
In bailout, Chicago asks: Where's mine?

By Paul Merrion
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Like many Chicago execs, Robert Glickman is studying the fine print of the \$700-billion federal financial rescue plan.

"I don't think they'll buy a lot of commercial real estate loans," the CEO of Corus Bankshares Inc. frets. About 19.0% of his bank's loans — mostly to condo developers — are classified as "non-performing," more than any other Chicago-area bank.

"I would love to be bailed out, believe me. I would dance if I could sell my problem loans at a reasonable price," he says. But this is "triage for the most serious patients."

The plan, aimed at helping firms with huge portfolios of soured home mortgages and mortgage-backed securities, won't help several big local banks. But it will potentially help smaller banks, such as south suburban National Bank of Commerce, that were hurt when a government takeover of Fannie Mae and Freddie Mac wiped out their investments in the mortgage giants' stock. Bank officials did not return calls.

The Treasury Department has to put a lot of money to work fast, and "by the time they get to banks our size, even if they treat people equally, it won't matter," says **Mitchell Feiger, president and CEO of Chicago's MB Financial Inc.**, which has about \$8.3 billion in assets. "The problem will be solved, or the whole country will be shut down."

The plan is a momentous effort to reverse a worldwide credit freeze and stem the stock market's meltdown. Some local companies hope to get business from it, either through contracting with the government or by advising potential recipients. Northern Trust Corp. is vying for the job of primary custodian and record-keeper for the Treasury. Law firms such as Mayer Brown LLP and business strategy advisers such as Huron Consulting Group Inc. are gearing up to help clients.

One hopeful sign for Chicago banks: The bailout law tells the Treasury to consider buying troubled assets from all kinds of financial institutions, including retirement funds, without regard to size, type or geography. And while the focus is on mortgages and related securities, the law allows the Treasury to buy anything, or even inject capital into banks, if it restores financial stability.

"Nobody really knows how it's going to work," says Mayer Brown partner Jeff Taft, part of a bailout task force in the Chicago law firm's Washington office. "Treasury has broad latitude to effectively do what they want."

BANK BLUES

AREA BANKS WITH HIGHEST PERCENTAGES OF NON-PERFORMING LOANS

1. Corus Bankshares Inc.	Chicago	19.0%
2. Platinum Community Bank	Rolling Meadows	17.4%
3. Hershenhorn Bancorporation Inc.	Palatine	14.4%
4. Heritage Community Bank	Glenwood	14.1%
5. Newton County Loan & Savings FSB	Goodland, Ind.	12.7%
6. Lisle Savings Bank	Lisle	10.7%
7. First National Bank of Brookfield	Brookfield	10.7%
8. First DuPage Bank	Westmont	9.5%
9. First Mutual Bancorp of Illinois Inc.	Harvey	9.4%
10. InBank	Oak Forest	9.1%

Data as of June 30 Source: SNL Financial

But there are strings attached — including executive pay limits and an equity stake for the government. Congress insisted on those provisions after voters reacted furiously to the concept of a "blank check for Wall Street."

The law allows insurance giants such as Allstate Corp. and CNA Financial Corp., which had multibillion-dollar subprime mortgage-related investments as of June 30, to sell troubled assets to the Treasury. The firms won't say whether they will participate in the bailout, but analysts say the executive compensation and equity-stake requirements for offloading more than \$300 million in assets to the government make it a tough sell.

"It's clear what some of the costs are to participating," says Ken Evola, managing director of Huron's Washington office. "What does it mean to them to have the federal government be one of the owners?"

Pay and equity restrictions aren't an issue for several Illinois public pension funds interested in selling troubled assets.

"Could we benefit from something like that? I'm sure we could," says Louis Kaseba, executive director of the \$20.6-billion Illinois Municipal Retirement Fund, which has about \$510 million in mortgage-backed securities.

Likewise, John Bauman, executive director of the Illinois Teachers Retirement Fund, is interested. His fund, with \$38 billion in assets, included about \$300 million in subprime mortgage-related investments as of June 30.

Ironically, the clearest winners locally are non-financial firms that received tax benefits in the Senate after the controversial bill was defeated by the House the first time around. Hartmarx Corp., a maker of men's suits, won reduced duties on imported worsted wool for a longer period of time, and renewable energy incentives will help firms such as Chicago-based UPC Solar, a developer of solar energy projects, and Westmont's Recycled Energy Development LLC.

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