

## Community banks offer relationship banking, personal service

On the crazy quilt of South Florida financial institutions, community banks occupy a prominent space among the scores of domestic and foreign-owned commercial banks, credit unions, online banks, savings and loan associations and other financial firms.

Traditionally, community banks were small, locally owned enterprises. That's no longer the case. Florida's 110 community banks come in different sizes — one with only a single main office, another with a network of 87 branches statewide. Some are owned by locals, others by foreign investors, and still others by international banks. Some are even publicly traded. And some are regulated by the federal government, some by the state.

Regardless of size, the 19 community banks in Miami-Dade County and six in Broward provide customers in their cities and counties with a full range of financial services, personal attention and rapid loan decisions that small business owners and individual clients often cannot obtain from giant national and international banks based outside the state. They generally focus on business customers.

“Community banks are embedded in the community, and their bankers have a deeper understanding of the community and its needs,” said Manuel Lasaga, clinical professor in the Department of Finance at Florida International University's College of Business, a veteran bank executive and international banking expert. He is also president of StratInfo, a Miami-based economics and consulting firm.

“They provide more personalized services [than the big national banks] and more flexibility in structuring a loan. Loan decisions are made locally,” Lasaga said. “Community banks are also more committed to small business lending.”

This is especially true at times of financial stress, when banks with out-of-state headquarters may impose lending restrictions across the board, even when not all communities in their market areas are the same. These restrictions can strangle the supply of credit to small business.

### KEY ROLE FOR COMMUNITY BANKS

“Not just in our state, but across the nation, they provide almost 50 percent of small business loans and around eight percent of agricultural loans,” said Drew J. Breakspear, Commissioner of the Florida Office of Financial Regulation, who spoke to the Miami Herald before he resigned on June 30. He also worked for many years in international banking and management consulting. “We have large and small farms in Florida, but when you're a farmer living in a small town, the local community bank is essential. If you have to drive 25 miles or more to get to a bank, it makes life difficult.”

Some community banks are chartered and supervised by the federal government (Office of the Comptroller of the Currency, Federal Reserve system) and others are chartered and supervised by the Florida Office of Financial Regulation.

All community banks in Florida are members of the Federal Deposit Insurance Corp. (FDIC), which insures deposits for \$250,000 per depositor per insured bank. This means that if the bank fails, deposits up to \$250,000 or more are covered under FDIC limits and rules. The FDIC also supervises its member banks.



*Luis de la Aguilera, right, the president and CEO of U.S. Century Bank, one of the state's largest Hispanic-owned community banks, is shown May 11, 2018, with Raquel M. Benitez, vice president and business development officer*

Traditionally, community banks in South Florida were small, locally-owned enterprises — like Miami’s Grove Bank & Trust, founded in 1926. These banks operated from one to a handful of branches and concentrated their services on business sectors and personal banking in their communities. Their customers typically include local businesses, local government plus individuals and small businesses from upscale neighborhoods and sometimes small businesses and individuals from lower-income sectors who felt they were not adequately served by big regional and national banks.

Today South Florida’s community bank sector still predominantly consists of small institutions, with fewer than 10 branches and assets of less than \$1 billion. But it also embraces large regional and multi-regional commercial banks with more extensive branch networks and assets of \$10 billion and more.

Locally owned Grove Bank & Trust now has five offices in Miami-Dade and more than \$630 million in assets, according to recent figures from BauerFinancial Inc., an independent research firm based in Coral Gables that analyzes and rates banks and credit unions.

Bank assets include deposits, government securities and cash and are one indicator of a bank’s size.

Doral-based U.S. Century Bank is one of the large, locally-owned community banks and ranks as one of the largest Hispanic-owned commercial banks in the state.

Founded in 2002, Century has 13 branches (12 in Miami-Dade and one in Broward), 181 employees and more than 15,000 clients, the bank said. For the first quarter of 2018, the bank reported assets of \$1.1 billion, total loans of \$802.9 million and a net profit of over \$2 million, all up from the same period a year earlier.

“We’ve grown because I truly believe we are a leader as to customer service, product delivery and innovation,” Luis de la Aguilera, U.S. Century Bank’s CEO, told the Herald. “We pay close attention to the services our clients need and have developed a robust product offering.”

The company, he said, has invested in new technology to lower transaction costs and has hired the best people to work with key clients — small businesses, entrepreneurial ventures and start-ups — on a personal level. Century can make credit decisions much more quickly than the large banks, and this is important for entrepreneurs who need loans to grow their businesses, he said.

U.S. Century Bank has recovered from serious problems threatening its solvency — bad real estate loans and a lack of capital — that appeared during the financial crisis, de la Aguilera said. The bank obtained \$65 million in new capital in 2015, diversified its loan portfolio, and improved its asset quality.

As a sign of the bank’s improved performance, BauerFinancial, the rating agency, raised its two-star rating (“problematic”) three years ago to four stars (“excellent” financial health).



*Luis de la Aguilera, the president and CEO of U.S. Century Bank, one of the state’s largest Hispanic-owned community banks, poses at his offices on Thursday, May 11, 2018*