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"In Nashville, less than stellar loan demand meets fewer bankable deals"

Scott Harrison

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It's been a frequent comment among bankers I've spoken to: Even though Nashville's economy is performing better than other parts of the country, loan demand is still soft.

As of March 31, commercial and industrial loans in Tennessee have tailed off by 18 percent since peaking in December 2008, according to Federal Deposit Insurance Corp. figures.

Local bankers have been scratching their heads over just why an influx of businesses aren't chomping at the bit to lock in loans at historically low interest rates. Businesses deleveraging since the recession is one answer to the question.

Steve Curnutte, the principal of Tortola Advisors in Nashville, said businesses "are gun shy on taking new debt," many of which have peers that were "stung by being overleveraged" during the recession.

Yet Curnutte, whose firm provides turnaround and consulting work for businesses, said there's more at play: They're simply fewer bankable deals because lenders are looking for safe deals with firmer underwriting standards.

"Banks had to become more disciplined and more restrictive in the underwriting [of loans]," Curnutte said of banking habits coming out of the recession. "Yes, they're willing to lend, but they're having a hard time finding companies and candidates to meet their new underwriting requirements."

"All these banks are trying to extend credit, they're wired to make loans," Curnutte said of banks. That's when the competitive landscape, especially in Nashville, comes into the mix.

"When they do finally a good candidate ... you have three banks chasing the same good loan," Curnutte Said. "It becomes a race to the bottom for the interest rate."

Corey Napier, the managing director at Waddell & Associates in Nashville, said there are also fewer traditional sources of commercial lending (manufacturing and businesses requiring a lot of investment in infrastructure and inventory, for instance).

“Many of the new companies, particularly in the Nashville area, are in technology and information services,” Napier said. “They don’t [take on debt] to buy inventory,” he added, because many don’t have inventory.

Be sure to check out the June 20 print edition of the Nashville Business Journal for a closer look at the lending scene statewide and in Middle Tennessee.