



## LENDING OPPORTUNITIES FLOURISH IN SOME MARKETS

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Dow Jones

It's not easy being a lender these days. The problems that initially began in the subprime mortgage area have over time cast a wide shadow on the broader lending market, causing many banks to curtail their loan business or pull out of certain areas altogether.

Indeed, the Federal Reserve's April 2008 Senior Loan Officer Opinion Survey on Bank Lending Practices showed that banks further tightened their lending standards with respect to a wide range of loans over the previous three months.

That said there are still pockets of good business opportunities.

Small business lending, for example, remains a prime opportunity for banks. Larger banks haven't typically focused on it, but it's an area at which many are taking a harder look. "A half-million line of credit today could be a multi-million dollar line as that business grows," said Steve Sargent, President and Chief Executive of Cypress Software Systems, a developer of loan origination software based in North Richland Hills, Texas.

### Opportunities

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of about \$85 million, which Capablanca expects to grow by at least 50 percent by the end of the year.

It's not that the opportunity wasn't there before, he said, but many banks chose to concentrate more heavily on real estate loans. "The demand was there all the time, but I don't think [banks] were paying attention to it," Capablanca said.

Stephen P. Marsh, Chairman and Chief Executive of Enterprise Bank and Trust in Clayton, Mo., said he sees opportunities in several areas. For example, the \$2 billion-asset bank has been busy supplying working capital lines of credit and equipment financing to commercial contractors and defense-related companies. The bank has also focused on equipment financing and real estate lending to the health care industry, as well as providing lines of credit to information technology companies seeking to beef up their security. "There are still problems in the residential real estate area," he said, citing as an example bank-owned properties that aren't selling. "But because

Banks are also finding opportunities in non-real estate commercial lending. Fernando Capablanca, President and Chief Executive of Miami-based Union Credit Bank, said his company has been providing

more cash flow and balance sheet financing to small-and-medium-size businesses than it has in the past. The bank, which has assets of \$150 million, has a loan portfolio *see OPPORTUNITIES on page 5*

it's a relatively small area, the pinch doesn't hurt quite as much perhaps."

While there's a lot of talk about the housing market's overarching woes, some banks still see pockets of opportunity within real estate lending.

For example, Craig E. Polejes, President of Florida Bank of Commerce in Orlando, has seen a pick up in the bank's jumbo mortgage lending business. A year ago potential customers would often look outside of banks for these mortgages because mortgage lenders and the like offered more favorable rates. Now, with so many of those companies going belly-up and long-term rates rising relative to short-term rates, his \$175 million-asset bank is able to compete.

Charles Krawitz, Managing Director of Key Commercial Mortgage Access, the small balance commercial real estate lending group of Cleveland-based KeyBank, said he's still seeing a "pretty vigorous" market for small commercial loans in the \$500,000 to \$5 million range, which often mature every three to five years.

A couple of years ago there were a lot of "opportunists" looking to buy properties for speculative purposes. Today, people are

"concerned about paying down their loans rather than going off in search of the next acquisition opportunity," he said. "There's always stuff coming due."

Even as banks find pockets of opportunity, however, they are facing increased competition from non-bank competitors who don't have the same tighter lending requirements. Indeed, the Commercial Finance Association's first-quarter survey showed a 5.6 percent increase in total committed credit lines among reporting asset-based lenders.

In another example, On Deck Capital recently launched a platform designed to bridge the gap between bank loans and factoring products. The New York-based company offers, in most states, business loans up to \$100,000 based on the performance of the business, rather than the personal credit history of the business owner.

Sargent of Cypress Software Systems said that even as banks are tightening their credit policies, they have to be careful not to turn away business that may be viable down the road. "It's being prudent in your pricing of your loans and being prudent in your credit risk management approach."