How to Maintain Steady & Quality LOAN GROWTH When the Whole World Has Gone MAD

How do you get more loan growth in 2022 when desperate competitors fight over fewer deals and make even more desperate offers? It seems the whole world is going mad.

More than once recently, you've probably thought to yourself: "What is going on?" Inflation, job vacancies, and the turnover tsunami are all happening simultaneously as fuel prices skyrocket and supply chain issues get worse…

Rarely has leadership been tested like this.

As Marcus Aurelius said, a leader must "be like the cliff against which the waves continually break; but it stands firm and tames the fury of the water around it." The leader remains calm.

When everybody zigs, we zag.

How will you command your pricing and get stable, quality loan growth when it seems like the whole world is going crazy? Do you take their lead on bad choices?

While the **world and our competitors are giving into the desperation**, we, as leaders, must stay above it all and make not just smarter choices but the smartest decisions and actions.

Easier said than done. How will you command your pricing and get stable, quality loan growth when it seems like the whole world is going crazy? Do you take their lead on bad choices?

Here is an excerpt from the *Breakthrough Banking Blueprint* book about some of the myths of loan growth. They're more relevant now than when the book came out one year ago:

"We can do this deal as long as we match the rates." By the time someone makes this statement, it's usually true. But what if there were a way that your team could keep from being backed into that corner? What if there were a system that almost guarantees that you don't have to match rates ever again… even on your very best credits?

At this point, most lenders feel tempted to stop reading. They know it can't be done, and they have a mountain of "evidence" to prove it.

In contrast, most board members and CEOs lean in here.

They worry about Steven Hovde's quote about the trend line of the diminishing number of community banks: "If we continue the current trend, we'll be down to one bank in 25 years." Executives know they must figure out this "rate matching" conundrum before their bank loses its franchise and gets swept into another bank.

As someone who started her career as a commercial and agricultural lender, I can assure you that there are some common myths that I believed and that commercial bankers and chief lending officers still believe today. Stay with me here as I debunk them. There is a new emerging mountain of evidence highlighting banks that are pulling ahead of their competitors who still believe these myths.

To keep your franchise thriving, your team needs to figure out how to get a full 150 extra basis points or more on A+ quality credits

Myth 1:

You must match the rate to get the deal.

This is true… until it is not.

Matching rates is necessary for bankers who don't know how to get out of the commodity pricing trap. The secret to getting out of "rate-matching hell" is in how you manage the first meeting—in fact, the first few words you utter in that first meeting. The right approach in that first customer exchange will elevate your standing so that you get the respect you deserve.

The answer is not slapping the prospect's back while you mouth those standard, pathetic, and never-believed lines: "We have good people" and "We have good customer service." At this point, the customer has no "social proof" that those statements are true. And even if those clichés were accepted as true, at best, that might get you an extra 25 basis points on a loan and an even smaller impact on deposits.

To keep your franchise thriving, your team needs to figure out how to get a full 150 extra basis points or more on A+ quality credits. It is the banks that figure this out that will protect their independence over the next few decades.

More than a dozen banks have told me about their failed attempts to fix this rate-matching problem, some bringing in as many as three or more different sales training companies. In a few cases, the training company had to be dismissed immediately because of the damage it was doing, even though the bank was obligated to continue paying the company anyway.

With gimmicky approaches such as "feel, felt, found" formulas, a "feature versus benefit" explanation, or the "what keeps you up at night?" questioning routine, traditional training accomplishes two things:

- It makes the customer or prospect feel violated in the relationship because they know they're being worked.
- Equally bad, if not worse, it makes your team feel violated because they've been reduced to the demeaning approach of used car salespeople.

...Continued on page 35...

Such tactics replace the soul-to-soul communication that allows the customer relationship to grow. Customers need to have a deep, gut-level sense that you thoroughly understand their concerns and are sharing wisdom while making indispensable recommendations—not just pushing the "product of the month." If your people aren't bringing in six cross-sales on each new account, you can be assured they are not being perceived as a source of indispensable wisdom.

