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Is Your Bank Ready for Rising Rates?

But shifting away from CRE lending to other types of loans can help banks be more reactive to changing rates. At least that's been the case for $1.3 billion asset Pacific Mercantile Bancorp, according to Chief Credit Officer Thomas Inserra. The Costa Mesa, California-based bank started working eight years ago to shift its loan mix, by reducing the growth rate of its CRE portfolio and exiting its residential mortgage business. Instead, the bank shifted to business lending, and increased the size of its commercial and industrial (C&I) loan book.

Business loans have shorter terms compared to longer-term CRE loans, so Pacific Mercantile can more nimbly react to the rate environment. And the small and mid- sized businesses the bank is now serving are interested in other products as well. "That focus on relationship lending inherently better positioned us for [the] rising interest rate environment, because it allows us to move the dial both on deposits and in more favor-able loan products," says Inserra.

The full article can be accessed here:

2018 RISK SURVEY

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