

# THE BUSINESS JOURNAL

MINNEAPOLIS • ST. PAUL

## EXCLUSIVE REPORTS

### Bank enters state, eyes growth

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Staff reporter

An Iowa-based financial holding company is opening a Twin Cities business-banking office -- the first move in what could lead to a larger Minnesota banking presence.

Heartland Financial USA Inc., Dubuque, also is exploring opportunities to acquire a Twin Cities bank or open a new one, said Kevin Tenpas, president of Wisconsin Business Bank (WBB).

WBB, De Pere, Wis., which has more than \$100 million in assets, is a branch of a Heartland bank subsidiary. The Twin Cities office initially will operate as WBB but could wind up with a new name, depending on how it's legally structured, Tenpas said.

"This may be step one into the market for us," Tenpas said. "You have a very dynamic business environment in the Greater Twin Cities area. There's a lot of business to be had. For banks, you don't have to have a tremendous market share to make a living there."

Ric Larson, an 18-year banking veteran formerly with St. Cloud-based Stearns Bank, joined WBB this month as a business development officer to open the new office. He will focus on rural development loans guaranteed by the U.S. Department of Agriculture (USDA), but also will originate conventional and U.S. Small Business Administration loans.

WBB will make loans throughout Minnesota and nationwide. Many potential USDA borrowers are located in small communities throughout the seven-county metropolitan area, Larson said.

Larson said he already has deals in the pipeline and expects to secure office space in the northwest metro area by mid-September.

The USDA offers two loan-guarantee programs through banks: business and industry (B&I) and community facility loans. They provide an excellent source of long-term

financing, but many lenders don't participate because of complex paperwork requirements, Larson said.

The B&I program guarantees loans on real estate, equipment and permanent working capital for businesses generally located in rural areas or cities of less than 50,000 in population that aren't adjacent to a city that exceeds that size. The loans can be used for projects such as assisted-living centers, ethanol plants, manufacturing facilities and truck stops.

Wisconsin Business Bank ranked No. 4 nationally last year for B&I lending with nearly \$26 million in loan volume. Among banks with a Twin Cities presence, Wells Fargo Bank Minnesota ranked No. 2 at approximately \$30 million, and U.S. Bank ranked No. 8 at about \$15 million.

Fifteen to 20 Minnesota lenders are certified to originate B&I loans, said John Melbo, a USDA official in St. Paul. Each typically produces 10 to 20 loans per year averaging around \$1.5 million. About 70 B&I loans are on the books in Minnesota.

"There's always room for more players," said Jan Hanson, marketing director for Stearns Bank, an active USDA lender that ranked No. 16 last year with more than \$11 million in B&I loans.

The community facility loan guarantees go to nonprofits and public entities in rural areas or cities of less than 20,000 in population.

Fewer than 10 community facility loan guarantees are initiated in Minnesota annually, said Terry Louwagie, a Minnesota-based USDA official. Any federally chartered bank can participate in the program, and average loan sizes are about \$1 million.

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