

Serving Uncle Sam

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Federal Focus—Chris Turley of First Virginia Community Bank (right) talks with a government-contractor client, Gino Degregori of Bravo Consulting Group LLC in Reston, Va.

Virginia bank specializes in serving federal government contractors

By Ellen Ryan

Sometimes when Chris Turley visits a client, he walks right in. Sometimes, though, there's a metal detector, a scan of his belongings, an escort to a secure room—and a cellphone signal blocker.

You deal with that when your clients are government actors, contractors and subcontractors around the nation's capital.

"The federal government is in our footprint," says Turley, senior vice president and regional lending executive of First Virginia Community Bank, based in the Washington, D.C., suburb of Fairfax, Va. "Government contracting is a viable and very attractive part of our market." Its contractor lending program tops \$70 million.

The \$740 million-asset community bank lends to, among others, companies that have contracts with federal, state or local government. The bank works hard to assist those

companies in their sales, mergers and acquisitions, even capital acquisition. Many banks concentrate on larger or smaller contractors, but First Virginia Community Bank makes a point of being open to all sizes.

Government contractors are unique customers, Turley says. They are generally very liquid, with large fluctuations in cash flow. Also, because many need a range of loans, deposit services, credit cards and cash management, they're particularly sticky bank customers.

Two other attributes make government contractors a good fit for the community bank: security—"with the federal government, you know you'll be repaid," Turley says—and lack of competition. Few other banks focus on this market and have a good understanding of factors such as election cycles, sequestration and executive orders, he says.

First Virginia Community Bank is a good fit in return because its 70 government contractors can work with multiple lenders who have an average of 10 years of experience in the niche. That's not always the case and "a huge added value," Turley notes.

Other banks around Washington work with government contractors, of course. Turley explains that most dedicate only one staffer to the niche and may not have a back office focused on the stringent reporting and risk monitoring required. First Virginia Community Bank devotes four underwriters, two portfolio managers and a portfolio coordinator.

Follow the rules closely is only one piece of advice Turley offers to community banks interested in this market segment. He also offers the following suggestions:

Have a strong understanding of commercial and individual lending and the different forms of contracting, such as 8(a) firms (those with socially and economically disadvantaged ownership).

Realize that this lending is still a risk. "The government usually pays on time, but sometimes political actions delay things," Turley says.

Understand that deals move slowly—until they move fast. "A client just won a \$10 million contract," he says, "in one phone call."

Know which risk factors the regulators red flag, such as the bank's asset position, "how we underwrite and how we monitor [customers'] drawing on lines of credit."

You may not always know client details. Some companies provide janitorial services. Others have a top-secret clearance.

"I've never had a bag put over my head," Turley says with a laugh. "You've just got to trust your customer."

Ellen Ryan is a writer in Maryland.

