

Gary Lewis:

Lending is a risk business. It doesn't matter whether you're fully secured with a CD, there's some level of risk there. Just like there is in real estate just like there are in accounts receivable just like there is an energy. You just have to understand and mitigate that risk to the best you can, using both your human experience and your technology to augment that

James Robert Lay:

Greetings and Hello, I am James Robert Lay and welcome to episode 281 of the banking on digital growth podcast. Today's episode is part of the exponential insight series and I'm excited to welcome Gary Lewis to the show. Gary is the managing director of lending and deposit solutions at Jack Henry, a technology provider serving Community and Regional financial brands with a wide offering of capabilities. Over the last decade, Gary has guided financial brands to develop and implement lending strategies, which is exactly what we're going to be discussing today to empower you, to guide you, dear listener on your journey of growth at your bank, at your credit union or at your fintech. Welcome to the show. Gary, it is good to share time with you today. Thank you, sir, I am happy to be here. Looking forward to it. Before we get into talking about some of the biggest loan growth opportunities for financial brands, especially in a different type of an environment right now what is good in your world, what is positive personally or professionally, it is your pick to get started.

Gary Lewis:

Personally is always easier. So I am born and raised in Missouri. So I am a huge Kansas City Chiefs fan. And we just won the Super Bowl. So I'm in a darn good mood. And again, personally, it's my daughter's birthday today on Valentine's Day, and she delivered my very first grandson. So I'm a new grandfather and a Super Bowl champion. So my world is pretty solid right now, your world is absolutely solid on all these different fronts. Congratulations to you, to your daughter and to your team. A lot of positive perspectives going on for sure. Now, it is no secret, there has been a market shift over the past few months, with many financial brands transforming their focus from lending to now wanting to acquire even more deposits. But that does not mean that there are still not opportunities for financial brands to grow their loan portfolios. And before we get too far ahead into what some of these opportunities might be. What do you see as some of the biggest lending trends that you're tracking, to provide the dear listener with some perspective on their own journey of growth? Yeah, so I mean, I think the biggest thing that continues to be at the forefront is the digital transformation of banking in general. But you know, financial institution, transformation. And lending is a big part of that lending is the last of those items to really digitize because of the complexity of lending. commercial lending, especially but, you know, the combination of human expertise, tribal knowledge, all those things, in conjunction with technology that's available today is what most financial institutions are embracing and struggling at the same time. It's not an easy transition. I liked the way that you have framed this that idea of human expertise, embracing but also struggling. Where Where do you see and what are you hearing some of the biggest struggles and the biggest challenges that that they're confronted with that they're facing that they're fighting right now when it comes to this transformation? Yeah. So I mean, I think it's a little bit generational.

You know, I've been in the financial industry, my entire professional career, spanning you know, roughly 30 years.

And I came up on the lending side of a large organization and that that knowledge that comes with with credit analysis with with risk management with understanding who is and who is not a good credit risk, the culture of that inside an institution

You know, so much of that for all the years has been embedded in the people of the organization. And as those senior people retire, move on, et cetera, you know, they're replaced with a younger, fresher version that may not have all that experience. So the struggle is how do you how do you extract that knowledge, that experience and and automate some of that, that that the new wave of associates want to be a part of? I mean, it's kind of like the old green screens versus your your new smartphone, right? You know, I don't want to go through the old five C's of credit, I want to use automation, AI, etc, to tell me what the answer is I you know, bigger, better, stronger, faster. Yeah, that's, that's, I think, the internal struggle, culture versus automation, who culture versus automation, I want to maybe dive into just a personal anecdote or a personal perspective for you here. Because like you said, you're bringing 30 plus years of experience. And if you think back on just your own journey of growth, you've seen a lot, you've learned a lot. But it sounds like you've also have transformed a lot yourself personally. Along the way, in when you think about the idea of transformation culture,

James Robert Lay:

I always speak and write about the three transformations. And a lot of times transformation happens at an organizational level. And that gets pushed into a team level, and then from a team to the individual. And that's where the conflict lies. And so if we reverse engineer that, and we empower individuals to transform themselves, then transform teams, and then as a result, you then transform organizations,

Thinking about your own experience, how have you continuously have transformed yourself transformed your perspective, over the past 30 plus years, considering where we're at today?

Gary Lewis:

When I was coming up through the ranks, you know, getting my credit, knowledge, experience, etc, you know, I kind of I kind of was taught that, that credit is an art, not a science. It's an art, right? It's something that, you know, yeah, you use data points, but there's really an art piece to it. And then, you know, if you jump all the way to the other end of the spectrum, there are technologies out there, there are companies out there that take all the art out of it completely, and it is 100% data driven science. And, and I think the happy place we all need to figure out how to live is to bring some art to the science, I don't think either of them are perfect. With art comes.

