Daniel McKew is the new president of CFG Community Bank.

Equipment financing deals
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 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 Frederickburg, Va., and as far west as Hagerstown. They will target a wide swath of small to midsize companies with revenue between $25 million and $50 million, said Daniel McKew, CFG's new president.

"We're going 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 23 percent from $500 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 $8.8 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 attractive is how badly companies need this equipment, McKew said. Even in tough times businesses will go to great lengths to keep up their payments because the machinery is so essential to their operations they would be out of business if were repossessed.

"They're going to pay you until the day they go out of business," McKew said.

McKew said the push into equipment financing will also help CFG diversify its loan portfolio. The $350 million portfolio tilts heavily toward commercial real estate and state and federal government loans. About 90 percent of the loans are for commercial real estate with 10 percent in inventory financing, McKew said.

CFG's effort to diversify comes as the bank works to put behind it a raft of losses. The order required CFG to improve corporate governance, including making its board of directors comprised of more outside directors.

The order did not question CFG's financial soundness. The bank's 13.9 percent Tier One capital ratio is far more than the 6 percent regulators require for a bank to be considered "well capitalized." CFG had $452 million in assets as of Sept. 30, the latest report to the Federal Deposit Insurance Corp.

The three bankers who joined CFG are no strangers to the Baltimore market. Jim Swalwell worked at Bank of America. Art Sanchez worked with McKew at SunTrust. Bob Rynarzewski joined CFG from First Mariner and previously worked at SunTrust. McKew said he plans to bring in a fourth banker to work on equipment-leasing deals.

Having another lender in the Baltimore area looking to do equipment financing is good news for manufacturers in the area, said Mike Gallazzo, executive director of the Regional Manufacturing Institute of Maryland. More of Gallazzo's members are buying new equipment as the economy improves and demand for their products picks up.

"Funding is an issue," Gallazzo said. "For a while, even banks that people thought were doing business with weren't lending," he said.