

**CURRITUCK COUNTY
ECONOMIC DEVELOPMENT ADVISORY BOARD**

April 27, 2009

Bank of the Commonwealth, Moyock

Attendance: Mike Painter, Greg Wirth, David Palmer, H.D. Newbern, Peter Bishop, Kevin Burwell, Matt Converse

Host/Guest: Ed Woodard, CEO, Bank of the Commonwealth

Item I. Call to Order

Chairman Burwell called the meeting to order at 7:25 PM.

Item II. Macro discussion on banking environment

The special meeting was called to discuss the nature of the lending environment in the context of the global economic recession to provide EDAB members further insight into the banking side of transactions.

Mr. Woodard began with an example that showed just how much the banking industry and the value of real estate mortgages has fallen: In 2008, the Bank of the Commonwealth had their best federal stress-test in their history, showing strong balance and health. In 2009, just one year later, the bank posted their worst stress test in history. After 12 years without a foreclosure, the bank is looking at almost 50 for 2009 thus far.

Banks, especially community banks, are still very capable of making loans. There is much less flexibility in credit worthiness, however, and the strength of deposits and cash will determine loan amounts. Some internal limits are being placed by banks to limit exposure and speculative real estate transactions have almost vanished. Further, 'mark to market' practices could worsen portfolio strength and further tighten lending.

Item III. Bank of the Commonwealth participation in SBA 504 and 7A loans, small business financing

The Bank of the Commonwealth has been in business for 38 years, mostly in the Hampton Roads area, until 2006, when the Bank made a strategic decision to increase its offices from 7 to 21, and engage the Northeast North Carolina market.

Powell's Point was the first office opened in 2007, followed shortly by a second office in Waves, on Hatteras Island. The next office opened was in Moyock, and finally a Kitty Hawk office in December. Total NC deposits and loans are about \$150 million. There are 7 commercial loan officers with the Bank, each with over 20 years of lending experience.

85% of the bank's outstanding loans are to small and medium business accounts. It is the primary lending niche for the company, using SBA loan programs and their own loan programs. Mr. Woodard said the long-term strategic focus for the bank is to continue primarily lending to small and medium businesses.

Mr. Woodard is also the VP for Tidewater Business Finance Corporation, and is an authorized SBA lender in NC. SBA 504 loans allow for 90% of project costs, with the SBA contributing 50% of the principal, the other 40% done by a local bank. It is a safe loan for banks with good combo rates (6.5% on the first 50%; 5.25% on the bank's 40%) for consumers. The maximum loan amount for SBA 504 is \$1 million for non-industrial loans; \$2 million for industrial loans.

Job creation is a stipulation for the award of these loans, so they by definition will increase economic activity and jobs. SBA 504's typically (if information provided quickly) are processed and approved within 90-days. Other local community banks, including the Bank of Currituck, are SBA lenders. Mr. Converse added that Self Help out of Greenville is their SBA partner.

The only factor in the banks lending that has changed, according to Mr. Woodard, is the size of loans. Few loans are made above \$3-3.5 million by the bank, with most falling into the \$1-\$2 million range. Much larger loans are typically financed by a cooperative of commercial lenders and community banks.

The EDAB group thanked Mr. Woodard for this time and presentation on SBA loans and the Bank of the Commonwealth.

Item IV. Adjourn

Mr. Wirth moved to adjourn the meeting. Chairman Burwell seconded the motion. Motion Carried.