Daniel McKew is the new president of CFG Community Bank.

Equipment financing deal[s] the new frontier for CFG

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CFG Community Bank is targeting a bigger profit by helping smaller businesses finance their purchases of trucks, forklifts and other heavy equipment.

The Baltimore County-based community bank is betting it can wrestle away at least a modest share of the $628 billion industry from industry behemoths like Wells Fargo and Bank of America and manufacturers like John Deere and Caterpillar.

CFG has hired three veteran bankers for its new equipment-leasing operation. Their job will be to push loans to companies in a territory extending as far north as Philadelphia, as far south as Fredericksburg, Va., and as far west as Hagerstown. They will target a wide swath of small-to-midsize companies with revenue between $25 million and $60 million, said Daniel McKew, CFG's new president.

"We're going to go out and aggressively talk to everybody we know," McKew said.

CFG's push into equipment-financing comes as the business is expanding. U.S. companies financed an estimated $628 billion of equipment in 2011, according to consulting firm IHS Global Insight. That was up 12.3 percent from $559 billion financed in 2010. Financing activity is expected to reach $682 billion by 2013.

Things are heating up because companies that had waited out the recession before replacing their aging machinery are now ramping up long-deferred purchases, said William G. Sutton, CEO of the Equipment Leasing and Finance Association in Washington, D.C., an industry group. In some cases they simply can't wait any longer to replace aging equipment.

"We're climbing back out of the great recession," Sutton said.

CFG's effort is a natural move for the bank, the eighth-largest headquartered in the Baltimore area. McKew, who joined CFG Nov. 1, spent years on the equipment-leasing side of banking. He ran SunTrust's national equipment leasing business for more than a decade, taking it from $1.5 billion in 2000 to $6.8 billion in 2010. McKew left SunTrust in 2010 to become president at First Mariner Bank, in part to help build an equipment leasing business there.

What makes the business so attract[…] is how badly companies need this equ[…]ment, McKew said. Even in tough tim[…] businesses will go to great lengths [to] keep up their payments because t[…] machinery is so essential to their ope[ra]tions they would be out of business i[…] were repossessed.

"They're going to pay you until th[…] close," McKew said.

McKew said the push into equipme[nt] financing will also help CFG diversify i[…] loan portfolio. The $350 million portfol[io] tilts heavily toward commercial real e[s]tate loans. About 90 percent of the loa[ns] are for commercial real estate with […] percent for inventory financing, McKe[w] said.

CFG's effort to diversify comes as t[he] bank works to put behind it a conse[nt] order it entered into with federal an[d] state banking regulators in Novembe[r]. The order required CFG to improve i[ts] corporate governance, including makin[g] its board of directors comprised most[ly] of outside directors.

The order did not question CFG's [fi]nancial soundness. The bank's 15.9 pe[r]cent Tier One capital ratio is far mo[re] than the 6 percent regulators require f[or] a bank to be considered "well capitalized[…]

CFG had $452 million in assets an[d] $395 million in deposits as of Sept. 30, i[…] most recent report to the Federal Depo[s]it Insurance Corp.

The three bankers who joined CF[G] are no strangers to the Baltimore ma[r]ket. Jim Swalwell worked at Bank [of] America. Art Sanchez worked with McK[…]ew at SunTrust. Bob Rynarzewski joine[d] CFG from First Mariner and previousl[y] worked at SunTrust. McKew said h[e] plans to bring in a fourth banker to wor[k] on equipment-leasing deals.

Having another lender in the Ba[l]timore area looking to do equipmen[t] financing is good news for manufactu[r]ers in the area, said Mike Galiazzo, ex[]ecutive director of the Regional Manu[]facturing Institute of Maryland. Mor[e] of Galiazzo's members are buying nev[…] equipment as the economy improve[s] and demand for their products picks up.

"Funding is an issue," Galiazzo said[.] "For a while, even banks that people ha[d] done business with weren't lending," h[e] said.