

What the \$1,000,000,000 problem taught me

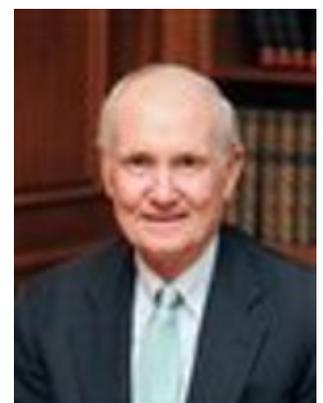
By Ronald K. Wills

“There is much to be learned by going the road less traveled”

I had the good fortune to work for one of the country's most successful entrepreneurs and CEO, Charles M. Cawley, founder of MBNA, who created the world's largest independent credit card company with 28,000 employees world-wide and \$12 Billion in revenues when the company was sold to Bank of America for \$34 Billion. I worked for Charlie at Maryland National Bank where Charlie and his counterpart in Baltimore created a \$1,000,000,000 division that, unbeknownst to me, was to result in the biggest challenge of my then, formative career.

The problem resulted from the quickly increasing cost of funds exceeding the yield on the \$1 Billion loan portfolio. With a fixed yield of 7.5% and cost of funds estimated to approach 10%, the division was forecasting a \$25,000,000 annualized loss. This deficit was several times the profitability of the bank itself.

While many of my counterparts in the division jumped ship or took other jobs within the bank, I was asked to join a team to resolve the problem and resolve it quickly. I was the youngest person on the team; about 25 years old at the time. This team reported to another amazing business man and future CEO of Maryland National Bank, Bill Daiger. Mr. Daiger was president and CEO of MNB from 1983 through 1992.



William Daiger
CEO, MNB

Within days we had working plans to solve the increasingly dangerous spiraling of the cost of funds. With approval from the top, we began implementing a six month turnaround plan to reverse the mounting losses we were experiencing. Working on this team and having the opportunity to report to two of the industry's finest CEOs, changed my outlook and created a desire to take on the toughest challenges while others look for safer opportunities elsewhere.