

# Steve Steinour's big gamble at Huntington: forgo tens of millions in revenue to win customers

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As a young man, Huntington CEO Steve Steinour wanted to be a doctor but couldn't handle biology class, so he switched to economics.

By [Teresa Dixon Murray, The Plain Dealer](#)

Six years ago, Cornel Mentler's world was collapsing.

As owner of Specialty Fitters, an Elyria manufacturer of piping for buildings, Mentler watched his sales fall from \$4 million to \$2 million a year as the economy sank. He was forced to lay off half

of his 20 workers. He cut his own pay. Then his bank pulled his credit line, even though he'd never been late on a payment.

His stash of cash wasn't enough to cover projects he needed to finance while he was waiting for payment. He thought he may have to close the business he founded in 1996. "I was scared to death," Mentler said.

Then another bank, Huntington, offered to give him the credit line he needed, even though his sales had been sour for the last two years.

"They took a chance on us," Mentler said. That saved the company. [Specialty Fitters](#) has since grown back to \$4 million in sales and rehired seven workers. Life is good.

Taking chances on small businesses when the economy was lousy is just one of the unconventional strategies Huntington has adopted in the last seven years under Chairman and CEO Steve Steinour.

Much like [Specialty Fitters](#), Huntington itself was struggling for survival back when Steinour started in 2009. Just a few months after three of the nation's 10 largest banks collapsed, Huntington was being crushed by a half-billion dollars in bad mortgages. Huntington was taking out emergency loans from the Federal Reserve. Its stock plunged by 90 percent to less than \$1 a share and it was hemorrhaging hundreds of millions of dollars.

"We didn't know whether Huntington was going to make it," said banking analyst Fred Cummings of Elizabeth Park Capital Management in Pepper Pike.

Steinour launched on an ambitious and -- yes, risky -- plan to turn Huntington around. The bank went from a loss of \$3 billion the year Steinour started, to a profit of more than a half-billion dollars just two years later, in 2011. Huntington's customer base for checking has soared by nearly 70 percent, from 900,000 households in 2009 to 1.5 million today. It's grown to one of the largest SBA lenders nationwide.

And later this year, Huntington will become one of the 20 largest banks in the nation after it closes its deal to buy Akron-based FirstMerit Corp. It expects to increase to about \$100 billion in assets and 1,000 branches in eight states.

### **Crazy strategies**

Huntington, which today employs about 12,200, including 4,500 headquarters' workers in Greater Columbus, was at a turning point in 2008, said David Porteous, head of Huntington's board of directors. "Our desire was to remain independent," he said.

But the bank was suffocating from its disastrous acquisition of Sky Bank in 2007 at a time that housing, the mortgage market and the overall economy were tanking. Huntington was getting swallowed by huge loan losses. Huntington's board lured Steinour out of his career hiatus. He'd left his post as CEO of Citizens Financial in Rhode Island nearly a year before, in part because of his children, then 12 and 15, and he wanted to spend more time with them.

Steinour, a native of Gettysburg, Pa., was known for his splashy marketing, hard work and collaborative, get-it-done style.

Under Steinour, Huntington launched a number of ambitious (some thought crazy) ideas:

- Giving customers a 24-hour grace period to cover overdrafts and avoid a fee, a move that cost millions in revenue.
- Changing the order that the bank processes transactions each night, so that customers get the benefit of the doubt and don't encounter as many overdrafts. That cost the bank \$28 million the first full year.
- Committing to \$4 billion in new loans to small businesses in the Midwest over a three-year period. In that mix was \$360 million aimed at 2,500 businesses in Greater Cleveland. Huntington was not going to automatically reject companies that had been hit by the recession the last year or two.
- Opening dozens of new branches at a time when some competitors were closing them.
- Working to expand auto lending when car sales were slumping and the economy was still shaky. It has nearly doubled since 2012.

- Keeping some branches open until after dinnertime during the week and on Saturdays and Sundays, to be as convenient as possible. About 23 percent of the bank's 750 branches are in-store locations and are open seven days a week.

"We choose to put revenue at risk," Steinour said. It seems the gambles have largely paid off. Customers, deposits, profits, market share and the company's stock price are all up.

