

Fortuitous Foresight: The Bank of Holland finding opportunities in USDA, SBA loan programs

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GRAND RAPIDS and TRAVERSE CITY — An investment in garnering government lending expertise made prior to the Great Recession is paying dividends for The Bank of Holland in 2011.



The strategic decision to move into government lending programs and gaining expertise in the area has helped the bank gain local market share as national lenders have slowed or withdrawn from the West Michigan area. In an exclusive interview with MiBiz, The Bank of Holland President Garth Deur explained that the bank's

participation in the Small Business Administration and U.S. Department of Agriculture's Business and Industry loan programs — which do not necessarily have anything to do with farming — was fortuitous as the government has used the programs to free up lending markets throughout the recession and recovery.

"From a capital perspective, it allows us to work with larger clients because we do not as quickly run into our internal lending limits. It has been helpful as businesses gain a greater appreciation for banking locally," Deur said. "As banks reduce the credit available in the state, we need to be able to serve these clients. We are more interested in whom we are lending to than the categories or SIC codes they fall under."



The USDA program has benefits for the lender and the client — with a lending limit of \$10 million, The Bank of Holland can work with larger clients — and clients can stretch a loan term past the typical three to five years of a typical commercial loan, said Brad Dyksterhouse, SVP of business resource lending. Dyksterhouse

joined The Bank of Holland sixteen months ago, bringing with him more than 20 years' experience in government loan programs.

"When we made the decision to focus on this area three to four years ago, we knew it was absolutely an area that had to be built on experience. We were intentionally looking at this before all (the collapse of credit markets)

happened," Deur said. "We jumped at the opportunity to bring Brad's experience here. Because of his background, he was able to hit the ground absolutely on a dead run."

The Bank of Holland was recognized as the USDA Business and Industry Program 2010 Lender of the Year for originating more than \$25 million in loans, the highest ranked community bank in the state of Michigan for providing West Michigan businesses with lending programs through the USDA. This was only the second time in a decade the award had been given out. While the recognition is appreciated and has gained some currency as credit markets remain tight, Dyksterhouse said the USDA and SBA programs are part of a long-term strategy moving forward.

"There is a lot to be done at all times. We'll get to a time when it is more prosperous and the pie gets bigger. We just have a bigger piece of the pie in challenging times," he said. "Companies are looking to find a bank that has the experience and knows how to navigate the programs. No one has the time to be led down dead ends these days."

The investment in developing expertise in government-backed loan programs also will help as business owners begin to look to exit and pass their enterprise onto the next generation or to outside buyers. As banks look to cash flow and collateral coverage for loans, SBA programs can help ease the transition for the small business community.

"We know cash flow can come back quickly. When you take a collateral hit, it comes back over several years. It just doesn't bounce back. Many clients may not have sufficient hard assets to support the transaction, and the SBA gives comfort to lenders. We can stretch the terms, or lower the down payment amount," Deur said. "This is a long-term direction we are headed. We happened to get into it at an advantageous time, but for certain, we'll be in this for the long haul."

USDA Business and Industry Loans

- Are open to individuals, for-profit businesses and nonprofit organizations.
- Loan capped at \$10 million, SBA loans are capped at \$5 million.

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- Loans can be used for business and industrial acquisitions to retain or increase jobs, business conversion, enlargement, repair, modernization, or development; real estate or equipment purchases.
- The maximum guarantee is 80 percent for loans of \$5 million or less, 70 percent for loans between \$5 and \$10 million, and 60 percent for loans exceeding \$10 million.
- Loan terms are extended over traditional commercial lending: Maximum repayment for loans on real estate is 30 years; machinery and equipment repayment is up to 15 years; and working capital repayment will not exceed 7 years.