It's not fast, you know, you don't you don't paint a picture fast, right. But with science, it may be fast, but it may have its own inherent bias in it based on the data points you're you're using. So you have to bring some art to that as well to interpret data, not just rely upon data. There's the stories with a narrative that go behind the scenes. And I appreciate that because the story in the narrative, that's the human side of things. But then, as you mentioned before, in addition to the cultural, you also have the automation piece of this. And one of the opportunities that I continue to think about and write about and speak about is is framed around maximizing future growth, through niche through niche opportunities. Put another way, go small to grow big, which I think is counterintuitive for for many experienced financial brand leaders and lenders, why is that, you know, the what might be a misconception around maximizing future growth through niche lending opportunities that you would provide a different perspective around. Okay, so you and I have never met before today. But I can tell

you, we are 100% in alignment on niche lending, I think it is a great opportunity. And, you know, one thing I would always recommend to anyone trying to figure out how to grow is start with the plan.

You know, don't grow for the sake of growing, don't grow by what you may see out your window, develop a plan. And to do niche lending, you have to have a plan, because you are identifying a specific area that maybe you have greater access to because of your geography or you have greater exposure to because of the subject matter expertise in your institution or a market driven niche. But you know, there are a lot of niches out there and we can get into some you know, staying away from the morality side of things, you know, looking at whether it's cannabis type lending or green technology lending or you know,

On and on and on. Those are all specific types of energy. You know, you based on geography, energy lending in certain parts of the country is huge, based on geography. recreational tourism resort is a huge niche industry, right? Automobiles, manufacturing, you know, all of those, if defined properly, become your niche, become your specialty, and helps you as a financial institution compete better with your competition, because you're focusing your effort in an area of expertise.

James Robert Lay:

Like you said, morality, kind of aside, because I know that some might be a hot button topic for some. But there are other verticals, too, I think about one credit union CEO has recently had a conversation with she sees an opportunity in horse trailers, I think of another one who is looking at the healthcare and the physician side of things, but it's almost a niche within a niche, because it's not just any physician, it's the dental side of things. And you tapped into something that is the premise of my third book that I will write after I get my second book into the market, I touched on the idea of niche opportunities, my first being banking on digital growth. And then I what I'm finding is for organizations to capture that opportunity is requiring them to think different to go through transfer transformative experiences with the self with the team with the organization. So that's where banking on change comes into play. But then my third book is going to be titled banking on expertise. Because you just shared that perspective around niche lending opportunities, and expertise within the marketplace as a, as a source of differentiation as a source of positioning. Would you mind diving deeper into where expertise can help an organization can help a lender position differently in the marketplace to rise above, quote, unquote, commoditization?

Gary Lewis:

Yeah, I mean, and I'll, if it's okay, I'll use the energy space as sure as my example to build upon. But sir, you know, that is that's a feast or famine industry. I mean, you know, It's either gung ho wide open, or it's completely shut down, you know, and very rarely is it sitting in the middle, it's either moving up or moving down.

That creates volatility, which to tie back to culture scares a lot of financial institutions. However, if you can bring the subject matter expertise, and understand how the industry works, to understand that there's money to be made on both ends of that, and that, you know, you're always in a state of flux, either a rising environment or a declining environment, you can mitigate your risk, you can understand how the markets work, you can understand how the demand works, you can watch the futures, you can watch all those things, and you can balance your risk against the result and profitability of an energy type portfolio. I think you got to do a couple of things, you got to have that, like I said, tribal knowledge,

you gotta have that culture inside your institution that usually comes from people that have direct experience in that niche. But you also have to use technology, you can't do it all yourself, right? So understanding what technology is available that's built around that industry, in this case, energy, to help you understand and manage that risk. It's all about risk management. No matter what niche you get into if you have a bad experience. If you experience a loss, you know, you're gonna really go back and say, Do I really need to do this? And the key comes in risk management and understanding and expecting that, you know, lending is a risk business. It doesn't matter whether you're fully secured with a CD, there's some level of risk there. Just like there isn't real estate, just like there are accounts receivable, just like there is an energy, you just have to understand and mitigate that risk to the best you can, using both your human experience and your technology to augment that.

James Robert Lay:

There's that art and science perspective bubbling up once again, you know, in addition to I would say maximizing loan portfolio growth through niche opportunities. Another topic that I am very personally passionate about as an entrepreneur is framed around empowering financial brands community organizations to level up and maximize the future growth potential of small to midsize businesses within their local communities. Now, I know that this is an area that that you've been setting as well, to learn where there could be opportunities for loan growth, more specifically rooted in the consumer or the retail accounts that might specifically identify as a small business and that a retail or a consumer account, what, what might be some of the insights that you're gaining through this area of focus? And once again, it could be even just a niche perspective here.

