



Articles on Banking

A Bank is a Bank is a Bank. Or is it?

By Mark Candido, President & CEO

The banking industry in the nation has gone topsy-turvy. Buying insurance companies, selling off residential mortgages, opening investment and credit card divisions has taken its toll on the historical tradition of banking. In fact, these endeavors have created the downfall of many super regional banks. Today the small community banks seem to have all the stability.

Connecticut has its share of both merging financial giants and strong, stable, secure smaller "hometown" banks who have embraced the traditional, conservative, yet "street-smart" methods of banking.

People have every right to be concerned about where they put their money today. While the FDIC insures most deposits up to certain limits, the customers often view typical savings products as both risky and non-productive with savings accounts, CDs and money markets at an all time low in current rate structures. They may turn to other investments, while less liquid, that provide dividends or long-term portfolio product management, i.e. municipal or government bonds.

While every banker would like to see increased deposits and loan applications that lead to the classic "relationship" banking of past years, today's banking environment dictates the traditional, conservative approach by bank management that eyes even secured loans as hazards no matter how many accounts a customer may maintain at the bank. A loan in default can do more damage to the bank than the total balances maintained in that same relationship.

However, the local hometown bank can keep its finger on the pulse of local borrowers, i.e. personal knowledge of the customer's past history in the community. The big banks, out of touch with the importance of individual financial needs, stop at the gates of credit scores. At the Quinncipiac Bank & Trust Company, we review the entire history of a loan applicant, the family ties to a business, the integrity of the individual along with obvious assets and past credit history. In short, there's a personal profile here that goes into the mix. While small banks offer a more compassionate approach to lending, there is still the need to be conservative but not exclusive.

It was the lack of lending constraints, ironically, that got the major banks in trouble under deregulation. There was lots of available money, but the competition for those funds was rampant with the regional and super regional banks. Following that, the past 15 years of "everyone and anyone deserve a mortgage" has proven to be a disaster.

So it was natural that the "House of Credit Cards" and loose credit would eventually tumble. Fortunately small banks, with local Directors on the Board, can enjoy, if you will, a sort of checks and balances environment, to keep the ship headed toward its proper destination — profits for the shareholders and opportunities for bank customers to use their finances properly and grow their businesses.

We opened the Quinncipiac Bank and Trust Company at the outset of the recession back in '08. Many people in the business community raised eyebrows at the wisdom of the venture but we foresaw what was already happening regionally and nationally with the large banks and the imminent need for small, community banks offering security and solidity.

People admire the tenacity and strong will of the community banker. They appreciate the entrepreneurial spirit and, as business people themselves, they identify with the management staffs of banks where they can interface one-on-one with the founding officers. They want to know their deposits are managed in a responsible way. There is no longer a need for a "convenient location." Much of the banking transactions today are initiated from home and office computers, including the innovative "remote capture" — allowing a business to make check deposits electronically in the coming paperless technology. Still, it's hard to forsake the good old handshake and a cup of coffee in the president's office. However, people today are constrained by time and workplace overloads; small banks can offer both personal, face-to-face relationships and speed-through electronic services.

So what's the future for the Community Bank? Very strong, very positive, because we're independent and call our own shots. No need to report to an out-of-state parent bank or even a giant bank based out of the country. Customers get quick decisions on loan matters with no hierarchy to wade through. Plus our depositors know where their money is — right around the corner in their hometown; besides, we offer most of the financial services of the larger banks with a few exceptions. Best of all, our own personal roots are right here locally. Our customers get to know us personally; they trust us and see how we conduct our own business in a well-managed format. It's a very secure environment.

Not only is hometown banking back, it's back in a big way. With strong management, strong capitalization, we're positioned for the long term.

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