



# Race is on for Baltimore's top spot

Rawlings-Blake says she's ready to take on challengers

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When this year's contentious governor's race is over, get ready for another barn burner as a pack of potential

candidates readies to unseat Mayor Stephanie Rawlings-Blake.

All has been quiet in the 2011 race for mayor — so quiet that the rumor mill and talk radio jabber have focused on whether Rawlings-Blake still wants the job. The doubt over her future aspirations has been so strong that it's brought at least a dozen potential candidates to the forefront as potential successors.



**Rawlings-Blake**

But Rawlings-Blake this week took on the naysayers who say she won't or shouldn't run. She said she has been busy trying to get Gov. Martin O'Malley reelected. Still, she is defending her record over the past eight months and said she is ready to win her first election.

"I think it's easier from the sideline to be a detractor," Rawlings-Blake said in a *BBJ* interview. "It shows a lack of understanding of the challenges that we face."

The daughter of the late Del. Howard "Pete" Rawlings

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## MONEY IN THE BANK?



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Matt Helme, of Maysy's restaurant, worries about the cost of doing business with a bank.

## Cost of business banking may soon go up

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What's in your wallet?

If you're a small-business owner, the answer is likely to be a credit card or a check that is going to cost you more.

New financial reforms leave banks facing billions in lost revenue. It is now harder for banks to ding consumers for overspending on their debit cards. Banks

also will be limited in how much they can charge in interchange fees, the amount they charge merchants for processing credit card transactions.

To make up the industry's shortfall, experts expect banks to dig deeper into the pockets of small-business owners and consumers. They will levy a host of new fees and revive old ones that many customers haven't seen in years. That could include everything from an

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## Banks beef up deposits, but lending lags

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Bank deposits are up across Greater Baltimore as consumers and business owners hoard cash, waiting for the stock market and the economy to rebound. But the fact that banks are flush with cash has not translated into more lending at every bank.

In the past year, lending levels have fallen at some of the biggest banks that do business in the region, according to a *Baltimore Business Journal* analysis of data from the Federal Deposit Insurance Corp. The *BBJ* looked at total nationwide lending at the region's 50 largest banks as of June 30 and compared it to their lending levels as of June 30, 2009.

The numbers don't break out commercial loans specifically. But they fuel the ongoing debate between small-business owners, who say they can't get loans to help their businesses expand, and bankers, who say they want to lend but face slack demand from qualified borrowers.

Greater Baltimore's 50 largest banks boosted local deposits to \$57.1 billion, up from \$53.1 billion the year before. That's part of a national trend, as depositors

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# Loans: Region's smaller banks see opportunity to pick up slack in lending

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poured more cash into money market and savings accounts, said Kevin Curry, a senior analyst with SNL Financial in Charlottesville, Va.

But despite deposit gains, lending nationwide fell at many of the largest banks, including three of the region's biggest — local leader Bank of America, M&T Bank and SunTrust Bank.

Bank of America's loan portfolio declined to \$713.7 billion on June 30, down from \$728.1 billion on June 30, 2009. The nation's largest lender, Bank of America extended \$173.6 billion in credit in the form of new loans or loan renewals in its most recent quarter ended Sept. 30. That was down from \$184 billion in third quarter 2009. The decrease reflects a lack of demand for loans, especially new mortgages, Jerome Dubrowski, a bank spokesman, said in an e-mail.

Loans at M&T, the region's second-largest bank, fell to \$49.4 billion as of June 30, down from \$51.1 billion the year before. At No. 6 SunTrust, lending dropped to \$112.8 billion, down from \$127.9 billion the year before.

Across the region's top 50 banks, total loans reached \$2.45 trillion in 2010. That was up from \$2.085 trillion in 2009 and \$2.094 trillion in 2008, and it sounds like a major increase. But consider that most of the increase was driven by the fact that two of Greater Baltimore's biggest lenders — No. 3 PNC Bank and No. 4 Wachovia/Wells Fargo — underwent major mergers that boosted the size of their loan portfolios.

PNC acquired National City Bank, more than doubling its loan portfolio to \$151.9 billion, up from \$70.8 billion. Wachovia and Wells Fargo merged, increasing the size of the combined company's loan base to \$703.2 billion, up from \$350.5 billion.

Excluding PNC and Wachovia/Wells Fargo, just two banks in the region's top 10 — BB&T and Columbia Bank — had more loans on June 30 than they did at the same point the year before.

To fill the lending void, several banks in Baltimore have increased commercial lending to grab customers they say some of their bigger competitors are leaving behind.

"We brought in some quality lenders and put them out on the street," said David Lavine, CEO of CFG Community



David Lavine's CFG Community Bank increased lending by 107 percent.

## Local Lenders

Several Baltimore-area banks increased total lending in the past year. Here are their percentage increases as of June 30, compared with June 30, 2009:

CFG Community Bank.....	107%
Columbia Bank.....	25%
Hamilton Federal Bank.....	14%
Howard Bank.....	12%
CommerceFirst Bank.....	10%
Arundel Federal Savings Bank...	3%
BankAnnapolis.....	2%

Source: Federal Deposit Insurance Corp.

home-oxygen systems, walkers and other medical supplies needed by patients returning home from the hospital.

Suter moved the mortgage for his new store and office in Felton, Del., to Hamilton Federal from another bank, which he declined to name. Suter said he switched his mortgage because he wanted to be with a local bank with "hometown customer service."

