department. They had great bankers and we would try to pick off some. We don't have the resources to have these robust training departments. We are growing them now.

CRUZ: We didn't have much of a social media presence. I hired my son who is in college. He starts putting it all together and is getting ready to launch. And I was like, "No no. You have to go through compliance." And he was like, "What's a compliance? Why do we have go through that?" For the first time we hit a stone

wall and I saw the frustration level rising. He called me one day. He says, "I don't know how you work like this. I don't know how you run an organization where anytime you want to do anything you have to run and check with someone else and it takes several days. You have to be fast." That goes to getting new employees. You're dealing with an mentality where they all want to do little startups. They have incubators. And banks aren't sexy.

RITA LOWMAN: We've been working with the University of South Florida and have put together a 26-week program. [The students] are with the USF professors in the morning and then they have practical experience in the afternoons in banking. Not all of them will make it at the end, but what a great experience for these young people. We test them prior to that to make sure they would fit in with the model. Then the Florida Bankers [Association has] actually worked with USF to come up with a compliance program.

FISHER: With this millennial generation, they all want to work, but they just don't want jobs. That's so true. What that means is that they are hardworking, but they want more flexibility than our world allows.

**Sen. Elizabeth Warren has proposed subjecting credit unions to CRA requirements. What are your thoughts?**

MICAH BARTLETT: On that discrete issue, if they're going to get a taxpayer subsidy, they probably ought to have some requirements. ... I always love to tell the story when I'm in my congressman's office. We had a commercial real estate customer — a private organization that is member only that targets high-income individuals. The credit union refinanced their loan away from us because they could beat us on rate because of the subsidy. The net effect of that is middle-income Americans just subsidized upper-income Americans to the tune of

\$40,000 a year. When you hear that, does that sound like good public policy? Am I in favor of better CRA regulations for credit unions? Yes, but I do fear politicians will use that as cover to not do anything about the real issue.

LOWMAN: When you go in and do talk to your congressional and Senate leaders, some understand. But they all benefit from credit unions too on Capitol Hill. When you put the dollars to it, they are looking at those dollars, that's not a trillion dollars and it is only billions and billions dollars, what impact would it have? But it would have a great impact for our schools, for our roads, for our military. I think the original reason for credit union was a good reason. And I am still saying smaller credit unions that stick to that mission, that's fine. But those larger credit unions now left that mission.

### **How should CRA be changed?**

BARTLETT: The last [CRA exam we had] was when we were a small bank and now we are an intermediate small bank. The idea originally you shouldn't take deposits out of one community and invest it in another. That makes logical sense. ... On the community development test there's a lot of weight put on qualified investments and donations and things like that. ... I could call a broker today and load up on qualified investments and it didn't do one thing in terms of me actually helping my community. The important aspects of CRA are de-emphasized.

CRUZ: It is smart business sense in your community where you're taking deposits, you're investing in that community. They are trying to artificially force you to go in certain directions. You pay lip service, whether buying investments or donations and the like. As far as credit unions, you go and talk to your congressman's office and you know the lobby from the credit unions is coming in

right behind you, and they're also doling out dollars. Politicians are happy to maintain the status quo. It's an issue that is feeding their coffers. Why change it? At the end of the day, it is about getting re-elected. How do you get re-elected? You get money.

FISHER: CRA is all about accountability to your community. For banks in this room, that happens in the dairy aisle. That happens on the soccer field. That happens in the church pew. We all have accountability, because those are our friends and neighbors. We're going to invest in them.

**A decade has passed since banks had to worry about deposits. How has technology changed deposit competition and pricing?**

FISHER: It does affect the way we price it, for sure. There are entrants that weren't there 10 years ago. There are credit unions that don't even have locations or an identity in our market that are penetrating it. We've had to cast the net wider from a pricing standpoint. From a technology standpoint, most of us would tell you that it is expensive, but we're able to compete. That isn't really the piece that is getting at us.

CALLAIS: It is just a different animal we're competing against now. There are banks with no electricity bills or property taxes. Banks that are internet only.

BARTLETT: Part of the difficulty is getting data around [deposits]. We know that in our bank almost 30% of our small-business [depositors] ... have borrowed through some kind of marketplace lender online. We can see the payments on the accounts. We have the data to figure that out. It is harder to see if your customers have put deposits in a digital bank.