



A Look at How the Financial Landscape Has Changed Over the Past 10 Years

The big boys: Boston's not my home

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Only a decade ago they were the biggest names in Boston banking: Fleet National, BankBoston, USTrust, Boston Safe Deposit & Trust Co. And they all had local headquarters.

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The year 1999 could very well be called the year of the merger. A few months into the year, Fleet bought rival BankBoston, clearing the way for out-of-towner Sovereign. Later in the year, Citizens bought up USTrust.

The rest is history, and the change is certainly not just a Boston-based phenomenon.

Today the five largest banks in the United States have nearly 40 percent of all domestic deposits, according to Boston consultancy Celent. In 1995 the top five had only 11 percent. If anything, Boston is unusual in having only one of the top three, Bank of America, said Bart Narter, senior vice president of Celent's banking group. Neither **Wells Fargo** nor **JPMorgan Chase** has a major local presence.

For small and midsize businesses, losing the giant local names may not mean much. The remaining local banks, with local decision makers, may be able to provide better service than the big nationals, Narter said. (Although the smaller-tier banks are certainly seeing their share of merger and acquisition activity.)

National institutions also have local executives with some authority.

"I have often argued that for the typical businessperson, where the question is a lending-related question, it doesn't matter where the decision is made as much as how quickly it is made, and whether it is the right decision," said Suzanne Moot, a banking consultant with **M&M Associates** in Milton.

But the big regional and national banks also tend to move people around more than the small locals.

"What happens then is, as they expand and contract, you basically lose good people who move into these other organizations that become more effective than the big guys," said George Darling, CEO of **Darling Consulting Group** in Newburyport.

The bigger impact may not be on the typical business sector at all, but on nonprofit organizations.

In the early days after a merger, at least, the surviving institution tends to continue the commitments made by the other bank, said Miki Akimoto, acting president of **Associated Grant Makers**, a membership association for foundation and corporate giving programs serving Massachusetts and New Hampshire.

But the commitment may decline over time. It's hard to gauge, since there's no way of proving what changes the original bank may have made had it survived.

"I think that the more challenging news for nonprofits is that the parent organization may have different priorities," she said. So even the same amount of money could create new winners and losers.

Fortunately for local nonprofits, mergers don't change the charitable trusts managed by banks.

"And that is a fairly significant amount of money. In some cases, I would estimate that banks' trust giving eclipses their charitable giving," Akimoto said.

Dollars are important, Moot agreed, "But an equally important level is executive talent available to serve on boards and provide guidance to local arts and social service agencies. It's a lot harder, if you are a local organization, to get the attention of someone in Charlotte or Pittsburgh than it is someone down the street."

The remaining local banks have some business advantages, but they depend more on size than headquarters city.

"There has been a benefit over the last year to smaller community banks because the big guys have been trying to conserve their capital," Darling said. "I talked to one of my clients in town this past week, who told me they had the strongest backlog of loan requests that they have had in a decade."

As time goes on, though, it's getting tougher to be a small community bank. They used to be able to get by with a couple of branches and an ATM network. To stay competitive now they also need to be set up for Internet banking, online bill

paying, and compliance with the **Office of Foreign Assets Control**. Small banks often lack the infrastructure to run these systems in-house, said a report from Celent.

Some community banks are growing and merging, but none seems poised to become another local giant.

“We have not seen the emergence of another USTrust, which in the mid-’90s went from 28 to 64 branches in a very short period of time, and all of a sudden emerged as a bank serving the Greater Boston market,” Moot said.

The biggest contender is **Eastern Bank**, and while the bank has had some acquisitions and has seen its assets grow, “their physical presence in Boston and Cambridge is very small,” she said.

On the other hand, **Citibank** is building a presence. It managed to boost its Boston-area deposits by nearly \$1 billion during the 12-month period ending June 30, according to information filed with the **Federal Deposit Insurance Corp.**

“They have quickly given themselves a fairly sizable physical presence, and they are doing it the old-fashioned way,” Moot said. “They are choosing to build these branches from scratch rather than acquiring any local institutions.”

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