Don't even consider sales training without a holistic system that includes integration of these truly transformative strategies:

- High-ROI marketing that can reduce the marketing budget by as much as 80 percent while dramatically increasing sales to profitable new customers
- Organizational development principles to create an ever-increasing culture score
- Stage-appropriate accountability
- Confidence-building systems to require high outcome levels every quarter
- A tie-everyone-to-profit blended learning system tied to stage-appropriate accountability

Of course, if your bank doesn't have dozens of unique selling propositions (USPs) to differentiate, and it lacks a sales process proven to command premium pricing on prospects who love their current banks, then you won't be able to get the additional 150 basis points on the loan along with the low-cost deposits.

Lastly, the only way to get premium pricing at a close rate north of 85 percent on A+ quality credits is a meticulous execution of the sales process geared to command that pricing and close rate. Most banks have entirely too much "slop" in their system, and even more have the wrong system or none at all.

Sales IS a system, and winning big deals at premium pricing requires flawless execution of that system. Imagine closing the books at the end of the quarter by telling your team: "Hey, just do whatever you want to close the books, and let's see how it goes." Painful thought, right? The sales process requires the same meticulous execution that your accounting team uses to close the books.

Myth 2:

If customers like their current bank, you'll need to wait for the incumbent to make an error before you have a chance at the business.

Since 87 percent of bank customers lose money for the bank, it should seem fairly clear that the only game in town is pulling your competitors' best customers away from them with no chance of them coming back to "rescue the deal" and undercutting your pricing after you have a deal. In fact, you'd better master this really fast if you want to keep your banking franchise independent. Frankly, the only prospects you really want are those who are happy with their current banks—banks typically take good care of their best customers.

If your people believe that they have to wait for a mistake, the conversation goes something like this: "Okay, so it sounds like you're fairly happy with your current bank. Here's my card. Please call me if that ever changes." Heartbreaking, isn't it? These lenders demean themselves as unworthy of the first-place ribbon.

Thousands of bankers follow this exact script every… single… day.

The error repeated by most banks is that they send in a minimally prepared

person or team to call on an affluent prospect. Very aware of the value of time, affluent people won't tolerate anyone wasting it. They have little patience for lenders who don't get to the point about how changing banks immediately can add significant value to their business. If it is not clear to the prospect that it's a no-brainer to switch, they will politely end the conversation with that dagger of a phrase: "I'll think it over."

If your person or team calls on a top 100 prospect, you can be assured that if they don't close that deal by the second appointment, they likely won't get invited back to the table for the next decade. Your bank will be "branded" as a waste of time.

As a sales manager, your key performance indicators should include the following:

- Appointment set rate on top 100 prospects
- Second meeting rate on top 100 prospects
- Close rate at premium pricing within two weeks of the second appointment
- Total dollars of weighted sales funnel on top 100 prospects
- Total dollars closed on top 100 prospects YTD
- Cross-sales on new top 100 prospects closed

Quite frankly, those are the most important leading indicators in your business. Most banks find that they don't even know how to identify their top 100 next best customers, and they certainly aren't making enough traction to accomplish an 85 percent close rate.

Banks talk about their lagging indicators of loan growth, deposit growth, NIM, ROA, ROE, and efficiency ratio. The reality is that without mastery of the above leading indicators, their success depends on their competitors' mistakes or positive economic impact. They are not managing the resources of the institution to create a "predictable success machine." Instead, they pat themselves on the back during good times or when competitors do silly things and blame the economy when things are bad.

ABOUT THE AUTHOR

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To read the rest of the excerpt - all 5 Myths about Loan Growth, scan the QR code with your phone camera or visit **EmmerichFinancial.com/Breakthrough-Banking-Blueprint-5Myths-Of-Loan-Growth**

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