



Like Déjà Vu All Over Again

Comparing Economy in 2008 To That In 1982

The Journal Record - February 5, 2009

By [Chris Coleman](#)

In recent months, several people have quoted that great American economist, Yogi Berra, in comparing the economy in 2008 to that in 1982: "It's like déjà vu all over again."

Truer words have not been spoken.

Fortunately, though, experience is one of the best teachers. And so recently, several of my colleagues and I – lawyers who spent much of their time in the '80s assisting borrowers and creditors with complex, high stakes financial workouts and business restructurings – sat down to share stories of our past experiences, reflect on the similarities and differences in the markets then and now, and discuss what businesses should be doing to prepare themselves for a long, flat summer and beyond.

The news tells us that financial institutions are being encouraged to lend, but our recent experience tells us that lenders are slow to take up the challenge. Money is tighter than ever. Regulators are more concerned about the quality of loans than in the past. Capital has also shrunk with losses.

Borrowers should expect lenders to tighten credit standards, increase interest rates and review existing loans for opportunities to strengthen the credit by lowering loan amounts in relationship to the value of the collateral, increasing interest rates, establishing floors on interest rates, and generally tightening financial and reporting covenants. Borrowers who need to request consents or waivers from lenders for matters that have historically been granted without much concern will now face a full scale review of the credit with substantial modifications of loan terms likely.

All creditors will be looking at the strength of their debtors and of the impact of business failures elsewhere on the purchasers. Wholesalers and distributors should be reviewing ways to increase the likelihood that their customers can pay for the goods sold. They will be looking at taking



payments by credit card, requiring a deposit, getting a security interest in the goods sold, obtaining guarantees from affiliates, or demanding letters of credit. If you have historically allowed your payables to slide while waiting for receivables to catch up, expect that your vendors will try to force earlier payment.

Landlords will be reviewing the financial condition of their tenants, individually, and of the prospects of the tenants' lines of business generally. If the financing on any property matures within the next 12 to 18 months, a landlord should begin work on refinancing now because lenders will be tightening their loan criteria.

Borrowers and debtors should be trying to identify problems that they will likely experience. It is much easier to deal with creditors before there are problems. Debtors may need to begin negotiations with lenders, landlords and suppliers about increased lines, lower payments, longer terms or other loan modifications.

Our local economy is holding on better than other parts of the country so far, but local companies whose customers are in other geographic regions need to be especially vigilant about the credit worthiness of those national customers.

Bankruptcy will be in the minds of all parties.

The bottom line is that virtually no business – whether a borrower, creditor or both – will be immune from the resulting changes in the financial markets. Businesses must start planning now because, as Yogi so aptly put it, “The future ain't what it used to be.”

Links

[Chris Coleman's Bio](#)

OKLAHOMA CITY
TENTH FLOOR
TWO LEADERSHIP SQUARE
OKLAHOMA CITY, OK 73102-7103
(405) 235-9621 office • (405) 235-0439 fax

TULSA
500 ONEOK PLAZA
100 WEST 5TH STREET
TULSA, OK 74103
(918) 587-0000 office • (918) 599-9317 fax