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Charlotte lending barely rose last year, analysis shows

Premium content from Charlotte Business Journal - by Adam O'Daniel, Finance editor

Date: Friday, March 18, 2011, 6:00am EDT

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Here's the evidence to support what many business owners suspected: The top 20 banks doing business in Charlotte combined for only a 0.4% increase in total loans in 2010, according to a *Charlotte Business Journal* analysis of regulatory disclosures.

The numbers illustrate the stagnant lending environment as a result of the recession and its aftershocks. Despite numerous government programs and bailouts pumping billions of dollars to prop up lending, the numbers confirm suspicions that most banks remain tight-fisted with cash in light of tougher regulations and slumping demand.

A study of the largest banks doing business in Charlotte, combined with all the community banks based here, shows many banks shrank their loan books in 2010. Banks that purchased competitors or failed banks saw their loan numbers increase, but only because they inherited existing loans via acquired assets. But banks that tried to grind out loan growth organically made little or negative progress.

Take [Bank of America](#)'s massive international balance sheet out of the equation, and lending at Charlotte banks fell 1.78%.

Of the 20 banks analyzed, only six lenders that didn't buy other banks reported larger loan portfolios in 2010 compared with 2009. BofA, [Fifth Third Bank](#), SunTrust Bank, [Park Sterling Bank](#), Carolina Premier Bank and BlueHarbor Bank all posted positive loan growth.

Community lenders Carolina Premier in Ballantyne and BlueHarbor in Mooresville led the way with loan growth of 39% and 6.5%, respectively.

Those banks benefited from their youth. Because they were founded in 2007, the lenders haven't been as troubled by large balance sheets full of bad loans. That has allowed them to use more capital to make new loans instead of absorbing huge losses.

"We haven't had to focus as much on internal issues that need resolution," BlueHarbor Bank President **Jim Marshall** says. "We've had the time and capital to focus on building new relationships."

However, Marshall admits even the slow growth has been difficult. He says the bank still has its fair share of distressed borrowers. "It's not magical," he says of BlueHarbor's loan growth. "It's still tough out there. But it's manageable."

Marshall says the bank has shifted from real estate development lending and hired small-business lenders and commercial and industrial lenders. It also participates in several Small Business Administration loan programs.

Other community lenders known as friends to small businesses struggled to make loans last year. For example, [NewDominion Bank](#), Bank of Commerce, First Trust Bank and [Yadkin Valley Financial](#) (owner of [American Community Bank](#) and [Piedmont Bank](#)) all suffered significant lending declines.

NewDominion had the biggest drop, 23%, as it came under regulatory sanctions that brought on a new CEO and plans to move away from its 89% concentration in real estate loans.

Jim Bolt, chief executive at First Trust Bank in Charlotte, says his bank's 14% decline can be blamed on poor demand. He says the bank has increased its marketing and business-development efforts, but it hasn't seen many qualified borrowers.

"Demand is just anemic," he says. "That's the best word I have to describe it."

Bolt says First Trust also has had to devote resources to cleaning up distressed loans on its balance sheet. And he says many banks are letting some loans mature without offering to renew the notes as a method for reducing concentrations in high-risk sectors such as commercial real estate and development.

The difficult lending environment is making life hard on small businesses. Appalachian State University finance professor **Harry Davis** says the difficult scenario is hard to escape because banks need healthier borrowers and businesses need help from banks to return to health.

"Loans that banks have made to businesses for years aren't getting made right now because regulators are requiring higher standards," he says. "If we can get some growth in the overall economy, small-business lending will increase."

Davis points to three reasons for the stagnant lending environment: a lack of economic growth crimping businesses, regulators asking banks to be more prudent and higher capital requirements forcing banks to shrink their balance sheets.

"Those three things combine to make it very tough," he says.

And bankers aren't optimistic about the rest of 2011. BlueHarbor's Marshall says applications and business activity are increasing, but not much. And Davis says the economy needs to shift to widespread growth — not just anecdotal evidence — before anything will change.

"There are some segments that are doing OK — manufacturing and health care, for example," First Trust's Bolt says. "We're hoping it gets better in the months ahead, but I'm not expecting that to happen."

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