

## Accentuate the positive

by Kirby Lee Davis

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Sean Kouplen, president and CEO of RegentBank in Tulsa, gives his presentation at the Oklahoma Governor's Conference on Small Business Friday in Tulsa. (Rip Stell)

TULSA – It irritates Sean Kouplen to read articles that say banks still are not lending money.

In Oklahoma, that's not the case, he told a Friday panel at the Oklahoma Governor's Conference on Small Business. Tulsa-based RegentBank, which Kouplen leads, almost tripled its loans to small businesses over the last three years, the total rising from \$45 million to \$125 million.

But Kouplen also understands the confusion and concern, all kicked off by the 2008 global financial crunch and recession. Those confidence-shattering events heightened some regulatory concerns and spurred new emphasis on financial accountability.

"Times are tough – that's the bottom line," said Rose Washington Rentie, executive director of the Tulsa Economic

Development Corp. Working with banks and other sources, the TEDC has helped 300 small firms employing 3,500 workers obtain \$152 million in funds over the last five years.

"As times get tougher, regulations get a little bit harder to manage, to deal with," she said. "But that's life."

In a panel presentation titled "Buckle Up: the Financial Roller Coaster," Kouplen told a room of small business leaders at Catoosa's Hard Rock Hotel and Casino how to get financing in this difficult age. He started by demonstrating how Oklahoma's lending environment truly has outperformed national standards.

While the national unemployment rate now holds around 9.1 percent, Oklahoma's hangs tight at 5.3 percent, Tulsa's a little above that.

The U.S. endured 157 bank failures last year, 140 before that. This year's tally stands at 76.

Oklahoma suffered four bank failures, only half of those linked to economic instability, said Kouplen. He said another 17 are considered problem banks.

Nationally, the banking sector finished 2010 with an \$86 billion net income, reversing 2009's \$10 billion loss. Loan charge-offs totaled \$188 billion in 2010, down slightly from \$189 billion the prior year.

Oklahoma banks finished 2010 with a \$906 million profit, their loan charge-offs at \$370 million. That compared to 2009's \$642 million profit and \$561 million charge-offs, or 2008's \$923 million profit and \$273 million charge-offs, or 2007's \$960 million profit and \$174 million in charge-offs.

"Our banks are very strong," said Kouplen, recalling how Oklahoma once led the nation in bank failures through multiple energy industry crunches. "I think we learned a lot of lessons from the '80s."

While some federal regulations do tighten lending practices, such as commercial builder

efforts to finance a nonowner-occupied project, Kouplen said these fiscally conservative lending strategies do require more bottom-line accountability from customers.

"We do exactly what you do," he said, reminding the audience of lenders' own business needs. "It's just our inventory is money."

A bank draws its lending capabilities from its capitalization. Kouplen said it may lend from \$10 to \$12.50 for every \$1 invested in the bank or earned by the bank. Since it keeps only 1 percent to 1.5 percent of outstanding loans in reserve, and a margin of just 1 to 2 percent, such lending practices require a careful strategy.

"You can't make very many mistakes," said the president and chief executive of RegentBank. "If 3 percent of your loans go bad, you're in trouble."

To secure a loan, he pointed to the five C's: cash flow, credit history, collateral, character, and capacity to absorb losses.

Kouplen said customers must be willing and able to open their financial books and demonstrate real live documentable cash flow. They must show a solid understanding of their business and its market, highlighting their equity in the project.

They should also avoid several "deal killers," many of which represent the opposite of the five C's — unrealistic expectations, half-truths, minimum equity, heavy debt loads and disloyalty.

"When you come in, you want to accentuate the positive," he said.

Businesses should also consider alternative sources of capital, everything from borrowing from friends and family to private investors.

"You must raise the capital necessary to prove yourself and your business," he said.

That starts with self-determination and faith, said Jeff Horvath, founder of Horvath and Associates.

"Don't let a 'no' mean a 'no,'" said the Tulsa entrepreneur. "It may mean you may need to correct some things Sean mentioned, but don't give up."