

Editor's note: The following guest commentary was submitted by Kathryn S. Erber, senior vice president and Petoskey market manager with The Bank of Northern Michigan.

As 2010 wraps up, many of our business and private clients are feeling a heightened sense of security. While recognizing the worst is over, they acknowledge that an accelerated recovery is unlikely.

Tourism experienced a nice lift. Our resort community felt the positive results of wonderful weather and the Pure Michigan campaign, which brought many first-time vacationers to the greater Petoskey area.



Real estate markets strengthened modestly as interest rates remained at historical lows; purchases and refinances were strong. The service and technology sector made advances. Construction remained soft except for a few very recent start-ups, including the Kilwin's and the Petoskey Surgeons projects.

Throughout 2010, we have found creative, appropriate ways to help clients navigate current economic challenges. Those entering the recession with strong balance sheets, cash reserves and aggressive management strategies survived and now face less competition and larger margins.

This same conservative approach benefited our banks as well. Recent recognition of Lake Michigan Financial Corporation (The Bank of Northern Michigan and The Bank of Holland) as U.S. Department of Agriculture Michigan Lender of the Year and the Small Business Administration designation as Preferred Lender speak to the results of our efforts.

Looking ahead

While we appreciate the recognition, will Washington understand the key role SBA and USDA programs play in meeting the financing needs of surviving companies? Despite challenged balance sheets and poor operating performance over the past several years, these companies have done the heavy lifting to position themselves for a successful future.

The government guaranties allow banks to provide these companies necessary financing as they move toward stronger financial positions and more traditional bank

financing in the future. Extending expanded guaranty percentages (90 percent until Dec. 31, when it returns to an "up to" 75 percent factor) is perhaps less critical than the continuation of fee waivers, or at a minimum, significantly reduced fees. Historical fees on SBA and USDA loan guaranty programs are a major barrier to participation in those programs.

The best thing the government can do is eliminate uncertainty. Our business clients can deal with almost anything if they understand the rules. We need to mobilize all three branches of government at the national, state and local level working together to build a strong future for Northern Michigan.

Northern Michigan has a trained work-force, abundant natural resources, strong community colleges and research and development network to make recovery happen. We need immediate attention given to a relevant business tax structure as well as other steps to capitalize on these key Michigan resources.

Looking up

In a September 2010 client survey, more than 60 percent of our client businesses indicated that they would be hiring additional employees. While these will not represent huge increases in employment, they represent sustainable increases. While construction and the second home-condo markets may remain challenged, tourism, healthcare, education, technology and service are looking to be strong, healthy sectors in Petoskey and beyond.

Northern Michigan cannot rely upon any one large area of growth. Our growth will come from one hundred smaller areas. As the economy improves many of our small businesses will expand and invest within our community. Northern Michigan's beauty and lifestyle will remain, as always, a wonderful resource for attracting and maintaining business.