

With Mobile and Online Banking, Almena State Bank is using Technology to Meet the Needs of Customers in Western Kansas



Shad Chandler
President & CEO

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Interview conducted by:
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- Shad Chandler

CEOCFO: Mr. Chandler, Almena State Bank has over 75-year history, would you tell us about the bank today?

Mr. Chandler:

I would describe our bank as a relatively small bank that is very customer focused. Our first priority is to always meet the needs of our customers, which helps us meet our own banking needs. We do this by providing the best customer service possible, the latest technology available, and as much community involvement as we can. Although we are very small (amongst the smallest 2% of commercial banks) we invest very heavily in technology to give our customers the fastest and easiest access to our services.

CEOCFO: Did you realize early on that the technology had to be part of what you did on an ongoing basis or did your customers encourage technology use?

Mr. Chandler:

The demographics of Almena are very unusual compared to typical banks. This is a small town in western Kansas, half-way between Denver and Kansas City, Kansas. The average age of our customer is quite high compared to banks in more urban areas. For that reason, I would say that the bank initiated the interest in technology, slowly but surely showing our customers that it was for their benefit. The Almena State Bank does not own or operate an ATM. This may lead some to believe that technology is not a priority of ours, but that is simply not the case. We do offer debit cards and have done so for many years. Our customers can access competitors ATM's, and we are preparing to initiate a program that will waive all associated fees for completing those transactions. The Almena State Bank will be picking up those fees for our customers. We were amongst the first in our area to utilize digital check imaging and other technological advances. We also invest heavily in our online banking program, and have done so since prior to the year 2000.

CEOCFO: Why do your commercial customers turn to Almena?

Mr. Chandler:

I believe that customers prefer working with the Almena State Bank for many reasons. Personally, I like to think that people like the feel of working with a hometown bank. Customers can call the bank and speak directly to their loan officer, and chances are that if a customer calls back ten years from now, they will still be able to speak with that same individual. Our loan underwriting is completed in house, start to finish, by the same team. That is very different from many other financial institutions. We pride ourselves on a quick turn around. In most cases, if a consumer provides us complete information, we can usually give them an answer on a loan within 48 business hours. Many banks take weeks to reach decisions like that. We are also able to offer SBA loans, FSA loans, and USDA loans (all guaranteed loans through government sponsored entities) to our customers.

CEOCFO: *In addition to the agriculture, what types of businesses are of focus?*

Mr. Chandler:

The Almena State Bank will consider businesses of all industries. We work with manufacturing, hospitality, oil and gas production, and of course agriculture. We are always looking to diversify our portfolio.

CEOCFO: *How have you developed the expertise over the years in the different types of businesses?*

Mr. Chandler:

We send our officers off to the various lending schools and regulatory schools. I would say the primary method of our education is having close relationships with our borrowers. We visit their facilities, their plants, and their places of business on a regular basis. This gives you more insight on how a customer manages his or her business than anything else. We do not try to run peoples businesses. Banks are not in the business of giving of advice: We are not consultants. We try to base our lending decisions on customers' historical financials as well as on our observation of how they operate and maintain their own facilities. We are not speculative lenders, meaning we do hotels and motels but we do not do very much new construction. Most of our business is refinance. Agriculture is pretty easy for us because several of our officers have grown up out here and we have actually worked on farms when we were younger and we are pretty familiar with the agriculture environment. You do not grow up in a town of 300 people where the whole economy is agriculturally driven and not get a good taste of how agriculture works. It is very cyclical in nature, which is actually very similar to oil and gas, although I would say that oil and gas cycles are much more volatile. Agriculture can also be volatile and speculative as well. There are many similarities between agriculture and oil; many people would argue about that but that is my view.

CEOCFO: *Do your business customers do personal banking with you as well?*

Mr. Chandler:

Yes, many of our business customers choose to do personal banking with us too. We typically are not big consumer home loan lenders, but we will do them here in Kansas. We do not venture away from home for these. We have found that to be a challenging environment and it is not due to the credit quality; we dodged the bullet of the housing bust. The regulatory environment for home loans is very prohibitive, especially for small institutions with limited staff.

