

TOP LENDERS



## SMALL DOLLAR LOANS DRIVING COMMERCIAL LENDING AT COMMUNITY BANKS

### Deep in Cycle, Banks Will be Watching Market Closely

**BY BRAM BERKOWITZ**  
BANKER & TRADESMAN STAFF



were able to achieve strong results by

**A**lthough the real estate market is deep into the current cycle, commercial lending did not falter in 2018 and banks

staying in their lanes and sticking to the individualized strategies they have spent years building.

Every year, The Warren Group, publisher of Banker & Tradesman, compiles the top 10 mortgage lenders among Massachusetts' credit unions, banks and mortgage companies, ranked by number of loans and loan volume in several origination categories. All loans were originated in 2018.

Despite being located in one of the

most heavily-banked states in the country, community banks had a good showing and competed with the state's larger banks in nearly every category.

Some community banks were able to thrive by sticking to smaller commercial loans instead of going for big, all-in-one home runs.

Despite being one of the largest state-chartered banks in Massachusetts, Rockland Trust originated 103 commercial

*Continued on Page 2*

real estate purchase loans, excluding lending for purchases of multifamily properties, for a total volume of more than \$104 million in 2018.

In making these loans, the bank focused on small, family-owned operators building one to four units through teardowns, significant renovations or subdivisions, said Gerry Nadeau, president and chief commercial banking officer at Rockland Trust.

With an average residential construction loan of \$1.3 million in 2018, Rockland's portfolio required significant underwriting activity, Nadeau said, but the bank pursued this course by design.

"We really like having a lot of granularity in our commercial real estate portfolio," he told Banker & Tradesman. "Larger banks often are very strong on larger transactions, but not usually as focused on smaller loan types."

The largest loan the soon-to-be \$11 billion-asset bank issued last year was \$18 million, despite having an in-house lending limit of \$100 million.

Most of Rockland's residential construction loans were made in three geographies.

Many went to the usual suspects –wealthier Greater Boston suburbs such as Newton, Wellesley and Weston – and mostly for significant renovation and teardown projects.

Simultaneously, the bank also did significant business in communities along the Interstate 495 beltway such as Franklin, Bellingham and Wrentham, Nadeau said, where there are still some large, undeveloped parcels. Elsewhere outside the state's most expensive communities, the bank did relatively little lending on the North Shore, but provided financing for many residential construction projects on the South Shore in communities such as Carver, Middleborough, Pembroke and Plymouth.

### Premier Clients Powered CSB's Success

Cambridge Savings Bank also made the top commercial lenders list, largely by sticking to smaller loans.

The bank did a lot of \$1 million loans in its backyard in Cambridge and Arlington but also did bigger deals in the \$5 million to \$30 million range, many of which were done with one of the bank's main partners, National Development, according to Chief Lending Officer Michael Lindgren.

"We have a very strong premier client base and we are not trying to be everything to everybody,"

Lindgren said, adding that the bank's approval process is very quick. "We have chosen really strong sponsors who want and demand and respect our type of service. We get very strong terms in terms of structuring loan-to-value [ratios]."

Lindgren also said the bank actively lent to support multifamily construction projects. Within this sector, Cambridge Savings focused on projects in areas with affordable rents in the \$2,000 to \$2,500 range instead of in areas like Back Bay or the Seaport, where rents can be as much as \$6,000 per month.

**As more community banks are bought, Rockland Trust President Gerry Nadeau believes his bank's experience in the space will leave it well positioned to fill gaps in the market.**

"As long as we see employment and population growth, we will continue to support that sector," Lindgren said.

### Leaders Keeping Weather Eye on Market

Going into 2019, both Nadeau and Lindgren expect another strong year for commercial lending but will be watching the market closely.

"We are obviously scrutinizing things more, anticipating as we look out that we don't have the same runway that we had," said Lindgren, who said Cambridge Savings is projecting growth in the 5 percent range for its commercial loan portfolio.

Nadeau said Rockland looked at and rejected more loan proposals this year than any other year in the history of the bank.

Looking ahead, he has some concerns about smaller construction loans because rising interest rates have made short-term profits harder to achieve in residential construction. But he also believes the current pace of consolidation will present opportunities for banks like Rockland that make smaller commercial loans. As more community banks are bought, he believes Rock-

land's experience in the space will leave it well positioned to fill gaps in the market.

### Residential Lenders 'Fortunate' to Serve Boston Area

Rockland Trust also made the top residential lenders list, originating 439 loans for a total volume of nearly \$190 million, according to The Warren Group.

Nadeau said the strong year in residential construction loans translated into a solid residential purchase loan market.

Rockland saw the most mortgage dollars loaned on the South Shore, Cape Cod and the islands, where new construction has been prevalent.

The bank also saw success on different ends of the spectrum, from first-time homebuyers to some of its wealthier clients.

Rockland's partnership with MassHousing and the Federal Housing Administration paid off and allowed the bank to work with first-time buyers that had to stretch to get into their first homes.

The bank also has substantial residential business coming from Blue Hills Bank and plans to open a loan office in Worcester.

On the other hand, many of the bank's wealthier clients shifted to 5-1 and 7-1 adjustable rate mortgages and the Boston market remains strong as well, despite a lack of inventory.

"Whether it's the job market, education or health care, we have so much going for us," said Nadeau, referring to the Boston market. "We are very fortunate to be where we are located." ◀

Email: [bberkowitz@thewarrengroup.com](mailto:bberkowitz@thewarrengroup.com)

COMMERCIAL/RETAIL LOANS	
Bank Number of Loans	
Rockland Trust Co.	103
Eastern Bank	63
Enterprise Bank & Trust Co.	62
East Boston Savings Bank	56
Leader Bank	56
TD Bank	52
Cape Cod Five Cents Savings Bank	48
Main Street Bank	45
RBS Citizens Bank	38
BayCoast Bank	34