

A Pennsylvania Save, Funded by Tarp

"It was the smaller banks that stood tall"

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By [Robert Barba](#) and [Bonnie McGeer](#)

A handful of community banks in Pennsylvania are using capital they received from the Treasury Department to save 9,000 local jobs threatened by a department store's bankruptcy filing.

William J. Reuter, the chairman and chief executive of Susquehanna Bancshares Inc. in Lititz, said the funding from the Treasury's Capital Purchase Program made it easier for the banks to act quickly to rescue Boscov's Inc.

"Having this money recommitts community banks to doing what they do best," Mr. Reuter said. "Often in a tough economic environment, community banks provide the financing that allows for job creation and, in this case, job retention."

State and local governments agreed to extend a \$46.7 million loan to help Al Boscov buy his namesake store out of bankruptcy and preserve thousands of jobs. But much of that money will not be available for at least 120 days, and Mr. Boscov needed the money immediately.

Griffin Financial Group LLC, a King of Prussia investment banking firm, helped Mr. Boscov secure the bridge loan. Joseph M. Harenza, Griffin's CEO, said he turned to the community banks for the bridge financing after being shut out by money center and regional banks.

"The big guys turned him down," Mr. Harenza said. "It was the smaller banks that stood tall and did this for the community, and they did it fast. Had that not happened, it would have been devastating."

Six of the seven banking companies participating in the loan are based in Pennsylvania. The seventh, WSFS Financial Inc., is based in Delaware. Five of the Pennsylvania companies have announced that they have either applied for or received Treasury capital injections.

Paul Geraghty, the president and CEO of Harleysville National Corp., said the Treasury funds specifically helped, because the loan was not traditional.

The store chain's receivables and inventory already serve as the collateral for a \$200 million line of credit led by Bank of America Corp., and the bridge loan is meant to fill in the gap until the state money comes through.

That does not mean the loan is a high-risk one, Mr. Geraghty said, but it does have a lower rating and requires a more significant allocation of capital. "You have to be in a very strong capital position to take make this kind of loan," he said. "Without the Tarp money," — the acronym for the Treasury's Troubled Asset Relief Program — "it would have been harder to step up and participate."

Boscov's, America's largest family-owned independent department store, is an anchor tenant at dozens of Pennsylvania malls. (It also has stores in Delaware, Maryland, New Jersey, and New York.) The company filed for bankruptcy protection in August, prompting Mr. Boscov, 79, to come out of retirement six weeks ago to save the store chain he sold to a nephew three years ago.

Mr. Boscov said in an interview that the company ran into trouble because it tried to expand too quickly. He said he came out of retirement because 9,000 jobs were at risk, and because he wanted to continue the business founded by his father, a Ukrainian immigrant who was a peddler before opening his first

store.

The Treasury has taken heat for failing to monitor how bankers are using bailout money. This week members of the House Financial Services Committee grilled Neel Kashkari, the interim Treasury assistant secretary for financial stability, on that question. Large banking companies are being criticized for not doing enough to help ease tough economic conditions (See related [story](#)).

Susquehanna is kicking in \$20 million of the bridge loan to Mr. Boscov. "The more you are able to lend to small businesses, the more you are able to lend to the consumer, the sooner we are going to see the bottom of this economy," Mr. Reuter said. "Knowing that the proceeds are going to save jobs, this became an easier decision."

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