"People from Baltimore, serving Baltimore people," he said.

Rick Morgan, the CEO of CommerceFirst Bank in Annapolis, said that with many of the bigger banks cutting back on lending, his bank seized a chance to grab market share. It boosted loans by 10 percent, to \$183.7 million, up from \$166.9 million in 2009.

"We saw the opportunity to cherry-pick some relationships that other banks were letting go or not paying attention to," Morgan said.

To fuel its loan expansion, CommerceFirst did a number of things to make the bank more attractive to depositors, Morgan said. It joined an FDIC program that lets banks offer unlimited FDIC insurance on checking accounts that don't pay interest. That compares with the agency's usual limit of \$250,000. It also joined a program offered by a consortium of banks that provides up to \$50 million in insurance coverage for big depositors.

Meanwhile, commercial loan growth could be improving for some big banks, too. Rene Jones, M&T's chief financial officer, said in a conference call with analysts recently that the Buffalo, N.Y.-based bank's commercial loans are expected to grow in the second half this year.

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## Largest banking institutions Ranked by Baltimore-area market share

Prior rank	Name	Address	Phone / Internet	Local 2010 market share/ deposits	Total assets
1	1	Bank of America	100 S. Charles St., 4th Fl., Baltimore 21202 800-432-1000 / www.bankofamerica.com	26.06%/ \$15.11 billion	\$1.5 trillion
2	2	M&T Bank	25 S. Charles St., Baltimore 21201 410-244-4000 / www.mtb.com	19.48%/ \$11.3 billion	\$45 billion
3	3	PNC Bank	2 Hopkins Plaza, Baltimore 21201 410-237-5900 / www.pnc.com	9.24%/ \$5.36 billion	\$92 billion
4	4	Wells Fargo Bank	7 St. Paul St., Baltimore 21202 410-468-4600 / www.wellsfargo.com	8.36%/ \$4.1 billion	\$1.2 trillion

Bank. Lavine's bank increased lending by 107 percent to \$230.6 million, compared with \$111.5 million at the former AmericasBank. CFG acquired AmericasBank last year.

CFG has been writing more loans for owner-occupied real estate, loans to funeral home operators and lines of credit to lawyers and other professionals, Lavine said. CFG is hardly alone.

Baltimore's Hamilton Federal Bank has aggressively courted businesses with under \$10 million in sales. Howard Bank in Columbia opened new branches in Annapolis and Ellicott City to collect more deposits, which the bank has used to do more lending to the midsize companies that account for about 85 percent of the bank's lending.

"Deposit gathering is a huge part of

our strategy," said Mary Ann Scully, Howard Bank's CEO.

Howard Bank's lending increased 12 percent, to \$255.6 million, up from \$227.8 million. It has been doing more lending to veterinarians and dentists who want to buy buildings for their offices, Scully said.

Robert DeAlmeida, Hamilton Federal's CEO, said his bank has pursued more small-business loan customers, including lawyers, electricians, plumbers and roofers. Its loans have increased 14 percent, to \$182.6 million, compared with \$160.1 million the year before.

Hamilton Federal's efforts have attracted customers like Ken Suter Sr., the owner of Family Respiratory and Medical Supply, a Baltimore supplier of

# Survey: Almost half of nation's SBA lenders hiked loan deals in Oct.

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Nearly half of Small Business Administration lenders increased their loan volume this month as a result of the Small Business Jobs Act, according to a survey conducted by Terry & Associates.

The firm provides executive search services to SBA lenders.

The Small Business Jobs Act, which was signed into law Sept. 27, increased the government guarantee on the SBA's flagship 7(a) loans to 90 percent and waived fees for borrowers. These incentives were first put into place by the economic stimulus bill but expired at the end of May.

Now they're back, but only through the end of December.

As a result, SBA lending is expected to boom this quarter, but it faces an uncertain future in January unless Congress extends the incentives again when it returns to Washington, D.C., after the Nov. 2 elections.

"If Congress wanted to truly stimulate lending to small businesses and create new jobs, a simple three-months extension is absolutely not long enough," said Tim Terry, president of Texas-based Terry & Associates.

The impact of the Small Business Jobs Act can be seen in the SBA's lending numbers this month. Through Oct. 22, the SBA had approved 4,337 7(a) loans

for \$1.6 billion, compared with 3,496 loans for \$828 million during the same period in October 2009. During the first three weeks of October 2008, when the financial crisis was freezing credit, the SBA approved only 2,206 7(a) loans for \$439 million.

During this October, the SBA also approved 511 loans totaling \$280 million through its 504 program, which primarily finances real estate. These numbers also are far above their levels during the previous two Octobers.

This month's lending numbers were boosted by loans that had been sitting in a queue, awaiting renewal of the SBA incentives. By Oct. 5, the SBA had cleared the queue, approving 1,939 loans totaling

nearly \$970 million.

Nearly 70 percent of SBA lenders surveyed by Terry & Associates said they will increase their 7(a) and 504 lending as a result of the Small Business Jobs Act. More than 35 percent expect to increase their SBA lending by 25 percent or more.

The legislation also increased the maximum size limit on 7(a) loans and most 504 loans from \$2 million to \$5 million. This increase "could very well bring a brand new dimension to SBA lending," Terry said.

"Entirely new industries with lending needs beyond the \$2 million loan size are sure to surface and will benefit from this adjustment," he said.