

FDIC selling controlling stake in Black-owned bank

By [John Reosti](#) December 01, 2021, 10:20 a.m. EST 2 Min Read

The Federal Deposit Insurance Corp. plans to auction off a controlling stake in Birmingham, Alabama-based Alamerica Bank on Wednesday, a move that could result in Alamerica passing out of minority ownership.

While a preliminary bidder's list included several large Black-owned banks, it also included some non-minority bidders. Founded in January 2000, the \$15.4 million-asset Alamerica is the smallest of the 17 remaining Black-owned banks in the United States.

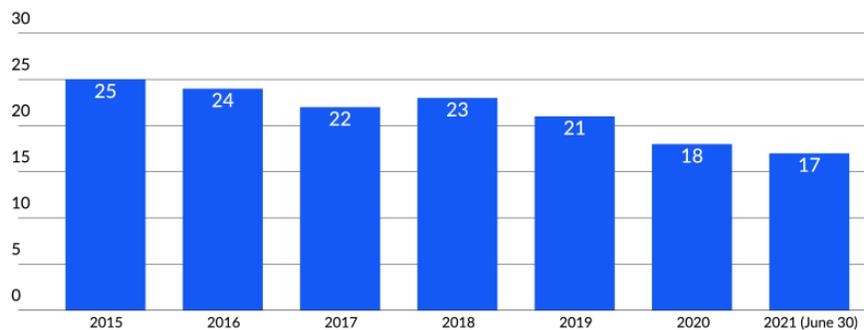
According to William Michael Cunningham, CEO at Creative Investment Research and an authority on Black-owned banks, the FDIC-owned shares were used as security for a \$4 million loan from Silverton Bank. They passed into the FDIC's possession following Atlanta-based Silverton's failure in May 2009.

The FDIC "certainly has the right to do this," Cunningham said Tuesday, but he called it troubling that Alamerica might wind up outside the minority banking sector as a result of the auction.

"If Alamerica is no longer a Black-owned bank, that could ruin things from a social and cultural perspective, especially in light of the supposed support for Black banks that followed the death of George Floyd," Cunningham said.

In decline

The number of Black-owned banks has fallen by nearly a third in recent years, and the FDIC's auction of its stake in Alamerica Bank could subtract another



Source: Federal Deposit Insurance Corporation

Nicole Elam, CEO of the National Bankers Association, the Washington D.C.-based trade group that represents Black- and minority-owned banks, also voiced concerns about the auction.

“Having fewer Black banks, considering the role that they play in the community as significant providers of mortgages and small-business loans, saddens me,” Elam said Tuesday. “You really can’t talk about closing the wealth gap without Black banks.”

Alamerica has struggled with controversy and poor performance in recent years. In March 2019, Donald Watkins, the bank's founder and largest shareholder, was convicted of wire and bank fraud in connection with a scheme that involved the theft of more than \$10 million from a group of investors and Alamerica itself. According to the U.S. Attorney for the Northern District of Alabama, Watkins used a straw borrower to obtain \$900,000 in loans from the bank.

At the same time, the bank has reported losses each year since 2017, including a total of \$635,000 lost through the first nine months of 2021.

Matthew Morris, who has served as Alamerica’s interim CEO since December 2020, said the bank's staff was taking a “business-as-usual” approach ahead of the Wednesday auction.

“It’s hard to know what will happen, but we’ll still be serving our customers whoever ends up being the owner,” Morris said Tuesday. An FDIC spokesman declined to comment.

The number of Black-owned banks has been declining steadily for decades. As recently as 2001, there were 48, but the number dropped to 17 as of June 30 this year. In April, Broadway Financial Corp. in Los Angeles and CFBanc Corp. in Washington, D.C., closed a merger of equals [creating the nation’s largest Black-owned banking company](#). The \$1.1 billion-asset company kept the Los Angeles company's name.

In November 2019, the Black-owned City National Bank of New Jersey in Newark failed. Its assets and deposits [were assumed](#) by the Black-owned Industrial Bank in Washington, D.C.

To counter the downward trend, organizers in Columbus, Ohio, [are planning](#) to raise \$20 million to open a Black-owned bank there. Several other groups are considering plans for additional Black de novo banks, Elam said.

“Over the last 12 to 24 months there have certainly been a lot of conversations about new de novo charters,” Elam said. “We certainly need more minority banks.”