

A small Colorado bank's plan to fend off big SBA lenders

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SBA

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InBank in Denver is partnering with a software developer to expand its SBA lending operation nationwide.

InBank, a small player in Small Business Administration lending, is looking to make the jump to the big leagues.

To do that, the Denver-based bank is hoping to use technology to drive efficiency and keep costs in check. Last week, the \$1.3 billion-asset InBank unveiled a strategic partnership with a Dallas-based software developer to launch an expanded small-business lending division, INTQ Financial. The unit aims to originate and service SBA 7(a) and 504 loans as well as USDA loans to borrowers nationwide.

To start, InBank, the bank subsidiary of Inbankshares, will hire a total of four new business development officers and enter markets in Arizona and Georgia. InBank named Tim Romano, who served as a managing director at its software partner, NOVATRAQ, to lead INTQ Financial.

According to SBA statistics, InBank has completed 14 7(a) loans for \$18.2 million during the agency's 2023 fiscal year, which began Oct. 1. For fiscal year 2022, the bank completed the same number of 7(a) loans for a total of \$14.7 million. Its CEO hopes an expanded small-business lending team, paired with NOVATRAQ's loan origination software, should enable InBank to capture more government-guaranteed business — especially from larger institutions.

"At the end of the day, that's who we're trying to take market share from," Chairman and CEO Francis said Tuesday in an interview. "I want to be careful and not poke the bear, but that is where our opportunity is to grow and where a lot of our customers have migrated."



Ed Francis, chairman, president and CEO of InBankshares.
Squier Studios/Squier Studios

While InBank expects to add new markets beyond Colorado, Arizona and Georgia, Francis wants to take time to ensure the new division can handle an increased workload. "We will have future expansion, but I think we're going to focus the next six to 12 months on making sure our processes are right and we can deliver a best-in-class experience," Francis said.

Currently, InBank's SBA lending operation is limited to Colorado, where it was named SBA's small bank lender of the year in May.

InBank's expansion comes as a bigger share of the lending in SBA's flagship 7(a) loan guarantee program is being captured by the program's biggest participants. With two weeks remaining in fiscal 2023, top-10 lenders have accounted for 30% of 7(a)'s originations, up from 26% in 2022. That growing concentration offers community banks and credit unions an opportunity, according to Josh Villa, vice president of SBA lending at Ultum Group, a third-party servicing provider in Sartell, Minnesota.

"Business owners are already working with small banks and credit unions for auto loans, home loans and credit cards," Villa said. "When it comes to commercial loans, in particular SBA, they seem to be working with larger lenders.

"I think a lot of institutions recognize that," Villa added. "It comes back to barriers to entry. What sort of investment do they need to make up front to take advantage of those benefits."

Romano described the NOVATRAQ software as an end-to-end origination and servicing platform that enables lenders to provide customers with quick loan decisions and gives loan officers, underwriters and other parties a single point of entry for their work. A separate portal allows borrowers to upload documents and keep updated on progress toward closing.

Those capabilities create a competitive advantage, but the cost involved often acts as a barrier to entry for smaller institutions that might otherwise consider participating in SBA more actively. Indeed, of the nearly 1,500 lenders that have made at least one 7(a) loan in fiscal 2023, barely a fifth — 308 — have made 20 or more. Just 62 lenders have made 100 or more.

"Not only is the barrier of entry high just for staffing, it's also tough to ensure there's a process borrowers don't just get lost in," Villa said. "There are very specific rules that need to be followed, very specific forms that need to be filled out. If you have the technology to help borrowers through that process, you have a huge additional value proposition...Streamlining is huge for institutions that want to compete."

At InBank, Francis and his team began building an SBA lending division shortly after acquiring International Bank in Raton, New Mexico, in June 2018. The new ownership group adapted the InBank name and moved the headquarters to Denver in 2019. A wider SBA footprint has long been part of InBank's strategic plan, though Francis felt the time wasn't ripe, until recently.

NOVATRAQ had engaged in an initial conversation with one other financial institution, but quickly shifted focus to InBank, given Francis' desire to grow the SBA lending operation and its own vision of partnering with a bank to develop a "top-tier national lender," Romano said Tuesday in an interview. Plans for INTQ Financial blossomed after a productive presentation to Francis and the InBank leadership team this spring.

For Francis, linking with NOVATRAQ offers the means to leverage the SBA infrastructure InBank has built the past three years. "We always thought we could drive more volume...When you add technology, it just makes things more efficient.