

# WISCONSIN BANKER

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WISCONSIN BANKERS ASSOCIATION

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## Membership Needs are WBA Priority During Recent Economic Events

The rollercoaster ride of the recent economic and financial crisis has kept WBA staff busy as they continue to identify and address the needs of its member banks during these tumultuous times. Every new twist and turn of events leading to the creation, passage and subsequent

implementation of the Emergency Economic Stabilization Act of 2008 (EESA) has meant a new issue appearing that requires examination, interpretation and response. Most members don't have the time or resources to address these issues, which is where WBA comes in.

The WBA Legal, Education and Communications departments have worked in tandem to provide a variety of resources addressing the economic turmoil and subsequent legislative and regulatory response. One of the more visible and easily accessible

resources is the **WBA Financial Stabilization PR Toolkit**. The kit was developed for bank communication to employees, customers and the general public regarding FDIC deposit insurance and the overall stability of the banking system. Available

for download at [www.wisbank.com/toolkit](http://www.wisbank.com/toolkit), the kit contains press releases, talking points, general media tips, statement stuffers and consumer columns which can be modified to the needs of the bank using them. Updated on a regular basis, the latest kit

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## De Novos Demonstrate Strength, Growth Potential of Wisconsin's Banking Environment

By Becky Nelson

Despite the national financial system's economic ailments, Wisconsin remains a healthy place for banks to do business. In fact, leaders of the newest state-chartered banks say their timing has served them well.

In the past 20 years, nearly 50 state-chartered de novo banks have opened their doors in Wisconsin, according to the Department of Financial Institutions – six of them in the past three years alone. *Wisconsin Banker* interviewed the presidents of these six de novos about the startup process, their strengths in their respective marketplaces, and where they see themselves in

the next two years.



Fazio

**Commerce State Bank, West Bend, Chartered August 2005**

While bringing in new

business, Commerce State Bank in West Bend has been busy adding infrastructure to support its growth. In the past year, the 3-year-old, \$260 million bank has completed an IT conversion and has expanded its staff to 23.

Early next year, the bank will move into its new 33,000-square-foot headquarters and raise additional capital through its 200 shareholders.

“Our growth has continued strong because we've focused on our business plan of servicing businesses and focusing on high-dollar/low-transaction volume deposits and mortgage products, said **Joe Fazio**, Commerce State Bank's president and CEO.

Like his other de novo banker colleagues, Fazio pointed out that current economic conditions present “tremendous opportunity.”

A challenge – and at times,

Despite the national financial system's economic ailments, Wisconsin remains a healthy place for banks to do business.



a frustration – is staying within regulatory guidelines that limit exposure in any given area, he said.

Looking ahead to the next year or two, Fazio sees a return to a more conservative lending approach. At the same time, community bankers will need to determine what the proposed new government programs such as the Troubled Assets Relief Program, or TARP, and the Capital Purchase Program (CPP) will mean to them. “We need to be sure we understand the

advantages and disadvantages of those,” he said.

**Foundations Bank, Pewaukee, Chartered September 2005**

Foundations Bank has helped at least a half-dozen companies get off the ground just since last March, when the bank opened its Center for Business Growth within its one location in Pewaukee. The work center



Kolton

offers customers a meeting area, computers and software, sample business and marketing plans, a reference library and access to 65 advisory partners.

Having grown to \$178 million in assets since opening three years ago in September, Foundations has developed a niche in Waukesha County of serving small, owner-managed businesses. The bank now has 31 employees, compared to 13 at startup.

Foundations Bank views itself as a family company – even though it has 84 shareholders. “With my wife, Heidi, as my business partner and our daughter Catherine as branch manager, we really walk the talk,” said **Greg Kolton**, Foundations Bank's president and CEO. “We also have a very spirited group of lenders who have spent their careers working with small owner-managed businesses.”

The bank is currently raising an additional \$4 million to \$6 million from its existing shareholders,

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W B A E V E N T S

▶ **Wisconsin Economic Forecast Luncheon, Jan. 15**  
Monona Terrace Convention Center, Madison  
(see p. 6 for more information)

▶ **WBA Bank Executives Conference, Feb. 9-11**  
The Pfister Hotel, Milwaukee  
(see p. 8 for more information)

▶ **WBA Agricultural Bankers Conference, March 3-4**  
Chula Vista Resort, Wisconsin Dells  
(program details next month)



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## De Novo Successes

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part of which will be used toward the bank holding company's acquisition of Brookfield-based Amerihome Mortgage Co. The wholly-owned mortgage banking subsidiary will be renamed American Foundations MortgageBanc, Inc.

The bank president said Foundations will begin adding branches within the next year, which will include six to eight full-service branches and another six to eight satellite offices.

### Integrity First Bank, Wausau Chartered December 2005



Ruffedt

By "keeping its powder dry" and understanding the local market well, Integrity First Bank in Wausau is able to lend to customers that others may not be able to help right now, said **Jim Ruffedt**, president and CEO.

"When you hit an economic crisis as we're in, you don't have 15 years on your books. What we've done over the last three years has been under the conditions of the past three years in our economy," he said.

