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Remarks of Eugene A. Ludwig  
Comptroller of the Currency

for the

Opening Ceremonies  
Neighborhood National Bank  
San Diego, California

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Not long ago, in the early 1990s, California was mired in a recession, the state's worst since the Great Depression. Southern California, including San Diego, was especially hard hit. Thousands of jobs were lost as manufacturing and construction firms went out of business or migrated out of state. Population growth was stagnant. Real estate values plummeted; foreclosures skyrocketed. In fact, in 1992, half of all San Diego-based financial institutions lost money. Before long, all three of the major thrift institutions once headquartered here were gone. In the wave of banking consolidations that took place, thousands of jobs disappeared. Capital left town. Competition for corporate contributions intensified, and the city's voluntary sector felt the effects. Local borrowers, consumers, and businesses accustomed to dealing with local lenders had to adjust to new financial partners and relationships.

In the midst of all this, Robert McGill was quietly pursuing his vision of better days to come. It is a special breed of person who can keep the dream alive when little seems right with the world. But Bob is that kind of person. For him and those whom he recruited to join him in the effort, the vision was simple, yet profound: to start a community development bank -- a bank would provide basic banking services to the hardworking, underserved citizens of southeast San Diego; a bank that would funnel funds into affordable housing and small business; a bank that would serve as an economic pillar of its community. Others had done similar things before in other places. But this vision was a vision for San Diego.

For all of the experience, talent, and positive energy that the bank's organizers brought to the vision, the going was not easy. They ran into many skeptics along the way, people who told them that such a venture could never succeed. Raising the necessary start-up capital was a herculean task. There were innumerable disappointments, frustrations, and setbacks along the way. Bob, I'm sure there were days when you and your associates thought the obstacles might prove insurmountable and all the effort would be in vain. But you never gave up. And now, three years after it all began, the day so long awaited has arrived.

But you could not have done it by yourselves. There will always be a place for the rugged individualist in our society. But in

this day and age, the big jobs, the really meaningful jobs, require that people work together to achieve common goals. You have. You've had the indispensable support of local government, neighborhood leaders, and the business community. You gained important assistance, both technical and financial, from out-of-town banks, and one in particular. At a critical point in the organizational process, when Neighborhood National looked as though it might remain but a glimmer in its organizers' eyes, Wells Fargo stepped up to the plate. Its sale on concessionary terms of the former Wells branch here at 35th and National not only enabled Neighborhood National to clear a major hurdle in obtaining its national bank charter. It also enabled Neighborhood National to hit the ground running, with an established base of deposits and thousands of customers. Since then, Wells's dedicated staff has worked diligently with Neighborhood National personnel to ensure that the new owners were ready to give both existing and new customers the kind of service they deserve. Wells's support of this enterprise underscores its commitment to the betterment of the people you serve, particularly in San Diego.

But Wells is by no means alone in having made a meaningful contribution to the launching of Neighborhood National. The list of banks, insurance companies, securities firms, local businesses and nonprofit organizations with equity investments in Neighborhood National includes many of California's most outstanding corporate citizens and civic leaders. Let me also recognize the contribution of the Department of the Treasury, whose CDFI equity award at a critical time helped push Neighborhood National over the top. This day would not have been possible without all of you.

For the OCC, too, today is a red letter day. Neighborhood National is the first de novo community development bank we have ever chartered. It may serve as a prototype for community development national banks in the future. But the granting of Neighborhood National's charter back in February 1995 was itself the culmination of months of consultations between the bank's organizers and OCC staff, who provided them with technical assistance in advance of their formal corporate application. In connection with their application, we developed new procedures to enable other national banks, for the first time, to make qualifying equity investments directly in the new institution. These investments were crucial to Neighborhood National in meeting its capital targets. I am very proud of the OCC's contribution to the cause of community development banking generally and Neighborhood National particularly.

And I feel a deep sense of personal satisfaction in what we have come to celebrate today. Just a year ago, in October 1996, Mayor Golding and I jointly sponsored a public forum that brought bankers, public officials, and members of the local business and development community together to discuss the opportunities and challenges facing San Diego. Two dozen bankers joined us in our discussion, and even after the forum adjourned, the dialogue continued. It helped to focus attention on the banking needs of San Diego and what could be done to

help. I would like to think that this focus gave Neighborhood National a boost it sorely needed at a critical time in its organization.

Each of the parties I've named -- bankers, regulators, government officials, businesspeople, and private citizens -- has played an important role in Neighborhood National's creation. Neighborhood National is a tribute to the power of partnerships between government, the private economy, and community organizations -- partnerships to achieve common goals through cooperation. The same kinds of partnerships will be indispensable as Neighborhood National sets out to fulfill its commitment to making southeast San Diego a better and more prosperous place for its citizens.

So while this is emphatically a time for rejoicing, we must never lose sight of the realities that will face Neighborhood National when the bunting comes down and the dignitaries go home. Whatever it took in the way of determination and resourcefulness to turn Neighborhood National into a going concern, the real work has only just begun. That work will not be easy. The challenges facing this bank and many U.S. banks are great -- not only in terms of meeting the pressing needs of their communities, but also in doing so in a way that maintains the bank's safety and soundness and assures it a prosperous future. Change -- the same forces that altered the face of San Diego banking in the early- and mid-1990s -- is everywhere. The banking business is more competitive than ever before. The residential mortgage market is an increasingly difficult place for responsible lenders. Technology is transforming the nature of financial services. Your customers are older, more sophisticated, and have more options than ever before.

Yet, I am convinced that Neighborhood National, while today modest in size, will be one of the success stories of the next decade and beyond. I believe in its management, I believe in its organization and business plan, and, most of all, I believe in its mission: to promote lending to small businesses and homeowners. Bob, anyone with the persistence and good judgment that

you showed in getting this bank off the ground against all odds has what it takes to make it work. I look forward to returning to San Diego to celebrate your accomplishments in the years to come. Let's roll up our sleeves and get on with the job.

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The OCC charters, regulates and supervises more than 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 56 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.