

Montgomery County teams with community banks for small-business lending

By [Danielle Douglas](#), *The Washington Post*. Published: July 1, 2012.

Montgomery County has selected five community banks to participate in a new program designed to increase lending to mom-and-pop operations.

Through Small Business Plus, slated to start this month, the county will deposit a total of \$10 million into Germantown-based OBA Bank, Capital Bank of Rockville as well as EagleBank, Congressional Bank and Monument Bank, which are all based in Bethesda.

In return, the banks will lend twice as much, or \$20 million, to small businesses located in the county. Participating banks must be headquartered in Montgomery County, hold between \$200 million and \$5 billion in assets and be in good financial standing.

Loans must be originated within 12 months of the deposits, which are covered by the Federal Deposit Insurance Corp. The county will issue an annual report documenting lending activity and job creation.

“It is a new investment vehicle for the county, which we think is going to provide a competitive rate of return,” Montgomery County Finance Director Joseph Beach said. “It addresses community banks’ needs to have the deposits and make loans, but also our own need to have that support for local businesses.”

Since the beginning of the year, Beach has met with community banks to identify short-term investments the county could place with smaller institutions. Discussions arose out of a [campaign](#), led by EagleBank chief executive Ronald D. Paul, to move more municipal deposits to community banks.

At the time, Beach was concerned that community banks lacked the extensive suite of services the county needed to manage its money. Montgomery County deposits more than 90 percent of its funds at PNC Bank because the institution is large enough to offer services such as vendor payments.

But with the Small Business Plus partnership, the county is making an “investment of short-term, working capital that allows us to have a relationship with community banks.”

The program is modeled after a similar initiative introduced by the D.C. Council at the end of 2011. That [bill](#), co-sponsored by 12 of the 13 council members, directed the D.C. chief financial officer to increase the amount of city funds deposited in small banks with at least five branches in the District. Those banks would have to make loans to District-based small businesses totaling at least 200 percent of the deposited funds.

The bill has sat in the Public Service committee for several months, but EagleBank Chief Operating Officer Michael Flynn said the council remains in talks with community banks.

“We’re still very hopeful that the bill might pass,” he said.