TARIFFS, TRADE & TECHNOLOGY

NAVIGATING ECONOMIC SHIFTS IN COMMUNITY BANKING

Global trade policies may seem far removed from the daily operations of community banks, but their ripple effects reach deep into local economies. Tariffs, which are designed to protect domestic industries, can also disrupt supply chains, inflate costs and erode borrower margins.

In this white paper, **Brad Stevens** of the Stevens Risk Management Association and **Kerry Ronquillo** of Suntell explore the intersection of macroeconomics and banking, showing how lenders can identify, track and mitigate tariff-related risks.

Drawing from decades of experience in credit, lending and economic analysis, Brad and Kerry outline:

- Why tariffs are imposed and how they affect global trade and local lending portfolios
- What early warning signs to look for in borrower financials
- How technology, specifically the Square 1 Credit Suite, helps community banks monitor risk exposure, centralize data and strengthen decision-making

Brad Stevens

Stevens Risk Management

Kerry Ronquillo

Suntell and the Square 1 Credit Suite

The Economic Reality of Tariffs

Tariffs are government taxes on imported goods introduced to balance trade, protect domestic jobs or retaliate against perceived unfair practices. As Brad Stevens explains, they often emerge when:

- Trading partners manipulate currencies or subsidize industries
- National security concerns drive the need for local production
- Governments seek to shield domestic economies from downturns or foreign "dumping"

While tariffs aim to promote stability, their real-world outcomes often create imbalance. Prices rise, imports fall, and industries that rely on foreign goods such as manufacturing, agriculture, retail and automotive face margin pressure.

Stevens notes, "Tariffs are a tax, and any tax increase has never increased GDP. It's either a transfer of wealth or a slowdown." For bankers, that translates to a clear risk signal: higher costs for borrowers, volatility in collateral values and uncertain repayment capacity.

Translating Macroeconomics into Portfolio Awareness

Lenders may not control global trade policy, but they can control how their institutions respond to it. Tariff-related economic shocks often appear first in borrower financial statements.

Stevens identifies three key metrics that serve as early warning signs:

1. **Gross Profit Margin:** If it declines, borrowers may be absorbing higher import costs instead of passing them to customers.
2. **Operating Expense Margin:** Rising ratios suggest management is struggling to maintain profitability under inflationary pressures.
3. **Inventory Days on Hand:** Increasing inventory signals potential supply chain fears or cash flow strain

These indicators, when monitored closely, allow bankers to intervene early, structure lines of credit more strategically and maintain portfolio health during times of uncertainty.

Leveraging Technology to Manage Risk

Ronquillo highlights that risk management is only as strong as the data supporting it. Community banks and credit unions often have the right instincts but lack a centralized, actionable system to connect economic insight with individual credit decisions.

The Square 1 Credit Suite was designed to bridge that gap. Its integrated platform enables:

- **Centralized Credit Files:** All customer data, financial statements, collateral and communication stored in one secure system.
- **Custom Stress Testing:** Run "what if" scenarios to model how a 50 percent tariff increase could affect gross profit, cash flow and net income.
- **Trade-Exposure Tagging:** Flag borrowers and industries vulnerable to supply chain disruptions or foreign-source dependencies.
- **Portfolio-Level Dashboards:** Visualize exposure by industry, region and loan type to guide policy and capital allocation.
- **Regulatory Confidence:** Ensure auditors and examiners can clearly see how risks are identified, monitored and mitigated.

By embedding risk management tools directly into daily workflows, lenders can focus less on manual reporting and more on proactive, data-driven decisions.

Lessons From Economic Cycles

Both authors bring decades of perspective through multiple economic cycles. From the early 2000s recession to the 2008 financial crisis, one truth remains constant: discipline fades in good times.

Ronquillo cautions, "When the economy is strong, we relax our standards. But as 2008 showed us, if credit quality drifts too far, the correction can be severe."

Now is the time for community banks and credit unions to revisit underwriting standards, stress-testing assumptions and policy manuals. Tariffs, global trade friction and supply chain disruptions may not follow the same trajectory as a housing collapse, but the result—credit risk—can be just as damaging without vigilance and preparation.

Building Efficiency Alongside Resilience

Effective risk management should not slow down loan origination or relationship management. The Square 1 Credit Suite creates efficiencies that allow banks to respond to economic uncertainty while improving the borrower experience.

Example of Data Flow Efficiency:

- **Automatic Core Integration:** Nightly updates from the bank's core system keep customer and loan data current.
- **Secure Online Portals:** Borrowers can submit documents and applications anytime.
- **Electronic Credit Bureau Imports:** Liabilities flow automatically into debt schedules, reducing manual entry.
- S**eamless Loan Documentation:** Approved credit packages transfer directly to document systems such as LaserPro or ComplianceOne, eliminating rekeying errors.

This streamlined process ensures the same diligence that examiners demand while maintaining speed and accuracy.

Insight-Driven Banking

Global events can shift local economies overnight causing community banks to combine local knowledge with modern technology.

The partnership between economic insight and digital innovation, represented by Stevens and Ronquillo, demonstrates how forward-thinking banks can navigate uncertainty with confidence.

Key Takeaways

- Tariffs and trade disruptions create measurable ripple effects across industries.
- Early detection through financial analysis prevents surprises in loan performance.
- Integrated systems such as the Square 1 Credit Suite convert risk data into foresight.
- Stronger insights lead to stronger relationships and stronger communities.

About the Authors

Kerry Ronquillo, Senior Director of Business Development, Suntell
With more than 30 years of experience in community banking and technology, Kerry helps financial institutions modernize credit administration and portfolio management through the Square 1 Credit Suite. His work focuses on empowering lenders with the tools, data and insight needed to manage risk confidently.

Brad Stevens, Principal & Founder, Stevens Risk Management Association
A 35-year banking veteran with an MBA in finance and economics, Brad provides training and consulting nationwide on credit risk management, portfolio analysis and economic trends affecting community banks. His weekly "Industry Insights" blog delivers practical strategies for navigating evolving markets.