

The hardest dollar for new local banks may be the first.

Halfway through 2007, the fund-raising tide has turned against the wave of new banks that flooded the Atlanta market during the past few years, according to bank consultants, observers and local bankers.

Some banks are taking longer to raise startup money, or initial capital needed to open, they said. In other cases, banks are revising initial capital projections after lukewarm investor response. Initial capital is used by a bank to open its doors and begin making loans.

Those with more initial capital are able to make larger loans and hire more employees from the start.

The assessment stands in contrast to recent years, when local, organizing banks raised increasingly large amounts of money in record amounts of time.

Last year, both Rockbridge Commercial Bank and Atlantic Capital Bank raised two of the largest initial capital offerings in state history at \$36 million and \$125 million, respectively.

The local slowdown is mirroring a national tightening in new bank creation.

Brookhaven Bank CEO Laurice Tatum is seeing the shift firsthand. His new bank began raising \$20 million to \$30 million in initial capital in late March, after filing a state bank charter application late last year.

Now, two months after starting, the bank is pushing to finish fund raising in the last days of the offering, scheduled to close on May 31.

The bank is still a few million short of its base \$20 million goal. "It hasn't been easy this time," Tatum said, recalling a previous bank project.

In 2004, Tatum, then-CEO of Lanier Community Bank, raised \$14 million in three weeks surrounding the Christmas and New Year's holidays.

Now, he's contracted a fund-raising consultant, who he didn't name, to assist with the last month of fund raising.

Tatum said Brookhaven Bank plans to be in "the low \$20's" with initial capital and is near \$20 million, but won't formally extend the May 31 deadline.

Brookhaven Bank is scheduled to open July 1.

Despite Brookhaven's struggles, fund raising hasn't completely dried up for new banks, observers say. It's merely become tougher.

"They're still closing, it's just harder to get them done," said Lee Bradley, managing director at SAMCO Capital Markets Inc.'s Atlanta office.

Bradley oversees fund raising for new banks nationwide.

Even established banks are finding it more difficult to raise new capital.

Jon Burke, managing director at Burke Capital Group LLC, said investors are more closely examining banks with existing performance records.

"The money's there, but investors are taking closer looks than they have over the last few years," he said. The tightening market has put consultants, like Burke and others, in high demand.

Bradley said his company is on pace to advise more banks this year than during last year's new bank boom, which set records for SAMCO Capital Markets.

Locally-based Burke Capital Group, which typically advises established banks on secondary fund raising, is regularly listed as one of the busiest financial industry investment banks in the United States.

Observers said a variety of economic factors have caused the slowdown.

Investors are returning to public stock investment, rather than locking their money into a private bank investment for years, said Byron Richardson, senior consultant with Atlanta-based Bank Resources Inc.

"You've had investors following the sexy trends. Banks were that trend for a while, and now the stock market's that trend again," he said.

This year, the Standard and Poor's 500 stock index has increased nearly 8 percent, while the Keefe, Bruyette & Woods Inc. Bank Stock index, a widely cited stock index, increased only 0.88 percent this year.

Locally, a slowing real estate market has tempered investor enthusiasm for new banks that rely heavily on real estate loans, observers said.

Or, in some cases, bank investors are tied to their real estate holdings.

Tatum said investors were less likely to sell real estate as that market cools, and buy into a new bank.

The large new bank formations in 2005 and 2006 also sucked money and investors from the local market, leaving a thinner pool for the latest crop of new banks.

“When you pull that many millions out of the market, like new banks have done over the last few years, most investors now feel like ‘OK, time to balance the portfolio,’ “ said Walt Moeling, a longtime banking attorney at Powell Goldstein LLP.

Bradley said he’s seeing investor fatigue after nearly two dozen banks have opened in Atlanta since 2004.

Observers agreed that the end isn’t in sight this year.

The wider, national bank slowdown will be focused locally, observers said, because Atlanta bore much of the nation’s and the Southeast’s new bank growth during the past few years.

“We had 8 to 9 percent of the total nationwide, new bank growth the last few years, but we didn’t have 8 to 9 percent of the business growth,” said Burke. “The markets are working.”

## DEARTH OF DE NOVOS

- Georgia Department of Banking & Finance received 21 new charter applications last year, a state record.

- This year, the state is projecting roughly 15 new bank applications, with most of those centered around Atlanta.

- Industry observers are attributing the reduction to a tougher fund-raising market for new banks, which aim to raise more than \$20 million before they open for business.

*De Novo bank Funding Withers; except for banks with a plan and experts.*