Gary Lewis:

Yeah, so PPP is where I'm gonna go with that. So the PPP process, that program that was pushed forward during the pandemic, you know, just everybody's forgotten already how traumatic the pandemic was for the financial industry. And literally, our federal government, went on TV and said, Go see your bank tomorrow, put your application in for PPP and get your money. I mean, that's literally what they said. And we forget that when that announcement was made, there was not a single electronic media available to do exactly what they just told every small business owner to do. It didn't exist digital applications, all that none of it was there, right. So we had to scramble as an industry and put together a mechanism. By the way, there was nobody in the branches that they just sent people to they were all sitting at home. Right, right. So I mean, they they created this massive, I don't want to say panic, but this massive push of demand for digital services that didn't exist.

That's one thing. What it taught the financial institution was, they didn't really understand who their customer base was. Yes, exactly. Right. So they had all of these consumer customers, they had all these consumer checking accounts, etc. And all of a sudden, they are slammed with 1000s of small business applications. And they're like, where did these people come from? These are our customers, they didn't even know that they were borrowing money somewhere else, or they were operating it as a sole prop, or they were doing different things. And it really exposed their lack of knowledge of who their base was. So I, to me that that was the prime example of institutions needing to really be aware and start offering different channels, different communication, different services to those small businesses that were already embedded in their client base.

James Robert Lay:

There was a report from Intuit that came out and predicted that 5.6 million small businesses will continuously be created, a lot of this is coming out of the pandemic, year over year, and of course, they're going to be sole proprietorships to begin with. And that's where I think there's a maybe a lack of clarity, perhaps even some confusion into how to identify these accounts. If you look at future lending opportunities, you know, to take a small business from sole proprietorship to maybe small business with a few employees, then now we're leveling up leveling up leveling, leveling up, where are there opportunities for a lender to really think about to uncover these growth opportunities that just might not be clear at a surface level?

Gary Lewis:

Yeah, so I think there's a dangerous couple of opportunities there. I mean, it's hard to I mean, you take an older guy like me that, you know, literally, we used to call down the client list, right? Physically making phone calls and that sort of stuff. And I just can't imagine that's happening in today's world, right? Everything is digital engagement, and some form or another. So I think for financial institutions, so it's hard for me to get it to a lender level, I guess, is what I'm saying more of it as at an institution level. Yeah. And I think it's really important that they establish their digital brand. Because it's just like, I mean, there's a reason Amazon is as big as Amazon is right? It's super easy to buy. It's super easy to find super easy to buy, super easy to return. And once you get that pipe that pipeline in place, then it doesn't matter what you want to push through the pipe, right? You've got that brand loyalty and Amazon and they can you can buy anything on Amazon now. Well, I think your your financial institution brand becomes the same. So once you get a quality digital engagement with your client base, then it becomes that pipe or that that tunnel, you're pushing other things through. And that's when you then expose folks to you know, here's how we do digital checking. Here's how we do small business loans. Here's how and you even become more proactive by predicting need in advance and saying, Look, you know, I can see you got good credit, I can see you got good balances, I'm gonna throw you a 15 or \$20,000 line of credit out there is that something you could use? Yes or no click Yes, here's your electronic signature sign it now you have a small credit line, and that's gonna give you capacity to grow your small business.

James Robert Lay:

And that is taking a proactive stance in the lives of these small business owners, which I think so many of them want that back to the point we're making before that guidance, that expertise. And I'm gonna level up if you don't mind some of your thinking here because you're talking about you know, the the digital brand positioning at a at a commerce a corporate level. But but that trickles down actually to I think opportunities for a modern day lender leader in you're actually involved in some of this right now. Because we're having this conversation, you're transferring your knowledge, your expertise, your wisdom, to educate and help others, I see that there's an opportunity, specifically at a local market level for a lender to to build a, a personal digital brand. And I've interviewed some of them on this podcast that are already doing this, I would say it's almost like the the top of the first inning of a baseball game, because there's just that lack of knowledge, that lack of expertise on how to do this. But back to your point used to call down the call list probably is not going to happen anymore. But if you're making these connections at a local market level as a lender, with other business owners on LinkedIn, and you're not necessarily trying to sell them anything, but you're just sharing your knowledge and expertise, that's going to then naturally just come up in their feed when they're on LinkedIn or another social media platform. And so you're you're slowly making these positive deposits into their trust fund that sits between their ears, that the whole game begins to shift. What's your take on that? And where might there either a be opportunities for a lender knowing what you know, through your own experiences to create a capture or be what could be some potential roadblocks. That just, that's not for me, I can't do

that. And I think it's almost a limiting self belief of how to maximize maximize loan growth as a lender through a digital first approach.