"He's done a yeoman's job," said banking analyst Jeff Davis of Mercer Capital in Nashville. Some tactics were eye-popping, he said, including the "fair-play" strategy to forgive fees and pass up on revenue, the push on business lending and its efforts in equipment finance.

"It took a lot of guts," Davis said.

### **Lending money to businesses in need**

Steinour, 57, won't try to take all of the credit. At the time he was hired, Huntington's board beefed up by adding three bankers to the board. And some of the ideas stemmed from "town hall" meetings he held with employees soon after joining the company. Workers told Steinour how much customers complained about overdraft fees. So Huntington relaxed its policy; it was the first major bank nationwide to adopt forgive overdraft fees if the account was back in the black the next day.

Porteous, the Huntington board member, said Huntington thrives because of the collaborative spirit Steinour brings. "Sometimes very strong leaders who are transformative are so busy transforming that they don't have time to listen," Porteous said. "Steve is an incredible listener. And he's incredibly thoughtful."

Of all of the changes, Steinour perhaps feels best about the small business lending. "Back in 2009 and 2010, the headlines were that the banks weren't lending," Steinour said. "It was a time of need."

He reasoned that businesses shouldn't be punished for having a rough year or two, when that applied to almost everyone back then. Rather than expect a year or two of solid financials from borrowers, Huntington would settle for only one or two decent quarters. "It was a little controversial at the time," Steinour said. The initiative started in early 2010, when the economy was still very iffy. But he believed if Huntington waited until the coast was clear, it would be too late for some businesses that couldn't survive much longer.

That could have been Specialty Fitters, the Elyria company that provides mechanical piping for buildings like hospitals, steel plants, food manufacturers. Mentler, the owner, said Huntington was the only bank that would talk to him after his other bank "threw us to the curb . . . We needed a partner so we could stay alive."

Huntington's new \$4 billion commitment to small-business lending in the Midwest starting in 2010 was part of the renaissance of cities like Cleveland, Columbus and Cincinnati, Steinour said. Huntington also committed to multi-family housing projects in downtown Cleveland long before the turnaround had started.

"I think it made an impact," he said.

The loan defaults among those Huntington took a chance on were less than among other periods, Steinour said. And the loyalty is enormous.

The small business lending also catapulted Huntington from No. 15 in SBA lending nationwide, to No. 1 in 2014, even though it was only the 32nd-largest bank and lent money only in the six states where it operated. It dropped to No. 2 in SBA lending in 2015.

### **No more chained pens**

What were some other ways Huntington could act nicer? Steinour asked. Employees said customers hated that pens were chained down to the counters.

So Steinour said, fine, the company would just leave piles of green, Huntington-inscribed pens laying all over the branches. Customers could take them. Heck, non-customers could take them too -- from the branches in grocery stores. Steinour figured they were good marketing. And he

didn't want cheap pens. He wanted functional ones that people would hold on to. He called it "pen liberation." In six years, Huntington has given away 32 million pens. It started at 330,000 a month. Now that volume has doubled.

Other strategies were more straightforward, like Huntington's partnership launched in 2012 as the official bank on the campus of Ohio State University, giving it access to 50,000 students, plus faculty and employees. Many of those students may be looking to open bank accounts for the first time. "We want that checking account to stay with them," Steinour said.

Huntington has also tried to build goodwill across its six-state market by accepting deposits up until 11:59 p.m. and crediting them the same day. And it started keeping nearly a quarter of its branches open seven days a week. "We saw it as an opportunity," said Porteous of Huntington's board.

Roy Wasko of Columbia Station has been a Huntington customer for decades, but his loyalty has grown because some branches are open on Sundays.

Wasko, who owns Wasko's Marathon in Brecksville, takes his station's cash receipts and checks to his Huntington branch every Sunday. "That's my only day off," he said. "I get a little grocery list and do a little shopping too."

It was easier to find open branches a few years ago, however. Steinour in 2010 vowed to keep every branch in Greater Cleveland open seven days a week. However, in 2014, branches not in stores started closing on Sundays.

The reversal on the seven-day branches is one of a few misses under Steinour.

