



New rules help healthy banks compete on a level playing field.

A new balance of power

Bay Area bankers demand more from borrowers

BY MARK CALVEY
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Bay Area business owners and their bankers are reassessing the relationship they have with each other in the wake of the financial turmoil that has killed or curtailed many lenders.

Ironically, as borrowers find their credit lines whacked or their lenders shut down, the balance of power has shifted in favor of bankers, who can now demand better terms and be choosier about accepting customers.

To adjust to that, business owners are often advised to expand their ties with the bank that holds their checking and other operating accounts.

THE NEW RULES OF BANKING

“Make sure you’re doing business with a bank in multiple areas — not just day-to-day banking and not just lending,” said Maria Veltre, executive vice president of small business banking at Citibank. “Put all your eggs in one basket, but choose your basket wisely.”

Expanding client relationships can benefit both the bank and its customers. Sophisticated software allows bankers to assess the profitability of each customer, so that a Wells Fargo banker, for example, can pull up a customer’s accounts to see that customer’s value to the bank. A banker is more likely to give a better deal on a loan or deposit when the bank is making money on the customer’s use of other products and services.

Stephen Bellicini, executive vice president in California Bank & Trust’s Northern California commercial banking region, says he’ll sit down with a business customer who may not be profitable enough to the bank, and ask what other business the client can bring.

“We’re focused on relationship banking, and that means you understand where the client is today and we’re they’re heading tomorrow,” said Bellicini.

‘Back in the driver’s seat’

Bankers, who lamented during the credit bubble that there was no shortage of rivals willing to make one-off loans, are now back in the driver’s seat. And that means the traditional banker that’s still standing and ready to lend can lay out their expectations for the borrower that go beyond paying back the loan on time.

“We look for a fully integrated relationship,” said Cort O’Haver, Mechanics Bank’s chief lending officer. “We gener-



Relationship banking: California Bank & Trust executive Stephen Bellicini will ask unprofitable customers for more business.

ally expect the operating accounts of the main business along with other deposit accounts, loans and the principals’ private banking and wealth management.”

Steve Andrews, CEO of the parent of Bank of Alameda, lamented at the height of the credit bubble that rate floors in loan agreements had become meaningless. If rates fell and he didn’t lower the rate below the floor, a borrower could easily refinance elsewhere.

Now, not only are Andrews and other traditional bankers holding onto clients, they’re winning business in the wake of bank failures and the closing of the cash spigot to many lenders that financed loans by packaging and selling them to investors on Wall Street.

Borel Private Bank & Trust won the business of Innisfree Cos. when it agreed to make a construction loan for the developer’s San Leandro office building earlier this year. Innisfree already had a lease in hand for 67,500 square feet, a lengthy track record and two fully leased buildings next door to the site.

“Time and again we were told, ‘The project looks great,’ ... But, the response was always, ‘Can you wait?’ or ‘We’d love to do it, but we don’t have the money,’” said David Irmer, president and founder of Innisfree. “I’m not a waiting guy. I told them ‘We’re going to do it now.’”

Doing it later really wasn’t an option. His tenant, the Regional Center of the East Bay,

ABOUT THIS SECTION

The banking landscape has changed dramatically in the past year — both for bankers and their customers. Old rules are replaced by new, often tougher policies on who gets loans, or even gets to be a bank customer. On these pages, we look at some of these new “rules” reshaping the relationship between banks and clients.

a government agency, wanted to move 600 employees in by April 2010.

Borel Private Bank and Trust in San Mateo provided a \$22 million loan.

Innisfree put down about \$8.5 million, or 28 percent of the total cost, and agreed to move its bank accounts to Borel.

“To get those funds to any borrower is extremely hard to do,” said Arlie Ferguson, executive vice president of Borel. “The only way to get your foot in the door is to put yourself in a full banking relationship.”

Feeling like a low priority

Another firm turning to a community bank for financing is Y.A. Tittle & Associates Insurance Services, a 15-year client at Mid-Peninsula Bank in Palo Alto, owned by Greater Bay Bancorp and now part of Wells Fargo. The insurance agency

moved its banking relationship to Oakland-based Community Bank of the Bay in March after the firm’s longtime relationship manager left Wells. It didn’t hurt that Community Bank offered a credit line while Tittle searched for another bank.

“That was a big leg up,” said Marko Trapani, executive vice president at Y.A. Tittle. “We didn’t feel like we were high priority at Wells Fargo,” Trapani said. “I don’t want to knock Wells Fargo. They had a lot on their plate.”

But large banks are having their share of wins amid the worst recession in decades. Bank of America is enjoying double-digit growth in business loans to companies with \$2.5 million to \$3 billion in revenue in June from a year earlier.

The largest bank in California saw 200 substantial businesses come over to BofA since the start of the year in the territory stretching from Northern California to the Pacific Northwest.

Typically, companies hunker down and stick with their longtime bankers during a downturn, said Martin Richards, BofA’s global commercial banking executive for the Pacific Northwest region.

“It’s unusual to see so many new business customers during a recession,” he said.

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