

BANKING

## HarVest Bank seeks \$12M to start lending again

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Staff Reporter

HarVest Bank of Maryland wants to raise up to \$12 million in capital to help it return to lending.

The Gaithersburg-based bank in early September started marketing an offering of convertible trust preferred securities with a 9 percent coupon, said CEO Jack Hollerbach. The coupon refers to the percentage of the security's face value that will be paid to debt holders each year, similar to a dividend.

As of Sept. 30, HarVest Bank had raised about \$1 million and hopes to get the rest by year-end, Hollerbach said.

The bank will use the proceeds to retire debt and begin lending again. It effectively stopped making new loans in the fourth quarter of last year after several loans fell into default, forcing the bank to put a clamp on available capital.

Several of those loans were part of a package of residential mortgages

the bank bought from Countrywide Home Loans Inc. HarVest sued Countrywide for allegedly shoddy servicing of the loans, claiming it delayed foreclosing, which resulted in HarVest getting less for the collateral than it otherwise would have.

Countrywide denied the allegations, and court proceedings are under way.

By stopping lending, HarVest reduced its loan portfolio by about \$15 million, which in turn improved its total risk-based capital ratio, though the bank has always been well-capitalized by regulatory standards.

It is fairly common for banks trying to improve capital levels to pull back on lending.

"We're rightsizing our balance sheet," Hollerbach said. He said he hopes to return to lending at normal levels in the first part of next year.

Besides improving its capital levels, HarVest Bank has reduced its reliance on expensive brokered



COURTESY

**ON THE HUNT:** HarVest CEO Jack Hollerbach wants to raise funds so the bank can lend again.

deposits, which accounted for 48 percent of its deposits a year ago.

The bank aims to reduce them to "a very small amount" by March 31, Hollerbach said.

Though HarVest Bank has not yet filed its third-quarter numbers, he says the bank has made a modest \$15,000 profit, after three quarters in the red.

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