



December 1, 2107

<https://pbn.com/small-banks-credit-unions-still-finding-value-opening-new-branches/>

## Small banks, credit unions still finding value in opening new branches



*EXPANDING: Home Loan Investment Bank recently opened two new lending offices, in Warwick and Providence. Above, foreground, Kevin Roche, vice president, speaks with Tania Krouse, mortgage adviser, while John Casey, background left, mortgage banker, consults with Brian J. Murphy, chairman and CEO. / PBN PHOTO/MICHAEL SALERNO*

When was the last time you went to the bank?

If you can't remember, you're not alone. Waiting in line for the bank teller is largely an action of the past, especially as more retail banking functions become available online and on smartphones.

For many financial institutions, the evolution has resulted in the consolidation and closure of bank branches. But for others – predominately smaller banks and credit unions – the retrenchment has represented an opportunity, and some are still finding value in opening new locations.

"We have a statewide brand because our marketing department has done

a great job," said Gary E. Furtado, president and CEO of Navigant Credit Union. "But we still feel the need to have a physical presence in the markets we serve."

Large nationwide banks, such as Bank of America, don't necessarily need a physical location in every Rhode Island community for residents to know it's out there. The North Carolina-based financial giant has about 34 offices in Rhode Island, which is nearly 50 fewer than Citizens Bank. Nonetheless, Bank of America trails the Providence-based bank in deposit share by just 12.4 percentage points.

But not everyone has the brand recognition of Bank of America and Citizens Bank.

Navigant, based in Smithfield, is in the process of taking over a new branch in the Wakefield village of South Kingstown, and in a state with stagnant population growth, capturing a greater share of the market requires letting Rhode Islanders know you're out there.

"Obviously, there's about a million people in Rhode Island, and I'm guessing there will be about a million people here in 10 years," Furtado said. "Do we need to steal the business from someone else to grow? Yes. It's sad to say, but that's where we get some of our business."

The credit union also recently announced it would open two other locations in Kent County. Navigant is filling two branches left vacant earlier this year by Webster Bank. The Connecticut-based bank closed the Rhode Island branches earlier this year, citing a declining demand for retail services.

In Rhode Island, Navigant isn't alone in its strategy.

BankNewport, based in Middletown on Aquidneck Island, is eyeing a northward expansion with plans to open two Providence locations. The Washington Trust Co., a subsidiary of Washington Trust Bancorp Inc., has also expanded its branch network north, and celebrated the opening of a new Coventry location in November.

Washington Trust is the state's third-largest bank by deposits, according to the Federal Deposit Insurance Corp., and last year opened a branch in the East Side neighborhood of Providence. There are currently plans to open a North Providence branch in the second half of 2018.

"We're doing it cautiously," said Joseph J. MarcAurele, chairman and CEO. "We have a very effective statewide brand, but today we don't have statewide convenience. As we continue to look at areas and places to expand into, we look at it as extensions to our existing branch network."

The bank in recent years has kept a relatively consistent pace of opening one new branch per year. The branch closures at bigger banks, MarcAurele said, signals necessary consolidation, which isn't a shared pressing need for local institutions.

"We're not in that situation, but to say we'd make a decision to open eight or 10 branches at once – I don't think anyone has that confidence," MarcAurele said.

Home Loan Investment Bank is a full-service financial institution that focuses heavily on lending.

The Warwick-based bank recently opened two new lending offices, one in Warwick and one in the Fox Point neighborhood of Providence.

Like Navigant and Washington Trust, the strategy stems from the idea that having a physical presence in the community it serves is important.

"Our mortgage bankers are in those communities. They have relationships with relators, or they come from those communities," explained Brian J. Murphy, chairman and CEO. "This is about grassroot and local-relationship building."

Murphy, who assumed leadership of the bank earlier this year, says he's also focused on building up the retail side of the business.

"Retail is in decline, but it's not dead," he said.

The strategy, he explained, is to build up retail technological capabilities, and then to transform his lending offices into multipurpose facilities. He estimates the bank is about a year or two away from developing such capabilities.

"The goal is to shift from mortgage centers to become finance centers," Murphy said. "If retail is going to be vital, you have to pay more attention to the human experience."

How retail banking will end up looking at Home Loan – or any other financial institution – is still being figured out. But for now, local banks and credit unions are still looking to capitalize on the model.

"We do think that it's local institutions that can make a difference," Furtado said. "I'm fairly confident you won't see the big institutions expanding branch networks, so I think the local institutions are taking over that physical footprint."