Gary Lewis:

Yeah, so I would start. I was the podcast, you can say, but I would start with this right. I just held up my phone. But we're all consumers. Yeah, first, right. Forget what I do for a living forget what you do for a living, you're a consumer first. And if you want to be a successful professional in the financial institution space, in my opinion, you have to replicate what you as an individual want. You don't? Yeah, I don't know very many people anymore that spend their Saturday going from Carla, to Carla, Carla looking and driving vehicles they research. They determine what they want, they find what they want. And they go by it. Yeah, they don't shop anymore. And I think the same thing can be replicated at that individual level, I think it has to start at that very base foundation of create your brand in the image of what you want. Yeah, how you operate, because number one is going to be the most comfortable thing for you because it's in your space, right? You're not trying to be somebody else. You're not trying to be somebody that a can. No offense, but a consultant or somebody told you you need to look like this you need to do you need to be who you are. That's what made you an individual, right. But be you, again, with a digital brand. Because that's that's how we all do business these days. We, you and I are on a on a podcast right now talking about this, this is just how we do business. So build who you are, build your brand and that image, and then identify the things that your institution is, has is unique. What do you have that other people don't? And if you can't answer that question, it's the first thing you need to do. Figure it out. And if you don't have anything, go find something that makes you unique, that's back to our niche discussion. What can make you unique that you can push through that pipe using your digital brand, your digital credibility, to get people's attention and just file that, as you said in the back of their mind for future reference.

James Robert Lay:

As you're talking through, I think of just because the big thing was, who else is doing this? Who can I learn from who can I gain some inspiration from? There's Greg Martin, that's been on the podcast. There's Paul long at a credit union. There's Patti ASYE. From a community bank out in the Los Angeles area, I think, in this is a woman as a commercial lender, because back to your point about commercial lending is kind of being the the slow piece of transform here, but

She is leveraging as a commercial lender, tick tock and LinkedIn. I mean, she almost has a million a million followers as an individual on tick tock, it's unbelievable. And it's taken her about two, two and a half years and a commitment and consistency to get to this point. But I think just like in the past, there was a commitment and consistency to go down to call this to go to the chambers of commerce meetings, were just transforming how we connect with people. And that will require us back to that what you were sharing earlier, transform our mindsets, as individuals, as teams as organizations going forward in the future, but get really clear, which really connects back to the point around niche lending. If we start to wrap up here, I always like to send the dear listener off with something practical, that can guide them forward, make us a small step in the right direction, to move them from point A to point B because all future growth begins with a small and simple step today. Because a lot of what we're talking about is more larger, massive transformative initiatives to maximize loan portfolio growth. What's one thing that they can do today, something small, something simple, to just take a small step forward.

Gary Lewis:

To me, the very first thing you have to do is there is the route of putting together a plan. And that is that is either identifying a need that is not being met in your market, or identify something unique that your institution has that stands it apart. And I'm gonna say this and it's it's offensive every time I say it, customer service is not unique.

It is not unique. And I can promise you every financial institution I call on when I say what makes you different and they say our customer service is better. I asked the question, do you think your competitor down the street says there's his bed? You all say the exact same thing. In today's society, customer service is not a significant differentiator, I'm sorry, it just is not. And we have to find something that is unique, we have to fill a void that's left by somebody else are we have to stimulate thought or stimulate an idea that no one else is doing. That's what you have to do, in my opinion, to build a base to start a plan.

James Robert Lay:

I agree with you 100% on that, in fact, that was the big thesis of my first book banking on digital growth, which provides a path forward for financial brands, who are all competing on the same and I'm quoting myself, but the same, quote unquote, great rates, amazing service, and commoditize laundry list of lookalike product features. This is how you rise above the commoditization. It's the knowledge it's the expertise. It's all niche. So I agree with you. 100% on this, Gary, Gary, this has been a great conversation. If someone wants to continue the discussion that we've started here today, what's the best way for them to reach out say hello and and tap into your expertise?

Gary Lewis:

Yeah, you bet. Gary Lewis: at Jack henry.com is the easiest I one thing I always have is an opinion. So I am open to conversation. I love to learn. I love to learn from my clients. I love to learn from anybody that wants to push the envelope. I think we have to always be moving forward or being past so I'm open to any discussion and I really appreciate the invitation from you to have this conversation today.

James Robert Lay:

Well, it has been a good one Gary, connect with Gary learn with Gary grow with Gary. Gary, thanks for joining me for another episode of banking on digital growth. This has been a lot of fun today. Appreciate it. Thank you, sir, as always and until next time, be well do good. And make your bed.