

DEALING WITH INSURMOUNTABLE OPPORTUNITIES

Change your attitude and you might change your circumstances

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The common way to describe an attitude that's pessimistic or optimistic is to say that one's glass is half empty or half full. Everyone gets that analogy. It's a little like describing your situation as an "opportunity" or a "problem."

The last few months, though, I'm hearing bankers' attitudes as something akin to dealing with "insurmountable opportunities."

Hard, sometimes blocked, road to a direct "yes"

Here's what I mean. Lenders say that they are open to lending opportunities, but "no pioneering" can get through the credit committee. That's today's shorthand for "nothing new or different." That can mean about anything from no new projects from existing customers or no new products or types of loans from anyone, period.

There is another way of describing such a circumstance that is averse to new lending opportunities and that is "Don't say no, say how."

At one extreme, that could mean that your bank is willing to consider anything that is collateralized by NYSE securities with a margin of at least two to one. That's a high hurdle, to be sure, but it's not a flat-out no.

A lender can couch a range of alternatives in language that is neither a no nor a yes. At least the customer is forced to go back and think things through in terms of structure or collateral or both.

Maybe there really are some things you can do--if you start with an "I'll consider anything" approach.

Taking "problems" from the other end

One of my friends, a debtors' attorney who is one of the most creative people I know, likes to say "If you don't like the answer, change the question." Since I first heard that provocative bit of wisdom some 25 years ago, I've seen lots of applications of exactly that principle.

It really works in many situations.

For example, I live on a golf course that is experiencing extreme pressure from the water utility to conserve water to the point that the economics of using the present 200 acres or so as a golf course are threatened by the increasing price of

water.

The water utility does not have a water transmission line for its fairly abundant non-potable water supplies to my part of town. The utility can't charge the golf course one rate and everyone else another one. The capital costs of getting the non-potable water to the course is about \$2 million and the tax payers aren't about to do that for a bunch of golfers.

So the course must close, right?

But then someone decided to change the question.

One participant in the discussions noted that non-potable water is available to irrigate parks, school playgrounds, and golf courses in many other parts of Albuquerque. The county's long-term plan is to build a non-potable water distribution line out my way--but it's probably ten years distant in the current plan.

But the schools, playgrounds, and parks are currently being watered with potable water. Why not accelerate the new distribution line to the next year or two and save all of that potable water that is presently "misused" for irrigation purposes?

The golf course can tap into the line that can be routed fairly close to where it's needed. Instead of a capital cost of \$2 million, maybe the capital costs to the course would be a \$100,000 or so and the county will build the line to accomplish some real conservation benefit now, rather than a decade from now.

That's the way the talks are now proceeding and it's a huge change in just a few weeks.

Get a better attitude--today

It's hard to be a lender when the bank's attitude toward risk makes any lending proposal more difficult to grant. It's hard to be a source of confidence and optimism to your customers who often look to you for signs that local business conditions might be improving.

Hard, yes. But impossible? No.

Each one of us can choose to be happy or sad. We may not be completely successful in our efforts every day to see some green shoots in our gardens but we don't necessarily have to be miserable either.

One of my bank's directors some years ago used to say, "If you find yourself in hell, brag on it until the devil lets you out." This was his humorous way of reminding people that one's attitude starts from within.

One of my sons (who spent several years in seminary) often cuts through such discussions by saying: "Get off the cross, we need the wood."

I've never heard him use that expression without having it elicit smiles on the faces of those who'd not heard it before.

Both of these sayings come down to this: You can decide to make yourself miserable because your glass is half empty. Or you can figure out how to adapt to your circumstances and shed the miserable attitude voluntarily and quickly.

Did you ever notice how some lenders with optimistic personalities are pleasures to be around? While others seem to have a dark rain-filled cloud following them around? It's not hard to be liked when everyone is happy. But when there's pain and difficulty in the business environment then the people who shine are the people with the upbeat personalities.

What do you project to your customers and prospects?

Ask yourself this, and be honest:

Do your customers envision you as walking around under a dark cloud? How good do you suppose that is for your bank's reputation or your own?

Yet it's precisely now that some accounts that had no reason to move when times were good are open to a move amid the environment of gloom.

I'm not talking about a phony sense of "feel good."

Rather, I'm talking about an insightful frame of mind that what we're dealing with is neither permanent nor fatal. Those who can figure out how to project that more durable vision of the near- and longer-term outlook will be the real winners.

Community banks often project the personalities of their owners and senior managers.

Just what that corporate personality is versus what it might or could or should be is one of the great business challenges of this current environment.

Not every loan request should be a "yes."

And individual line officers may not have a big role in setting the overall tone of the bank's "personality."

But each one can take charge of his or her own attitude and make the best of sometimes difficult situations.

You can choose to be happy or miserable. Happy is easier and better for business.

Talk back! Do you think Ed's got the answer here? Or do you disagree? Tell us either way in the comment section below.

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 has been a frequent speaker in ABA's Bank Director Telephone Briefing series. You can hear free audio 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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