

A CURE FOR THE LENDER'S BLUES

Are you a young lender depressed by today's troubles?

Ed's got a message for you. And if you're younger than 100,
you should hear it.

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Remember when banks used to appear to be friendly and helpful?

Most of us still are, of course. But our public image, as an industry, has been devastated by irresponsible actions of a relative few. They have "distinguished" themselves by reckless risk taking and exorbitant compensation.

For most of the last century, Irving Trust was a large commercial bank with the prestigious address of One Wall Street. The company built a large retail banking franchise in the metropolitan New York area, and its commercials said : "Our last name may be Trust, but you can call us Irving." That was a clever ad portraying the bank as friendly enough to be called familiarly, while reminding the listener that banks are trustworthy, conservative, and responsible.

The current economic recession has been serious enough to drive a significant number of banks out of business and to sully the reputations of many bankers who have remained. But in a long career, I've seen many just and fitting outcomes—good people esteemed and rogues punished. It's a vindication of the inherent truth of the aphorism, "What goes around, comes around."

The lender's view

Lending is a wonderful part of the banking business for its customer contact, analytical challenges, and the satisfaction of helping customers build their businesses; provide for their families; educate their children; and secure their financial security. I can't imagine having done anything else in my working years and having any more fun and satisfaction than I've had.

How do you feel about your environment lately?

Are you enjoying yourself?

Are you advancing your careers.

Or do you feel sidelined and frustrated?

I suspect that many of you out there are not particularly happy.

The press of problem assets may mean the burdens of an administrative order from a regulatory body and the loss of discretion in your day-to-day activities as lenders. These circumstances produce working environments that are stressful at best and demoralizing more often than not.

Young lenders, particularly, may be hard hit as they lack the experience base and maturity of their chronological seniors.

Dealing with problem loans is creative work, but it's not always as much fun as making loans, growing the bank, and adding solid building blocks to a personal resume. If you are caught in an environment today where simply survival is the paramount concern, what can you do? What should you?

Some words of advice

I can share with you my own approach, born of experience in rough times.

1. Honestly assess what skill sets you have already acquired.

Recall that in this space a few months ago I noted the trend in recent years of professionally oriented people identifying more with their functional jobs than with their particular employers.

Take note of that anew and use these opportunities to build and hone your skills as a lender. Problem asset work may be the principal opportunity many of you have right now to build analytical and negotiating skills. Hopefully, your banks are actively engaged in trying to learn what structural weakness may exist in their credit cultures so that when this difficult period is over, they will be stronger and have learned valuable lessons. See if you can be part of that effort, formally or informally, and use this priceless opportunity to learn things that you might otherwise have never learned or not learned so early or with such clarity.

As Rahm Emanuel, Chief of Staff to President Obama, often says, "Never waste a crisis." You may very well have opportunities right now to learn and do things that may never present themselves to you again.

2. Think about the lender's job, and about your options relating to it.

A successful lender blends many skills—sales, persuasion, negotiating, analysis, deal structuring, and documenting loans.

You may think that there aren't many sales opportunities these days, but stop and think about that. We sell our customers' loans to our loan committees and, today that can include renegotiating troubled credit. If you are successful at selling sound credit, I bet you can sell both a troubled customer and the bank on a renegotiated deal. Remember, you and I as lenders are always selling something. The product changes … but the skill set endures, and matures in the process.

What about going back to school? Can you pursue an MBA program part-time in an executive MBA program? What about your community college's curriculum for accounting, management, IT and other useful business skill sets?

Can you volunteer to work on problem credit situations?

I did that one time and it was absolutely life and career changing. The bank's problems in the 1980s, apart from the stress of the circumstances, were the best thing that ever happened to me. I learned more than I probably ever wanted to know. Yet I found work I was surprisingly well suited to do and in great demand both then and for many years afterwards.

Time to choose your outlook

You can largely choose to be happy or morose.

Choose the positive side of today's situation, figure out what you need to be more successful as a lender, and set about to be very busy at that goal. There are a variety of approaches. The common thread is to view this time as one of opportunity and to make the most of it personally and professionally.

About Ed O'Leary:

Veteran lender and workout expert O'Leary spent more than 40 years in bank commercial credit and related functions, working with both major banks as well as community banking institutions. He earned his workout spurs in the dark days of the 1980s and early 1990s in both oil patch and commercial real estate lending.

O'Leary began his banking career at The Bank of New York in 1964, and worked at banks in Florida, Texas, Oklahoma, and New Mexico. He served as a faculty member and thesis advisor at ABA's Stonier Graduate School of Banking for more than two decades, and served as long as a faculty member for ABA's undergraduate and graduate commercial lending schools.

Today he works as a consultant and expert witness, and serves as instructor for ABA e-learning courses and a frequent speaker in ABA's Bank Director Telephone Briefing series. You can hear interviews with Ed about workouts here. You can e-mail him at etoleary@att.net. O'Leary's website can be found at www.etoleary.com.

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