



FIVE STAR BANK

smartbiz

Case Study: Five Star Bank



About Five Star (FSB) Bank

Five Star Bank (FSB), headquartered in Sacramento, California, is a fast growing, profitable community bank with over \$2.0 billion in assets. The bank was founded in 1999 by a group of entrepreneurs who wanted to create the kind of personalized banking services they desired themselves. Today, Five Star Bank is guided by purpose-driven banking, community stewardship, regional and industry expertise, a speed to serve, and a commitment to economic development.

Five Star developed a program called the **Five Pillar Program** (Safety, Liquidity, Yield, Economic Development and Transparency), an economic development initiative where cities, counties, and districts direct funds to local community banks for the purpose of reinvesting that money into local, small-to-medium-sized businesses. This program shows the bank's commitment to and focus on growing economies through investing in small businesses.

The Challenge

With speed to serve and community development at the forefront of Five Star's mission, the bank continued to focus on finding ways to reach more small businesses.

At the same time, small businesses began looking for more streamlined, digital solutions. Five Star knew that in order to meet the needs of small businesses and grow their own portfolio, they would need to find a strategic fintech partner to help connect the dots.

The Five Star team also wanted to focus on government guaranteed SBA loans since they were already a Preferred SBA lender, offering SBA loans through their retail branches.

“ Find a strategic fintech partner who can



— James Beckwith, Five Star Bank CEO, to his team



“

WE LIKED SMARTBIZ BECAUSE WE FELT OFFERING THESE LOANS WOULD BE INCREMENTAL TO WHAT WE WERE ALREADY DOING AT THE BANK WITH SBA LOANS THROUGH OUR RETAIL BRANCHES, AND WE COULD BUILD A TEAM AROUND JIM SNIDER, OUR SVP AND SBA DEPARTMENT HEAD.

”

Jim Beckwith
Five Star Bank CEO

The SmartBiz Solution

As Five Star began searching for the right fintech partner to help transform its small business lending portfolio, bank CEO Jim Beckwith reached out to a long-time business colleague, Chris Nichols, then the Chief Strategy Officer at CenterState Bank and currently the Director of Capital Markets for South State Bank.

“I’ve known Chris a long time and we’ve done some interesting things together over the years,” says Beckwith. “Chris helped us through the process and introduced us to SmartBiz Loans,” a leading digital marketplace lending partner for SBA loans \$350,000 and under.

During the due diligence process with SmartBiz, Five Star quickly found that both companies were aligned on their mission to help small businesses gain access to capital through a more streamlined and digitized experience.

The SmartBiz solution was designed to help guide small businesses through the financing process, assemble and complete the application, and to secure low-cost financing from banks within the SmartBiz network.

The Implementation

Jim Snider, Five Star Bank's SVP and Head of their SBA department, says he relies on SmartBiz to digitally compile all the required documentation for these SBA 7(a) loans through the application portal.

The SmartBiz technology uses AI and machine learning to automate the underwriting process which cuts down on time from application to funding. Once the SmartBiz technology has completed the process and the loan is ready to fund, Snider's team uses the platform to give final approval.

By the numbers



January 2017

FIVE STAR BANK BEGINS
RELATIONSHIP WITH SMARTBIZ



February 2017

FIVE STAR BANK
FUNDS FIRST SBA LOAN



4 to 6 weeks

TIME IT TAKES
TO IMPLEMENT PLATFORM



260% increase

IN ORIGINATION DOLLARS
AFTER 4 MONTHS

The Result



Five Star Bank has seen a significant improvement in the velocity of deal flow as a result of using the SmartBiz platform.

Five Star went from doing about 10 to 20 deals a year to doing a few hundred with SmartBiz. “We’ve gone from a small shop to a real production environment” says Beckwith.

As a result of the loan growth from using the SmartBiz platform, fee income from both loans held on the balance sheet and loans sold in the secondary market increased significantly for Five Star.

In 2020, Beckwith says the bank made approximately \$4.5 million in fee income and since the partnership they’ve generated between \$12 and \$13 million. When asked about the level of fee income prior to the partnership with SmartBiz Beckwith says, “It was certainly not to this level.”

FSB also recognized a significant reduction in processing time. “We get to the funding a lot quicker on the SmartBiz side than we would on our retail side,” Beckwith said, adding that Five Star has been able to fund some SmartBiz deals in as little as four days.

Headcount reduction is certainly one measure of efficiency but more important is how many deals you can do in a month with the same number of people.

For example, doing 20 loans a year with 3 people or 300 a year with 10 people.

That’s where you really get the efficiencies.

— Jim Beckwith

“WE’RE ABLE TO CUT OUT 90% OF THE WORK ... SO WE’RE MUCH MORE EFFICIENT THAN OUR RETAIL SIDE.”

