

Training Business Lenders Instead of Recruiting Them

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Like many banking companies its size, the \$2.9 billion-asset Sandy Spring Bancorp in Olney, Md., typically has hired its commercial lenders away from other banks, rather than grooming its own.

But with competition for commercial loans growing fiercer, good lenders are suddenly in high demand and short supply. So last year, when a 20-something lending assistant expressed interest in becoming a commercial lender, Sandy Spring developed a training program for him. It put the young man in a rotation to learn different areas of the bank's operations, enrolled him in a trade group's lending classes, and, after about nine months of training, made him a commercial lender.

More and more community banks are employing similar tactics. Some are implementing in-house training programs, and others are outsourcing, but the aim is the same: developing lenders from within rather than engaging in bidding wars for experienced lenders — and driving up salaries.

"In this marketplace, the competition for even a relatively moderately experienced person is extremely keen," said Peter Hickling, Sandy Spring's senior vice president of credit administration. "The demand is very, very high, and the supply relatively low."

A recent survey conducted by the ABA Banking Journal and the American Bankers Association supports Mr. Hickling's claim. The survey polled nearly 600 community bank executives, and 92% said that finding qualified commercial lenders in their markets is difficult.

And it is only expected to get worse in the next several years as baby boomers retire or reduce their schedules, said Rod Taylor, president and founder of Taylor & Co., a bank-specific recruiter in Atlanta. Many banks abandoned training programs when the economy soured in the late 1980s, so the pool of trained lenders now in their 30s and 40s is relatively small, and competition for their services — especially in growing markets — is intense, he said.

"Today everybody in Dallas, San Francisco, or Washington, D.C., that has lending experience and credit training will get, on average, five calls per week from headhunters," Mr. Taylor said. He added that base salaries for lenders have gone up 10% to 20% in the last three years.

The \$4.1 billion-asset Sterling Bancshares Inc. in Houston saw the writing on the wall and created its own lender training program in 2003.

Not only was it competing for talent with aggressive start-up banks, but "we were realizing we've got a lot of really great lenders who aren't going to work another five, 10, or 15 years," said Wanda Dalton, Sterling's chief human resources officer. "How are we going to replace those people?"

Like a number of community banking companies, Sterling has developed a mentor program in which the trainee assists a senior lender in making calls, analyzing loans, and following up with customers. Most programs use a curriculum from lender training

education, which is often taught in a university-like setting within the bank.

The Risk Management Association develops curricula for in-house lender training. Bill Githens, director of member relations for the group, said interest in its programs increased by about 50% that in the last three years among banks with \$500 million to \$10 billion of assets.

"Bankers know they have to grow their own, because they aren't getting them from down the street and taking them from somebody else," Mr. Githens said.

Perhaps the biggest risk in developing your own lenders is that, once trained, they will jump ship for the highest offer — and take their books of business with them. Sandy Spring's Mr. Hickling said that a bank has to be prepared to protect its investment from being stolen by another bank, and that might mean paying newly trained lenders more than they are worth at the outset.

"The challenge is now that he is out in the field gaining some experience, we are going to have to fight off some of our competitors trying to buy him," he said. "Since we made the investment in him, we can't afford to lose him."

Industry observers said that banks also have to consider that today's generation is different than previous ones. Today's generation aspires for upward mobility, observers said, and if young lenders do not feel they are rising fast enough within a company, they will look for work elsewhere.

"They are much more interested in seeing acceleration for their career, not four or five years from now, but six months," Sterling's Ms. Dalton said. "So we created certification levels in the analyst program to help them feel like they are moving forward in a short period of time."

Not all banks say it is imperative to develop their own lenders. The \$39 billion-asset First

Horizon National Corp. in Memphis discontinued its training program in 2004, largely because it has had no trouble filling job openings with experienced lenders. Greg Smithers, manager of commercial banking for the Memphis region, said that as the industry continues to consolidate, there are plenty of experienced lenders looking to change companies.

"We used to hire people right out of college," he said. "But anytime we have an opening, we generally have a line of people waiting to come work for us. So we are hiring people who already know the fundamentals of lending money. We can teach them the culture, and they can bring existing relationships with them."

Still, some bankers say that a big advantage of developing lenders in-house is that employees are not having to learn a new culture.

Frost National Bank in San Antonio, the \$13.3 billion-asset subsidiary of Cullen/Frost Bankers Inc., developed its Financial Services University in 2000. Each spring and fall trainees from across Frost's Texas network travel to San Antonio to participate in a 10-week course, said Louis Kissling, a senior vice president. The prospects are typically right out of college, and after their stints at headquarters they are paired with mentors at their home branches.

The prospects typically become commercial lenders in about three years, he said.

The university experience is also a time to build internal relationships, which can help with retention after a prospect graduates to loan officer, Mr. Kissling said. Each week the class has breakfast and happy hours Frost executives, and students get to know each other outside of class. "These young people have relationships with the people running the bank," Mr. Kissling said. "They don't just know a name. They know a person."

Sterling recruits two classes of six to 12 college graduates each year to go through on average about 12 months of training before becoming junior lenders. Last year it graduated five new lenders.

Sterling's training program is a constant work in progress. As part of its yearly update, Sterling is working on developing a mentor-certification program, Ms. Dalton said. The certification process would help the mentors work with their trainees more efficiently, and it would help them to recognize signs when lending might not be the best role for a trainee, she said.

"If we have someone in the program that has lost interest, we would rather have the mentor recognize that and get that trainee into another career path within the bank," she said.

Mentors at Sterling take on a lot of responsibility in training new lenders, but they do get some benefits from it. The trainee, often a recent college graduate, helps the mentor with calling on potential clients, analyzing loans, and underwriting, Ms. Dalton said.

The \$3.1 billion-asset Heartland Financial USA Inc. of Dubuque, Iowa, implemented a lender training program in 2003, but not only because it was interested in hiring more lenders to support its growth. It also wanted lenders at its nine community banks spread across seven states to be on the same page and to ensure that everyone had the appropriate level of skill for selling loans, said Ken Erickson, Heartland's chief credit officer.

First Financial Bancshares of Abilene, Tex., recently hired a new head of training to develop a program for employees throughout its network of 10 banks. Scott Dueser, First Financial's chief executive officer, said ultimately it plans to create First Financial University, where many of the company's future lenders would be trained.

"Training is extremely important," he said. "If you are not growing your own people, you just don't have that factor that you can go out and open new branches or buy banks if you can't move people into those positions."