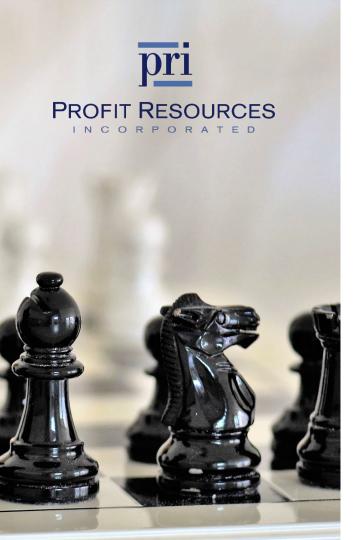


Lending Practices – Prepare for Recession

- Require Lenders to visit ALL their customers regularly at their place of business
- Lenders should NOT be doing inspections on construction loans (STOP)
- Avoid "Dead Man Walking Loans" Get cash while it is still there
- Monitor lines of credit trends (LOC and HELOC utilizations)
- Utilize PAYNET, RMA, to monitor business delinquencies and industry issues
- Be well-prepared for examiners develop good relationship
- Come to grips with non-performing loans BEFORE regulators do



Lending Practices – Prepare for Recession

- Reduce loan production pressure: focus on relationship/portfolio management
- Review lender's portfolio quarterly: focus on risk ratings
- Conduct quarterly review of top 20 borrowers for each lender
- Measure Report Reduce Exceptions (critical & technical)
- Utilize audit/credit/loan operations to examine covenant compliance
- Align lender incentive plans with strategic and behavioral intent
- If you have to work too hard to make loan; or pricing too sweet Don't make it
- Conduct "post-mortems" on failed credits: what lessons learned