CENTURY-OLD BANK BATTLES BACK TO PROFITABILITY IN SEVIERVILLE, TENN.

Tools include relationship building, and a nifty idea about bank pens

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Sunrise over the Smokies, part of the latest itinerary for the "Banker on Wheels." While visiting this part of Tennessee, the Mariks came upon Sevier County Bank, which has one or two tricks up its sleeve worth reading about, plus a neat historical story to tell.

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New to this blog? After he hung up his president hat, bank chairman Larry Marik, and his wife, Mary Ann, decided to sell their house, buy a Winnebago, and see more of America. They are now blogging about what they see about banking for ABA Banking Journal. Read more about the Mariks in "Chairman of the Open Road." and "Saxophone In The Moonlight Of The Sonora."

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OK, so now we've experienced it, and we can say for sure that "Southern Hospitality" is real. August was our "Tennessee month" and from Memphis to Chattanooga to Knoxville, we met friendly people who genuinely wanted to help and insure that we enjoyed our time in their state. One of our Tennessee travel goals was the Great Smoky Mountain National Park, so we headed for Sevierville, a community at the entrance to the park.

Visiting Sevierville, Winnebago style

Founded in 1795 and incorporated in 1901, Sevierville was named for John Sevier, the first governor of Tennessee. It is the eighth-oldest community in the state. Today there are 15,000 residents in this friendly community. Its striking courthouse was built in 1895-96. In the early days, Sevierville's economy was based on agriculture, but with the dedication of the national park, residents of Sevierville and Pigeon Forge saw a new opportunity.

Tourism is now the mainstay of the economy. People planning to spend time hiking in the park need places to sleep and

eat. There are over 9 million visitors a year, and 85% of them return. All those tourists headed for the park go right through Sevierville. Sevierville lives up to its logo: "Your Hometown In The Smokies."

The recent economic downturn didn't have the same effect on this region because it's a gas tank destination. Instead of flying to a distant vacation spot, families load up the car and drive to the Smokies.

Incidentally, Sevierville is the home of Dolly Parton. Among other philanthropies, Dolly sponsors a program that enables eligible Sevierville high school graduates to attend college.

We camped near Sevierville in the Tennessee Valley Authority campground on Douglas Lake. And then we went bank hunting.

Customer went "whole hog" for his bank

Now, we don't often arrange our bank visits ahead of time. Usually, we just drop in. So we "just dropped in" on Sevier County Bank, and we immediately felt welcomed and at home. We could tell that the bank was proud of its history because in the lobby were articles displayed from the bank's past 100 years.

With a combined investment of $30,000, 51 men and one woman founded Sevier County Bank on March 9, 1909. The bank withstood the Great Depression when many other banks were forced to close their doors.

Sevier County Bank's competitive challenges have deep roots, going back to its founding. Ads like these were part of an early rivalry between the "old bank" and "the new bank." Read more about this in a two-pager from Sevier County Bank.

Sevier County Bank withstood the rush to withdraw deposits because of direct intervention by the bank's Board of Directors. Board members stood in the lobby with cash displayed in a cage made of chicken wire so the bank's customers could see that the bank had money.

Luther Robertson, a customer well-known to the community, also was instrumental in keeping the bank open. He had just sold some hogs. Customers standing outside watched him bring his check to the bank. Instead of cashing it, he deposited it. People could see that he still had faith in the bank.

Tennessee is a state with many independent banks. Greg Gonzales, the state banking commissioner, is very supportive of community banking. Sevier County Bank has five direct competitors that are locally-owned.

We were fascinated by the history, but we became fascinated by the bank's forthcoming and frank new leader, Matt Converse, a man with a very defined management philosophy.

Sevier County's battle back to profitability

Sevier County Bank is now facing another challenge. The business side, which for Sevier County Bank is hotels and gift shops, remained strong during the economic downturn, but the second home market dried up.

"When Florida dried up, Sevierville dried up," said Matt Converse, who came to the bank as president and CEO in October 2011. Community banks are tied to their communities, so the bank has had its issues--it's coming off three straight years of losses.

Why is this water cooler bottle filled with pens from other banks? Read about Matt Converse's unusual competitive gambit below, after you read the main article.

But Matt has a plan. When he first arrived at the bank he spent two and a half months assessing people, and at the end of the year, he did a reorganization. Sixteen people now have totally different jobs.

"The FDIC examiners saw a shift with my arrival," Matt explains. "I believe in hiring talented people and empowering them to make decisions. I would put my executive team up against any. I'm pleased with the pro-active nature of our team. There is some overlap, so we have great discussions and come up with some unique solutions that may not have occurred with any other team."

The gearshift took some getting used to. "It was tough for employees at first when we started to empower them," said Matt.

Atypically, Matt comes from the audit side of banking. "It's not the department that makes you money," he notes, "but it's the department that can save you money."

"I would have said that it would take three to five years to turn things around, but I've been here a year, and we turned a profit last quarter," Matt told us. "We're as liquid as we've ever been. We're well-positioned for an increase in rates."

A key shift has been one of attitude: "Our goal is to be relationship focused; before the bank was transaction focused."

Matt Converse came to Sevier County Bank’s leadership from an audit background, but he thinks like a marketing man.

The business plan: unbreakable ties to Sevierville

Is Sevier County Bank focused on its community? "Yes," says Matt. "It's not published, but our internal mission statement is ‘To keep our community in business.' A large bank doesn't have the same stake in a community as a community bank."

Matt's long-term goals for the bank are classic, yet critical.

"It comes back to us being the trusted financial advisor to the small business person," Matt explains. "The banker has the same obligation as a doctor or a lawyer. The role of the community banker, especially in a market like this, is to ask the questions to learn what the customer needs. If the customer owns a go-kart concession, that's his skill--not banking. Build the relationship. Do this, then you'll be risk-worthy."

The bank employs 75 people at its main office and five branches, and is $319 million in total assets.

"I want to be above $4 million in assets per employee," says Matt. In the second quarter the bank passed that mark, and Matt's challenge will be holding in that sweet spot.

"There's no shame in saying the bank has had troubles, but we have a plan," Matt explains. The four points of the plan:

1. Get the management team in place

2. Raise capital

3. Divest the bank of non-earning property

4. Get back to quality lending

Carved in stone, for keeps

As we were leaving that day, we met Chuck Atchley, executive vice-president, coming back from lunch. Chuck pointed to the bank's name, carved in stone above the entrance.

"We did that on purpose," he said. "We're not for sale. We're not going anywhere."

Management says Sevier County Bank isn't going anywhere, so they carved the bank's name in stone."

Sevier County Bank has been through some tough times in its history, but with the spirit and resourcefulness of the bank's leadership, it will weather this current situation.

Sevier County Bank's logo says it all: "Over 100 Years Strong".

And by the way, we've seen many hobbies and personal interests as we've traveled the country, but this is a first for us: A banker who has actually been involved in the movie industry. If you ever happen to see the independent film Familiar Strangers, we know someone who helped make that movie happen: Matt Converse, a man with a passion for banking and a passion for movies.

Strong banks make strong communities.

Why are all of these pens in the lobby of Sevier County Bank? Matt Converse grew tired of seeing his competitors' pens at stores and restaurants. He started picking them up and replacing them with Sevier County Bank pens. He then made it a contest for his employees. Monthly rewards were involved. You can read the rules below. A larger version can be seen by clicking on the photo below.

Keep your eyes peeled, should you see a huge black, tan, and steel Winnebago Journey roll through town or pass you on the highway. The Mariks will be displaying this poster as they search for stories for their blog.