

PITTSBURGH TRIBUNE-REVIEW

Smaller banks inking bigger business deals

By Thomas Olson
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When an investment banker tried to line up money to buy Boscov's stores out of bankruptcy early this fall, he ran into the credit crisis.

"The big banks, including money center banks, just blew us off," said Joseph Harenza, CEO of Griffin Financial Group in Reading.

But he got around that wall when a group of smaller, regional banks coalesced to back a nearly \$300 million deal that enabled two of the retailer's top former executives to rescue Boscov's from oblivion last month.

The deal illustrates a wider trend, say bankers and other industry experts. While many large banks are freezing up these days, smaller banks are often filling the financing void for businesses.

"Some of the bigger banks are distracted, either by selling or buying (banks) or by more national issues," said David Lazare, managing director of Stifel Nicolaus & Co., Philadelphia.

"But community banks are seeing business opportunities in loan and deposit relationships that they hadn't gotten access to in the past several years," the analyst said.

Several second-tier banks around Pittsburgh are enjoying a higher profile these days, especially among business customers hungry for credit.

First Commonwealth Bank, for instance, posted its busiest quarter for new business loans over the summer that it's recorded in the past three to four years, said Mike Price, president of the Indiana, Pa.-based bank.

"Times may be tough, but not all businesses are struggling," Price said. "Their business may not be as good as last year, but they can still be profitable and pay good wages and give out a Christmas turkey each year."

Dick's Sporting Goods Inc., for instance, is forging ahead with a new, \$107 million headquarters in Findlay, near Pittsburgh International Airport, which should be completed in about a year. The building is being financed by a consortium of mostly Western Pennsylvania regional banks led by First Commonwealth.

"They have been our go-to banking partners in this region," said Rodney Piatt,

CEO of project developer Horizon Properties. "They clearly understand the markets they serve and understand the economics of the markets they're in."

Larger banks are still providing project financing, "but it's a lot more challenging because they are pulling in their horns," Piatt said.

"If we get a deal, we have no problem working on it with other lenders, depending on the circumstance," said Rob Jorgenson, senior vice president of marketing for S&T Bank, Indiana, which helped finance the Dick's headquarters project.

Regulators limit the size loan a bank may extend according to the institution's asset size. S&T loans, for instance, can not exceed about \$20 million, Jorgenson said. So, construction of the sporting goods company headquarters required that several smaller banks band together their resources.

"Smaller banks are still staying within their strategy, however," Lazare said. "They're not being overly aggressive, or relaxing their underwriting standards or going outside their markets."

First National Bank has about \$3.2 billion in outstanding business loans across Western and Central Pennsylvania, with one-third of that in the Pittsburgh region. The Mercer County-based bank added eight branches in Allegheny County to its previous 15 here with the acquisition of Iron & Glass Bank in August.

"We bring the sophistication of a bigger bank in a community bank wrapper," said Vincent Delie Jr., banking group president of First National. "Our (loan) decisions are local, and our credit officers are engaged with the companies."

Since the bank hired commercial bankers dedicated to the Pittsburgh market in 2005, First National has grown its outstanding business loans about 15 percent a year, Delie said.

First Commonwealth CEO Price attributes much of his bank's business loan growth to monthly "blitz days" this year. That's when branch managers, commercial lenders and even "the top brass" call on companies probing for business, he said.

"This is not rocket science. If you want a company's business, you go inside and ask if there's anything you can do for them," Price said.

"Our customers know who to call if they need to," he said. "They're not calling a different area code or a different state."

Smaller banks seemed to get an added chance to grow their businesses in early December. The Justice Department ordered PNC Financial Services Group to divest 61 Western Pennsylvania branches before it can complete its acquisition of National City Corp., expected by Dec. 31.

"We would love to purchase some of the National City branches that PNC has agreed to sell," said Robert McCarthy Jr., CEO of Parkvale Financial Corp., which helped finance the Dick's project. "That would be a good way to grow, with mature offices and nice deposit bases."

But as McCarthy and other local banks later discovered, antitrust authorities are requiring PNC to sell the National City branches in chunks by market. That means, all 50 offices in Allegheny County must be sold to one buyer -- a transaction too big for smaller banks to swallow, analysts say.

Extra branches or not, Parkvale has expanded its business loans more than 15 percent this year to date over last year, said chief lending officer Bob Stephens.

"It's having our loan officers be more proactive," he said.

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