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## Vermont banks getting portion of state investments

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Vermont banks are getting a slice, albeit a small one, of money the state has largely invested elsewhere.

Two months into a program meant to spur investment in banks with a presence in Vermont, the state has sent more than \$18 million in short-term money to institutions ranging from Chittenden Trust Co. to Randolph National Bank.

The amount of short-term money invested out-of-state, via instruments including commercial paper, is currently about \$200 million, Deputy Treasurer Beth Pearce said.

Under the initiative -- dubbed Bank in Vermont -- the state buys certificates of deposits from those banks that have at least a branch in Vermont. The banks bid on the state money by offering a specific rate of return, with the winners announced on the first Wednesday of each month.

Wednesday, the state awarded Banknorth Vermont \$5.2 million in deposits, making the bank owned by Maine-based Banknorth Group Inc. the big winner in the second round of bidding. Banknorth is paying an annualized rate of 1.73 percent on 63-day CDs and 1.99 percent on 182-day CDs.

Banknorth Vermont President Philip Daniels said the money received from the state means additional money is at hand for Vermonters.

"The more we take on from deposits the more money that is available to be lent out," Daniels said.

Union Bank President Ken Gibbons said it is an important time for banks to have money to lend because this is a popular time of year for people to build -- and thus finance -- homes.

State Treasurer Jeb Spaulding said the decision to allow banks that are not based in Vermont, but have at least a branch in the state, to participate was made so as many banks as possible could be included.

"If it was limited to just banks with headquarters in Vermont, it would cut a lot of people out," he said. "And we want to get enough banks to bring about competition and get favorable rates."

So far, the rates offered by Vermont banks -- as high as 2 percent with a maturity of 182 days -- have beaten what some of the out-of-state institutions were offering for the state's money, Spaulding said.

Though there is no guarantee that the money deposited in Vermont will stay in-state, the 12 banks participating in the program must have a satisfactory Community Reinvestment Act rating. The act mandates that a bank's lending record should be evaluated periodically to make sure it is meeting the needs of its customers.

"They do have a solid track record of reinvesting in the community," Spaulding said of the banks holding the state's money.

Officials at the banks participating in the program also said most of the money would remain in-state.

Chittenden has been awarded \$8 million in deposits since August.

"A vast majority of that stays in the state," said Dave Olson, senior vice president in charge of government banking at Chittenden.

Union Bankshares Inc., based in Morrisville and with \$305 million in deposits in Vermont, has made three bids totaling \$1.2 million through its wholly-owned subsidiary Union Bank since the program began. All three bids were turned down, but Gibbons is not complaining.

"It's an open marketplace," he said. "To us, it seems like a good way to do it."

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