Business

Jury weighs evidence in 2nd Stoddard trial

By Tim Richard
staff writer

A federal jury Wednesday began weighing the fate of former banker Stanford C. Stoddard, charged with misapplying Michigan National Bank funds in a Jackson deal.

Stoddard, 59, of Birmingham, was convicted of the same charge in August 1987 and sentenced by U.S. District Judge Anna Diggs Taylor to three years in prison.

But the Court of Appeals overturned the conviction last year because the Jackson institution — Michigan Bank Midwest — wasn't a member of the Federal Reserve System as the indictment said. So the government retried him, calling it a federal case because Midwest was federally insured.

"An impossible conflict of interest," said U.S. attorney James C. Mitchell, of Rochester, describing the relationship between Stoddard as chairman of the holding company, Michigan National Corp., and a partner in Amberley Properties, which leased the downtown Jackson property to the MNC subsidiary.

"IF HE FOUND a bargain, he should have given the benefit of that bargain to the bank," Mitchell told jurors in his closing remarks.

Mitchell said the bank paid double the market rate for the century-old building in the depressed economy of 1981, when the town joke was: "The last one out of Jackson, turn out the lights."

The government charged Stoddard set the rental rate of $27,000 a year; persuaded his friend, Southfield attorney Raymond Zweig, to buy it for $41,000; then had Zweig sell it to Amberley a year later for the same amount.

Mitchell said that when bank directors learned of the deal in 1984, Stoddard and his partner, Curt Terova, deeded the property to the bank, throwing in $25,000. "If that's not the act of a guilty man, what is?" Mitchell asked.

NEIL FINK, Stoddard's defense attorney, called the situation "a business judgment gone bad," not a criminal act.

"The government attempted to make this a secret business deal. The bank (Michigan Bank Midwest) closed in 1984. After the bank was closed, every major character was hiding in the grass."

Fink said a letter complaining about the Jackson deal surfaced only after the bank was closed and major players were hiding. "They were his friends when he was on top," he said. "But Bud (Stoddard's nickname) was not CEO any more."

Fink accused other "players" of changing their stories once indictments were issued to pin all blame on Stoddard.

Fink said Amberley Properties gave the bank the building to avoid litigation, denying any guilt.

"THE RENT was in the ballpark (of the Jackson market)," Fink went on, citing comparable deals.

The defense counsel said the prosecutor was "almost absurd" in his second guessing of the bank's business judgment.

"We don't put the government in a position of deciding business judgment. God forbid! This is not price controls. This is not Russia.

"That $27,000 (annual rent) is a pimple. Michigan National invested millions in Jackson.

"Nine years later, the figures that looked so good at the time, they want to give criminal intent."

THE TRIAL began last week, with the government taking three days to make its case.

Stoddard called on only two witnesses, including Brian S. Gordon, a commercial real estate specialist from Farmington Hills and a former Michigan National vice president.

Gordon testified Tuesday that the bank holding company, under Stoddard, was consumer oriented and growth oriented.

"The general feeling was 'put a bank on every corner for every possible corner of the state,'" Gordon said.

Gordon said the Jackson site was "ideal" — across from the town's leading bank and the Sheraton Hotel in the center of the financial district.

"It's common knowledge that bank customers have negative feelings toward their banks. It might bounce a check, charge a fee they don't like, change a policy. The best place to be is where the customer looks as he walks out the door (of his current bank)," Gordon said.

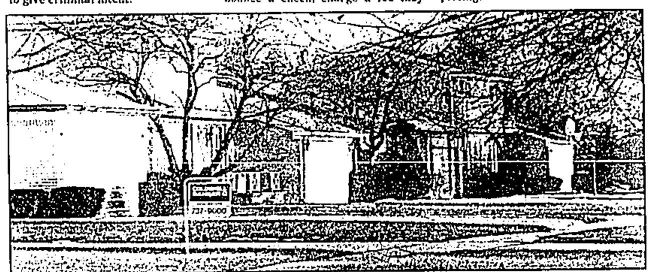
FINK DIDN'T put Stoddard on the witness stand.

In an interview last September, Stoddard said, "I had nothing to do with negotiating the lease . . . Reuben Bergman was president of that bank. The bank board authorized Bergman to negotiate with Zweig."

He said Zweig bought the building from the trust department of a Jackson real estate firm on behalf of a deceased person. "It was a bona fide outside purchase at $41,500."

Except for Stoddard's family, the *seventh floor courtroom in Detroit* was largely empty during most of the five-day trial, much of it a lesson in Jackson commercial real estate pricing.

Lawyer's niche: amend home purchase contracts



Gerald Krafsur advises home buyers to see that the purchase agreement reflects their needs and not just those of the seller. "Most problems can be traced back to mistakes made in the original offer to purchase."

By Gerald Frawley
staff writer

An offer-to-purchase agreement, the contract on which house sales are based, is inherently seller-biased. So house buyers can benefit from having someone in their corner early in the sale.

That's the concept behind the newly formed Home Buyer First Corp., a real estate law practice developed by president Gerald I. Krafsur.

Seller-biased language gives sellers unilateral authority over what remains in the house and dictates the length and type of occupancy retained by the seller after the closing, Krafsur said. The standard offer-to-purchase contract also ignores property inspection and gives no recourse to a dissatisfied buyer, he said.