CEOCFO: *How are you dealing with the excess or increased regulations across the board?*

Mr. Chandler:

We try to utilize any and all educational resources available. There are very little training seminars in western Kansas, so we typically have to send our employees to Kansas City or Denver to attend such events. We also strive to keep our staff happy and compensate them well. Turnover in the banking industry is relatively high, so it is important to retain employees that are already familiar with the rules and regulations.

CEOCFO: *Do your customers like the fact that your people know a lot about them?*

Mr. Chandler:

Very much so! Most customers are proud of what they have been able to do. They take pride in what they are doing so they want the bank and their financial partner to be aware of the improvements in the success that they have had. Most, if not all of my customers have my cell phone number. I think that is huge to them. When people call other financial institutions, they are unable to speak to somebody who can make a decision. What they end up doing is they call someone and that person says they do not know and they will get back to them, and then hours and days, maybe even a week goes by before they get an answer to their question. Obviously I cannot answer every question immediately on the phone. If they call me and say they need a large amount of money and they need it by Friday, I cannot just say oh sure you got it, but I think they know that I am on it and so is my lending team at the bank. It is not sitting on someone's desk in a pile of paperwork. I think it makes the customer feel like they are very important to us. That is not just a feeling, it is the truth.

CEOCFO: *What is the competitive landscape vis-à-vis other community banks?*

Mr. Chandler:

The competitive landscape is pretty serious. We are in a county with roughly five to seven thousand people at the most, and four community banks and one credit union that have offices in the county. We have to go above and beyond to attract and retain customers. I read somewhere that if you want to get promoted, you have to be so good you cannot be ignored. This doesn't just apply to the staff, but to the bank as a whole. We, as a bank, have to be so good that we cannot be ignored.

CEOFCO: *How do you reach out, especially in a small community, to encourage a new customer to try Almena?*

Mr. Chandler: We do not cold-call anyone. We have never cold-called anyone. We try to offer the best experience possible to our current customers because we rely heavily on word of mouth. We spend very little on advertising, and we actually do not have an advertising program. Our approach seems to work well for us, as we have developed strong ties in Texas, Oklahoma, Nebraska, the Dakotas, Colorado, and Missouri.

CEOFCO: *When might someone from another state turn to you?*

Mr. Chandler:

We typically get referrals from other bankers. For instance, there may be a loan officer who works at another bank who cannot help a customer because it is outside of their geographical area, they do loans in that specific industry, or they do not have any expertise in that field. Once they refer the customer to us, we travel to meet with them and discuss the details of the loan. Our bank owns a general aviation airplane that we use a tremendous amount. If we get an inquiry from a business customer, we typically make a commitment to be at their front door within five business days. If we discover that we too lack the expertise in this specific industry, we utilize SBA, which is the Small Business Administration Guaranteed Loan Program, or USDA which where the Department of Agriculture has a Business and Industrial loan program. The USDA also has Farm Service Agency loan guarantee programs.

CEOFCO: *Are these government programs friendly and helpful these days?*

Mr. Chandler:

The government programs are very friendly and helpful. They do make things slightly more difficult for the bank because they require additional time and effort, but they are worth it. These programs are not run at taxpayers' expense. They do allow businesses to acquire credit, especially startups and new businesses, which might be unavailable without the programs. This also goes for business that may have fallen on hard times in the past, but they allow them avenues to credit that traditional banking may have not allowed.

CEOFCO: *What surprised you personally as you have been involved with the bank and the community?*

Mr. Chandler:

I have been surprised many times during my time here. The most surprising is that when I started, we had one office, four employees and \$6 million in total assets. We now have three offices, nearly 25 employees, and close to \$70 million in assets. I am also surprised by the amount of blame the media puts on banking in general for the tough economical times, especially the housing debacle of 2007. It was completely derived from government policy and had absolutely nothing to do with community banks or Wall Street Bankers. The whole situation could have been avoided had our lawmakers stuck to traditional banking, which required down payments and repayment abilities; basic prudent lending policies.

