

Column: Seaway banking on new credit union owner



The Jesse White Tumblers perform Aug. 31, 2016, outside a Seaway Bank branch on East 87th Street in Chicago's Chatham community area. The bank was closed by the Federal Deposit Insurance Corp. in January 2017 and sold to State Bank of Texas, but now is on track to be purchased by Self-Help Federal Credit Union. (Terrence Antonio James / Chicago Tribune)



By **Robert Reed**
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Known for a storied community history and a recently troubled financial past, Seaway Bank on Chicago's South Side is poised to enjoy better days.

Why the upbeat prognosis?

Mainly, it's because Seaway will no longer be run as a traditional for-profit bank. Instead, it will soon become an integral part of a nonprofit organization with a growing credit union presence that is tailor-made to serve Seaway's moderate and low-income neighborhoods.

On May 1, Self-Help Federal Credit Union of North Carolina will complete the acquisition of some Seaway deposits and branches from State Bank of Texas, which recently bought all of Seaway in a distressed sale prompted by federal bank regulators. So far, the deal is on track.

Undoubtedly, the spinoff of Seaway, once the Midwest's largest African-American owned bank, leaves a business and cultural void in the minority community that the bank has served for decades. But that loss will be eased by the entry of Self-Help, which specializes in making home mortgage, consumer, small-business and church loans.

On the retail banking side, it will try to be an alternative to payday and auto title lenders that charge sky-high interest rates for fast-cash loans.

"We're asking the community to give us a chance" says Martin Eakes, CEO and co-founder of Self-Help, which was started 35 years ago with \$77 from a local bake sale and now has \$1.2 billion in assets. "Our strong point is investing in underserved communities and no one can convince me the South Side is not underserved."

Seaway was an iconic banking power but, like many other midsized and small lenders, it suffered deep financial losses during the Great Recession of the late 2000s and the mortgage lending crisis. In late January, the Federal Deposit Insurance Corp. moved in on Seaway, putting the sale into motion and clearing a path for Self-Help's deal.

While the Seaway name will remain, a lot will change.

One of the biggest differences: Seaway will become part of a nonprofit credit union that's collectively owned by its members, who are also its customers. Before, Seaway was a for-profit banking company under pressure to make money for shareholders or bust.

"I don't have a stock price and don't care about a stock price," says Eakes.

That type of fiduciary freedom, coupled with the credit union's avowed economic development mission, will empower Seaway to take calculated lending risks even if it means taking a little longer to make money.

For example, Seaway will be seeking to provide home mortgages to some candidates who may have below-average credit scores or spotty job histories but also have an ability to make a regular monthly payment and build equity.

Over the long run, Seaway will be looking to finance the likes of neighborhood institutions including health care centers, churches and businesses that have job-creating potential or can bulk up ailing business districts and neighborhoods.

"We can be a facilitator that helps those institutions survive and grow," Eakes said.

Let's be clear, this is not some do-gooder recipe for losing money, it's just more of a grass-roots approach.

Like banks, credit unions are government-regulated and -insured and must operate within strict capital and loan standards. Moreover, while Self-Help may absorb more risk, it also maintains an abundance of capital to offset any potential loan losses.

Right now, it has about \$600 million in reserves, which is nearly half of its assets.

(Technically, the Self-Help credit union is part of the nonprofit Center for Community Self-Help, which oversees several financial services and advocacy groups.)

In addition, Self-Help is not new to the Chicago way.

In 2012, it acquired the deposits and two branches of Second Federal Savings and Loan (also in a distressed-related sale) and has been doing brisk business in the Brighton Park and Little Village neighborhoods.

Neighborhood development advocates, including Woodstock Institute and the Resurrection Project, say that experience will help make Seaway thrive.

Once in place, Self-Help will invest nearly \$10 million to get Seaway up and running. It has named Al Bass, a veteran African-American banker, as interim Seaway leader, but expects to name a new chief in six to 12 months.

Moreover, Seaway also may find itself on the forefront of a pitched battle between payday and auto title lenders in Illinois.

Eakes, a longtime nemesis of that industry, says his credit union is open to backing state legislation that would seek to cap the interest rate those groups can charge customers.

"My theory is an organization gets the reputation that it deserves," said Eakes. "If we do what we say we're going to do, it will be OK."

That's a thought worth banking on.

[*roreed@chicagotribune.com*](mailto:roreed@chicagotribune.com)

Twitter @reedtribbiz

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