

# Federal fund boosts small business loans

## Avenue leads pack in Middle Tennessee

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Tennessee banks that tapped a federal fund targeting small business loans have boosted lending at a higher rate than the rest of the country.



**Moats**

In the first quarter of 2012, lending to qualifying small businesses among Tennessee banks that took money from the U.S. Treasury's Small Business Lending Fund stood at \$1.3 billion, according to federal data compiled by SNL Financial of Charlottesville, Va. That was a nearly 17 percent increase over the program's baseline (the 2010 average in the same type of lending) compared to more than 14 percent nationwide.

The leader in Middle Tennessee was Avenue Bank in Nashville, which increased lending more than 48 percent, after it began to leverage the \$19 million it took from the fund, according to SNL. Andy Moats, chief credit officer, said there was "no magic" to the increase: just a natural focus on the sort of lending the program aimed to boost.

"It was right in the wheelhouse of where we intended to grow the bank," he said.

The fund provided federal money to banks, charging them interest that drops as lending surges. It is tied to about \$5.2 billion in lending nationwide, according to the treasury.

The increased lending comes after some controversy within the banking community about the fund. While the fund was designed for "healthy banks," lenders worried it would face stigma or be subject to shifting requirements, similar to the Troubled Asset Relief Program many regretted tapping.

Overall, the fund deployed about \$4 billion of the \$30 billion in capital Congress allocated for that purpose, which federal officials attribute to their focus on banks that could best use it. Jason Tepperman, director of the fund for the U.S. Treasury, said the growth in lending among banks that took the money shows it worked.

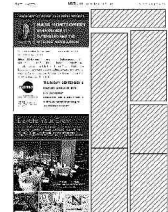
"The results of the program shown to date have been very encouraging," Tepperman said.

While there's no way to say exactly how much of that lending — nationally or locally — was because of the fund, loan growth has otherwise been sluggish. Commercial and industrial lending among Mid-

dle Tennessee banks, for example, has remained largely flat in recent years, hovering around \$2.3 billion, according to a *Nashville Business Journal* review of Federal Deposit Insurance Corp. data.

While proponents point toward growth, not all banks have done so as of yet. All Middle Tennessee banks saw double-digit growth in lending, but two in the state — Community First Bancshares in Union City and Sequatchie Valley Bancshares in Dunlap — saw double-digit declines in the sort of lending they're supposed to pursue with the federal funds.

Wynne Baker, a banking member at Nashville accounting firm Kraft CPAs, said urban banks were more



able to leverage the fund. They are generally sophisticated enough to handle the sort of lending involved, he said, and also find more opportunity compared to those in rural areas.

Moats said Avenue's focus has been on health care, education, music and various other commercial sectors, and that the bank has "unlimited appetite for commercial loan growth." He expects the capital to carry Avenue forward for several years.

Going forward, the fund remains a matter of debate, from bankers who think the industry should steer clear of government money to those who wish it had been available to more banks. Adam Smith, a Nashville banking attorney with Butler Snow O'Mara Stevens and Cannada, said many banks thought the fund set a "pretty high hurdle" when some who could have made good use of the money didn't qualify.

## Leaps in lending

Tennessee banks, including four in Middle Tennessee (shown in gray), that tapped the federal government's Small Business Lending Fund have seen varying levels of success, with most showing double-digit increases in the first quarter of 2012 over the 2010 baseline.

146.21%	Evolve Bancorp Inc.
72.27%	SmartFinancial Inc.
64.73%	Landmark Community Bank
48.31%	Avenue Financial Holdings Inc.
43.80%	InsCorp Inc.
37.78%	Magna Bank
37.11%	Merchants & Planters Bancshares Inc.
35.63%	CapitalMark Bank & Trust
28.19%	Franklin Financial Network Inc.
21.32%	Independent Holdings Inc.
17.93%	Carroll Financial Services Inc.
16.65%	Planters Financial Group Inc.
10.99%	Sumner Bank & Trust
6.13%	Moneytree Corporation
5.29%	Southern Heritage Bancshares Inc.
-14.11%	Community First Bancshares Inc.
-37.63%	Sequatchie Valley Bancshares Inc.

Source: SNL Financial/U.S. Treasury