D. Nicholson

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The Latest

lending

By Laura Alix
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Twice a week, David Nicholson hunkers down to study with two or three wannabe bankers or bank employees aiming for higher-level jobs.

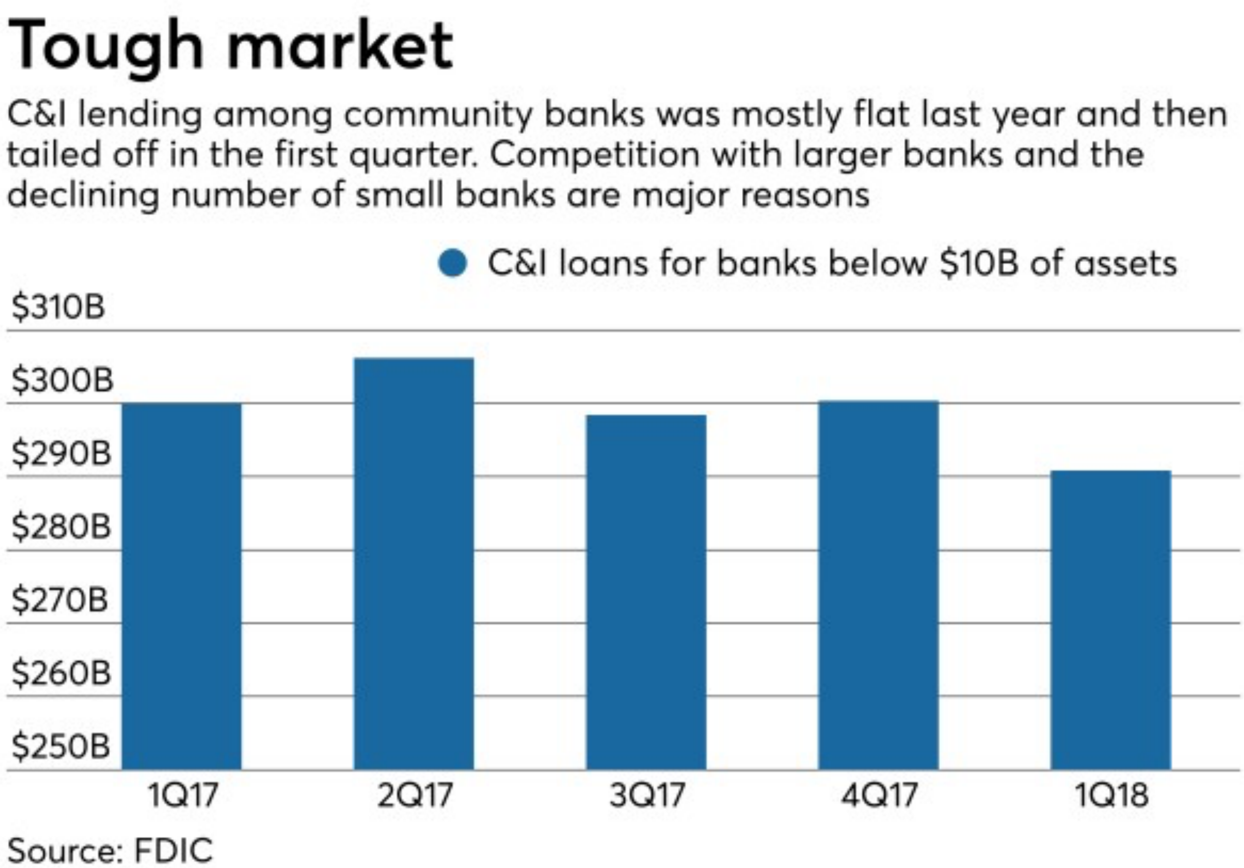
For two hours, after they have all clocked out at their day jobs, they review the basics of credit analysis in commercial and industrial lending. They learn the language of the business and the clues on a company's balance sheet or income statement that will tell them whether it is a good credit risk or bad one: *How much revenue and cash flow are recurring? Is the prospective borrower carrying too much debt?* And they revisit the lessons of their last session, just to make sure they have got it all down.

Nicholson's goal is to ultimately turn branch managers, accountants or even lighting salespeople into commercial credit analysts, with the hope that this will be their first step on a path to a profitable career in commercial banking. His students pay him for the three-month courses — about $5,200 — but mission seems to drive him as much as money.