Krafsur's plan is to develop a high-volume business in amending offer-to-purchase contracts so they favor the house buyer, rather then the seller. If successful in Oakland County, Krafsur said he will expand the practice into Wayne and Macomb counties, and eventually throughout the entire state.

When contacted by a potential house buyer, most real estate attorneys draw up an offer-to-purchase contract from scratch, Krafsur said. At an attorney's hourly rate, that can be expensive.

HOUSE BUYER FIRST takes a different approach, he said. Rather than write the agreement from scratch, Krafsur amends the original contract.

"We have a computer program set up so we can very quickly make changes to the original document, removing the seller bias," Krafsur said. This is done after the real estate agent draws up the offer to purchase but before the contract is signed or presented to the seller.

For a fixed fee of $299, Home Buyers First will prepare or review all the documents a house buyer needs: the offer to purchase, counteroffers, deed, and closing documents.

An attorney also will be present at the closing, Krafsur said. Any consultations can be scheduled at a buyer's house or office on days, evenings or weekends.

Krafsur said he got his idea after years in real estate law. "Most problems can be traced back to mistakes made in the original offer to purchase."

Alan C. Helmkamp, an attorney with Helmkamp, Ellis & Abraham in Livonia, said while most real estate transactions have a great deal in common, each sale also offers something unique. Since each house is unique, each offer to prucahse agreement should be unique, he argued.

A HIGH-VOLUME real estate practice may be more difficult to establish than it would appear, he said. But Helmkamp agreed that offer-to-purchase agreements are traditionally seller-oriented.

Helmkamp said although generalizations are difficult, two areas that differ significantly from sale to sale are the items to be left by the seller and the length and type of occupancy

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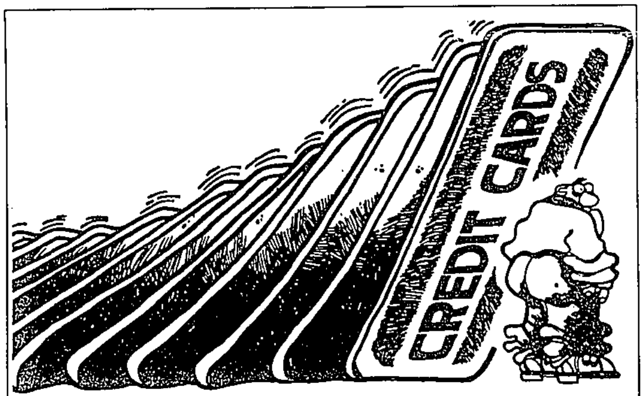

Net pay sets credit load

Are the holiday purchases you joyfully charged in December coming back to haunt you in the form of monthly charge account statements?

If the bottom line on your credit card bills makes you shiver, you're not alone. The average American owes approximately $1,600 in unpaid revolving debt. For many consumers, that amount is simply too high.

You can determine how much you can carry safely by dividing the amount owed on your credit cards by your annual take-home pay. Under a formula devised by the Farmington Hills-based Michigan Association of CPAs, multiply that result by 100 to get a percentage. The number you arrive at should be no higher than 15 to 20 percent of your annual salary.

For example, Bob's annual take-home pay is $15,000. He owes $3,500 on various credit cards. By dividing his debt ($3,500) by his take-home pay ($15,000), you arrive at .23 or 23 percent. In other words, Bob is over his head in debt.

EVEN IF your current level of debt is hovering below the danger zone, you may be headed for credit trouble. Here are some warning signs to watch out for:

- You take cash advances on credit cards to meet current bills.
- You ignore your credit limits.
- You charge daily expenses, such as groceries or gasoline.
- When you eat out with friends, you ask them for cash and pay with your credit card.
- You buy items on impulse.
- You can't meet the minimum payment on your cards.
- It's getting harder to pay your debts on time.
- You have to postdate checks so your payments won't bounce.
- Your savings account is slowly disappearing.

If you identify with these statements, it's time to take some lessons in debt management.

First, hide your credit cards from yourself. Forget they exist. If your mail brings you a tempting application for a pre-approved credit card with a limit of $5,000, tear it up. Don't assume that the lender knows your financial situation better than you do. If you are already drowning in credit, another card will only drag you deeper into debt.

IN MANY CASES, debt consolidation via a home equity loan may provide you with an organized way to pay off debt within a specified time period. But if you are truly addicted to credit, the chances are simply too good that such loans will lull you into believing that you have paid your debts and can now resume charging.

Another option is to draw up an austerity budget to see if you can squeeze more cash free to pay your obligations. Try to pay off more than the minimum owed on each of your credit cards. The only way to reduce your balance is by paying off any new charges in full, plus the interest and at least a portion of the previous month's balance.

If you simply cannot find the money to meet your bills, you will probably need help from a CPA or credit counselor. There are more than 350 non-profit consumer credit counseling service that belong to the National Foundation for Consumer Credit and can help you work out a payment plan with your creditors. The non-profit counselors charge only a nominal fee or, in some cases, no fee. For a directory, write to the NFCC at 8701 George Ave., Suite 507, Silver Spring, Md. 20910.

The credit counselor will help you come up with a budget and negotiate repayment terms with your creditors.