
A DIFFERENT SET OF BOARDROOM RESOLUTIONS

10 resolutions for a better 2011

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Welcome to the New Year! With a new year, comes New Year's resolutions. For community bankers and community banks, I have provided a few suggested resolutions for the New Year (Can you impose resolutions on other people? I guess so-in any event, we will see.)

These resolutions involve board-level issues and mindsets that will be important to community banks in 2011.

1. Think prospectively. Make some time in each directors' meeting for matters other than routine "rearview mirror" issues. Begin contemplating risk assessment and strategic thinking in each directors' meeting, not just annually. The easy way to free up time in your directors' meeting is to use a "consent agenda." (A consent agenda groups all of the routine matters into a segment quickly reviewed and dispensed with, to prioritize matters of strategic value.)

2. Realize regulators will continue to be regulators. I am mildly optimistic that the regulators will take their foot off the gas on the regulatory aggression in 2011. However, I am also realistic that their foot will not be placed on the brake. Regulators will continue to be regulators, with often unreasonable demands, particularly as it relates to capital.

3. Capital will still be king. In 2011, I anticipate that the default capital ratio for virtually all community banks will be 9% Tier 1 leverage and 12% total risk-based. Capital should become more plentiful and a little bit easier to raise. But pricing and ownership dilution will still be significant issues for community bank shareholders.

4. Mergers and acquisitions are likely coming to a bank near you. Be prepared, as I indicated in previous blogs, to strategically decide if your bank wants to participate in the upcoming merger and acquisition wave. This participation could either be as a seller or a consolidator of other banks. It is the Board's job to make that strategic decision.

5. Don't forget your real job. As a community bank director, do not forget that your real job is to do what is in the best interest of your shareholders over the long term. As a community bank, being a good corporate citizen, the employer of choice, and the economic engine in the community are all laudable goals; they are simply not the ones that as directors you are hired to achieve. But if you maintain or enhance the value for your shareholders, the other arguably more laudable goals will be obtained.

6. Be proactive with respect to ownership. It is part of the board's job to decide whether the bank holding company should be SEC reporting; should "go private" and remain a private company (neither SEC reporting nor a Subchapter S); or should move to Subchapter S. Remember, if your holding company can get 50% of the shares to vote in favor of a Subchapter S, you can convert to Subchapter S.

7. Be petrified of compliance. Is "petrified" too strong a word? I do not think so. The real compliance issues for 2011 will involve unfair and deceptive practices, abusive practices (the new term added in Dodd-Frank), and fair lending. Directors need to monitor the risk in these areas.

8. Understand liability issues. Each community bank director must understand, in general terms: liability issues, the directors' duties, and the obligation to "vote no" if the director believes it is appropriate. In addition to serving as liability protection, voting "no" lets the rest of the board know that you are serious about doing your job. Once a decision is made, support it. But do not be afraid to vote no.

9. Effectively plan for the future. Figure out where the bank is going strategically and plan for it. It is not the board's job to micromanage or to engage in operational and tactical planning. It is the board's job to identify and set the strategic direction for the bank and holding company. Do not worry about the process the bank uses to plan. Worry instead about identifying the issues for which strategic decisions need to be made and determining whether there is consensus.

10. Have hope with confidence that the light appearing at the end of the tunnel is simply that, "a light." There is a good future for community banks in this nation. Be a part of it.

About the Author

Jeff Gerrish is chairman of the board of Gerrish McCreary Smith Consultants, LLC, and a member of the Memphis-based law firm of Gerrish McCreary Smith, PC, Attorneys. He is a frequent contributor to ABA Banking Journal and ABA Bank Directors Briefing, and frequently speaks at ABA events and telephone briefings.

Gerrish formerly served as Regional Counsel for the Memphis Regional Office of the FDIC, with responsibility for all legal matters, including cease-and-desist and other enforcement actions. Before coming to Memphis, Gerrish was with the FDIC Liquidation Division in Washington, D.C. where he had nationwide responsibility for litigation against directors of failed banks.

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Gerrish can be reached at jgerrish@gerrish.com, and the firm's website, www.gerrish.com.

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