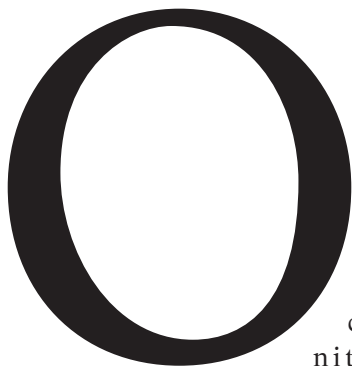


Forced to Face the Future

First National Bank of Olathe had only three loan officers to serve nine branches in the Kansas City suburbs. But when two retired at the same time, the bank found a way to keep growing—and protect itself from aggressive national competitors—by electronically making its 31 customer service reps de facto loan officers. It's not the first time the 117-year-old family-owned community bank has embraced the future to stave off larger foes.

By John Adams

Photographs by Keith Philpott



O **N A MID-SEPTEMBER** afternoon, downtown Olathe, KS, shut down to celebrate Settlers' Day for the 156th year in a row—marking more than a century and a half of welcoming new residents to a

community that prides itself on

adapting to the lifestyle of recent arrivals while retaining local autonomy that succumbs to modern metropolitan sprawl in other towns.

Brian Roby is the embodiment of that mix of old- and new-school community found in this western suburb of Kansas City. It's a nod to the past mixed with a nimble forward-thinking that's necessary to keep the community

vital. Roby, the president of First National Bank of Olathe, is the sort of neighborhood banker that's been around for many decades in many towns—a fixture at civic events, a member of community organizations, and a first-name ac-

quaintance to the pillars of the Olathe business and residential communities.

But in a time when that local familiarity is not enough to keep a small bank competitive with huge national players, Roby is also aggressively embracing the latest innovations—including automated decisioning and remote-access capabilities, software that has extended loan-origination

capabilities to the bank's customer-service reps. The technology's exponentially increasing the institution's ability to quickly approve loans and serve customers. And the results have been a marked increase in loan volume for the \$520 million-asset institution, with big results in home-equity loans in particular.

"We can't just talk about good service to compete with strong national and regional competition," says Roby, who's been in banking for 21 years and presi-

dent of First National Bank since 2001. "You have to have well-rounded products and services that focus on trying to use technology that's affordable for us and adds value for our niche."



Brian Roby, president of the First National Bank of Olathe in Kansas

Forced to Face the Future

And First National Bank has accomplished this while losing two of its three traditional loan officers to retirement in 2003. The bank had been already contemplating how automation could help it deal with the obvious service gap of having three loan officers assigned to nine branches. Then, two of those loan officers, Jim Quinn and Bob Cusumano, simultaneously retired. The bank's contemplation of adopting new technology for its loan department suddenly took on a much greater sense of urgency. "When they retired, we had to come up with a way to train our customer service reps," says Jerry Harper, the bank's remaining loan officer.

After kicking the tires on a number of software options, the bank settled on a product from Cypress Software Systems, Mark IV. It provides lenders with an application that allows users to get quick approvals for loans. The system also touts ease of use and training for customer-service representatives, allowing them to get up to speed quickly and begin making loans faster than had been possible when the bank had its full allotment of three loan officers. "We asked ourselves, 'How can we turn our customer-service representatives into loan officers and increase customer service at the same time?'" Roby says.

More importantly, the move allows First National Bank to compete for a share of the changing demographics of Olathe and surrounding Johnson County—where both the population and personal wealth are growing as fast as anywhere in the country. It's also allowing the bank to take on a slew of better-heeled competitors that are fast charging into the market.

But then, adapting to the changes brought on by new settlers has always been key to winning business for First National Bank.

EVERYBODY KNOWS HIM

Founded in 1887, the bank, which boasts an office along the historic Santa Fe Trail, opened its doors 20 years before the first Model T Fords rolled off of the assembly line, 12 years before aspirin was patented, and six years before zippers were invented. The institution has always been family-owned, with the most recent owners, the Glasnapp family, buying it in 1970.

