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Savannah bankers weigh in on bailout

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As lawmakers in Washington continue to hash out details of a huge proposed economic bailout, Savannah area community bankers talked Friday about how they think the federal action will impact the banking business and customers in Savannah.

Brian R. Foster, chairman and CEO, First Chatham Bank

"My feeling is that Washington is catering to Wall Street at the expense of Main Street. Community banks did not participate in this carnage by the big investment banks, but we are getting penalized nonetheless. The media tends to refer to the big Wall Street investment firms as 'banks,' and then consumers lump us in the same category.

"There has never been a loss on an FDIC deposit, and the FDIC fund comes from banks through the insurance premiums we pay. What we pay this year more than tripled, and it will go up again. This is not taxpayer money!

"The guarantee of the mutual fund money market accounts is also reckless, and we oppose that. The investment firms that operate them don't pay FDIC insurance. The Treasury bailout may be necessary, but nobody really knows. It should be structured in a way that the taxpayers have an opportunity to get their money back when the market turns.

"First Chatham Bank owns no preferred stock of Fannie or Freddie and no subprime mortgages. We are classified as 'well-capitalized' by our regulators and are listed as a Four Star bank - one of the highest ratings in our market - by the nationally recognized bank rating firm Bauer."

Tom Wiley,

president and CEO, The Coastal Bank

"The Coastal Bank has no ownership in and consequently no exposure to the investment decline of Fannie Mae or Freddie Mac. However, the Fannie/Freddie takeover, as with most government intervention, created some unintended consequences affecting many banks' capital accounts across the country.

"The Coastal Bank and, in fact, all of Georgia's main-street commercial banks are vastly different from the Wall Street entities currently embroiled in the proposed bailout. Our business is very fundamental - we gather deposits and make loans to support our businesses and people in our communities.

"That said, the trickle-down effect of the proposed rescue of investment banks has a profound effect on our coastal communities.

"Frozen credit markets have a significant impact on all of us. Businesses of all sizes rely on short-term credit to fund their day-to-day needs. When that supply is cut off, the lack of funding extends to creating layoffs of employees and reduced production within the business.

"From a real estate perspective, community banks were not in the subprime lending business, but have been wrongly lumped in with mortgage loan companies and investment banks in creating the housing crisis. However, many Georgia banks and their customers are struggling because of real estate construction loans, developed lots and raw land. To my knowledge, the current plan has made no provisions to provide direct relief to Georgia's community banks.

"There has been some discussion of empowering bankruptcy judges to alter mortgage terms, including reduction of principal of the loan. This provision would significantly increase risk to banks and further tighten credit to even the most qualified borrowers."

John C. Helmken II, president and CEO, The Savannah Bancorp

"As the largest community bank in the market, Savannah Bank is well-capitalized and profitable. Like most community banks, we don't deal in subprime mortgages, and we don't have balance sheets full of complex instruments whose stability is suddenly in question.

"Our primary purpose is to take in deposits and make loans. As people go through these tough times, our job as a community bank is to step forward and support them.

"Savannah's community banks started addressing these issues more than a year ago while the big investment banks were still busy insisting that everything was fine, using smoke and mirrors to

prop themselves up. The early signs, especially in the real estate arena, were there. And, while most of us didn't expect the crisis to reach the depths it has, we did expect it to be prolonged.

"Now, I think we're better equipped to help our customers understand and get through this shaky period. Our customers help us keep our finger on the pulse of the community. People are concerned, and they should be, but we also want them to know that, when it comes to ensuring the safety and soundness of their money, there is no place better than an FDIC-guaranteed bank.

"As far as the direct impact on community banks, I don't think we'll see one, although there will be indirect effects. Certainly, if the resulting plan ends up stabilizing the housing and credit markets and restores confidence, that will be a good thing - as long as that plan is well-managed."

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