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FDIC putting new banks on ice?

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People with the nerve and enough cash to start a new bank in this recession are being thwarted by delays and scrutiny from federal regulators, causing many to withdraw applications for startup charters.

"If you want to enter the banking system in the next 12 months, it's not [through a startup]," said Jack Greeley, a banking attorney with Smith Mackinnon PA in Orlando.

Even well-funded, experienced investor groups have been left in limbo.

Take Mercantile Capital Corp. of Longwood, which wanted to create Emergent National Bank. The company withdrew its Federal Deposit Insurance Corporation (FDIC) application in February and returned its \$37 million in capital to the shareholders, Greeley said.

"We spent well over \$1 million on this application, and we just had to write it off," said Geof Longstaff, Mercantile's chairman. "It was very deflating."

Longstaff said he won approval last September from the federal Office of the Comptroller of the Currency which charters national banks, and expected

FDIC approval soon after — but it never came. "We were probably the first bank where the door slammed shut. The FDIC seems so dedicated to its other troubles that it doesn't have time for new applications."

Longstaff is not alone.

Greeley represents eight investor groups: four that wanted to charter a new bank and four seeking to buy an operating institution. And all the charter-seekers have given up. "Any one of these groups easily would have won approval for a charter not long ago," said Greeley.

But now, buying an institution, or investing heavily in one, is the only viable course for those who want to get into the business, he said.

FDIC spokesman David Barr said his agency is getting fewer applications. Standards for approval haven't changed, he said, but market conditions have.

All proposed banks need clearance from the FDIC, which insures deposits. "If you don't get approval from the FDIC, you're not going anywhere," said Bruce Ricca, financial administrator for the Florida Office of Financial Regulation.

Florida regulators have gotten six applications for state charters since March 2008. Only one of those applicants, First Green Bank in Eustis, has opened.

That's a big change from past years. State regulators got 12 applications, in 2007, down from 21 in 2006 and 25 in 2005.

Fewer start-up banks

A shrinking number of investors in Florida are seeking state charters to start new regional banks, largely due to increased federal red-tape.

Year	No. applications	No. approved	No. opened
2005	25	17	18
2006	21	14	18
2007	12	17	18
2008	6	8	7

Source: Florida Office of Financial Regulation

It's an unfortunate turn of events, said Ken LaRoe, CEO and chairman of First Green Bank, because the slowdown in lending at many larger and older banks has created an opening for new lenders — at least those that got charters in the past couple of years.

After 10 weeks in business, First Green Bank had \$40 million in assets, \$20 million in deposits and \$10 million in loans. "We're helping so many people who have been turned down by other banks," he said. "And there are other [potential startups] out there that could help that are not getting their charter, and it's a shame."

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