

“WHY I DIDN’T FIRE THE LENDER WHO MESSED UP” AND OTHER STORIES: A CHAT WITH “BANKER X”

The unbankerly thoughts of "Mr. X"

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By Steve Cocheo, executive editor, scocheo@sbpub.com After you read this blog, read "Talking Credit" blogger Ed O'Leary's take on his view and on lessons younger lender particularly can learn from this banker's views

A senior officer had screwed up.

He knew it. The CEO knew it.

And they both knew that the loan officer knew the CEO knew it. The lender, deciding to confront the seemingly inevitable, asked the CEO to join him for lunch.

“Why do you want to take me to lunch?” the CEO asked.

“Because we have to address the 800-pound gorilla in the room,” said the lender.

Now, we’re not talking about a small loan that went south, here. To give you a sense of it without blowing these bankers’ cover—more on that later—the lender, for whatever reason, had messed up big time on a single loan. In fact, the loan was 50% of a loss the bank suffered in 2010 that turned what could have been at least a good year into a bad year.

So, back to the gorilla in the room. The lender and the CEO got into it, and the CEO summed up the cause of the bank’s problem succinctly for his subordinate:

“You blew the loan structure at the outset. You blew it on the documentation. And then you failed to monitor the credit.”

“We’ve all been in similar shoes, at some point in our careers.”

He decided to ask the CEO what had obviously been eating at him:

“Do I have a future with this bank?”

Dangers of complacency in experience

The CEO, telling me this story, said the question surprised him because firing the fellow wasn't on his agenda at all.

Here's what he told the lender, in a nutshell:

“No, I'm not going to fire you. You know why? Twelve months from now, you're going to look back, and you won't have made any of those mistakes again. Five years from now, you'll look back and you will not have made any of those mistakes again. And someday, you'll be retired and you'll look back and say, “Remember that rough year we had in 2010?””

Did the CEO let the erring lender down easy?

Not to this CEO's way of thinking.

He says senior bankers sometimes grow too complacent, and get careless, too sure of themselves. That's how such mistakes get made. As the story indicates, he doesn't expect this lender to mess up the same way again.

“You have to be straight with people and tell them exactly what you expect of them,” says the CEO. “And you have to praise them when they get it right, too.”

Man behind the mask?

Now, why haven't I mentioned the name of this banker nor his bank? It's actually not because of the loss nor the risk of embarrassment.

I was sent in his direction initially because I was looking for community bankers to interview for our upcoming February special story on community banking's future. Banking consultant Michelle Gula of mrae associates had recommended him.

I tracked him down by cell phone while he was on vacation. He'd just left the golf course, and began by explaining that he wasn't the conventional sort. (Indeed, he's not.)

He'd be happy to speak to me, but he didn't want to be quoted by name. He didn't make a habit of talking to trade magazine reporters, he said, because no one who read a banking trade publication was going to be

bringing him business. (Please forget that you read that last sentence. I would hate to find a new career at 53.)

But he was willing to talk. He is one of those refreshing types that talks straight up, and who tends to buck conventional wisdom. Reporters love that, even though they actually help make the conventional wisdom conventional by putting it into print ... or on websites.

“Mr. X” and his approach to community banking

His story about the erring lender was an irresistible opener, but he was actually full of interesting ideas.

1. Face your real competition.

“I don’t care what my so-called competition is doing, because they are not my competition,” says Mr. X. He generally has had a strategic plan that calls for doing business somewhat differently than other local players. Hence, he doesn’t see his bank as competing with the “competitors.”

He learned this attitude, he says, from the owner of a baby store that was borrowing from one of his earlier banks. The loan officer was asking the owner how he planned to compete with some other such stores in the area. The owner waved the others off as also-rans. He wasn’t worried about them, he said, and the bank didn’t have to be worried either.

2. Play to your strengths, don’t worry about unalterable shortcomings.

When this executive was a young man, he was overseas, in the armed forces. During part of his tour he coached a basketball team. Every guy in the squad was, for basketball players, short. So, everyone being “vertically challenged,” he looked at what the team did have: speed.

So practice included lots of running.

This added up, and “my guys could run anybody into the ground,” says Mr. X, “and we were never defeated.”

“You have to go with what you’re good at,” he says.

3. Ignore what other banks are paying on deposits.

Banker X learned this lesson with the first community bank he headed.

When he stepped into the CEO’s position, before too long he began wondering why the bank was paying what he

considered to be too much for deposits. He slashed rates. The CEO of a competitor actually invited him to lunch.

The other CEO confessed that all the banks in town had been paying up to keep up with the rates that X's predecessor paid. That bank kept their foot on the gas, so everyone else did, too. The CEO thanked X for calming the market in the wake of that crazy guy.

But avoiding overpaying for deposits wasn't the only angle here.

4. Don't play the price game or you'll lose the relationship game.

Banker X says he ignores the rates other institutions pay on deposits and those they charge on loans. His philosophy, which he'll freely tell customers is, "I am not a commodity";

He rejects bucking for position based on price. Someone who wants to play price games, he'll actually help find another institution.

5. Don't make online customers hunt for ways to do business with you.

Go to your bank's website and start looking for the means to contact someone at your bank, on the assumption that you have no idea how to email or call the bank. Time your hunt.

Banker X says too many bank sites force customers and prospects to go through just such a hunt. They hunt for contact information, they click through layer upon layer of website to get to the information they want.

"I don't want websites where you have to drill down to find something useful," says Banker X. He insists that links to everything essential reside on the bank's home page, and that the bank's contact information be in plain sight on the homepage.

I wish I could give you the link to this bank's page, because it's way above the average community bank website, yet without too many bells and whistles. It's attractively designed, features rotating graphics about services right up top, and on the bottom, includes a link to every significant bank service. And this is done without seeming cluttered.

6. Go where you'll stand out.

This point from Mr. X's personal rulebook is by way of career advice for the younger banker. It worked well for him.

He took this inspiration from Glenn "Jeep" Davis, an Olympic hurdler of the late 1950s, early 1960s. At one point the gold-medal winner was asked why he ran the 440-yard hurdle. He joked that not many people went for that

event, so it was easier to be world-class.

The young Mr. X decided he'd always go for the jobs in the bank where people weren't clamoring to join those ranks. Among fewer workers, he could stand out.

In the meantime, he took every opportunity learn everything about his bank that he could. He read every brochure the bank printed, asked to review files, and, in general, took every chance he could to learn something.

If you've read this far, you have too.

Blog Bio:

The Reporter's Notes Blog is where the staff writers of ABA Banking Journal post stories found on the way to other articles, talk heard at conferences, side angles to other stories—in short, items of interest that don't quite fit any other venue.