

Local bank in works

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Local investors led by banking veteran Richard "Rick" Hofstetter are seeking state and federal regulatory approval to open a new bank. The move comes after a round of bank mergers that Hofstetter said has left the county underserved.

If approved, Lighthouse Bank would open in downtown Santa Cruz in the vicinity of Mission and Chestnut streets. It would be the second locally owned bank in the county; Santa Cruz County Bank, which opened three years ago, is the only locally owned bank now.



HOFSTETTER

Will serve as president and CEO if bank wins regulatory approval

Hofstetter, 52, would serve as president and CEO, and the bank would operate a messenger service to better serve its customers.

Hofstetter spent 17 years with Coast Commercial Bank until it was sold in 2000 to Greater Bay Bancorp, which is based in East Palo Alto. He returned for a year stint as chief executive officer in 2004 when founder and CEO Harvey Nickelson went into semi-retirement.

Bruce McPherson, former secretary of state and a former Sentinel editor, is among the organizers. Others include insurance agent Douglas Austin and financial planner John Burroughs, both of whom served on the board of Coast Commercial Bank until it was sold.

"Banks constantly operate in a very competitive market and the Santa Cruz banking environment is always changing," said David Heald, president and CEO of Santa Cruz County Bank.

He noted the entrance of Rabo-

Ranking banks

The largest banks in Santa Cruz County are banks that have merged with other banks. As of June 30, Santa Cruz County Bank, the only locally owned bank, ranked ninth in deposits. These figures show market share in the county as of June 30, and deposits inside and outside Santa Cruz County.

OUTSIDE SANTA CRUZ				COUNTY MARKET		
Name	Headquarters	Branches	Deposits	Branches	Deposits	S.C. Market share
1. World Savings	CA	282	\$60.5 billion	4	\$813 million	19.5%
2. Bank of America	NC	5,773	\$563.1 billion	8	\$790 million	19%
3. Washington Mutual	NV	2,162	\$209.3 billion	5	\$617 million	14.8%
4. Wells Fargo Bank	SD	3,194	\$298.1 billion	6	\$582 million	14%
5. Comerica Bank	MI	380	\$42.7 billion	7	\$413 million	9.9%
6. Greater Bay Bank	CA	35	\$5 billion	6	\$256 million	6.25%
7. Union Bank of California	CA	337	\$39.6 billion	3	\$144 million	3.5%
8. Pacific Capital Bank	CA	48	\$4.7 billion	1	\$134 million	3.2%
9. Santa Cruz County Bank	CA	0	0	3	\$99 million	2.4%
10. Bank of the West	CA	665	\$33 billion	2	\$86 million	2.1%
11. Citibank West	CA	395	\$39.7 billion	2	\$69 million	1.7%
12. Liberty Bank	CA	2	\$85.8 million	2	\$60 million	1.4%
13. US Bank National	OH	2,523	\$117.3 billion	2	\$54 million	1.3%
14. Rabobank National	CA	38	\$2.7 billion	2	\$48 million	1.2%
15. BBVA Bancomer	CA	32	\$81 million	1	\$351,000	0.01%

SOURCE: Federal Deposit Insurance Corp.

Lighthouse Bank

ORGANIZERS

- Douglas Austin, insurance agent.
- John Burroughs, financial planner.
- Michael Dunn, emergency room physician.
- Craig French of Redtree Properties.
- Richard "Rick" Hofstetter, former bank president.
- Bruce McPherson, former state legislator and secretary of state, former Sentinel editor.
- Stephen Pahl, banking attorney.
- William Slakey, high-tech CEO.
- James Weisenstein, CSU Monterey Bay business instructor.

DEADLINE TO COMMENT

The Federal Deposit Insurance Corp. is accepting public comments on the proposed Lighthouse Bank in Santa Cruz until April 15. Comments can be mailed to the regional director of the Federal Deposit Insurance Corporation, 25 Jessie St., Ecker Square, Suite 2300, San Francisco, CA 94105.

Bank

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bank, based in the Netherlands, which bought Community Bank of Central California in 2005, and Wachovia, based on the East Coast, which bought World Savings last year.

Those moves came after Union Bank bought Monterey Bay Bank in 2003.

This year, two financial institutions have announced plans to open local branches. Santa Cruz County Bank plans to open on Bay Avenue in Capitola, and Monterey Credit Union plans to open on 41st Avenue in Soquel near the Safeway shopping center.

Opening a new bank involves applying to federal and state regulators and undergoing the review process, which can take three or four months. If the application is approved, organizers raise capital through a stock offering, then open the doors.

"Our hope is that we have completed the entire process by the latter part of 2007," Hofstetter said. "That's an aggressive timetable."

The proposal for a new bank bucks the consolidation trend in the state and nationwide. The

number of banks in the nation has shrunk from 14,411 in 1977 to 7,402 at the end of last year.

"There are fewer banks and fewer branches than there were 20 years ago," Hofstetter said. "California, on a per capita basis, rates 50 out of 50 states in number of banks and number of branches."

Locally owned financial institutions such as County Bank, Pajaro Valley Bank, Watsonville Federal Savings and Commercial Pacific Savings and Loan are gone, swallowed up by bigger banks headquartered elsewhere. Coast Commercial Bank remains, although it, too, is part of a larger institution.

Most other counties in California except Stanislaus have more than one locally owned bank.

"There's an opportunity and a need," Hofstetter said, noting that locally owned banks financed the Santa Cruz recovery from the 1989 earthquake.

Another advantage of a locally owned bank, he said, is that the officers and shareholders are familiar with community needs because they live in the community.

The trend to merge has sparked a boomlet in startup banks offering a more personal touch, according to Inc magazine. Technology helps startup banks com-

pete with older institutions with more assets.

The typical startup has 12 directors, including pillars of the community, and managers with banking experience, according to Edward Carpenter, chairman of a company in Irvine that has advised 700 startup banks over 30 years. Organizers raise \$15 million to \$30 million to start the bank and plan on having \$200 million in deposits and \$150 million in loans in the third year, Carpenter told The New York Times.

When Santa Cruz County Bank opened to investors in 2004, bank officials got more than the \$11 million they had sought and ended up returning some of the money. The bank has grown to \$113 million in deposits and \$82.5 million in loans in just under three years. Shareholders will get an update at 3 p.m. May 15 at the University Inn and Conference Center.

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