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Take it to the bank

Local lenders are doing just fine, thank you

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While Wall Street banks have been dramatically impacted by the current financial crisis, Main Street banks are enjoying business as usual by continuing to make loans and witnessing growing deposits.

A recent survey by The Independent Community Bankers of America shows that a majority of community bar have witnessed an increase in deposits as a result of new customers, while only 17 percent sa customers draw down deposit accounts.

In surveying 743 community banks to determine how the finar cial crisis has impacted them, the findings showed that while the crisis affected banks of all sizes and in regions, communi- banks continued lend and are faring better than larger banks.

The survey also showed that community banks are acquiring new customers at a faster rate than before, as 57 percent saw an increase in new retail customers during the third and fourth quarters of 2008 compared to the first half of the year. Approximately 47 percent of banks surveyed also saw an increase in new business customers.

Kyle Thomas, president and CEO of Seneca National Bank, said the fact that community banks are locally headquartered enables bank officials to get to know their clientele in a personal way.

"With community banks, you deal with decision makers," Thomas said. "My lobby is on the first floor of the bank and to be able to look a person who is the CEO in the eye and ask questions one-on-one is dealing with a company several time zones away."

Thomas said another factor is that his bank, as with most community banks, never made the first subprime mortgage loan and similar types of loans that negatively impacted the larger banks. He compares the situation between corporate banks and community banks to football, adding, "They're running a lot of complicated plays, and we're just sticking with the basics of blocking and tackling."

Glenn Buddin, chief executive officer of the Blue Ridge Bank of Walhalla, said most community banks operate conservatively, have strong capital levels that support any economic downturns and have high ings from rating firms.

"Even though we're FDIC insured, as are most banks, people are also paying attention to the safety rating of the bank," Buddin said. "Most depositers are fleeing the large chain banks and going to community banks where they have a stronger safety rating."

Buddin said firms such as bowerfinancial.com and bankrate.com rate banks based on their strength and capital, especially their con-

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servative banking policies and the manner in which they conduct business. He said people researching banks have come to realize that community banks are the heartbeat of the financial system.

"Until this year, I never had a customer come to me because we are a five star bank rather than the two star bank they were at, even though that bank was FDIC insured," he said.

Curt Evatt, senior vice-president and assistant secretary for Oconee Federal Savings and Loan, said the key word for the success community banks are enjoying is found in "community."

"You know your customers, you know who you're making these loans to," Evatt said. "Our focus here has always been Oconee County."

But rising unemployment (Oconee County has a 13 percent rate) is a concern to all bankers big and small.

"Unemployment is the factor that affects all of our customers, not just an individual, and it also affects commercial businesses," said Fred Shepherd, CEO-President of Community First Bank headquartered in Oconee and which serves Oconee, Pickens and Anderson counties. "The Upstate is a good banking market that will survive, but this state was the second highest in the country in unemployment (in January)."

While Shepherd doesn't feel any bank has gotten out of the business of lending money, especially in the community market, he admits the rules have changed. He said banks are returning to stricter loan standards, such as requiring a down payment and equity.

"The biggest thing to us is whether it (loan) can be paid back," Shepherd said. "We look at whether the customer has too much debt, whether what he is proposing to do with the money makes sense and whether he can pay it back. We have a responsibility to our shareholders to make sure those we make loans to pay them back."

Thomas said the laissez-faire attitude toward lending of the larger nationwide banks is what caused the problems they are now experiencing.

"People have been borrowing far more money than they were allowed to borrow with literally no documentation required," Thomas said. "But what has enabled our banks and others across South Carolina and the nation to succeed is sticking to our niche — not going outside our market.

"It's a recipe for disaster when you take a community bank and venture way outside your market area to make loans you have no business making."

It is their adherence to conservative banking philosophies, coupled with the one-on-one relationship with customers that has enabled community banks to thrive during this time of economic uncertainty. While officials admit times are tough, they feel that things will eventually improve.

"I see the economy for banking in the Upstate of South Carolina in general, especially community banks, as having a bright future," Shepherd said. "2009 won't be a great year in our bank, but if the real estate market stabilizes, we think 2010 will be a decent year."

Thomas said deposits at his bank have increased significantly during the past six months, and there is more liquidity than ever.

"We're starting to see a dramatic uptick in applications to purchase new homes and refinance," Thomas said. "Since this time last year and during the early summer of 2008, the market has been very stagnant, but we're starting to see activity pick up. We're not at the level we were three to four years ago, but we're starting to see some movement."

While Thomas said houses marketed at $500,000 and up "kind of fell off the cliff and stopped selling altogether," he added that the market "is good" for homes $300,000 or less.

"It's a good time to be a community bank right now, because people trust us," Thomas said, adding that checking accounts, savings accounts and money market accounts increased 20 percent at his bank from Dec. 31, 2007 to Dec. 31, 2008. "We have more liquidity than we ever had, so it's a good time to get a loan."

Blue Ridge Bank of Walhalla is parlaying its success by expanding into the Bountyland community, with a fall opening presently scheduled. Buddin said the decision-making process behind the expansion is another example of the community banking philosophy.

"This is the first expansion we've had since 1983," Buddin said. "We're not a fast growing institution, but a smart growing institution. This has been in the works for years, and our bank is set up in a way in which we're insulated from what the economy does. We're just trying to position ourselves for when the economy does turn around, so that we will benefit."

As one of the oldest banks in Oconee County, recently celebrating its 85th birthday, Evatt said the company that began as Seneca Building and Loan to Oconee Savings to eventually Oconee Federal Savings and Loan will continue to thrive.

"We've got a good core group of depositors who have just been loyal to us — hopefully because of the good service we've provided," Evatt said. "We're still making loans and have funds available to lend to the homeowner."

Simply put, Buddin said community banks "do things the way they ought to be done."

"If the big chain banks were doing that, we wouldn't have this problem to begin with," he said.



Jessica Nelms/Staff

Construction at the new Blue Ridge Bank in Bountyland continues Friday morning despite the cooler temps and looming rain. The project is scheduled for completion in August. It's just one more sign that local banks are weathering the nation's economic storm quite well.