

Open For Business

If you listen to the 6:00 o'clock news every night it is pretty easy to become downtrodden by the reports of financial crisis, bailouts and pending collapse of our financial system. Without a doubt we are in a recession that is as deep as we have seen for generations and the National Bureau of Economic Research recently confirmed for us that we have been in the grips of this recession since the beginning of 2008.

On the other hand, bank regulators, have recently issued an interagency policy statement to regulated banks reminding us of our fundamental role in the economy as intermediaries of credit to businesses, consumers, and other creditworthy borrowers. The Interagency Statement provides that, and I quote, "it is imperative that all banking organizations and their regulators work together to ensure that the needs of creditworthy borrowers are met and that each individual banking organization needs to ensure the adequacy of its capital base, engage in appropriate loss mitigation strategies and foreclosure prevention."

As community bankers we are managers of risk and one of the greatest risks that we assume is credit. Credit risk is defined in general terms as the risk a bank assumes when lending money and the potential that we do not receive the proceeds of a loan, plus interest, upon maturity of the note. As previously mentioned since one of our primary roles as a financial institution is to lend money and it comprises over 75 percent of our assets we spend a considerable amount of personnel time working with our customers to ensure the responsible use of credit. It makes good business sense for us to do so and as I've said many times as community bankers our success is dependent on the success of our local community and customers.

The Interagency Statement encourages banks to make loans to creditworthy borrowers and hints to the fact that some bankers may not be doing much of this currently. Certainly the news is full of stories of financial institutions that have retrenched as a result of the current economic environment. My message to our customers, our community and our employees is that "we are open for business." We have built our capital base, we have employed loss mitigation strategies and we stand ready to meet the legitimate credit needs of our community.

