

Minnesota's Banking Barometer



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Measuring the state of banking in Minnesota in a post-bailout economy.

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Suffice IT to say we're all a little weary of the big bank bailouts. We've heard of the extravagant escapades of some big Wall Street bank executives with their lavish parties and grandiose lifestyles, while the folks on Main Street struggle to put food on the table. Granted, billions of those dollars have been returned with those big banks bouncing back; but what of the 400-plus Minnesota banks that didn't take bailout funds? How are these banks weathering this fiscal downturn?

In a few words, good and bad.

WHAT THE NUMBERS REVEAL

In a sense Bremer Bank has been operational since the late 1920s, when Otto Bremer—then chairman of American National Bank—strolled into a Crookston community bank, black satchel in hand, and placed stacks of cash onto a table in the lobby to reassure nervous customers that their money was safe. "He had money in 55 banks during the Great Depression," says CEO Stan Dardis, "and not one of them failed." Bremer has always tried to maintain that connection with its customers by creating a solid, well-diversified, community-centered bank, explains Dardis.

This "hometown" bank approach has thrived, even during this decline, and last year earned it an impressive \$65.2 million.

But very few of the other 100-plus community banks in Minnesota have been so lucky. According to the FDIC, 27 percent of Minnesota community banks lost money in 2009, an amount totaling \$90.5 million. And only 11 of those community banks earned more than \$2 million—less than half that of 2008. Of all insured banks and institutions in Minnesota, net income fell from \$454 million in 2008 to \$208 million in 2009.

Just to make it more interesting, local experts assert that faulty commercial real estate loans will be the next proverbial shoe to drop and will help increase the divide between strong and weak banks.

MAKING THE MOST OUT OF A DIFFICULT SITUATION

David Rom, CEO and owner of Platinum Bank in Oakdale, which opened its doors in February 2007 and has remained profitable, recognizes the value of a good relationship with his customers in this downturn. "I think there's still a general feeling of fear out there," he says. "A good percentage of my job over the last two years has been as friend and therapist. I've had people shed a tear in my office because they have to lay off employees for the first time," he adds. "We're all just trying to make it through this."

LOOKING FORWARD

With all of the pessimism out there, there is a bit of room for optimism. Minnesota banks are still making loans to well-

qualified customers, with total loans and leases shrinking slightly from 2008 to 2009. "Banks are being very diligent about their loan policies, their underwriting standards," says Dardis, "but if you have excellent credit, it is easier to obtain a loan now compared to a year ago."

As with all difficult times, lessons are learned."

We have all learned so much from this," says Dardis. "We have learned that we must work to balance the needs of customers with the requirements of the regulators, and the customers are doing as much due diligence on the banks as their banks have traditionally done on them, which is healthy. Clients have learned to ask good, tough questions of their bankers," he adds. "We take pride in the fact that we have found our way through this before with our clients, and we operate on the premise that this too shall pass."

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