

Henry left with no local banks

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A decade ago, few places rivaled Henry County for raw growth.

The Southside county was among the nation's fastest-growing, propelled by an unprecedented real estate boom. Feeding the gold rush: a cadre of homegrown community banks that went on a land development and lending spree.

Now the county of about 204,000 people holds a new distinction: largest in Georgia without a hometown bank.

All five of Henry's locally owned banks failed during the shakeout that followed the real estate bust. They are among 75 banks in Georgia that have failed since 2008, the most in any state.

While three new banks --- Hamilton State, Ameris and Regions --- have stepped in to replace three failed banks and have promised to be good community players, some worry there will be no focus on making loans to entrepreneurs and small-business people. The local banking landscape has changed so much that it could be hard for Henry to attract entrepreneurs, small business and other financial risk-takers, they fear.

The last and largest Henry-based bank, The First State Bank, closed Jan. 20 after nearly 50 years in business. The Stockbridge-based bank was so entrenched in Henry that bank employees were regularly given time off to deliver food for the Meals on Wheels program.

The bank held some \$75 million in church loans, making it one of the largest church lenders on the Southside. Its president and chief executive, David Gill, was president of the county chamber of commerce and sat on the Henry County Development Authority board and numerous civic boards.

"I've made loans to people and subsequently made them to their children and subsequently knew their grandchildren. I've had three generations of people I've banked with," Gill said. "You generally don't get that with larger banks."

His bank's demise is "certainly going to have a negative impact on the community," said Gill, who is not with Hamilton State Bank, which took over First State's operations.

The city of Stockbridge was a longtime customer of The First State Bank, but city leaders are considering shopping around for a new bank in the wake of all the community banks losses.

"It's a shame we couldn't keep our own banks in Henry," Stockbridge Mayor Lee Stuart said.

Gill said he's less worried about business expansion by large national companies that have their own banks than by local entrepreneurs.

"Smaller customers and startup businesses, people who need a banking relationship and people who begin their business with the small loans and grow over time with that bank, that's where the loss will be felt the most."

Bank executives also tend to be local civic and business leaders, noted Walt Moeling, a veteran Atlanta banking lawyer whose firm, Bryan Cave, represented The First State Bank.

"The thing that has to be regrown in Henry County is the kind of new local dynamic leadership that can help fill the vacancy left by the five departing local banks," Moeling said.

As with failed banks across the state, the Henry institutions bet too heavily on real estate.

Economist Rajeev Dhawan says the absence of a hometown bank in Henry may be a sign that there "were too many banks in the same kind of activity"

"So now, by definition, you'll need a little less banking," added Dhawan, director of the Georgia State University Economic Forecasting Center.

In addition to the five failed Henry-based banks, another six Georgia-based banks with branches in Henry County also failed.

The fallout included criminal prosecution in one case. Mark Conner, former president of the failed FirstCity Bank in Stockbridge, pleaded guilty last October to charges of conspiracy to commit bank fraud and perjury.

"It's just a sad, sad note out of this second Great Depression," Henry Chamber of Commerce President Kay Pippin said. "It's a big loss to our community. The community banks have been a big part of the foundation that brought us to this point [of growth]."

As with the housing bust generally, the bank failures are a cautionary tale, Moeling said.

"Henry County's growth was very rapid," he said. "As banks saw the opportunity to make loans and help Henry grow, there were a lot of new banks. ... What that did is it created an oversupply of credit to residential homebuilders."

To complicate matters, most of Henry's boomtime local banks "didn't have an established deposit relationship and a significantly stable core deposit," Moeling said.

The First State Bank survived the longest because of a four-decade relationship with customers. But even that wasn't enough to keep it from succumbing after it had joined the real estate rush.

About 90 percent of the bank's loans were in home or construction loans for the last 15 years. The good news for the county is that the banks that have taken over failed local institutions are healthy and have plenty of cash.

Dhawan said the new banks are in a much better position to jumpstart lending in the community.

"Any new bank will be more favorable to making new loans to businesses who deserve them because it has a better balance sheet," Dhawan said.

Hamilton State Bank, which took over First State, has \$1.5 billion in assets and 21 branches across Georgia, including nine in Henry. That makes it Henry's biggest bank.

"The bank failed and now our job is to continue to get operational and we want to continue to offer the same quality services in the past and continue to be a community partner in Henry," said Ginger Hubbard, vice president of marketing for Hamilton State.

Hubbard said some of First State's employees had been with the bank as long as 30 years. Those workers are now with Hamilton, Hubbard said.

Hamilton plans to honor that commitment, Hubbard said, by taking cues from the employees about which community projects and activities to pursue and continue to support.

"We know that what makes a bank is the relationship customers have with the bank."

Failed Henry County-based banks

The last of Henry's five locally based community banks closed Jan. 20. The failures cost the Federal Deposit Insurance Corp. about \$533.2 million.

Bank / acquirer Inception Failure date

The First State Bank, Stockbridge 1964 Jan. 20, 2012 Hamilton State Bank

High Trust Bank, Stockbridge 1966 July 15, 2011 Ameris Bank

Enterprise Banking Co., McDonough 1925 Jan. 21, 2011 none

FirstCity Bank, Stockbridge 1905 March 20, 2009 none

First Bank Financial Services, McDonough 2002 Feb. 6, 2009 Regions Bank

Source: Federal Deposit Insurance Corp. (FDIC) Failed Bank List