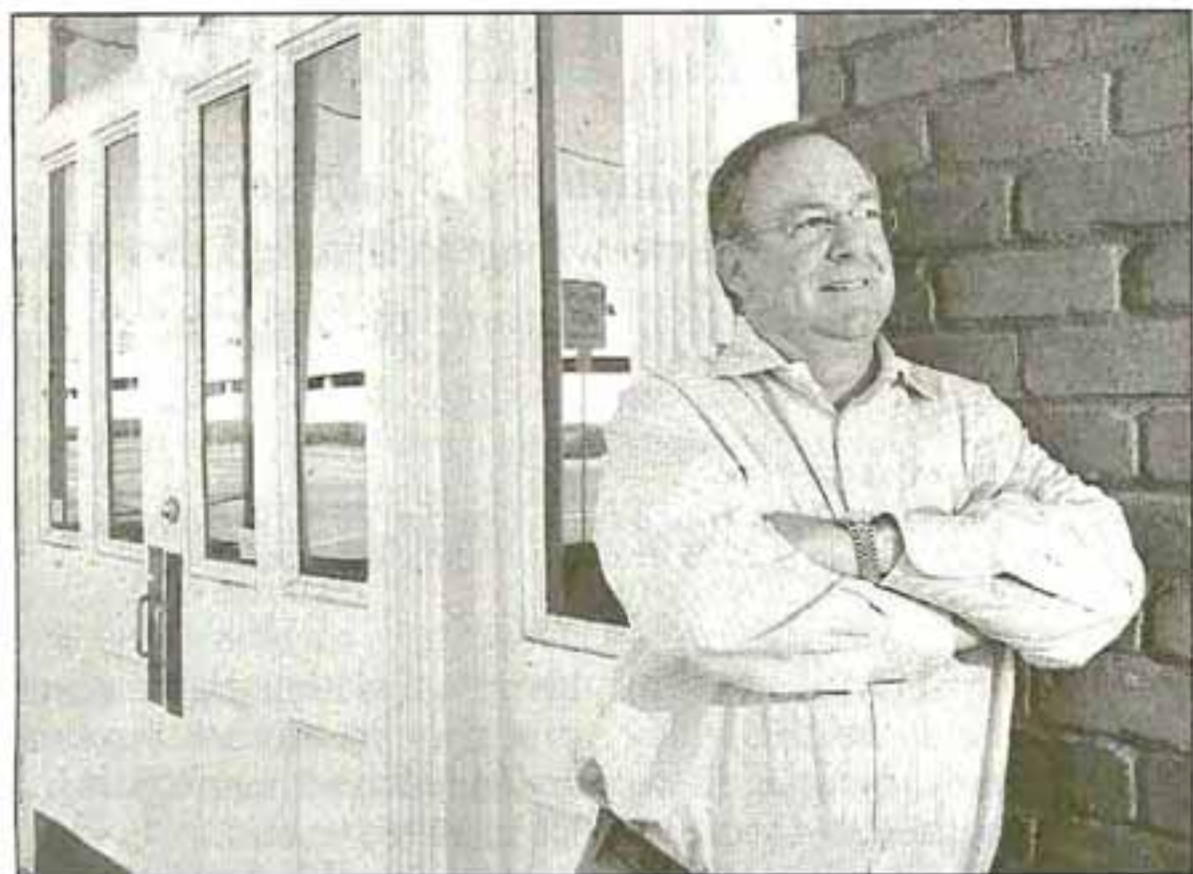



**FACES OF THE
ECONOMY**

PART ONE IN A WEEKLONG SERIES



SHERRIE BUZBY/THE ARIZONA REPUBLIC

Jim Farmer of Farmer Butler Leavitt Insurance switched to Western National and was approved for a construction loan in a week.

Smaller banks find opportunity during downturn

Customers seeking more-responsive lenders

By Russ Wiles
THE ARIZONA REPUBLIC

As big banks are busy writing off bad loans and curtailing lending, small community banks and credit unions are sniffing opportunity.

"The winners in this whole debacle will be the small and midsized banks," said Bill Hinz, president and CEO of Western National Bank in Phoenix. "We don't do the sophisticated, complex non-core banking functions that have gotten others in trouble. And I think we know our customers better."

A survey by the American Bankers Association showed community-bank leaders optimistic about mortgage lending this year, with 39 percent of respondents expecting to boost lending and 39 percent planning to hold it steady.

Community banks "were not involved in making the types of subprime loans that are leading the way to the large delinquencies and foreclosures," said Robert Davis, an ABA executive vice president.

Gateway Commercial Bank in Mesa opened its doors in early December and already has picked up more than 80 deposit accounts and more than 15 lending relationships, said James Christensen, the bank's president and CEO.

"It has been a great time to start a new bank," he said, citing the credit crunch and retrenchment by big competitors. "This has given us access to (potential clients) we wouldn't have had a year ago."

“ *The winners in this whole debacle will be the small and midsized banks. We don't do the sophisticated, complex non-core banking functions that have gotten others in trouble.* **”**

Bill Hinz

President and CEO of Western National Bank in Phoenix

Even credit unions such as Desert Schools Federal Credit Union are trying to get the word out that they're able to make various consumer and business loans.

Customers cite benefits to dealing with small institutions.

Jim Farmer of Farmer Butler Leavitt, a Phoenix insurance company, recently switched to Western National and received approval on a construction loan within a week. "The smaller boutique banks are more responsive," he said.

Paul O'Neill, owner of New You Counseling Centers in Mesa, became a Gateway client, and landed a new business line of credit, after growing frustrated with what he called the red tape and delays in dealing with large financial institutions.

"Working with the big boys is frustrating because you're a number," he said. "I'm an old-fashioned guy where a handshake means something."