

## Case Study: Using CDARS to “Stand Out from the Crowd”

**L**aunched in 2007, Avenue Bank is based in Nashville, Tennessee, and had assets of approximately \$480 million as of September 30, 2009. Like most de novo financial institutions, Avenue had to build its business and depositor base from the ground up. To meet its goals, it needed to develop a winning strategy to attract depositors (and subsequently to cross-sell them other services) in a highly competitive financial marketplace — an approach that offers benefits to new and existing banks of all shapes and sizes.

### Financial Proposition: Win business in a highly competitive marketplace by using CDARS® to “stand out from the crowd.”

To gather deposits quickly in a sustainable and consistent fashion, Avenue Bank appointed a Chief Deposit Officer (CDO) who had responsibility and authority for the deposit “value chain,” including product, market positioning, sales approaches, pricing, incentives, and other key areas. While all of Avenue’s customer-facing employees have a deposit orientation, the CDO is the person who eats, sleeps, and breathes growing deposits.

Once in place, Avenue’s CDO, Tim Bewley, and the Avenue team began looking for an offering that could be used as a hook to develop substantial, new relationships. Avenue chose CDARS, seeing it as a differentiated service that could attract institutional deposits in large chunks (typically, CDARS orders average over a million dollars apiece). While Avenue’s competitors pitched standard offerings — cash management accounts, lines of credit, term loans, etc.

— Bewley and team offered the ability to access full FDIC insurance through a single bank relationship. Though unsure how their efforts would be received, they found, rather quickly, that nearly every decision-maker they called wanted to know more and that CDARS opened the door to a face-to-face meeting with top executives. It was, perhaps, a sign of the times — with customers eager to access full protection and to do so while reducing overall collateralization requirements (and the hassle of tracking changing collateral values on an ongoing basis) or having to maintain multiple bank relationships (and all of the paperwork that goes with that).

Once “in the door,” Bewley found the sale relatively simple and the results quite profound. According to Bewley, *“Not long after we launched this product, we had millions in CDARS deposits; in just a few months it had doubled, and in a few more months it had tripled. It grew with relative ease.”*

And that was just the beginning. Avenue’s team soon discovered that selling a CEO, President, or Treasurer on CDARS often led to the placement of those individual’s personal funds through the service (in addition to the corporate investments). Frequently, one CDARS pitch led to two CDARS sales. They also discovered that once the bank earned a customer’s deposit business and trust, they could go back later and cross-sell additional services, such as checking accounts, cash management services, lines of credit, and other banking products. Additionally, Avenue’s team was able to get referrals from board members of satisfied CDARS customers and win additional



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CDARS placements that way.

Bewley considers the following as key to Avenue's success with CDARS:

- Negotiating rates on CDs issued through CDARS and pricing CDARS CDs at the same rate or higher than the rate offered on "traditional" CDs (recognizing that CDARS brings in six-, seven-, and eight-figure deposits and that additional products and services can be cross-sold at a later date). Bewley adds, *"I negotiate every rate. Still, my CDARS portfolio carries a lower cost than the rest of the bank's CD portfolio."*
- Focusing on institutional customers (and winning many individual customers in the process).
- Not waiting for business to come to the bank. Avenue's team called potential clients and made appointments to visit them in their offices. In fact, to

date, approximately 90% of the bank's CDARS sales has been made outside of Avenue's branch offices.

- Establishing an initial relationship, developing it further, and then mining the relationship for more business.
- Benefiting from a relatively high reinvestment rate — estimated at approximately 80%.\*

### **Avenue's Results**

How effective is CDARS as a deposit gathering tool? Since joining Promontory two years ago, Avenue has placed over half a billion dollars in CDARS. CDARS has clearly been a difference-maker for Avenue. It can be for your bank, too.

### **Learn More**

To learn more, please contact Promontory Interfinancial Network at 866-776-6426.

\* Through 2009. Based on analysis performed by Promontory. CDARS deposits do not automatically reinvest. Promontory calculates the reinvestment rate by determining whether a particular customer's funds were reinvested within 28 days of maturity, in addition to those that reinvested immediately.