



CNB BUSINESS BROADCAST

NEWSLETTER FOR BUSINESS CLIENTS OF CANANDAIGUA NATIONAL BANK & TRUST

CNB Insurance Agency

Are there pieces missing to your puzzle?



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It can be puzzling when it comes to putting your financial plan in order. A piece of the plan is better than none, but it takes all the pieces to make sure your business and the ones you love are protected. Most business owners are wise enough to have the proper Life Insurance in place. However, Disability Insurance is often overlooked. Disability Insurance provides replacement income for you and your family if you become sick or hurt and cannot work. It is an insurance policy that pays you.

In addition to Disability Income Insurance for your personal needs, Disability Overhead Expense Insurance can help "keep the doors open" by reimbursing you for business expenses incurred during a disability, such as:

- Lease, rent or mortgage payments
- Utilities
- Liability insurance
- Property taxes
- Accounting and legal services
- Professional trade dues and subscriptions
- Commercial Loans
- Someone to replace you while you are out

Your ability to earn a living is your most valuable asset. Complete your puzzle and protect that asset through Disability Income Insurance and Disability Overhead Expense Insurance.

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SCORE volunteers help plan, structure, create, and grow businesses for success!

SCORE is a volunteer organization of seasoned business professionals who donate their time to offer confidential, free counseling and low-cost educational programs to assist prospective, new, and existing small business owners. As a resource partner with the U. S. Small Business Administration, SCORE works with that agency to provide business owners with vital information, tools, and resources.

SCORE Rochester has 60 active volunteer counselors who service Monroe and surrounding counties. SCORE volunteers come from a broad spectrum of the business community; and many have had their own successful small businesses. SCORE's main Rochester office is in the Federal Building at 100 State Street, Room 410. SCORE can be contacted at (585) 263-6473; and its web site is www.scorerochester.org.

Call the SCORE office to set up a free counseling appointment. These sessions last about an hour. Additional sessions can be set up for as many times as considered necessary. For simple problems or single questions, e-mail counseling is available at SCORE's national web site www.score.org.

SCORE also provides free, on-site team counseling to on-going, multi-functional businesses. A team of experienced SCORE counselors works with your management team to identify your problems and concerns and then to assist you in dealing with the identified issues.

The Rochester chapter of SCORE offers low-cost workshops designed to provide practical business information for the current or prospective business owner in both for-profit and not-for-profit businesses. The workshops present an overview covering the basics for making small businesses successful.

The topics include: "Small Business Start-Up & Survival;" "Prepare Your Own Business Plan;" and "Marketing on the Internet." Workshops at the Federal Building are usually on the third Wednesday of the month and in the suburbs as a series in the spring and the fall at seven different locations. More information is available on the web site. Call (585) 263-6473 to sign up for one or more of them.



Are Community Banks Still Lending ?

A friend asked me recently whether my bank was still lending. Certainly the role bank lending plays in our overall economy and the importance of a stable banking system have been magnified in the past two years as the economy has worsened and the recession has deepened.

It is interesting to note the recent stress on our banking system started nearly 100 years from the Panic of 1907, a U.S. financial crisis prompted by a recession, a declining stock market and a failed attempt to corner the stock of the United Copper Co. When customers rushed to banks to withdraw funds and some banks didn't have enough cash on hand to satisfy all of their customers, panic ensued and several banks failed.

An effort led by J. P. Morgan ultimately stabilized the banking system and, after creating a National Monetary System in 1908, Congress created the Federal Reserve System in 1913.

Looking further back in history, perhaps the earliest example of a financial crisis is the Dutch tulip craze of the 1630s, when the price of some tulip bulbs approached the price of a home before the bubble burst and prices for the bulbs returned to those of other plants. Government intervention in financial crises can be traced to the early 1700s when Great Britain stepped in to stabilize the market after owners of the South Sea Co. sold all of their personal holdings in that company, causing Prices to Plummet.

The worst global depression of the 20th century had its roots in the stock market crash of 1929, when the market eventually fell 89 percent from its prior high following a large increase in stock prices during the Roaring 1920s.

While few would compare the current recession with the Great Depression, the economic turmoil experienced in the past two years represents the greatest challenge to our banking system since that time. Although the government and Federal Reserve implemented many measures to stabilize our banking system and encourage banks to increase lending to individuals and businesses — including the well-intended but often disparaged TARP program — there remains a great deal of attention and debate surrounding the issue of bank lending.

When viewed from a national perspective, it is evident many lenders reduced their focus on new loan originations to concentrate on capital preservation and asset quality issues. Given that most of the readers of this publication live, work and play in Western and Central New York, it's worthwhile to examine the lending activity of banks headquartered here.

Consider:

♦ There are 27 commercial banks based in Western and Central New York (defined here as west of I-81). Total assets at those banks range from \$14 million to \$64 billion.

♦ For the 12 months ending March 31, the weighted average increase in loans at those banks was 0.7 percent, while GDP decreased as the recession deepened. For that period, six banks reported decreases in loans and 11 banks reported loan growth of more than 10 percent.



Gary Babbitt
Executive Vice President
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Why has lending at local banks increased and outpaced national economic activity during the most severe economic downturn since the Great Depression? First, most banks based in our area did not deviate from their traditional underwriting standards during the years preceding the current recession. These local lenders are invested in the communities they serve, they know their customers and they focus on a borrower's ability to repay as well as the collateral or guarantees available to repay the loan in the event of a default.

As a result, most local lenders did not originate or purchase sub-prime mortgages and have not had to expend a lot of time and energy selling or writing down such assets.

The real estate markets in our area never experienced the large escalations in value that other areas of the country did. When the housing bubble burst and real estate prices plummeted in Florida, Arizona, Nevada and Georgia, the impact on prices in our market was far less pronounced.

Smaller community banks also have benefitted from the pull back of conduit and other non-bank lenders from the local marketplace, as some large national lenders either left our market altogether or returned to the underwriting standards community banks have employed for many years.

Our local economy is no longer tied to any particular industry or employer. While the jobs cuts at Kodak, Xerox and other manufacturers during the past three decades have been painful, the jobs remaining in the market are spread among a diverse group of manufacturers, service providers and educational institutions. I'm sure many bankers located near Detroit would welcome our slow growing but diverse employment base.

I do not mean to suggest that all is well in Upstate New York. The recession is real, unemployment is up and the cost of doing business here remains too high compared to other areas of the country. Despite all of that, the answer to my friend's question is "Yes. My bank is still lending, other banks are still lending and the economy is starting to show some signs of recovery."

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Look for the CNBusiness Broadcast to be available in the Spring and Fall. Updates to products and services as well as this newsletter are also available online.

For more information, visit our web site at www.cnbank.com/commercial, one of our Community Offices, or call us at (585) 394-4260.