



"If" for Bankers

By: Paul J. Thompson- President and CEO of Country Club Bank, and MBA Chairman

About 20 years ago, I was boarding an airplane upon returning from a strategic planning conference. I had just taken my seat about 2/3 of the way toward the back of the plane when I noticed a small amount of smoke or condensation coming from the A/C panel above my seat. Not knowing for sure which it was, I brought it to the attention of the rear flight attendant.

A small burst of smoke appeared when a maintenance man, having been summoned by the attendant, removed the panel.

Immediately, the flight attendant picked up the rear microphone and said, "Ladies and gentlemen, we need to evacuate the plane. Please leave all your personal belongings behind and exit the plane." With that, in a calm and orderly fashion, people began leaving the plane—but, of course—they all paused to grab their personal belongings.

Noticing that this was delaying the process, she returned to the mic and beseeched the passengers---this time more urgently, "Ladies and gentlemen, *please* leave your personal belongings aside and exit the plane!" Although impressed with the overall sense of order maintained by the passengers, the tone of her voice began to increase everyone's sense of anxiety.

Passengers continued to exit the airplane but, not surprisingly, continued to pick up their belongings.

I thought I would get off the plane without incident until the now-obviously-shaken flight attendant screamed over the PA: "PEOPLE, GET OFF THIS PLANE!!...HAVEN'T YOU EVER SEEN ONE OF THESE THINGS BUUURRRN?!!!"

Okay, *now* I was scared—not so much for being burned alive but for fear of a new and more imminent danger that the flight attendant had provoked: the fear of being trampled to death.

Ironically, the person who was supposed to have been in control and provide a calming influence actually created a more dangerous situation. And, although the flight attendant had apparently missed Rudyard Kipling's "If" instructions (i.e., "if you can keep your head when all about you are losing theirs..."), fortunately most of the passengers had not as we continued to de-plane without incident (the plane never caught fire).

What does this story have to do with our present banking environment? Bankers, regulators and yes, even politicians, need to be voices of reason and reassurance to quell the fears of others. While we can't control others, bankers need to "keep their heads about them".

Please do not take a page out of U.S. Senator Charles Schumer's (D-New York) playbook who many blame for nailing the coffin shut on IndyMac Bank in California.

His words provoked a run that not even an agitated flight attendant—on a smoking airplane containing 10,000 gallons of jet fuel—could incite.

There is no question that IndyMac was *sick* with credit issues, but it *died* of liquidity issues.

As OTS Director, John Reich, pointed out in a recent New York Times article, "When a U.S. Senator makes comments questioning the viability of an institution, it frightens people." How much? According to government sources, IndyMac had been receiving net inflows of money from depositors before the Senator's published letter; after the release of the letter, customers withdrew \$100 million a day, or a total of \$1.3 billion. Words matter.

Please reassure your customers that the industry is still very strong and that we have witnessed, and withstood, tougher times. Consider the following which was related at the ABA's recent summer meeting for state association executives and officers:

- 3/31/08 industry capital/asset ratio was 10.34% compared to 6.45% in 1990;
- The FDIC had **90** banks on their problem-bank list as of 3/31/08 and although that number was expected to increase by June 30th, there were **1,496** such banks in 1990;
- As of July 31st, **7** banks had failed in the U.S.; **382** banks failed in 1990.
- Since its inception in 1933, no bank customer has ever lost one cent of their FDIC-insured deposit.

Bankers also need to educate every one of their employees with these facts. Whether they have direct customer contact or not, your associates are being asked what's going on at their bank. Responding "I don't know" or "they don't tell me anything" doesn't exactly conjure up feelings of confidence and stability.

Like the passengers on my plane who looked to the airline flight attendant to provide clear communication and calm leadership under difficult circumstances (and she failed on the second front), people rightfully look to bankers to do the same.

In order to mitigate the over-reaction and hype portrayed by the media, politicians and others, bankers need to be unambiguous as we communicate the strength and security of our industry.

Let's try to remind our customers, through our actions and communications, of the words from—dare I say—a more responsible former Democratic New York Senator who, later as President and in response to his own economic challenge of the times, would assuage the fears of a nation by pointing out that "The only thing we have to fear, is fear itself".