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BANKING

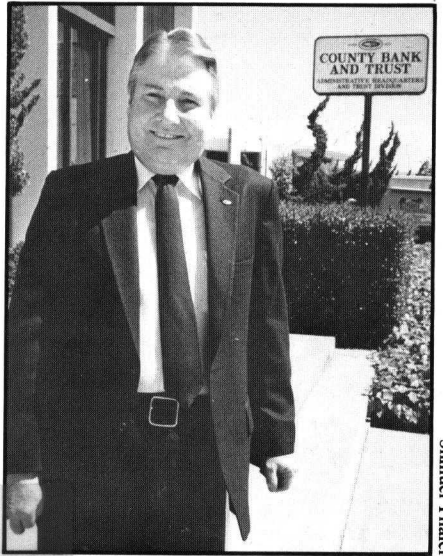
## A New Bank You Can Trust

There is a "new" bank in Carmel that is 114 years old and \$400 million strong. Founded in 1870 by Santa Cruz grocer Samuel Barlett, County Bank and Trust has taken over where National Bank of Carmel left off.

In the past, County Bank and Trust concentrated on personal, real estate, and home improvement loans in Santa Cruz. However, County Bank Chief Executive E. Reese Davis says that is changing: "We have become more of a business bank. (Now) we aim to pursue business and commercial production in Monterey County (as well)." County Bank intends to offer full service banking. Today that can mean pooled

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funds, estate planning, financial planning, and cash management, as well as savings and loans. For Davis, "the aim is to become a one-stop bank."



Samuel Thaler

E. Reese Davis

Recent de-regulation of the banks allows such expansion, but it also allows increased risks. Many banks now lend large sums to brokers. The National Bank of Carmel tried this, and got caught between \$6.8 million in assets and \$17.8 million in potentially bad debts. They were closed by the Federal Deposit Insurance Corporation on May 8.

Although the Bank of Carmel was the twenty-sixth U.S. bank to fail this year, it took everyone by surprise. The bank reported a \$540,000 profit in 1983. Its board of directors had recently purchased another million dollars worth of company stock, giving them forty percent ownership. And the California bank raters, *Findley's Reports*, bestowed its "Quality A" and "Commendable" ratings for 1983 on the National Bank of Carmel.

Early this May, when trouble became apparent, the Bank of Carmel board of directors sought prospective new owners to save the bank and continue the community minded business that was its trademark.

When the Bank of Carmel couldn't find a qualified, interested buyer in time, the Federal Deposit Insurance Corporation sold the bank for them—to County Bank and Trust. The Bank

of Carmel board was pleased, however, that a Central Coast institution, with a service philosophy similar to their own, had won the bid.

County Bank's officers say they will maintain the community focus of the Bank of Carmel. They hired all of the Bank of Carmel employees and plan to consider the merits of each of its officers.

Mel Switzer Jr., the chief banking officer at County Bank, came to Carmel to manage the bank's activities on this side of the bay. He brought fifteen specialists — computer technicians, marketing, personnel, and audit teams.

Switzer has two problems to overcome. He must integrate the banking practices (including data processing) of the National Bank of Carmel with those of County Bank, and he must regain the confidence of Carmel depositors (who withdrew \$2.7 million the day the bank closed).

Computer technicians will be busy on the first problem for several months. The Bank of Carmel used an NCR computer system; County Bank has a Burroughs. Both systems will continue while Bank of Carmel data is fed into the Burroughs system.

As for the second problem, Davis hopes that public trust can be won through his company's 114-year record. "We have survived every depression and recession since 1870," he says. "We are a diversified organization. Our maximum brokered funds will not exceed six percent of total deposits. A bank president should have management controls that prevent the type of problems that occurred with the National Bank of Carmel. Our policy is to take care of local needs, not to reach for out-of-state loans."

He is confident that "it could not happen at our bank," but is sympathetic toward the founders of the National Bank of Carmel.

"I've organized three banks myself, so I know what they went through." All three were bought by larger banks. This time it's E. Reese Davis and County Bank and Trust of Santa Cruz who are buying.

—GARY SERBENIUK