

# New Jersey community banks get capital infusion

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THE RECORD

Four more New Jersey community banks added millions of dollars to their capital reserves last month by selling preferred shares to the government through the Obama administration's Small Business Lending Fund so they can make more small-business loans.

Freedom Bank in [Oradell](#) received \$4 million, and Highlands Bancorp in Vernon, which has a branch in [Totowa](#), received \$6.9 million. Highlands used most of its capital infusion to pay off Troubled Asset Relief Program (TARP) funds, said George Irwin, chief executive officer of Highlands Bancorp, which has increased its loan portfolio by more than 8 percent this year.

The small-business lending program allows banks to pay the government less in dividends than they did with TARP if they meet lending goals.

"We're cutting our carrying costs from 5 percent to 1 percent," Irwin said. "We'll have an additional \$1.2 million to \$1.3 million to hopefully make more loans to small businesses."

Freedom Bank — which did not receive TARP money — did not respond to a request for comment.

Center Bancorp in Union received \$11.3 million and Harmony Bank, in Ocean County's Jackson Township, received \$3.5 million, according to the Treasury's seventh and final fund disbursement notice.

Nine New Jersey banks received funds through the program, which is intended to encourage community banks to increase lending to small businesses and, thereby, spur job growth. The fund was established as part of the Small Business Jobs Act that President Obama signed into law last year.

## Tapping cash

Nine New Jersey banks have received money from a U.S. capital infusion fund to spur small-business lending.

### Center Bancorp Inc.

Union, \$11.3 million

### Community Partners Bank

Middletown, \$12 million

### Crest Savings Bancorp

Wildwood, \$2.5 million

### Freedom Bank

Oradell, \$4 million

### Harmony Bank

Jackson Township, \$3.5 million

The price a bank pays for the funding is reduced as the firm's small-business lending increases.

**Highlands Bancorp Inc.**

Vernon, \$6.9 million

Some industry observers and bankers have been skeptical about the program's prospects of boosting job growth, because demand for loans remains weak amid uncertainty about the economy and the potential impact of regulatory reform.

**Hopewell Valley Community Bank**

Pennington, \$11 million

**Regal Bank**

Livingston, \$7 million

Nicholas Ketcha Jr., managing partner at FinPro in Liberty Corner, said the small-business fund could

**Stewardship Financial**

Midland Park, \$15 million

Source: U.S. Treasury

help boost lending because many community banks need more capital if they are going to take more risk.

Regulators have restricted some banks' ability to lend because of capital-strength concerns, and it's difficult lately for small banks to raise capital by selling common stock, so new capital from the government will ease some of the pressure, he said.

"Right now, banks have to be very selective with the loans they make, so maybe they will be able to loosen their standards a bit, but not go back to the underwriting that got everybody into trouble," Ketcha said.

Since June, more than \$4 billion has been spread among 332 banks with less than \$10 billion in assets, the Treasury said.

The lenders had to be financially sound to qualify. Those on the FDIC's problem bank list were disqualified, as were banks that had taken Troubled Asset Relief Program money and missed dividend payments.

The Treasury said that 952 applications were received and more than 40 percent were unable to meet minimum requirements. The Treasury based its decisions on reviews of earnings, asset quality and other factors.

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