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Many banks in region boosted lending in 2009

By Harold Brubaker, Staff Writer

Politicians and business owners have made a sport of bashing banks for not lending enough to help the U.S. economy pull out of recession.

Local bankers who boosted lending in last year's tough economy, are tired of it.

"It's agonizing sometimes because you hear it from the very top. The president of the United States reprimands our industry for not lending," said Thomas J. Bisko, chief executive officer of QNB Bank, of Quakertown.

QNB's 11 percent increase last year in net loans was the second-biggest among the 33 banks based in the Philadelphia region and having at least $500 million in assets, according to an Inquirer analysis of Federal Deposit Insurance Corp. data.

More than half of those banks finished 2009 with more loans on their books than at the end of 2008. Ten of them had an increase of at least 5 percent.

Banks that increased lending did so in an environment in which healthy businesses are borrowing less because of weak demand for their goods and services.

Overall lending by Philadelphia-area banks was off 1.8 percent last year. But that compared with an 8.3 percent decline nationally, driven not only by the weak demand, but also by the fallout from the Wall Street credit crisis.

The local data do not include major lenders, such as Wachovia, TD Bank, PNC, and Citizens because they or their parent companies are not based here and they do not break out lending by region.

The decline among local banks was driven by substantial drops at the region's three largest banks: Wilmington Trust, National Penn, and Harleysville National, which together accounted for a third of local loans.

Excluding those three banks, local lending was up 2.2 percent last year.

The area's fourth-biggest bank, Beneficial Bank, of Philadelphia, boosted its loans 15 percent, or $356 million, to $2.74 billion. That was the biggest increase locally.

Like other bankers who boosted their market share last year, Gerard P. Cuddy, president and chief executive of Beneficial, said his bank had picked up a substantial amount of business from bigger competitors. But the bank is still turning down close to nine of 10 applications from potential new commercial customers because business is down, he said. "We are either a quick yes, or a very quick no," Cuddy said.

Cuddy said he was counting on the fact that the bank did not loosen its lending standards during the boom years before 2007 and, in the current down cycle, was still making loans to firms that pass those standards. "They've been tested," he said.

The National Federation of Independent Business, a trade group for small business, published a survey last month that most of the businesses rejected for a new loan had planned to use the money to operate and pay bills.

"If a company comes in with a sound income stream, we are still going to make the loan," said Vito S. Pantilione, chief executive of Parke Bancorp Inc. in Sewell, Gloucester County, which boosted lending 9 percent last year.

Still, Pantilione said he found it difficult to approve some applicants even when they had twice the collateral as they wanted to borrow. The reason: The continuing uncertainty in the economy makes it unclear whether the applicant will have the cash flow to support the loan.

Two of the five banks with the biggest growth rates in loans last year logged all of their increases from loans backed by commercial real estate. Overall commercial real estate lending in the region was up 9.4 percent.

Thomas M. Petro, chief executive of Fox Chase Bank in Hatboro, which boosted its total lending 7 percent and commercial real estate lending 35 percent, said some loans that used to be handled by insurance companies or other institutions are now coming to banks like his.

DNB First in Downingtown has had a similar experience in commercial real estate, said president and chief operating officer William J. Hieb. DNB has gotten at least 60 percent of its new loans from new customers, said Hieb, illustrating the shift in the market from banks - usually bigger banks - that have had to clean up balance sheets.

At many banks, "there's less concern about building new business," Hieb said. "We have the capital and the liquidity to meet loan demand," he said.