“We need credit-trained analysts, and the industry is screaming for this, but no one really wants to lay out the money,” said Nicholson, whose day job is senior vice president of commercial lending at the $998 million-asset Main Street Bank in Marlborough, Mass.

There are several reasons for the talent void, including tight budgets and generational changes, and the situation speaks a lot about state of the banking industry, including the tension between big and small banks.

The industry has struggled with getting younger generations interested in banking careers in general, but the problem may be more acute in commercial lending — especially at banks under $10 billion in assets. C&I loan growth has been hard to come by, and smaller banks must compete with bigger banks not only for business, but also for skilled analysts and loan officers.



Once upon a time, big banks recruited graduating college students into big in-house commercial credit training programs. Banks paid those students to learn about credit analysis and underwriting, and they eventually emerged as full-fledged commercial lenders or credit analysts.

But banks have mostly done away with those programs ages ago — recruiters say the recession of the early '90s was a crucial tipping point — and many of those banks no longer even exist. Fleet Bank, where Nicholson learned the ropes, did away with its commercial training program years ago and in 2005 was acquired by Bank of America. The bankers originally trained in those programs are now approaching retirement, and that is adding to several other factors that already make C&I lending tough these days.

"You've got a lot of folks who are older who are starting to get ready to retire, you've got a strong economy, you've got pressure on earnings," said Susan Pardus, a partner in KLR Executive Search Group's banking practice. "There's real demand for these revenue-generating professionals, and we have this roughly 15-year gap of credit training. Today we're starting to see credit training programs come back, but they're primarily at larger banks."

Citizens Financial Group in Providence, R.I., for example, has had its own in-house commercial credit program for seven years now. That yearlong program includes three rotations through its commercial bank, and a spokesman said that Citizens has graduated 76 of its bankers from that program. They have gone on to work positions in portfolio management, relationship management and for the company's M&A advisory business, Western Reserve Partners.

Some trade associations have also stepped up to meet the need for credit training. The Risk Management Association, for example, estimates that around 6,000 bankers take its commercial credit training courses every year. The organization has expanded its training programs over the years and now offers online options for people in remote locations.

Demand for commercial lenders remains quite high, however, and recruiters say that smaller banks struggle the most to find and keep good loan officers and credit analysts. Smaller banks far from major metro areas are at a particular disadvantage when it comes to recruiting younger workers who often prefer to live and work in cities, Pardus said.

Amy Glashow, a senior executive recruiter in the banking practice at the staffing firm Randstad, has sent several candidates to Nicholson for credit training and later placed them at community banks around Massachusetts.

“There’s a dire need out there for these credit-trained, quality people,” she said. “At any one time, if I had a qualified credit analyst, I could market this person to at least a dozen banks.”

Nicholson had often helped new credit analysts over his career already and eventually developed that into a curriculum that he began teaching in 2015 under the name Credit Training Inc. He initially met with his students at a local library but has since found a larger space in the neighboring Boston suburb of Westborough in anticipation of taking on larger classes.

He said the University of Massachusetts in Amherst had recently awarded one of his students three credits toward a degree completion program for taking his course, and he has graduated 14 students from his program. They come to him with a variety of professional backgrounds, but what they all have in common is an eagerness to learn finance, he said.

Mark Gerber, now a credit analyst at South Shore Bank in Weymouth, Mass., had an investment banking background, and worked in lighting sales just before taking Nicholson’s course. He wanted to get back into the banking world and felt that some formal credit training would give him a foot in the door.

The $1.3 billion-asset South Shore Bank hired him before he even completed his final project for Nicholson's class. (And he did complete the class, for the record.)

"I do have a financial background, and I'm pretty good with numbers, but I definitely needed a little bit of training to get up to speed and be marketable to a commercial bank. When I interviewed with South Shore Bank, I was able to digest the stuff they put in front of me pretty quickly," Gerber said. "It does seem like there's a real need out there. The person I replaced had been poached by a larger bank."

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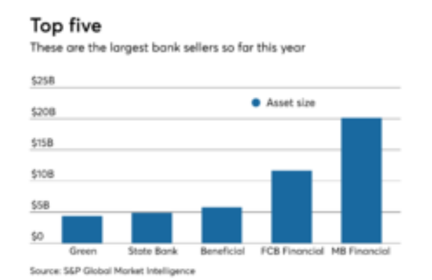

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