

SURVIVE AND THRIVE : IN THE HEADLINES

Banks Behaving Badly Worsen Industry Woes

Builders nationwide are experiencing a new set of rules set by the banking community.

By Mick Pattinson

Dave Brown has built homes in Arizona for 33 years, about 18,000 homes altogether. Many of them were financed through Valley Bank and Brown speaks fondly of the days when officers of the bank were with you in good times and bad – how they understood that housing was a cyclical industry. When Valley Bank became Bank One and then Chase, it became clear that the old way of doing business has disappeared.

When the housing market began to take a dive, Brown's bank opted out. The days of through thick and thin were gone- the only trouble was they forgot to tell Brown there were new rules.

The bank found a way to impound his borrowing base reserves and start taking all of his proceeds. They came up with new appraisals on his properties – appraisals that he never got to see. The end result was that after 33 years in business the new bankers were doing all they could to put Brown out of business.

This is a familiar story to builders all over America, myself included. I've borrowed and repaid Bank of America over a billion dollars

during the course of our 27 year relationship. The bank brought our partnership to an end in the summer of 2007 when they refused to renew two of our project loans and claimed that we no longer met our borrowing conditions. For seven months they encouraged us to pay interest on a frozen bank line while claiming that they would work things out. They never did. But like Dave Brown we exhausted much of our company cash waiting for the day that never came.

“Builders that would or could have survived this market tsunami are put under by banks that had a different agenda.”

Builders who now belong to the Building Industry Coalition for Economic Recovery all have similar stories. They would or could have survived this market tsunami but have been put under by banks with a different agenda. This is an agenda that involves pain and suffering for builders, subcontractors, design consultants, construction workers and, ironically, the banks themselves.

In the good old days both parties would come together to achieve a sensible workout plan – a plan aimed at achieving the least loss. Today there is no effort to limit the loss, banks are simply playing by a brutal playbook, which is to exhaust as much cash

as possible, foreclose on the assets and sue under the terms of the personal guarantees.

To add insult to irony, the banks can then turn around and seek bail-out dollars from the Federal government. So far, banks and insurance companies have received \$7.8 Trillion in bail-out funds, Fed loans and guarantees, while businesses are left to die. What is the point of bailing out the banks when they refuse to make capital available to main street and this country's vital industry – housing.

The Homebuilders Coalition for Economic Recovery can be found at www.pathtosolutions.com and we welcome builders and industry members interested in drawing attention to the bad behavior of banks and seeking new ways to finance housing in the future. As sure as night follows day, our housing market will one day recover and those bankers who have been treating builders so appallingly over the past two years, will once again be knocking on our doors. By then, we intend to have passed legislation that will curtail the bank practices being endured today and we will also have our list of banks who behaved properly and those who did not.



Mick Pattinson is president and CEO of Barratt American. He is also a tireless champion for the home building industry. He may be contacted at mpattinson@barratt.com.

Fast Facts



- The industry is losing approximately 1 Homebuilding company per hour in the United States.

- 3 million homebuilding

jobs have been shed over the last 3 years.

- The fact is, it's time for a national homebuilding bank for builders by builders.