



YOUR MONEY IS SAFE:

WHY CENTRAL PENNSYLVANIA'S COMMUNITY BANK CUSTOMERS SHOULDN'T WORRY

By Patricia A. Husic

When a 90-year-old with 65 years of business success and significant accumulated wealth calls his banker and questions the security of his money, the reality of false perceptions leading to a loss of confidence in banks takes firm hold. A *New York Times* headline announces, "Worried Banks Sharply Reduce Business Loans" and *The Wall Street Journal* redoubles, "Bank Troubles Spur Jitters Among Customers."

With alarming frequency, print and online stories describe the unpredictability of America's banking industry. The names are big and the losses are bigger. However, for every trend, there is a countertrend, and it is precisely within this environment that a community financial institution like Centric Bank thrives. The lending power of a global bank is powerful; but the lending power of a community bank is powerful, immediate, and fairly insulated.

In the last two weeks alone, I have personally answered more than a dozen phone calls from concerned customers. They're responding to the buoyant daily stock market fluctuations, the loan percentage plummets, and regional layoffs from large, once-solid companies like Harley Davidson. Some of these customers were living in 1933 when 11,000 of the 25,000 banks in the United States failed and the economic landscape brings back long-suppressed memories.

But our environment in 2008 is starkly different. Whether you're a long-time retiree living off of investment income, an Echo-Boomer trying to decide on the best place to put your hard-earned capital, or a Millennial with a fledgling financial portfolio, a community bank is an extremely safe place to deposit your money and to borrow from.

As any wage-earner and investor will agree, one of the most critical components to a quick and sustainable financial upturn is confidence. Can you have confidence in your 6,736 community banks nationwide? Absolutely. Here's why:

- 1. We do not issue high-rate, sub-prime loans.** Banks are shut down by regulatory bodies, such as the Office of the Comptroller of the Currency (OCC) or the PA State Department of Banking, when they cannot meet their financial obligations for the next



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business day. As was the case in all seven bank closures this year, they assumed large amounts of risk by offering high-rate, sub-prime loans, and consequently the bad loans and loss of capital left them financially vulnerable and too weak to recover.

2. **We do not gamble with our shareholders' or customers' investments.** Centric's shareholders live in Pennsylvania. If we make unwise, high-risk loan decisions it will directly affect the people we live and work with. Your deposits are safe not only with our FDIC coverage, but with our Certificate of Deposit Account Registry Service (CDARS), which provides for coverage up to \$50 million on certificates of deposits.
3. **We are committed to local business.** When many global banks begin to say no to business loans, the community banks are still saying yes. More than 70 percent of our loans are to small business owners—that's a fact we're extremely proud of—and we provide for "calculated" risks for our commercial lending. We understand that small businesses are the economic engine of our economy. When small business thrives, families, communities, and regions thrive. A community bank's competitive advantage is the strong personal relationships formed with its customer base. Strongly pro-growth, community banks connect faces to the loan numbers and invest significant energy and resources into helping entrepreneurs and business builders grow and create jobs.
4. **We do not divert from our core strengths.** When "thousands of U.S. banks and thrifts strayed far from their roots, pushing into unfamiliar products and geographic areas that were tied to the unprecedented run-up in housing prices," they overextended and suffered a crisis ("Bank Failures," WSJ, July 28, 2008). Community banks, which comprise 93% of the financial institutions in the U.S., by virtue of our size and deep "roots," don't stray from credit underwriting standards and policies. For investment products, we look for a steady yield and bank qualified investments. The investment portfolio for a financial institution should be supplemental income rather than the core revenue stream, such as loans. A strong bank has excellent risk management practices, good asset liability management, and strong capital ratios.
5. **"The buck stops here,"** to borrow former President Harry Truman's motto. We recognize our responsibility to issue good loans. Our foundation is firm, and we exist on the strength of good lending practices. Most community banks do not sell the bulk of the loans they issue, so they remain very concerned about the customer's ability to repay the loan. When large amounts of loans are sold, banks become less concerned about who and how the payments are made—it becomes someone else's problem. At Centric, our loans have increased by 35.2% in the past year. We were there at the beginning of those loans, and we plan to be there at the end.

A community bank's foundation is built around people, not protocol. We are partners in our customers' personal and business financial growth, and an integral part of the community. We will continue to have a strong hand to play in our region's economic backbone—your money is safe in central Pennsylvania.

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