

Stimulus Goodies, Good Souls, and Grifters

On March 29, I spoke with a loan agent for a bank in a medium-sized city who wishes to remain anonymous. Her desire for anonymity will become clear after you read what she told me.

Her bank, like many others, often works with the Small Business Administration (SBA) in making loans. The SBA guarantees a portion of such loans, thereby reducing the bank's risks if the loan goes bad. These loans are hard to obtain and require tedious paperwork. Normally, being approved for such loans is a lengthy process, but because the government understands the stress on our system the coronavirus is causing, the SBA has announced it will issue directions within a week to simplify the process and speed up loan requests.

That's good news.

Another piece of good news is how some small businesses have responded to our financial crisis. My loan agent friend reported that a self-employed client who operates a one-man shop called the bank, told the loan officer he was a long-standing customer, had a loan with the bank for \$5,000, and wanted to know what his options were now that he was temporarily forced to close his business. Two days later, the loan officer had him come to the drive-through window, and he signed a form deferring his loan payments for three months.

"This is the healthy approach," the loan agent told me. "This guy was smart to be proactive and looking ahead instead of waiting until he couldn't make payments on his loan."

Now for some not so good news.

One customer wanted to withdraw \$40,000 from the bank, another

\$90,000, and yet another \$100,000. In each case, the staff at the bank was forced to tell these customers "We can't just clean out our vaults for you. We have people who are trying to cash pay checks." The loan agent explained that there's a protocol in this procedure and that taking money out of the system damages the economy.

"But what horrified me," the loan agent said, "were the calls we were getting from people who were financially sound and had plenty of resources who wanted to alter their loan structures."

One man, for example, had several million dollars in this bank. He called the bank to ask if he could delay payments on several loans, and then called the banker at her home to initiate a line of credit on his beach house. After several lengthy discussions, the loan agent explained to him, "Our main priority right now is to work with people who have lost their jobs and trying to pay their bills and feed their kids."

The man was unhappy with this response.

Then there was the woman who had racked up tens of thousands of dollars in credit card debt providing luxuries – clothing, personal expense, a trip to Europe – for her daughter. In addition to working in a non-medical capacity in a hospital, the woman runs a small business from her home. She was one of the first to call the bank after the passage of the coronavirus relief bill, officially known as the CARES Act, to ask whether she could have her credit card debt, which is in her own name and was not used for the home business, written off and paid for by the government as if the debt was a business expense.

Here's the danger: If those who use this small bank are seeking to abuse the coronavirus crisis and the relief bill, we can reasonably suspect banks around the nation are seeing much of the same.

My acquaintance advises three courses of action:

First, stop trying to abuse the system. President Trump and Congress intend the relief bill to help those in need, not a bunch of hustlers looking to take advantage of the system.

Second, let's put an end to hysteria. If your money is worthless in the bank, it's worthless under your bed. It won't even make good toilet paper.

Third, catch your breath, appreciate what you have, and don't waste anything, particularly food. "I'm not much on sweets," the loan agent told me, "but I have a bag of chocolate chips, and this afternoon I'll be baking cookies."

To all you good people out there, the ones who are helping your neighbors, keeping an eye on the elderly, and doing what you can to keep our nation up and running, bravo to you. You are the light in our darkness.

To those of you looking to exploit this situation, seeking to take advantage of this epidemic and thereby doing even more damage to our economy, shame on you for contributing to that darkness.

Our bankers, like our health care professionals, our grocery store workers, our truck drivers, and others on the front lines, are overwhelmed right now by demands from customers and the government. I spoke to my acquaintance shortly after 9 a.m. on Monday morning and she was already worn thin, bombarded by emails and phone messages. Let's practice some patience with our bankers.

Remember: We're all on the same side.

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[Image Credit: Needpix.com]