First National Bank initially served a reunited community that had been scarred by pre-war strife over slavery and the Civil War, and then reached out to new arrivals as Americans moved west in the later years of the 19th century. Those arrivals have been coming ever since, and like many community banks in similar towns, First National has

wrestled with the daunting task of keeping ahead of both the changing populace and the evolving banking industry.

First National Bank was the first Johnson County bank to join the Federal Reserve in 1914, and the first to offer trust services. The institution was also the first in its community to offer a children's educational banking program. First National has a long history of embracing "futuristic" innovation, becoming the first bank in the county to offer drive-in banking, the first to install a computerized internal data system and the first to offer ATM service. Currently, it has upgraded its product line further by offering versatile investment products such as its Golden Eagle Treasury Index Fund.

Beyond that, First National Bank has made itself an indelible part of the community through marketing and civic participation, like most community banks, using its local identity as a driving force to win goodwill among its consumer base.

"The bank has done exceptionally well in maintaining its community roots," says Tim Danneberg, an Olathe city spokesman. "When there are causes and needs in the community, they are very visible." Danneberg attributes a lot of the bank's success to Roby, who maintains a very visible profile. "Everybody knows him," he says. "They've succeeded in large part in putting a face with the bank."

Roby says being a local business with neighborhood ties is a definite head start over outside banks, particularly when it comes to retaining customers. "We have customers for a longer period of time," he says. "Once we get them, we rarely lose them." He also says the Glasnapps are "very hands-off," which is helpful when attracting local businesses, who are assured that the bank can act decisively without the meddling of a distant owner. "The locals see they're dealing with people who can make up their minds. If there's a problem, you can work it out with people," Roby says.

Those ties are the bailiwick of community banks like First National Bank, and it needs every inch of local brand equity it can get. The competition in the fast growing community is stiff, with Bank of America and US Bank providing well-heeled national competition. Bank of America's presence in the Kansas City metro area is longstanding, and can be traced back through a history of mergers and acquisitions to St. Louis-based Boatmen's Bank, which itself had previously acquired Bank IV—a Wichita-based institution.

On the regional side, Kansas City-based Commerce Bank—where Roby once worked—and UNB Bank are also

Forced to Face the Future

increasing their presence in the Olathe area. Other players such as Capital Federal, which Roby calls a “strong mortgage lender,” are also on the field with First National Bank.

“There’s been a fragmentation of our market. It’s become much more diversified,” says Roby, who adds that the area is seeing the kind of rapid bank branch development that usually accompanies a rapidly growing metro area. “The Kansas City area has been growing, and now we’re on the outside ring of urban development. That kind of growth attracts competition.”

Olathe is enjoying the kind of growth civic leaders normally only dream about—unprecedented since the town’s early days as an outpost of western expansion. That helped boost population to more than 100,000 from 30,000 in 1980 and 20,000 in 1970.

It’s also changing the makeup of the community, as a small Midwestern town has morphed into an affluent suburb practically overnight. Danneberg says that while the Kansas City suburbs have grown rapidly, Olathe has managed to retain much of its small-town roots, with events such as the Hidden Glen Arts Festival, Bullwacker Days or Old Settlers events. “That’s unique to the Kansas City area. We’ve sat on the outer edges of the metropolitan area for so long, the town has held on to its identity while other suburban communities have grown homogenous.”

That, he says, has made the town even more attractive to young, affluent professionals. “We’re in the middle of one of the most affluent counties in the country,” Danneberg says. “And it’s remained a young community. There are a number of new faces coming in each year. And that’s something the business community is facing.”

Roby says the changes, while creating opportunity for First National Bank, challenge the bank to meet the expectations of the changing population, who are less likely to have the patience for the slower service of a community bank over that of a larger national institution.

The bank’s traditional deployment of floating three loan officers from one branch to another when a customer requested a loan isn’t workable in the new Olathe. You just can’t ask prospective loan holders to wait 45 minutes until the loan officer can come over from another branch to do a face-to-face meeting. “It was obvious to me that a highly sophisticated customer isn’t



Brian Roby and Jerry Harper in the First National Bank of Olathe’s offices, which sit along the legendary Santa Fe Trail. The bank’s use of technology has opened a new path for business.

going to put up with that. I wouldn’t put up with that,” Roby says.