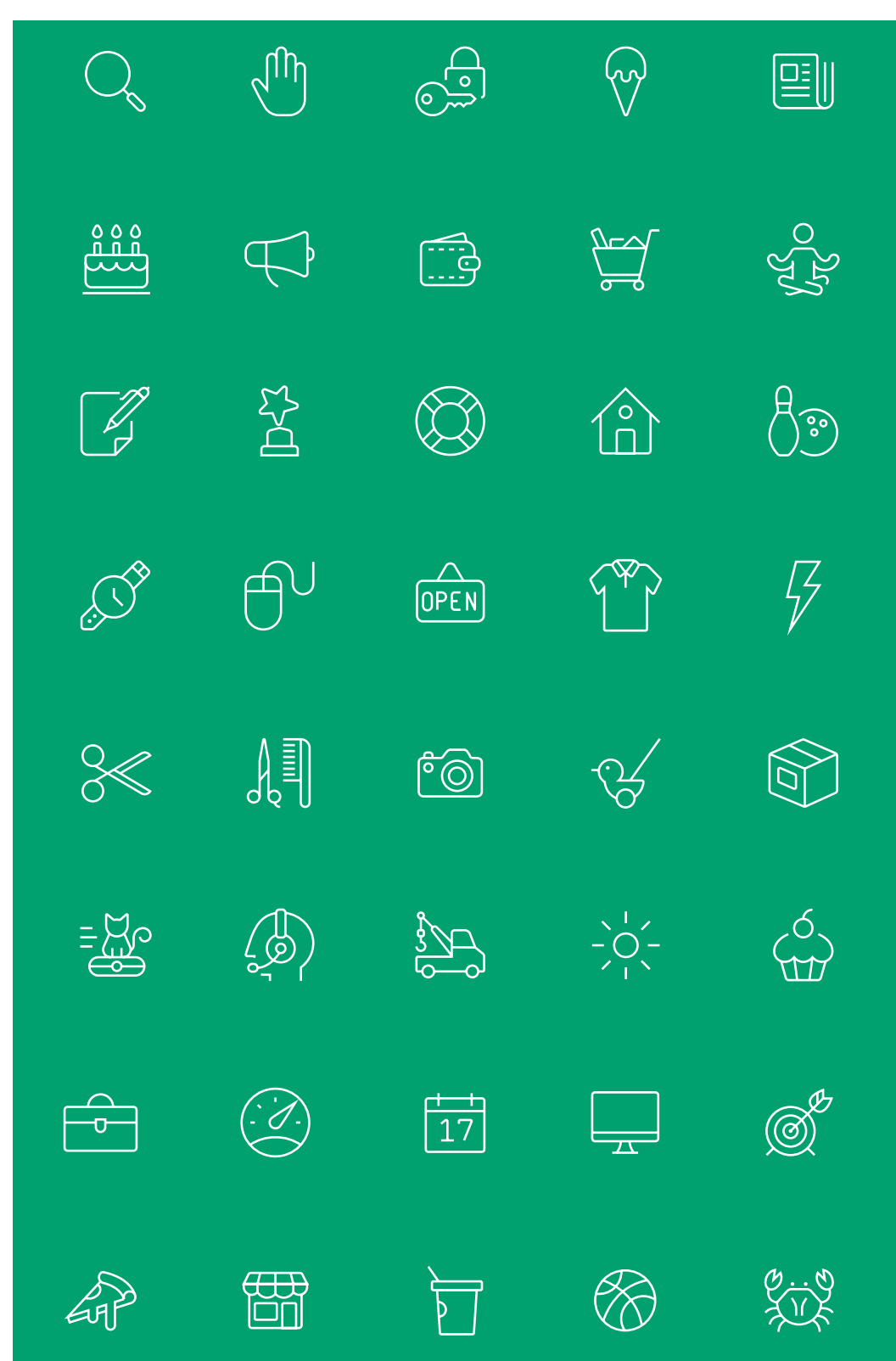
Jim Beckwith,
American Banker interview [🔗](#)

What's Next

Beckwith says Five Star Bank is going to lean into SBA lending and the partnership with SmartBiz.

They have set strong goals for their SBA lending in 2021, which they largely attribute to having a partnership with SmartBiz.

“We want to be able to originate **\$10 million per month in SBA loans**” says Beckwith, “and with SmartBiz’s platform and servicing staff assistance, that is definitely doable.”



About SmartBiz

SmartBiz Loans is the #1 online platform for traditional SBA 7(a) loans under \$350,000, helping banks in its network streamline the small business lending process. SmartBiz helped banks on the platform process more than \$8 billion in PPP, SBA 7(a), and bank term loans, serving nearly 200,000 small businesses. Banks in the SmartBiz network used the platform to originate 9.4% of the total U.S. market for traditional sub \$350,000 SBA 7(a) loans during FY 2020.

HEADQUARTERS

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