Integrity First has grown to \$130 million in assets, well ahead of its three-year projection of \$88 million. The bank has been profitable for five quarters and raised an additional \$3.5 million in capital earlier this year, Ruffedt said. The bank's original staff of eight has grown to 30, all of whom occupy three floors of a downtown Wausau office building.

Besides adding remote deposit capture shortly after opening, products have remained largely unchanged – compared with 15 years ago, startup banks can offer products to compete with virtually any financial institution by purchasing software off the shelf, the bank president said.

Looking forward, he sees "nightmarishly rigid regulations" that will drive some small banks out of business. About a year ago, the bank hired its own in-house compliance officer from the health care industry to keep up with changes.

Still, Ruffedt is optimistic. "It is wonderfully fertile ground for new banks, even in these trying times," he said.

### Choice Bank, Oshkosh Chartered July 2006



Pollnow

Since opening nearly two and a half years ago, Choice Bank in Oshkosh opened a second location in February 2007, doubled its staff from 12 to 23, and added free bill pay and remote deposit capture for its customers. The bank's growth to \$110 million is just 10 percent shy of projections.

"We are quite pleased with our growth considering the economic climate," said **Keith Pollnow**, Choice Bank's president and CEO. He was one of 19 organizers who raised \$21.6 million in capital in 58 days from 1,200 shareholders.

"Our biggest challenge from day one has been the time eaten up by corporate governance," Pollnow said. "Our early days were mostly spent on business development. Today we spend a great deal of our time on regulatory compliance and policy and procedure development."

The only real surprise so far has been the prolonged housing slump, the bank president said. "Our lending culture has remained constant and so has our pipeline of business," Pollnow said. "Our advantage going forward in this environment is our 20 percent capital position. We will have the flexibility to take advantage of opportunities such as branch or human resources acquisition in the event the regionals downsize."

In the near future, Pollnow expects to see a more rational pricing of risk. "Both consumers and businesses will see an increase in interest rates going forward," he said, as the costs of regulatory compliance and deposit insurance premiums rise.

### Settlers Bank, DeForest Chartered December 2007

Founded by a diverse group of entrepreneurs – every director is the founding CEO



Fink and Spitz

of his or her respective business – Settlers Bank opened its doors in northern Dane County just one year ago with \$10.6 million in capital and a staff of seven.

To date, Settlers has about \$30 million in assets, \$22 million

## Ryan Meets with WBA Lobbyists



First Congressional District Congressman **Paul Ryan** (R-Janesville) will be one of the House Republicans' key leaders during the 111th Congress. Ryan, who will begin his seventh term, is the Ranking Member on the House Budget Committee and received the *Wall Street Journal's* endorsement for Minority Leader, a post Ryan chose not to seek. Pictured is Ryan (center) with WBA staff members **Kurt Bauer** (right) and **Jeremy Shepherd** (left).

of loans on its books, and an additional \$30 million in loans participated to other banks. "We are controlling our destiny as to how fast those assets come onto our books in this environment," said bank CEO **Tom Spitz**.

Economic conditions have worked in the bank's favor. "Times are tough for a lot of people, but the timing for us really couldn't have been any better," said **Dave Fink**, the bank's president. "When we were raising capital, the markets were still strong. Then when we opened our doors, interest rates started to fall."

Given its small size and low overhead, Settlers can be very reactive, Spitz said. Loan applications are routed to directors via encrypted e-mail, allowing the bank to respond to clients in days.

The founders say they have found a welcoming group of fellow de novo bankers to help them along. "People were so willing to talk to us and that was really refreshing," Fink said.

Going forward, the bank will construct a new permanent headquarters and add to staff. "With the culture that we've started, in this business market, in this industry, everybody here at Settlers Bank is having a lot of fun," Fink said.

### Spring Bank, Brookfield Chartered August 2008

Wisconsin's newest de novo has been in business just two months but hasn't had any trouble attracting new customers. In some instances, new business has come via other institutions.

"Right now is a great time to be in the game, when others are on the sidelines," said **David Schuelke**, president and CEO of Spring Bank in Brookfield.

Schuelke said the bank deliberately built a wide shareholder base to help expand its reach throughout southeastern Wisconsin. The largest of the 192 shareholder units owns less than 4 percent of the bank stock, he said.

Although raising capital took slightly longer than expected, "we also picked up some shareholders that may not have otherwise invested. They independently came to the conclusion that this is a great time to start a bank," the bank president said. The strategy worked, as Spring Bank raised \$12.5 million in initial start-up capital.

Starting with a staff of 10, Spring Bank will move into a new, more permanent location next year and has no plans to add branches over the next few years. The bank's projected growth is to reach \$100 million in assets in three years. "I believe that we will exceed that, but what's more important to us is that we do it profitably," Schuelke said.

Like other de novos – and community banks – Schuelke said his bank's brand is having an experienced team empowered to make fast decisions. "You walk into the bank or you call the bank and you talk to the same people; you don't have to explain who you are. If any one of us falls down there, we're missing our opportunity."

*Nelson is a freelance writer for the Wisconsin Bankers Association.*

*Editor's note: Wisconsin Bankers Association gratefully acknowledges and thanks the bank executives featured here for taking time out of their busy schedules to be interviewed for this story on de novo banks.*



Schuelke