NOBODY LEAVES WITHOUT AN ANSWER

Meeting these heightened expectations is central to the bank’s deployment of Cypress’ Mark IV, which provides a data-entry point, quick retrieval of credit reports, reconciliation of debt information and fast deployment of loan policies.

“We can’t just talk about good service to compete with strong national and regional competition,” says First National Bank’s Brian Roby, who’s been in banking for 21 years and president of First National Bank since 2001. “You have to have well-rounded products and services that focus on trying to use technology that’s affordable for us and adds value for our niche.”

Cypress installed the system and trained First National Bank’s 31 customer service representatives in two days. First National Bank also purchased most of the accompanying modules for Mark IV, including the NADA auto-valuation module for access to vehicles’

Forced to Face the Future

book value; the BITI Geocoder module for applicant address validation; the new-account setup (NAS) module for automatic data transfer; and the WebApp module, for on-line access and entry.

The technology company also installed its document-preparation interface, which interfaces with the NAS module to automatically transfer account setup information into First National Bank's Bankers Rembrandt system, saving hours of paperwork and data entry for the bank's document-preparation department.

All of this adds up to the bank's ability to give people a decision on the phone or at the branch, something it had not been able to offer previously, regardless of how many loan officers were on staff. "The goal is to make a decision and close a loan," Harper points out. "Nobody leaves without knowing whether they're approved or not."

In effect, the bank's sales staff had gone from three to one to 31 in about 10 months between mid-2003 and this fall. And the results thus far have been encouraging. Between February and July of this year, First National Bank increased its total installment loan outstandings by 8.2 percent and home-equity loan outstandings by 23 percent. The bank's July loan volume totals were also significantly higher than February figures, with a 45 percent increase in installment loan volume and a 47 percent increase in home-equity-loan volume.

Harper says that not only has the bank been pleased with the results, they've actually been a bit better than previously hoped. "We were actually expecting an adjustment period and a downturn in loan applications, but we got the reverse and have witnessed the biggest loan-volume increase in the history of our company," he says. "The quality of loans we issue has also risen with the quantity, giving us high-balance accounts with lower risk."

Craig Focardi, a senior analyst with TowerGroup, says the combination of a community bank's local ties with au-

tomated decisioning technology means the game is far from over for small banks.

"The technology of a smaller bank doesn't have to be as good as a larger bank, it just has to be good enough," he says, calling the predictions of many that community banks would be overrun by the diversity and technology savvy of well-heeled national players premature. "Two years ago, some pundits were claiming the huge technology gap between the large technology haves and the small bank have-nots would create enough separation for a wave of mergers and acquisitions," he says.

Focardi says the technology gap between large and small institutions has been filled by technology providers that see the small bank market as an opportunity to gain market share of their own. "I don't think the smaller institutions have all of the bells and whistles that Bank of America may have," he notes. "But the smaller banks don't need that. With good client relationships, they can compete with the big guys."

Stephen Sargent, president and CEO of Cypress Software, says the product is designed with reduced loan departments in mind, a problem common to banks of all sizes. "A quick decision doesn't have to flow through a centralized environment," he says. "You get a better customer experience. There's no delay and you also have an opportunity to reduce personnel costs by putting lower-paid customer-service representatives on the front line with this kind of lending power."

Roby says the technology has served as a way to keep customer-service representatives engaged in the bank's success, giving them financial incentives to provide better service as well as cross-selling and up-selling. "We've seen reduction in turnover among our customer-service representatives," he says. "We're making that position more career-oriented than ever before, and turning a front-line position into a lending career."

CYPRESS SOFTWARE SYSTEMS



Cypress Software Systems LP
9001 Airport Freeway, Suite 800
North Richland Hills, Texas 76180
(800) 394-5777
www.go-cypress.com