Davis, the Nashville analyst, said the bank needs to do more with wealth management. Steinour said the bank tried a proprietary set of mutual funds, but it couldn't get scale. It was a bust. So the bank sold them last year.

Steinour also feels Huntington is behind in technology. That was one of the big drivers for its purchase of FirstMerit, to help it be able to afford to invest in new technologies, such as customer service phone lines that verify your identity through your voice.

On a more basic level, Steinour wants to deepen the bank's relationship with existing customers. In 2009, 67 percent of customers had four or more accounts or products. Today, that's 81 percent.

Porteous, the Huntington board member, said that's another indication the bank's strategy is paying off. He credits Steinour's leadership style, which he says is big on communication and challenging everyone to be their best. He adds that Steinour is also known for being approachable and easy to talk with.

"You know how some people want everyone to know they're the smartest person in the room," Porteous said. "Steve isn't like that."

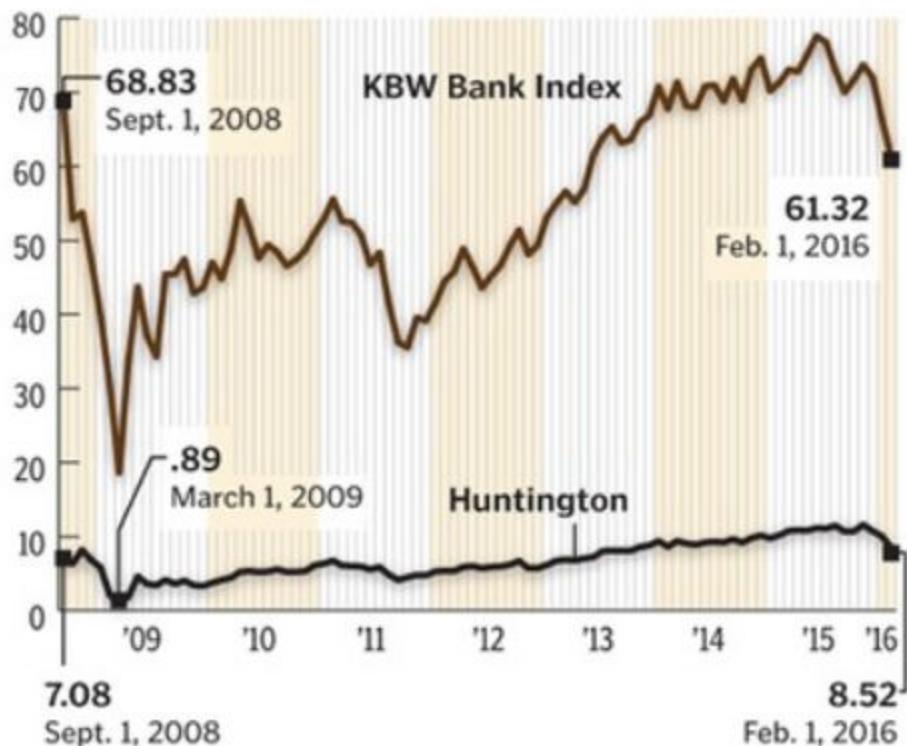
Steinour, originally a pre-med major who switched to economics after he didn't survive his second biology class, does feel that Huntington has distinguished itself from many of its competitors. He thinks if any banks wanted to copy some of his strategies now, it'd be too late. "It's a matter of first-mover advantage," he said.

Beyond the business reasons, Steinour said he wants Huntington to be known for having a culture where employees are "committed to doing the right thing." It should come with the territory when you deal with people's money. In some cases, their life savings. Their first homes. It's part of what makes him glad he became a banker.

"I get to work in an industry that has purpose. We help people every day," Steinour said. "I feel a sense of satisfaction. It may sound corny. But how do you not feel good?"

## Huntington Bank's stock performance

Huntington's share price dipped to 89 cents per share during the financial crisis, sinking as many bank stocks did. Huntington's price has recovered to pre-recession levels. This chart compares Huntington's stock to the KBW Bank Index, which includes large money-center banks, regional banks and thrifts.



SOURCE: Yahoo! Finance

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