VIEWS & VISIONS

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It's Now or Never

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H. Charles "Charlie" Maddy III is president and CEO of Summit Financial Group Inc., a financial holding company with total assets of $1.49 billion, that operates 15 banking locations through its wholly-owned community bank, Summit Community Bank, headquartered in Moorefield, West Virginia. Summit also operates Summit Insurance Services LLC, headquartered in Moorefield, West Virginia.

Mr. Maddy is a native West Virginian. He graduated from Greenbrier West High School and earned a bachelor's degree in business administration with a concentration in accounting. He began his professional career as a staff accountant at Arnett & Foster CPAs and was promoted each year of his tenure with the firm. He became a Certified Public Accountant in 1987. Mr. Maddy began his banking career in 1988 as controller of South Branch Valley National Bank in Moorefield, West Virginia, and was later elevated to vice president and then to executive vice president. In 1993, he was named president and CEO of South Branch and its parent holding company, now known as Summit Financial Group. At the time, he was the youngest bank CEO in the United States.

He is the recipient of the Outstanding CPA in Business and Industry award and the AICPA Business and Industry Hall of Fame award.

I can still remember getting my first loan. I was buying a car for my soon-to-be wife so that she could finish her college degree and commute back and forth to Marshall University. My stepfather made a call to a loan officer. I wasn't a party to the call, but I understand he simply promised I would pay the loan back – he didn't even co-sign it. But, it was a community bank. They thought I was worth the risk and made the loan.

Less than six months later, I applied for my first credit card at a relatively large bank. I simply filled out an application and mailed it in. I was denied. I have wished many times that I had saved my letter of denial. What joy it would give me to have framed it and hung in on my wall as a conversation piece. I recall that it cited a delinquency that I had supposedly incurred on another credit card when I would have been in my teens – a credit card that obviously I never possessed since I was applying for my first card.

So, was one bank "good" and the other "bad"? I don't think so. But, they were two very different models. One operated in the traditional community bank model, driven primarily by character and trust. The other, a larger bank, was structured to serve the masses in the quickest and most efficient manner possible. The good news for me was the year was 1985, and there were more banks to choose from at that time than in any other year in U.S. history – more than 18,000 in fact. Probably anyone reading this today knows that now, more than 30 years later, there are fewer than 7,000 banking franchises.

Let me be clear, I will not assert in this article that the sole reason so many community banks have been merged out of existence has been due to increased regulation. In fact, my personal belief is that up until the passage of the Dodd-Frank Act, most of these mergers were for good solid business reasons. Further, it is entirely conceivable that we had too many banks. In any event, the marketplace seemed to be doing its job and banks merged, new banks were chartered and so on. It was not perfect, but it seemed to be working. Certainly, I didn't have big concerns that community banking as an industry was at great risk.

But then came the "Great Recession" and the passage of the Dodd-Frank Act. This, coupled with more stringent regulatory views of fair lending and the Bank Secrecy Act (BSA) have created an unprecedented regulatory burden. For years, I had noted that bankers basically enjoyed, and were proud of, what they did. Over the past few years, I hear more and more bankers who are so tired and frustrated, they are considering selling the bank, retiring or both. "It's just not fun anymore." How many times have we heard that? Further, there seems to be a talent vacuum. That is to say, it's harder than ever to attract talented young people to the industry and to find competent veterans to fill executive positions.

I have long questioned whether or not we should be more proactive politically. As bankers, we have played a lot of "defense," simply hoping to keep things from getting worse. I have been warned about the "risks of opening the code," as it could easily backfire and we would end up worse off than we were previously. These days there is no question in my mind. We must take the offensive. While it is still true that things could get worse, maybe not much…

So what are we to do? Give up? I say, "No, not without a fight." If community banking is to die a slow, agonizing death, let's go down swinging! The first step, in my opinion, is to be brutally honest with ourselves. We are losing this battle.

Let me repeat that. We are losing this battle. While regulatory attitudes have swung back and forth like a pendulum over the years, we have had substantially no legislative regulatory relief – ever. Sure, we have celebrated small victories from time to time but, again, I challenge someone to point to legislative regulatory relief that constituted a real win. No one likes to give their hard-earned money for PACs and to financially support bank-friendly candidates. We must give more than ever before. No one likes going to Washington and pleading for regulatory relief. We must go more often and in greater numbers. No one likes calling their representatives and senators. We must call more often and in greater numbers. No one likes asking their employees, board members and customers to help us in our fight. But alas, we must.

Community banks aren't going away in the short term. There are still thousands. But, the trends are clear and there is no end in sight. At the rate of about one each business day, banks are disappearing. We need big banks, but we also need community banks. And, those banks need the ability to serve their communities and make loan decisions that are right for their particular environment and customer base. Community banks need to be able to offer a fair but profitable product mix to their customer base, devoid of senseless regulation and controls. Let the market dictate the price. The consumer is getting better pricing from nearly every commercial enterprise today than ever before. Competition is fierce. The market works, let it do its job. Rural areas and small businesses particularly need the individualized service community banks have traditionally offered. However, if future generations are to enjoy the same choices we have had, we must act now. We must not only support those candidates who support us, but we must work hard to defeat those who are against us. If community banking is to have a future, it's now or never.