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Texas banks lending more

Borrowers shunned by national banks finding funds here

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Bucking the national trend, Texas banks continued to increase their lending levels during 2009 compared with 2008. Industry observers point to Texas' stronger economy combined with the state's mortgage restrictions as enabling banks to maintain lending levels during the recession.

Texas' 629 banks reported \$247.1 billion in loans and leases last year versus \$233.5 billion during 2008 and \$229.1 billion during 2007, according to the Federal Deposit Insurance Corp. Nationally, total loan and lease balances declined to \$7.2 trillion during 2009 compared with \$7.8 trillion in 2008 and \$7.9 trillion in 2007.

The nationwide decrease is being attributed to several factors, including federal requirements that mandate banks to keep more cash on hand than previous years.

The increased activity in Texas is a positive if it was prompted by business expansion, but not if it was caused by increased credit card debt, industry experts said. The FDIC doesn't break down the type of lending that has occurred, but local bankers indicate that much of the increased activity is the result of businesses coming to Texas banks after being shunned by national giants.

Lending levels are important to the state because they fuel growth — enabling businesses to expand and residents to complete projects such as building new homes or starting new businesses, said John Heasley, general counsel for the Texas Bankers Association.

Locally, high oil prices and banking regulations adopted in Texas following the real estate bubble of the late 1980s and early 1990s largely muted the recession's effects. Those regulations, coupled with the Lone Star State's diversity of business sectors, are contributing to the strong lending position, Heasley said.

“We’re still very strong in our fundamentals,” he said. “For a major state, we have the healthy economy and healthy environment for borrowers and lenders.”

Last year, U.S. banks got into trouble when reset home mortgage rates prompted the subprime crisis and volatile public markets. The ensuing global recession weakened consumer confidence, and the economy has been rattled by a slumping automobile industry, surging layoffs, rising unemployment and home foreclosures.

Banks in California, Florida, Nevada and Arizona were hardest hit by economic downturn. Last year, only five of the 126 bank closings in the United States happened in Texas, mostly because of those tighter state lending regulations.

By contrast, loans at New Mexico's 54 commercial banks declined by nearly \$1 billion in 2009. At the end of 2008, New Mexico's banks reported nearly \$13.1 billion in loans on their books. By the end of 2009, that had decreased to \$12.1 billion, according to the FDIC.

In Florida, lending during 2009 declined to \$109.3 billion versus \$126 billion during 2008, the FDIC reported.

Jeff O’Jibway, senior vice president of Austin-based Horizon Bank SSB, said he’s picked up loans from businesses that were previously customers of national banks that have pulled back on lending to specific categories, such as construction businesses.

“Larger banks are tightening up,” he said, “you’ve got to fit into a small [financial profile] box.”

Last month, federal regulatory agencies and state bank supervisors issued a joint statement urging banks not to be “overly cautious with respect to small business lending.”

Banks shouldn’t make lending decisions solely based on national market trends or a borrower’s industry, the statement said. The National Small Business Association, however, reported that 39 percent of its members said they haven’t been able to get adequate financing.

The National Federation of Independent Business found that 11 percent of its members couldn’t get the credit they needed in January. Its business members that borrow at least once a quarter said credit markets were the tightest they have seen since 1983.

Earlier this month, the Florida-based Mortgage Monitor reported that although the nation’s housing market remains far from full recovery, the pace of mortgage delinquencies has slowed.

More than 31 percent of loans that have been delinquent for six months are not yet in foreclosure, while 22.8 percent of loans delinquent for 12 months have not been moved to foreclosure status compared with 9 percent in 2008, Mortgage Monitor reported.

Texas banks still have plenty of money to lend to qualified borrowers, but the percentage of loans to deposits has remained flat or has declined slightly from a year ago, said Christopher Williston, CEO of the Independent Bankers Association of Texas.

“I think this indicates that lending activity is still relatively sluggish in Texas,” he said. “The data confirms what we are hearing from community bankers statewide. Qualified borrowers are not increasing debt in these uncertain times, and regulators continue to hammer banks over commercial real estate concentrations.”

Courtesy of JB Goodwin