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Bank starts asset lending unit
Locally owned Cornerstone going after small businesses

By Dave Flessner, Business Editor

Most Chattanooga bank with one of the half dozen regional or national banks in Hamilton County, but that doesn't bother the leaders of Hamilton County's biggest hometown bank.

True to its name, Cornerstone Bank is laying its foundation in a different corner than its bigger rivals. And a new business lending program should help Cornerstone secure its growing niche among individual consumers and small businesses.

"What we're trying to aim for is the small- and medium-sized business and business owner," said Greg Jones, president of Cornerstone Bank for the past three years. "One important way to distinguish ourselves is to provide the type of asset- or inventory-based lending that a lot of the bigger \$10 million in sales."

Cornerstone has established a subsidiary, CCB Financial, and hired former First Volunteer President Barry Watson to head the asset-based lending \$10 million in annual sales or less. Mr. Watson and associate Jackie Yates are heading the new division, which will focus on small manufacturers, wholesale distributors and other growing companies that need to borrow money secured by their accounts receivable or inventory assets.

"This niche has just recently been neglected by the regional banks due to a lack of scale (size of the company and size of the loan) given the distance to their home offices," said Frank Hughes, executive vice president and treasurer for Cornerstone.

Other banks still offering asset-based lending for smaller firms are generally using outside, third-party vendors which absorb up to 60 percent of the revenue paid to the bank.

"This is a specialized type of lending that needs special attention," said Mr. Watson, who helped launch the lending program in June. "So far, there has been an explosive amount of interest. Banks have tended to shy away from this type of lending for smaller companies and historically have not applied the resources to do it. It takes some specialized knowledge and attention, which we hope to provide."

Mr. Jones said many small businesses have outgrown their initial funding from family members or venture capital but still need more cash to finance expansions. Through CCB Financial, Cornerstone will lend money to profitable growing businesses based upon their accounts receivables and other assets.

Such lending requires more attention to who is buying from the borrowing business and how the borrower is faring on a daily basis, Mr. Watson said.

Cornerstone has four branches, and plans for another. But the asset-based business lending should help the bank to not only make loans directly to the businesses involved, but to build relationships with business owners and employees.

"The bank will continue to grow in other areas, but right now this is a priority because we see this as a real niche in the market," Mr. Hughes said.