

[Spare A Dime?](#)

## Banks Leery Of Lending To Nonprofits

Despite Bleak Prospects, Some See Opportunity

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08/23/10

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Banks say they're lending to any and all businesses that can show solid financials. But for many nonprofits, that's a tough sell in the current market.

Everybody knows that donations to nonprofit groups drop during a down economy. But that squeeze is only one-third of the total problem, according to Michael Weekes, president and CEO of Providers' Council, an association of Massachusetts health and human services organizations.

Donations are one thing, but nonprofits also depend on public money, which is often cut as states and other government entities battle budget woes. Those two factors, in turn, make it a battle to convince a bank loan officer to extend credit until cash flow improves.

"It's a triple whammy," Weekes said, and nonprofits of all shapes and sizes have spent the last two years feeling the sting.



## Haves Vs. Have Nots

The wobbly economic recovery has created upheaval for nonprofits, which have to fight hard and scour every opportunity to keep cash coming in. Some say banks have added to the problem by scaling back lending, while others argue that banks are trying to expand lending but simply can't take on risk-laden nonprofits.



Todd Rassiger, vice president of Boston Private Bank, said some super-regional and national banks have pulled back on lending, but added that's had an upside for community banks to deal with relatively strong, large nonprofits for the first time.

Nonprofit institutions of \$5 million or more used to go exclusively to bigger banks for their financing, Rassiger said. But now they're turning, for the first time, to community banks.

“[It] has actually increased the opportunities for Boston Private and banks of our size,” he said. Those large nonprofits tend to be private schools or human services operations, but he added that Boston Private and a cluster of other banks are lending to nonprofits of all sizes. Medford-based Century Bank, Danversbank and Boston-based Wainwright are all known for strong nonprofit lending, Rassiger said, and have continued their nonprofit relationships even in the current environment.

Weekes acknowledged that some community banks were still lending, but said the overall picture still looks grim for many nonprofits. Smaller banks, even if they haven't reined in lending, can't compensate for the loss in credit from major banks. And in this time of tighter lending standards, nonprofits have been sorted into the haves and the have-nots.

“Either you’re in, or you’re out,” Weekes said.

Norman Spector, co-chairman of the finance group for Boston law firm Burns & Levinson, disagreed with Rassiger, saying banks of all sizes were hoping for good nonprofit loans, and actually fighting each other for that business. Banks are also busy buying bonds from nonprofits, even when they are not doing a direct, conventional loan.

### **Getting Creative**

But Spector acknowledged that banks were examining potential borrowers with greater scrutiny than in years past, and that many nonprofits’ operations just don’t make the cut.

Besides, he said, banks rightly dread having to foreclose on a nonprofit. Banks can find managers to take over for-profit businesses when they default, but nonprofits are complicated and specialized in a way that often makes such actions impossible. A bank, after all, can’t easily take over a private school or hospital.

Martin Gredinger, part-time CFO for Brockton’s Fuller Craft Museum, said nonprofits – including his own – have had to get creative to keep themselves afloat or find funding for projects, including efforts to get sponsorships for projects from the same banks that might be leery about giving them loans.

But it’s also made nonprofits look internally.

“Every nonprofit organization has really been putting themselves under a microscope,” Gredinger said, to make



sure they are managing their cash as effectively as possible. It's easy to get lazy when financing is readily available, he added, and now is not that time. "Nonprofits are probably in the most vulnerable state they've been in in a long time."



Wainwright Bank was widely known for its emphasis on nonprofit lending, but is due to merge with Eastern Bank. Joe Bartolotta, spokesman for Eastern, said Wainwright's lending traditions will continue after the merger, only with a broader platform from which to launch.

With Wainwright's branches, Eastern's locations will stretch all along eastern Massachusetts, he said.

Bartolotta said he couldn't detail the bank's current nonprofit lending levels, but noted that any commercial institution with shaky finances would have a tough time getting loans.

"We have to balance the needs of borrowers and depositors," he said. "We're certainly willing to take some risk, but ... our job is to lend the money to those who have a reasonably good chance of repaying the loan. That's what our depositors expect."

