
Some Words of Advice To Young Lenders Trying To Get It Right;½And To Those Who Can Help Them Do So

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The credit quality results of the last few years are particularly discouraging to those who are charged with the responsibilities of maintaining their bank's portfolios relatively free of problems. No human effort can ever be perfect. But the results, particularly at the larger banks, have been so wide of the mark that it seems as if there's been a systemic failure of risk management, including credit underwriting.

What happened? Is credit training no longer taught with the same thoroughness that most of us grew used to?

Something that concerns me and some of my contemporaries in banking is this: How do young people learn the right lessons these days, particularly if the traditional systems don't seem to produce sufficiently consistent results? How does a young man or woman, desirous of doing the right thing as a lender, and proud of having the respect of colleagues and superiors, possibly learn the "right way" of underwriting credit?

My advice to any of you who are concerned about both what you are learning and the way you are learning it is as follows: Figure out who the best credit people are in your bank, and find a way to learn from them. Who has the respect of everyone? Who runs a clean personal loan portfolio? Who do peers and juniors go to for advice and suggestions? The list can be longer than this but you get the idea.

Many years ago the president of my bank at the time, which was then the largest commercial bank in Florida, said that the one of the most important roles of a mid-level or senior commercial lender is to help bring along others who are newer to the journey.

I never forgot that and it changed my behavior in two important ways.

First, I made it a point to figure out who I considered to be the best lenders, wherever I was, and why I considered them to be good at their jobs. I observed them and tried to learn how and why they were good at their jobs.

Second, as I moved up the career ladder in experience and responsibility, I tried always to remember that the younger staff members needed mentoring—and in fact crave it. Some of the most satisfying things from a career point of view have been the people I’ve helped and their appreciation for the helping hand.

Many lenders derive great satisfaction from helping their customers grow their businesses. I hope at this time of great industry turmoil that we collectively recognize our responsibilities to those younger staff members within our banks. They are no less deserving than we were at similar points in our professional development.

It’s not enough to just know what the loan policy says. It has to be modeled as well.

About Ed O’Leary:

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