



OneCalifornia ▶ In the News

East Bay Business Times — May 25, 2007

by Mavis Scanlon

▶ OneCalifornia Bank looks to July opening

OneCalifornia Bank, a new community development bank in Oakland, in April received its final regulatory approval and plans to open its doors in early July.

The bank is the brainchild of Kat Taylor and Tom Steyer, a husband-and-wife team who wanted to create an institution that serves low-income communities.

“The need (for these services) is enormous,” said Hal Dawson, a OneCalifornia director and the chairman of IDI Associates, a San Francisco investment bank. Dawson knew Taylor through her grandfather, Paul Hoover, the chairman and CEO of Crocker National Bank, which was bought by Wells Fargo & Co. in 1986. Taylor looked Dawson up about a year ago and told him about her vision.

Taylor and Steyer contributed \$15 million to capitalize the bank. The corporate structure calls for the creation of the OneCalifornia Foundation, which will develop financial literacy programs. The couple are donating 100 percent of the non-voting shares of OneCalifornia Bancorp Inc., the bank’s parent, along with 49 percent of the voting shares, to the foundation.

Taylor, a Harvard cum laude grad who went on to obtain a joint juris doctor and master in business administration degree from Stanford University, early in her career went through Wells’ credit training program and worked as a lender there. She has been active in Bay Area philanthropic organizations for two decades. Steyer, also a Harvard alum with an MBA from Stanford, is the founder and senior managing member of money management firm Farallon Capital Management, and a partner in Hellman & Friedman LLC, a San Francisco private equity firm.

Although the East Bay has seen dozens of new banks in recent years, virtually all of them focus on maximizing shareholder returns.

By comparison, Steyer and Taylor’s “main focus is to make this an institution that has a dual bottom line,” said Jeffrey Cheung, OneCalifornia’s president and CEO. The bank’s primary goals will be meeting its social mission while operating in a “manner that is safe, sound and sustainable,” Cheung said. “What that means is that our (return on asset and return on equity) targets are not going to be the same” as other new banks.

“We’re not expecting this to be a financial home run; we’re expecting it to be a social home run,” Taylor said. “We will never be the classic capital play,” she added, “but we are a good fit for “patient” capital” where the return may be lower but is mission-driven. As the bank’s FDIC application states, it is not positioning itself for an IPO or other exit strategies. The bank’s board and an affiliated advisory board will work closely and will develop specific metrics for measuring the bank’s social impact.

OneCalifornia studied other community development banks around the country. “The ones that have done well have diversified,” Cheung said. “If you were to do it solely as a retail bank the scale you would have to get is tremendous.” cont.

OneCalifornia is targeting individuals, small businesses and the thousands of local nonprofits. It plans to offer commercial real estate and SBA lending.

The bank's products include cash management products designed to help improve cash flow and reduce the cost to manage and gather account information. "There is a wide range of not-for-profits that have program revenues of half a million," Cheung said, while some have program revenues in the \$25 million to \$40 million range that have not had their cash management needs met. As executive vice president and regional corporate director for the Northern California Wholesale Division at California Bank & Trust, Cheung supervised cash management for the whole bank.

Like the bank's other executives, he was drawn to the bank by its social mission and the opportunity to grow a new community bank, eventually to other parts of California. OneCalifornia will provide commercial loans of \$100,000 to \$1.5 million as well as micro loans of up to \$30,000. On the deposit side, a key selling point to bring in new customers will be transparency and service, Cheung said. OneCalifornia's "fair start checking account" is an account for those who want to build — or rebuild— a banking relationship. Customers cannot overdraw the account, eliminating onerous overdraft fees. The account mirrors the essential checking account the California Reinvestment Coalition advocates to move people away from quick check cashers and into the banking mainstream. That market is wide open—as Cheung notes, check cashers are the fastest-growing financial institutions in Alameda County.

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