

# Interest rates are on the rise. Here's what to do about it.

A conversation with  
MANTL CRO Mike Bosserman

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*We sat down with our new Chief Revenue Officer (CRO) to talk about interest rates, deposit priorities, and the path to long-term resilience for community financial institutions (FIs). Here's what he had to say.*

***Congratulations on your new position as CRO at MANTL. What does that role entail? What's your primary focus over the next few months?***

My new role encompasses the entirety of the customer relationship – everything from sales to marketing to customer success. And for the first half of this year, my focus is on scaling our team to meet the surge in demand for our products.

***As you know, the Fed is expected to raise its key interest rate at least three times in 2022. Could you provide a brief explainer on how the low interest rates of the past few years have impacted deposit priorities for banks and credit unions?***

Sure. When I first started at MANTL back in April 2019, most banks in the U.S. were having a really difficult time raising deposits – especially core deposits. Then in March 2020, we saw this crazy

whipsaw. All of a sudden, companies were drawing down credit lines. There was a distribution of federal stimulus. We saw lower consumer spending rates, tons of saving, and then low loan demand, as well as lower expected returns on investment opportunities. So if you think about a loan-to-deposit ratio, both sides of that ratio were going in the wrong direction.

***Now that interest rates are going back up, how does that change the game when it comes to deposit priorities?***

Consumer spending is on the rise, and we've seen a decrease in federal stimulus. So there's less cash coming into banks than before. We also expect to see an increase in lending activities, which means that banks will need more deposits to fund those loans. And with interest rates going up, other asset classes besides cash become more interesting. Rising interest rates also tend to have an inverse impact on the value of stocks, which increases the expected return on those investments. So in the next few months, I would expect to see a shift from cash to higher-earning asset classes – and that will significantly impact deposit growth.

***How can FIs get ahead of this? What would you recommend as a proactive stance rather than a reactive one?***

Community institutions are already facing a serious tech disadvantage in comparison to money-center banks, challenger banks, and fintechs. The number of checking accounts opened by community institutions has been declining for years. But here's the thing: with the right technology in place, you can regain a competitive advantage. You can pivot in response to whatever's going on in the macro environment. You can turn the tap on during a liquidity crunch, then turn it back off when deposits become a lower priority. That kind of agility will be critical to future-proofing your institution. But it takes time to implement a solution like that. So I'd recommend getting ahead of this ASAP so you can be in a more agile position by the end of the year.

***So what does agility look like in practice? Which institutions are ahead of the curve, and why?***

Ask yourself: over the past five years, who's been winning from a customer acquisition standpoint? I can tell you right now, it's the challenger banks and the money-center banks, and that's because they invested in their digital products.

They made it easy for customers to interact with them, no matter what was going on in the macro environment over the course of the pandemic. And ultimately, [they approached technology as an investment rather than as an expense](#). And I believe that's the mindset you need to adopt if you're going to win.

If you look at a MANTL customer like [Quontic Bank](#), they went live on our platform in April 2020 and took a digital-first approach to account origination. Customers actively sought them out at a time when in-person banking was widely unavailable. As a result, Quontic increased its net conversion rate by 150%, raising over \$5 million in deposits per month with no additional marketing. As their CEO Steve Schnall likes to say, "Just build the product and people will come."



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***What we're really talking about here is resilience. So what role does technology play in fostering resilience for community institutions?***

I think the big takeaway here is that customers' preferences have irrevocably changed. They see digital experiences as table stakes for banking. So when we talk about resilience, we have to talk about existential opportunity cost.

Oftentimes, the biggest errors are errors of omission – failing to act because you're comfortable doing things the way you've always done them. But then you have to ask yourself: where would I be if I'd made more aggressive technology decisions? And what's the opportunity cost of not reaching a broader audience?

***Speaking of audiences: how do you respond to people who think that online account opening is only for Gen Z?***

I hear that all the time, and it's simply not true. The biggest customer group booking applications across the MANTL platform is between the ages of 50 and 64. Ages 32 to 39 are right behind them. Ages 65 and up rank third. All of these groups are hugely profitable for banks and credit unions. They're clearly the future of profitability, too. So this isn't just a young person's thing.

The average American adult prefers to open accounts digitally, period. And if you don't have the tools to open accounts for them, you're going to have a very difficult future – no matter what happens at the Fed.

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