LENDERS: THE NEXT GENERATION

What should they be learning, what should banks be looking for

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The other day a friend of mine invited me to meet his grandson, Chris, visiting from Scottsdale, who has just been accepted to Boston College's class of 2016. There are several remarkable things about this young man, not the least of which is that he will be attending on a "full ride" scholarship that's worth to him and his parents about $60,000 the first year. Another remarkable statistic--and this from his very proud grandfather--is that the lad hasn't had a mark less than A since the sixth grade.

Of course I was interested in meeting him, especially as I am a graduate of Boston College, a finance major from the Carroll School of Management, which is the field of concentration that Chris has chosen. Actually, he will be a double major with the other discipline being mathematics. (My observation to him was this is the functional equivalent of a second language.)

We had an interesting discussion, first about education and career choice. And then that got me to thinking privately about what bankers should be looking for in a commercial lending when recruiting to fill new or empty positions.

Part 1: Education in today's challenging economy

Anyway, he told me that Boston was his first choice of geography and he applied to three schools in the Boston area: Harvard, MIT, and BC. Though he was accepted by all, BC was the first to respond and also offered him the financial assistance package right up front. BC was also his first choice, as the core curriculum is heavily populated with subjects in the liberal arts tradition. In fact, this seemed to Chris to be an extension of his high school subjects in the humanities and based on his record, he obviously excelled in those.

Chris was interested in my reaction to his subject major selection and, practical as he seems to be, was wondering what sorts of skills will enhance his attractiveness to an employer and why. The "why" part of his curiosity is what differentiates him from so many young people today. So many just want the what and never ask about the why.

He got me thinking about what skills I would counsel him to acquire and hone in the years ahead. Of course, he's got a lot of time before making any career choices and if he's like me in my younger years, I was constantly changing my mind or at least open to new opportunities and disciplines. I'd like to think that I still am.

Here are some of my thoughts. My responses were simple if not simplistic but I'll likely have an opportunity to meet with him again when he visits his family here, so I'll hopefully get to shine up some of my reactions as I further react to him and his upward learning curve.

1. Remember whose career it is.

I told Chris to understand that his academic advisors are going to take a special interest in him because he will do very well in his studies and they will want to grab onto his coattails. This means that his mentors will very likely have a bias toward steering him in the direction of an academic career. There's nothing wrong with that but it's his career, not theirs. He needs to be clear about the sorts of academic pursuits he enjoys.

2. Start out with a wide-angle view.

Second, he should not try to overanalyze anything having to do with specific subject matter in his first couple of years. He should absorb it all and see where his interests and imagination take him. The next major decision point is likely to be where he should pursue an advanced degree and where and why. That's a call that's probably three years away.

3. Look beyond the book.

I told him that I hoped he will be alert to learning and perfecting his understanding of the values that are the glue binding together our human relationships. To understand the real meaning of words like honor, respect, caring, and trustworthiness is to create a bedrock foundation for a personal ethical system.

It's got to be built brick by brick and there are no shortcuts. And they are not learned in "how to" sorts of curricula.

4. Choosing the "right" major-and why.

But what did I think of a dual major in finance and mathematics?

Here I just expressed my biases, that I consider finance to be a "real" subject matter with structure and intellectual rigor. This is perhaps in contrast to marketing, which is really about behavioral science rather than business per se. Or economics, which to me is both dreary and dismal.

Accounting used to be more fun but the profession acquired a bias a generation ago for developing rules rather than principles. After a while, it's more the application of rules to justify what the practitioner or the client wants to do in the first place. That may seem to be creative, but it's really a form of mental tyranny.

I don't want to be part of that.

5. Regarding commercial lending...

Ultimately I told Chris that I come down on the side of saying that being a commercial lender, my life's work, is being a salesman.

Lenders are constantly selling their banks to their prospects; specific services to their customers; their term sheet of the customer's deal first to the customer himself and then to the bank.

That last step can be the toughest of all, as banks are conservative by nature and the lender must constantly walk the fine line between telling the story sufficiently or overtelling the story and exaggerating the risks.

But the first step is to understand what the story is, the due diligence inherent in every lending transaction, and that means a successful lender needs to have an almost insatiable curiosity and interest in lots of very diverse things. So I told him, based on my own experience.

Part 2: What should a new lending officer look like?

The rest of my advice to Chris will have to await a later date. Meanwhile, though, I think that many of us are occasionally puzzled by what should be on our banks' list of desirable attributes for the position of lending officer.

What should be important to us and why? How often do you revise your bank's job descriptions for lenders? How long has it been since anyone asked you to help write the ad for the local newspaper for a new lending hire?

The general topic is important as we face a crossroads in our industry. Here are a few of my off-the-wall thoughts on this subject.

1. What kind of banker do we want out there representing our banks?

We can become the employers of "empty suits," persons who have no personal interest or perspective beyond the next transaction between the bank and the borrower. We all know this model.

But while it may from time to time produce spectacular results in the ROE sense, it often fails to deliver on any real service of a value-added nature to the customer. Everything the empty suit is selling is the bank's model, the bank's criteria, the bank's version of the term sheet.

It's all served up with a garnish of "take it or leave it."

There is another way. We can field a force of educated, not just trained, lenders to deal with our customers' needs. We can interact with our customers with a common scorecard that highlights community values and outcomes as well as recognizes the imperatives of a return for the stockholders and our social responsibility to our communities, staff, customers, and banking public.

Maintaining this kind of workforce is under assault by the pressure of "what have you done for me lately" and the rigors of wringing more cost out of each labor-intensive process.

2. What baggage do new arrivals bring with them-ethics, attitudes, and behaviors?

We must also pay attention to value systems that our new hires bring to work with them on their first day.

Are they solidly grounded as citizens and fellow human beings?

Or are they only spectators and ultimately just imitators of the behaviors of those around them?

Can they write the English language with grace and style?

Can they communicate in other than the digital grunts of text messages or Tweets?

Are there behavioral skill sets that we should value more highly than the common denominators of our culture?

3. As we put the next generation in place, are we doing all we should?

Maybe we'd have better selection and retention results with our young lenders if we adopted more techniques to assess and emphasize personal values.

That's what was so much fun about getting to know Chris this past week.

There's a lot that he can teach us.

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 e-mail him at etoleary@att.net. O'Leary's website can be found at www.etoleary.com.

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