

## Financial times, bailout affecting lending For now, it's 'steady as you go' for most area banks

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## THE BANK OF northern michigan

As Americans wait on news of a House vote on a reworked version of the federal bailout, area bank lenders acknowledge greater stringency in underwriting decisions but also say it's mostly business as usual.

"There are changes that are happening for all of us in the banking world," says Jeffrey Hickman, Community President of Citizens Bank. "Not the least of which is loaning decisions...it's a volatile world, I think everyone would agree."

A greater diligence in loan underwriting has taken place over the past several months at some area banks — not just in recent days and weeks as the more signs of a faltering economy have made news. As a result there's a greater cost to consumers to obtain a loan, and qualifications in the loan process are more stringent. At Citizens, for example, loans that had been given at "Prime plus 1" changes to "Prime plus 2" in the past 90 days, Hickman said.

Though TBA Credit Union operates differently from traditional banks given its member-cooperative ownership, CEO Karen Browne said, "We've taken a second look at things over the past two months."

When customers call with questions and concerns about current market conditions, TBA refers them to the web site [www.ncua.gov](http://www.ncua.gov).

At Irwin Union, a more diligent underwriting process has been in place, "going on a better part of nine months to a year," said Regional Market President Randy Williams. Even so, Williams pointed out that "in some markets it's more stringent than others." For example, within the oil and gas industry, in which Irwin Union has customers, a fair amount of loan activity is taking place.

Also, banks are boosted in their loan processes by working through the Small Business Administration or the United States Department of Agriculture.

"They have a lot of products that I think small companies can and should be taken advantage of," Williams said, of the SBA in particular. "In this credit environment, these products mitigate the increased diligence in underwriting going on."

Several local bankers said diligent loan writing is simply how they conduct business in northern Michigan.

The Bank of Northern Michigan has maintained a consistent approach to underwriting commercial, consumer and residential mortgage loans over the past eight years, said John Paul, Executive Vice President and Traverse City Market Manager.



"This consistency has allowed us to make loans during these uncertain times," Paul said. "Our decision-making process remains focused on the time-tested elements found with every opportunity to extend credit."

While possibly seen as conservative during booming economic times, he said, this credit management philosophy has resulted in

"excellent asset, or loan, quality, a very strong capital position and a strong level of liquidity..."

Dick Jackson, Executive Vice President at Northwestern Bank, shared a similar sentiment, saying the bank maintains its "steady as you go" means of doing business.

"We haven't really changed anything as far as how we approach lending," Jackson said. "We continue to be prudent." A steady, more conservative approach in turn is ensuring a brisk pace in underwriting during these uncertain times.

"Our commercial lenders are very busy," Jackson said. "What we're seeing," said Mike Witkop, Vice President and Sales Manager for community banking at The Huntington National Bank, "is the fruits of our discipline."

Huntington maintains a "judicious process," which Witkop said adds value to the bank's borrowers. "It's important to us that we take care of our current customers and the people we have relationships with," he said.

Huntington also is reaching out to prospective customers, said Daniel Spagnuolo, Senior Vice President of Traverse City community lending for Huntington.

"We are looking at new business, at people who have a total relationship with us," Spagnuolo said.

A spokesperson for Chase, which has three Traverse City locations, said, "Chase is one of the strongest, most well-capitalized banks in the nation, with \$2 trillion of assets," said Mary Kay Bean. "We are dedicated to being there for our customers, especially during challenging times."