

## O'LEARY'S PEOPLE: IF YOU DON'T HAVE A CHARLIE AT YOUR BANK, YOU NEED ONE

Who is your bank's resident voice of experience?

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From time to time I've alluded to the management training program I passed through years ago at The Bank of New York. It was a sensible blend. One ingredient was real work, on which future lending officers produced learned while processing business for the bank. The other element was group instruction on generic matters of credit and other business-related subjects that we were expected to know something about.

The "dean" of this process was Charlie Fritscher, vice-president, head of the bank's credit department, and secretary to the Credit Committee. He presided over about 50 people, including a trainee group that at any one time consisted of 20 or 25 young men who were the bank's future commercial lenders. (Yes, we were a group of all men in those days.)

Why is Charlie so durable in my memory? There are several reasons but one trumps them all. But first, let me give you a sense of who Charlie was.

### The making of Charlie

Charlie came to work for the bank on Nov. 20, 1920, at the age of 15 as a "Wall Street runner." Runners back then were eager and active "gophers" who moved millions of dollars of securities between banks and securities houses in satchels or large leather carrying cases. Most were very young and agile, moving rapidly through the throngs on the sidewalks of lower Manhattan's financial district.

Charlie was proud of his humble beginnings with the bank and made a consistent point of his long tenure--as well as the fact that his own start date was the day that the bank's then senior lending officer was born.

Charlie eventually found a way to go to school and acquired a bachelor's degree in finance at a prestigious NY university. He worked for the bank summers and on school vacations and so had a continuity of service back to that day in 1920. He had hoped to be allowed an exemption from the rules of the bank's pension plan to permit him to close out his career officially on his 50th service anniversary but his birthday in the fall of 1970 made an exemption impossible due to ERISA rules. I heard years later that he died in the late 1970s, mourned by two generations of credit colleagues and alumni of The Bank of New York.

What made Charlie special

Charlie and what he taught us young lenders way back when stick in my mind for several reasons, and one key reason.

1. Charlie was savvy.

He knew credit inside and out and there was probably nothing that he'd not seen, good and bad, in his long career.

2. Charlie was an affable and friendly man.

We found him always approachable, though we seldom presumed to show our ignorance by asking him nonsensical or irrelevant questions. He had junior credit officers who handled the dumb things that trainees often asked.

### 3. Charlie was a great story teller.

Everything had an anecdote and most every one of them was in its own way a teaching point. I still remember Charlie expounding on the First C of credit or the specific peculiarities of collateral or receivables. Back in those days, there were only Four Cs of Credit as "Conditions" didn't get added to the list until the 1980s. That happened only because of the prolonged malaise among segments of the banking business, particularly among the savings and loan associations, that got caught with long-duration low-rate assets and short-duration high-rate liabilities.

All of these credentials made him valuable to the bank but none more so than his constant affirmation of the bank's credit standards.

Now, during our time in the credit department, most of us "hot shots" who had either family pedigrees or educational ones (some had both) thought that Charlie was at his core a bit of a wind bag. His stories seemed like so much an opportunity to talk--blah, blah, blah.

Yet it was many years later when I came to understand something critical:

Charlie's real value to us--and in fact to all the lenders in the bank with whom he interacted--was his near-constant teaching of what the bank expected.

There was never a doubt about what "quality" meant.

Or what was a "valid or useful purpose" of a loan was.

Or what was acceptable collateral.

Or how much rigor in credit analysis was enough.

Charlie taught what he knew and by a combination of osmosis and formal training, what he knew became what the rest of us knew.

## Charlie and the deadbeats

It was only after leaving The Bank of New York and experiencing other banking credit cultures and seeing the consequences of less thorough training and less rigorous expectations of lenders and support staff that Charlie's real value was evident. And then, it came like a blinding flash of the obvious.

An example of one of Charlie's standards, one that seems almost quaint today, was his aversion to the idea that it is ever possible to rehabilitate the credit reputation of a troubled borrower within the bank.

I'd like a dollar for every time I heard Charlie tell the story of a large Chicago heavy equipment manufacturer that got into trouble on a very large loan for its day due to a collection issue with one of its customers. They missed some early signs--and maybe we did too--that trouble was brewing. We were secured by the company's book of receivables but it wasn't nearly enough to shore up the weakened credit posture of the company.

The problem was at least ten years in the past but it was as if it was yesterday. The company was ultimately moved out of the bank and later enjoyed what appeared to be a satisfactory relationship with a new lender, this one in Chicago. The memories of this customer's problems and the stigma of a substandard loan of that dollar amount in our loan portfolio simply wouldn't--couldn't--heal.

Under the circumstances, it was sensible to move the borrower out, but that was the way Charlie and most all the lenders felt back then. To tell you the truth, I think was probably a favor to the customer. Maybe Charlie was right that rehabilitation is not a realistic goal that should ever replace the notion of getting the loan repaid, period.

To him, it made absolutely no sense to be business-developing among tainted goods, so to speak.

Setting an example for the juniors

Charlie's real value to my growth and development was in his fidelity to doing things right the first time and with the highest levels of professionalism and personal conduct.

He was a pro at what he did and he modeled it both personally and professionally all the time.

Look around your own bank.

Do you see Charlie's descendants among your credit support staff members? Do people who were trained by people like him populate your lending line?

If the answer is no, or if you're not sure, that makes my point that if you don't have a Charlie as a mentor and an example to your lenders and credit staff you need one.

Unhappily for our industry, people like Charlie are increasingly rare.

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.

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