**Independent Banker**

**From the top**

**July 2022**

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“Working through any difficulty or crisis at your community bank won’t be a walk in the park, but it may lead to an experience for which you’re truly grateful.”

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**Brad M. Bolton**

Chairman, ICBA

*Brad M. Bolton is president and CEO of Community Spirit Bank in Red Bay, Ala.*

As a community banker, you’re either going through a crisis or you’re preparing for one. Back in the late ’90s and early 2000s, our bank faced a significant challenge around loan quality. It stemmed from two major factors: 1. Getting too lax in our underwriting and 2. Making too many concessions to build business.

I was young in my career when this took place, but being part of that experience set the stage for how I lead today. It’s like throwing a rock into a pond when you’re dealing with credit quality issues: The ripple effects are real, leading to issues in all areas of CAMELS (capital adequacy, asset quality, management, earnings, liquidity and sensitivity). And today, CAMELS are a main area of focus for our bank.
In addition, weathering this storm exposed the importance of procedures. We brought in a consultant to help us enhance our loan policies, which are still in use today. In fact, we now manage our loan decisions by asking, “What would an independent third party do if they picked up this file and tried to understand the decision?” and documenting accordingly. That mindset forces us to think through every decision critically.

How we work with regulators also was firmly shaped by this experience. Building trust with examiners became so important that when I was promoted to senior lending officer in 2005, I made it my mission that they wouldn’t uncover a problem I had not already identified. When examiners came in, I told them upfront what the issues may be and how I was managing them. Over the years, that transparency has led to a mutual trust and respect.

Working through any difficulty or crisis at your community bank won’t be a walk in the park, but it may lead to an experience for which you’re truly grateful. In my case, we came out stronger, and when the 2008 crisis came along, we got through unscathed, because we had already buttoned up our loan operations.

So, as you read this month’s lending issue, I encourage you to consider what steps you can take to be stronger and better. Could you work more closely with your examiners, keeping your relationship manager informed of changes in the portfolio, even between examinations? Could you tighten up on business expansion? Is there education or training at ICBA Community Banker University that can help? Asking these questions may be hard, but I can attest to the fact that the answers will lead you to create an even better version of your community bank.

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**My top three**

**Tips for a strong loan portfolio**

1. Know your limitations in terms of expertise—and pass on loans that don’t fit.
2. Adhere to the “5 Cs of underwriting” (credit, capacity, character, collateral, conditions).
3. Manage loan portfolio relationships proactively after the loan is funded.