

January 12 2003

## Homegrown banks sprouting

By Purva Patel

When Roger Wittenberns needed a loan to buy an \$8.9 million home in Harbor Beach, the businessman turned to the national banks where he had done all his banking. As an owner of health clubs nationwide that generate more than \$50 million a year in revenue, he expected to be welcomed with open arms.

"But as soon as I asked for a home mortgage, it seemed like a wall just went up," he said. "You were told Tampa was waiting to approve something that was waiting on New York that was waiting on Charlotte and so on."

Fed up with the bureaucracy, Wittenberns turned to Bank of Florida, a local community bank that updated him on the loan's progress almost every day. He was so thrilled with the personalized service he also moved all of his business accounts to the Fort Lauderdale-based bank that just opened in July 2002.

After a slowdown in community banking in the past few years, a number of community banks have sprung up in the past year looking to target customers like Wittenberns and reinvent homegrown banking by focusing on specific markets, such as ethnic groups or wealthy individuals.

The number of start-up banks surged in 1998 and 1999 when almost 50 banks applied to the Florida Department of Banking and Finance for charters. About 10 applied in each of

the past two years because of the soft economy. If the economic recovery picks up steam this year, experts predict another surge in community banks.

"Florida banking is an oxymoron," said Ken Thomas, a Miami-based analyst. "There's no huge Florida-based bank, so there's quite a market for smaller regional banks."

### Growth on tap

A bevy of bank buyouts in the 1990s saw huge out-of-state banks devour substantial South Florida banks, and some market watchers mourned the demise of local banking. Bank of America, then known as NationsBank, bought Barnett Banks -- the largest and one of the oldest banks in Florida. Union Planters acquired Miami-based Capital Bank, and Washington Mutual bought Great Western Bank.

But the consumption of those homegrown banks cleared the way for new community banks to surface. And with the costs of technology dropping, local banks can offer products that large banks do, such as electronic banking, plus hands-on service.

Community banks tout personal service and cater to the customer that likes to call a bank and get employees on the phone directly. Local loan officers make loan decisions, and it's unlikely customers will be charged just for talking to a teller -- as is the case at some

national banks that have instituted fees for walk-up banking services.

Community banks are neighborhood institutions that generally have \$500 million or less in assets. South Florida community banks range from those with about \$5 billion in assets to start-ups with less than \$20 million. Some are publicly traded, but most are privately held and depend on their boards and local shareholders to bring in new accounts.

Despite a dim economy for most businesses, state figures show the average new bank in Florida opened with \$10.3 million in capital in 2002, up from an average startup capital base of \$6.7 million in 2000.

The fact that Miami-based U.S. Century was able to raise \$22 million in initial capital -- a record for a Florida-chartered start-up -- underscores the high interest in community banking.

"We're going to see a lot of growth in the spring," Thomas said. As President Bush's tax cuts and the Federal Reserve's interest rate cuts from last year start to stimulate the economy, Thomas expects the demand for commercial and residential lending to grow.

### Rich returns

Bank of Florida opened last July to take advantage of that growth and provide services for the high-end customer --

mostly attorneys, doctors, business owners and other wealthy individuals. The Fort Lauderdale-based bank has amassed \$27.3 million in total assets since opening and plans to go public in early February.

What's the source of the bank's growth? Referrals from the high net worth members of the bank's board of directors. The board includes billionaire H. Wayne Huizenga's son, Wayne Huizenga Jr., builder Terry Stiles, Furniture City owner Keith Koenig, luxury auto dealer Stephen Shelton, builder Tom Miller, and Richard Rochon, head of the Royal Capital Partners investment firm.

The bank hasn't even advertised anywhere yet, and all the bank's business has come from referrals from the board, said Martin Mahan, chief operating officer for the bank. There aren't any minimum requirements, and just about anyone can go in and open a checking account. But Mahan said the bank doesn't want to be a retail banker. It's looking for customers that want complete wealth management, from investment advice to personal trustees.

"We're looking for a total relationship," he said.

The bank's appeal also comes from its focus on personal service. The bank has runners who will pick up deposits for free and guarantees an employee will answer the phone instead of a computerized voice.

"We take private banking public," Mahan said.

The bank plans to enter the Palm Beach County market in

2003 and expand to west Florida with a sister bank in Naples.

Palm Beach-based Flagler Bank also targets wealthier professionals with offices in West Palm Beach and Lighthouse Point.

The bank has \$40 million in assets and prides itself on personal service.

"We're basically all the same," said James Semrad, president of Flagler Bank. "But for us, it's good service and treating the person right."

### **wooing Hispanics**

Community bankers say having a specialized market allows them to hone their focus and provide better service.

U.S. Century Bank opened to capitalize on growth among Hispanic-owned small and medium-sized businesses -- a market the bank's president says was left underserved after the banking industry's consolidation spree in the 1990s. The bank just closed the year with \$81 million in assets -- \$30 million in capital from investors and \$51 million in deposits.

CEO Octavio Hernandez credits the strong loan pipeline for the growth. The bank closed the year with about \$13 million in loans.

"We've been doing a lot of commercial lending in Miami and expect to close another \$8 million in loans soon," he said.

The bank's directors consist mostly of former executives of Ready State Bank, a Hialeah bank that grew to \$650 million in assets, targeted Latin

customers, and eventually sold to Union Planters in 1998.

"This was a base the directors knew," Hernandez said, adding that he hopes the bank will eventually appeal to ethnic and nonethnic businesses.

Hernandez, a 30-year banking veteran, said the bank's rapid growth has it on track to open three branches this year. The state has already approved a bank office in Hialeah and U.S. Century also wants to open a branch in West Dade, where many Venezuelan, Colombian and Peruvian businesses are located.

Ultimately the bank's strategy comes down to service, he said, no matter how big it gets.

"We're giving people personalized service without letting technology get between us," he said. "That's all people really want -- friendly bankers."

Sunrise-based Union Bank has been in South Florida for more than 30 years, but it's expanding as well. The bank opened new branches in Miramar and downtown Miami last year, and hopes to expand further into Palm Beach in 2003. The bank focuses on real estate lending and has assets of \$725 million. CEO Lynn Wines says the bank uses hometown banking to generate local business.

"People want to know their banker, and they don't want to get caught in voicemail loops," she said. "They just want to be able to talk to somebody."

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