

AMERICAN BANKER[®]

THE FINANCIAL SERVICES DAILY

Monday, January 5, 2009

The 'B' Word: Tackling Tarp's Image Problem

■ BY MARISSA FAJT

Rusty Cloutier has heard the word "bailout" more often than he can stand.

In the months since the Treasury Department began distributing funds through its Troubled Asset Relief Program, Mr. Cloutier says his frustration has mounted every time the program has been described, loosely or otherwise, as a gift of free money that banks are choosing to hoard.

So Mr. Cloutier, the president and chief executive officer at MidSouth Bancorp Inc. in Lafayette, La., is hitting the road this month with other company executives to play host to a series of town hall meetings in Louisiana and Texas. The plan is to deliver the following message to current and prospective customers: "We have \$200 million to lend in the next six months."

Mr. Cloutier's town hall meetings are part of a wider public relations offensive by the banking industry aimed at addressing public perception about the Treasury program, which has come under fire for failing to quickly stimulate the economy.

Last week, the American Bankers Association issued a fact sheet to members with talking points noting, among other things, that the money is being awarded largely to healthy banks and that it must be repaid, with interest, at a potential



Alan B. White, Chairman & CEO,
PlainsCapital Corporation

aggregate profit to the government of \$45 billion.

Another one responded to criticism that banks are not lending the money quickly enough. "Regulators are asking for tighter lending standards, and no one will benefit from the making of bad loans," the ABA said.

Out in the field, bankers are spending more time than usual with customers — and reporters — talking about the concept of leverage and explaining why it could take months or even years for banks to fully deploy Tarp funds.

George W. Hamlin 4th, the president and CEO at Canandaigua National Bank and Trust in New York, has written a guest column for a local newspaper and

appeared on local radio to try to correct coverage of what he says "is a gross misrepresentation" of the Treasury's investment in banking companies. His bank, with \$1.5 billion of assets, has applied for \$20 million from the Treasury.

"It seems like the media reporting this are generally 90% inaccurate and 10% accurate," he said. "They pander to the public by misrepresenting it as a gift. This is preferred stock with strings attached."

Alan B. White, the chairman and CEO at the \$4 billion-asset PlainsCapital Corp. in Dallas, has been talking to the press often since the company got \$87.6 million in Tarp funds in mid-December, in an attempt to clarify the "confusion" about which banks are eligible for Tarp money and how the funds are being used.

One perception banks are fighting is that they accepted the Treasury money because they are weak. Mr. White said that banks themselves have reinforced the stigma by running advertisements announcing that they declined to participate in the "bailout."

"I am, like, 'Wait a minute; it wasn't bailout money for me either,'" said Mr. White, pointing to PlainsCapital's strong capital ratios. "I call it opportunity capital."

Mr. White said his Tarp money would be used to both beef up existing business lines and move into categories of lending

— including jumbo mortgages, student loans, and credits to municipalities — where it sees opportunities.

The \$87.6 million it got will generate about \$1.2 billion in new credit, he said, but in interviews with reporters, he has stressed that the money would be deployed during about two years, not overnight.

The \$1 billion-asset MidSouth has gotten approval for \$20 million from the Treasury, which it expects to leverage into \$200 million of loans.

Loan growth at MidSouth has slowed in recent quarters because customers in the energy sector were flush with cash and did not need to borrow.

But with energy prices, and energy companies' cash reserves, falling, MidSouth's Mr. Cloutier said he expects

demand to pick up. In the town hall meetings, he intends to tell customers not to believe what they are reading about banks being reluctant to lend.

"We are trying to get out [word] that business is normal and [that] we have been trying to increase our loans," he said. "We want to send a clear message that banks are lending."

John Hall, a spokesman for the ABA, said it is a good idea that executives at banks that have received Tarp money are meeting with customers to "explain the very specific reasons for taking the money."

"The most concerned people will show up," he said. "It's a chance to address their questions and concerns head on, directly, rather than reading a headline and not be[ing] able to ask questions."

Steven Reider, the president of Bancography, a Birmingham, Ala., consulting firm, said all banks, whether they have received Tarp funds or not, should be communicating directly with their customers now about the bank's health. A town hall meeting is a good way to do that, he said, but cautioned that it might not be right for everyone.

"If you put yourself out there and say, 'I want to have an open conversation with customers,' then you have to be prepared, and you can't appear to duck any questions — even if they are [far] afield [from] what you set out to discuss," he said. "The worst thing that can happen is, if you set forth in this environment and someone asks you a question, [that] you appear uncertain, evasive, or defensive." ■

