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## Local Community Credit Unions and Banks Growing

By Joel Hersch

In October and November of last year, local community banks and credit unions experienced huge increases in their member accounts. The shift from big national banks like Wells Fargo and Bank of America was fueled by the "Occupy" movement and the Move Your Money project, which asked the "99 Percenters" of the world to make the financial shift from national banks to local ones.

The request was made on November 5, 2011, which was dubbed "Bank Transfer Day." During that month, Santa Cruz County banks and credit unions saw in some cases up to 100 percent increases in new accounts being set up.

Although the Occupy movement has slowed down in Santa Cruz and Bank Transfer Day is five months past, people are continuing to open new accounts at the locally owned community banks and credit unions at a significantly greater rate than the same period a year ago.

Bay Federal Credit Union, Santa Cruz County Bank, Santa Cruz Community Credit Union and Lighthouse Bank are all experiencing approximately 20 to 40 percent more new accounts opening monthly since the New Year, representatives from each have said.

"I think it's a continuation of the movement," said Beth Carr, the CEO of Santa Cruz Community Credit Union.

Carr said the monthly average for new accounts at the credit union was about 60 before Bank Transfer Day, and then increased rapidly to about 200 during October and November.

Currently they're about 20 percent above their typical rate with approximately 90 new accounts every month, she said.

Senior Vice President at Santa Cruz County Bank, Mary Anne Carson, also said their average number of new accounts has grown.

"We're still seeing a lot of new accounts this year," she said.

Carson said over the last eight months, Santa Cruz County Bank has averaged about 180 new accounts per month, which is much higher than their average last September.

Bay Federal Credit Union has had a huge increase in new memberships.

They're between 30 and 40 percent above their previous average, said Tonee Picard, Executive Vice President and Chief Development Officer. Their usual number of new accounts last year was 300 to 400 a week.

In November, Bay Federal experienced about a 100 percent increase in new accounts.

"It's very consistent," she said.

Rick Hofstetter, the president of Lighthouse Bank, a four-year-old locally owned community bank, said their increase has been about 50 percent from 2011 to 2012.

They're running about 30 new accounts every month, he said.

### **Shift Back to Local Banks**

For Santa Cruz County, local banking has a mainstay.

Hofstetter explained how more than 50 years ago community banks and credit unions were the primary banking resources in Santa Cruz County.

Santa Cruz was one of the few towns in the nation where a locally owned bank had the dominant market share, as opposed to one of the major national banks. That was the County Bank of Santa Cruz, not to be confused with today's Santa Cruz County Bank, Hofstetter said.

"The reason," he said, "is because back in the '60s, Santa Cruz was kind of an □ agricultural town that none of the major banks wanted to put any resources into."

Without the branches, Santa Cruz residents had little choice but to deposit in area banks.

Hofstetter said, local banking stalled when national banks began buying out local banks around the county during the last 30 years.

In 1977, there were no mega banks, Hofstetter said. There were approximately 14,000 banks in the nation. Over the years, though, national banks moved in and consolidated.

"If you looked at the top 150 banks [then], cumulatively they had 50 percent of the market share," he said. "Now, just the top five banks have the majority of the market share."

Hofstetter sees the recent shift away from big banks back to locally owned banks and credit unions as a healthy realization of what's most beneficial for the community.

"Here's what's really important," Hofstetter said. "Most jobs come from small business. 40 percent of the small business loans in the country come from community banks that hold less than 20 percent of banking resources. So, there's this really disproportionate relationship between where most of the money is, and who actually makes the loans that help foster the small businesses and create the jobs."

### **Back to the '80s?**

In 1983, Hofstetter said there were a half dozen community banks in Santa Cruz County, including Commercial Pacific Savings and Loan Association (later named Commercial Pacific Bank), Pajaro Valley Bank, Coast Commercial Bank and the County Bank of Santa Cruz.

"They're all gone now," he said. "Coast Commercial is a good example. They were acquired by Wells Fargo in 2007. These banks were just dismantled."

In 1989 the Loma Prieta earthquake destroyed much of downtown Santa Cruz.

All of the construction loans that helped to rebuild were funded by the few remaining community banks in the county, primarily Pacific Western and Coast Commercial.

The big guys cut and run.

"They didn't engage economically. That was when I realized the importance of community banking in more than just a theory."

Locally, a bank like Wells Fargo or Bank of America losing a handful of customers doesn't really make a difference financially for them.

Wells Fargo is a \$1.3 trillion company, Hofstetter said. A campaign like "Move Your Money," doesn't pose a serious threat to the major banks. But moving those finances can make all the difference for the livelihood of locally owned banks and keeping that money in the community. Bank of America representatives were not available to comment.

Hofstetter said that last year no community banks were started and the country is losing small banks at a rate of about 300 a year, many as mergers and acquisitions.

In the weeks following Bank Transfer Day, credit unions are estimated to have received \$4.5 billion in new deposits transferred from banks, according to the Credit Union National Association.

Some hope this as a start of a new trend.

"There's a lot of change going on in the banking industry," Bay Fed's Picard added. ■

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831 Bay Avenue Ste. 1C  
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831-476-5023 fax



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