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Loss of small banks has communities uneasy

Financial crisis affects Little League sponsorships, redevelopment projects

By Robert Channick, Special to the Tribune

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When Town Community Bank and Trust of Antioch was taken over by the Federal Deposit Insurance Corp. in January, it may have seemed of little consequence to anyone but depositors, but the fallout is being felt throughout the far north suburban village.

The loss of homegrown banks — in Illinois there have been two dozen banks seized in the past 15 months — leaves a void in community fundraising efforts, affecting everything from Little League sponsorships to redevelopment projects.

Once the local bank's assets are acquired by a larger institution, it operates under a different banner, as happened in Orland Park and Oak Park, or just disappears, as in Antioch. Either way, many community causes find themselves without a faithful, enthusiastic supporter.

"It's a shame," said Mayor Lawrence Hanson of Antioch, home to the state's first bank failure of 2010. "Like most small businesses, their checkbooks were open more than the big banks."

No closing created a greater uproar than Park National Bank, which was seized in October along with eight other banks under the umbrella of FBOP Corp., a private Oak Park-based holding company. Locally owned since 1981 by Michael Kelly, the bank had a long track record of community involvement until the 2008 federal takeover of Fannie Mae and Freddie Mac wiped out some \$855 million in assets, precipitating its failure.

Acquired by Minneapolis-based U.S. Bank — the nation's fifth largest commercial bank — the seizure sparked a national debate about the demise of community banking.

With 30 branches straddling low-income Chicago neighborhoods and its affluent west suburban base, Park National invested a quarter of its profits over the years in schools, charitable organizations and community services.

One of its largest projects was the \$28 million Christ the King College Prep school, the first new Catholic school on the West Side in 85 years when it opened in 2008.



Another beneficiary of Park National was Chicago's Westside Health Authority.

"[Park National] had a real commitment to the community and one that we are not accustomed to from a bank, and I was really crushed personally when the bank was seized," said Jacqueline Reed, the authority's executive director.

Founded in 1990, the nonprofit serves Chicago's Austin community, a nexus of crime and poverty. Park National issued low-cost loans to acquire the group's headquarters and helped it build the \$8 million Austin Wellness Center, among other projects.

"We had a relationship with somebody in the community who was concerned about more than the just the bottom line — (Kelly) was also concerned about people — and we don't have that relationship anymore," Reed said.

Park National supported projects such as the Head Start program in Oak Park and the West Suburban PADS homeless shelter in Maywood, creating intense loyalty among recipients, who rallied around Kelly like the townspeople of Bedford Falls passing the hat for George Bailey in "It's A Wonderful Life."

Federal law encourages banks to lend money in low-income communities, but does not get involved in whether they contribute to local causes.

Reed helped form a grassroots coalition which, in January, hopped a bus to Washington, D.C., to plead the bank's case to Congress, but there was no angel waiting in the wings.

"It's not a death knell, but it surely knocked the whole community back a long way," said Steven McCullough, president of Bethel New Life, a 31-year-old faith-based community development corporation in Chicago's West Garfield Park which received millions in low-cost loans from the bank.

In February, George Washington Savings Bank, based in Orland Park, became the second Illinois bank to be seized this year and the loss has reverberated throughout the south suburbs. Assets of the century-old bank were acquired by FirstMerit, a publicly traded Akron, Ohio, bank.

George Washington was headquartered in Oak Lawn until September 2005, when it opened an impressive colonial edifice in Orland Park. Officials displayed their commitment to community causes with a number of high-profile events.

A fundraiser for Operation Support Our Troops, a Naperville-based nonprofit that delivers care packages to deployed soldiers, raised more than \$3,000, officials said. The bank also hosted a community health fair offering free osteoporosis scans, hearing tests and cardiac risk assessments.

One of the participating partners was Sertoma Speech and Hearing Center, a Palos Hills-based nonprofit that provides free audiological resources. Director David Rompala said the dwindling ranks of community banks is hampering outreach efforts.

"The bigger banks don't have the opportunity or knowledge to support us," Rompala said.

The loss may be even greater in Oak Lawn, where the savings bank was a ubiquitous community sponsor for decades, Village President Dave Heilmann said.

"Service clubs, supporting local youth sporting teams, sponsorships, ad books, participating in benefits

for charitable causes — all the things that you would turn to the local bank to help out with," Heilmann said. "They did a lot of good for Oak Lawn."

In Antioch, Town Community Bank was newer, founded in 2006, but also a sponsor of events such as the annual Little Miss Antioch Pageant and the Taste of Summer festival.

"They were definitely a community bank," said Barbara Porch, executive director of the Antioch Chamber of Commerce. "They were always very willing to support community events."

Officials of the standalone bank also joined service organizations like Rotary and Lions Club, sponsored golf outings and contributed to local charities such as Open Arms Mission, an Antioch food pantry.

Its highest-profile event was an annual holiday open house for the community. That may be among a number of traditions to fall by the wayside under new owner, Elk Grove Village-based First American Bank, which briefly reopened and then closed the facility for good, referring customers to its nearby Lake Villa branch.

The move is more than symbolic to Hanson, the Antioch mayor who said the village has many branches but no locally owned banks left.

"I don't know if we'll ever attract a hometown bank anymore," he said.

Still, Porch said both national and regional banks have begun filling the void. Once locally owned, State Bank of the Lakes was purchased in 2005 by Lake Forest-based Wintrust and is becoming more involved in the community, she said.

"They didn't change the name, they didn't change the faces," Porch said. "If anything, it increased the amount of community drive they have."

A familiar face may also bode well for some low-income communities served by Park National's nonprofit development subsidiary, whose plans included redevelopment of the Ryerson industrial site near the South Side's historic Pullman District. Last month, U.S. Bank launched Chicago Neighborhood Initiatives to pick up \$50 million in federal tax credits for community development issued to Park National the same day the bank was seized. David Doig, former president of Park Bank Initiatives, will reprise his role with the new organization.

"We didn't have any expectations that this work would be continued," Doig said. "We had a few weeks of sleepless nights, but U.S. Bank has really stepped up."

This week, U.S. Bank announced it was continuing to support Christ the King with a \$4 million pledge that includes \$2 million in matching funds to drive the prep school's fundraising.

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