

Banking Woes Could Affect Wallets of Local Nonprofits

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Local nonprofits fear that banks, their second biggest revenue source, will reduce charitable giving if the economy continues to sputter.

While area banks say it's not an issue, nonprofits say a decline in charitable giving could hamper their ability to serve the state's neediest.

"Generally, the recession has us all feeling nervous," said Andy Nelson, executive director of the volunteer advocacy group Hands On Greater Portland. "Nonprofits are certainly affected by the downturn, and there could be a lot of cutbacks if it hits like it did in 2001. And right now, banks are feeling the pain."

Camp Fire USA's Portland Council, for example, expects to collect four or five \$1,000 to \$2,500 gifts from the 15 largest state-based lenders this year. The group typically collects seven or eight such awards.

"Nonprofits are always worried about where the next check will arrive from, but this makes people all the more worried," said Aaron Dorfman, executive director of the Washington, D.C.-based National Committee for Responsive Philanthropy, which tracks charitable giving. "Many banks have already broken the public trust by engaging in risky and predatory lending practices. We just hope they don't further erode their commitment to the common good by cutting back on their charitable contributions."

Combined, banks gave charities \$640 million during 2006, according to the Financial Services

Roundtable. Only pharmaceutical makers, which give away billions of dollars in free medicine, outpaced banks.

The issue picked up steam last month after Washington Mutual set aside \$1.53 billion to cover potentially defaulting home loans. The bank subsequently said it would reduce charitable contributions.

The effects could be dramatic, especially in Oregon.

Washington Mutual ranked first among banks and fourth among all companies in local giving in 2006, according to the Business Journal's corporate philanthropy list, giving \$1.45 million to Portland nonprofits.

Other local banks, however, say they won't slash charitable giving because they largely avoided disastrous subprime loans.

Nonetheless, bankers are examining "discretionary spending" such as travel and advertising.

"We're always careful with our discretionary dollars, but we'll have a bit more focus now," said Patricia Moss, president and CEO of Bend-based Bank of the Cascades, which took a \$7.5 million loan-loss provision for 2007's fourth quarter yet still earned \$35 million. "That includes things like travel and what I'd call [general and administrative] expenses. This is perfectly normal during a down cycle."

Gresham-based MBank will watch its travel budget, possibly sending fewer employees to seminars. MBank, which increased its overall assets but experienced a 49 percent net interest income drop during 2007's third quarter, will also study its marketing and branch outreach efforts to see which programs work best.

"We're being a little more judicious and thoughtful," said Tom Perrick, the bank's president. "We

want to identify returns on all expenses. When things get a little bit tight, we'd rather take a look at those discretionary expenses than face tougher options down the road."

MBank will retain its philanthropic giving levels this year with one caveat.

"We'll take a tougher look at the requester to determine our customer relationships, our employee involvement and the return on investment, if you will, within our own community marketplace," said Perrick, whose bank gave nonprofits more than \$100,000 last year.

Lake Oswego-based West Coast Bank, which took a \$30 million provisional charge related to its construction loan portfolio during 2007's fourth quarter, will continue sponsoring children's health and disaster aid efforts in Oregon, said Bob Szenwajs, the bank's president and CEO.

San Francisco-based Bank of the West, which issued \$300,000 worth of gifts last year, won't adjust its philanthropy budget.

Nor will Portland-based Umpqua Bank, which gave \$693,000 in 2006.

"Department by department, everyone knows we'll tighten it up for a while here," said Lani Hayward, the bank's executive vice president of creative strategies. "But we're not making any changes in giving to the communities in which we work. Our funding levels for nonprofits and foundations will remain the same."

Larger lenders such as San Francisco-based Wells Fargo and Minneapolis-based U.S. Bank say their philanthropic efforts will continue unabated. U.S. Bank gave \$2 million to programs throughout Oregon last year, while Wells Fargo gave nonprofits \$1.27 million.

Cleveland-based KeyBank, which gave Oregon and Southwest Washington groups more than \$1 million last year, will continue doing so in 2008.

New York-based Bank of America will increase its national grants program from \$200 million to \$225 million this year. The bank gave Camp Fire USA's Portland Council \$200,000 last week.

The gift reflects what Keith Thomajan, Camp Fire USA's Portland office president and CEO, hopes is a growing trend: Smaller nonprofits can nurture better and closer relationships with fewer banks.

"The banks that do still support us do so from an informed place," he said. "They understand our programs, our program outcomes align with their philanthropic objectives, and they seem to want to be more involved than the simple act of writing an annual check."

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