

Your Own Private ATM

Fed up with your lender? Forget about moving your accounts to another institution. Just start your own bank.

ONE SUNNY MORNING IN THE MIDST of the stock market meltdown, several dozen men dressed in sharp suits gathered at the Vesper Club in Philadelphia. Few bothered with the buffet breakfast. Nor did they check the plunging indexes on their iPhones. They were too mesmerized by the pale, mustachioed man at the front of the room. Dan Hudson spoke in the laid-back tone of someone who's given the same pitch many times, but his words gave them hope: "I believe now is the *best* time to start a bank."

This was the perfect cue for the paramedics to bust in and whisk him away in a straitjacket. But Hudson, who heads NuBank, a consulting firm that has launched more than 140 banks, makes a good case for why consumers will embrace the coming wave of community lenders. Over the past 15 years, two of every five U.S. banks were gobbled in a merger—a trend that's only accelerating. This means plenty of us are banking with an oversize institution we never chose. (I opened an account 12 years ago at a tiny neighborhood bank. Two mergers

later I'm suddenly banking with behemoth Chase.) Community banks, which still make decisions at the branch level, score much higher on customer-satisfaction surveys.

So who might our new bankers be? The aspiring George Baileys attending the NuBank conference included a hungry-looking telecom exec, a New Jersey insurance man and a Bronx teacher front-

ing a network of Liberian investors. One attendee spoke in dreamy tones of getting his own bank charter: "Wouldn't you like to be on the other side of the ATM?" It could happen. Many banks are started by small-businessmen—the local dry cleaner or hardware store guy, says Len Rubin, a Washington, D.C., lawyer who's helped launch more than 20 banks. Often, they're folks fed up with the service they're getting at big banks; they think they can do better.

And no, you don't have to be rich to start a bank. Under one common model, about 20 entrepreneurs each chip in about \$100,000—enough to retain an executive team, outfit a branch, buy a technology package and print a bunch of fancy posters. To raise the \$20 million or so in lending capital, they issue shares to local investors. The real work is the bank-chartering process, an 18-month endurance test that includes an application rivaling the U.S. tax code for complexity and heft. The Office of Thrift Supervision's spokesperson Janet Frank says a large application "might weigh" 25 pounds, but Hudson says he regularly compiles 125-pound applications; he once rented an Econoline van just to transport copies.

But the rewards are sweet. Community bankers praise the charms of helping their neighbors—not to mention the perks of patronizing their own institution. "I generally get my calls answered," says Marc Birnbaum, a Dallas real estate developer who became a founding shareholder in a hometown bank. When he wanted his bank to start offering check scanners so he could process rent checks from his office, he simply suggested it. But the real reason he's so taken with the business that he's planning to launch three more banks? "We're going to make some money!" he says.

Indeed, the three-year failure rate for new banks is less than one in 1,000—compare that with the 60 percent failure rate for new restaurants. And the profits are handsome. The nation's 6,770 community banks earned \$67 billion over the past five years, and since they sat out the subprime lending cha-cha, they even fared well in 2008. Starting a bank, it seems, can pay even better than robbing one. Of course, which will prove better for your social standing these days remains to be seen. **S**

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