



The Critical Importance of Community Banks

A few weeks ago, the FDIC moved Silicon Valley Bank and Signature Bank into receivership; both were specialized banks with very unique business models with concentrated groups of customers. These were unprecedented failures and ones that immediately reminded me of the financial crisis of 2007/2008. At this time, the markets are still sorting things out as we attempt to understand what it means for us, for our small businesses, and for our local economy.

Whenever there are banks failures, it's important to understand why community banks are critically important to our local economy and community, and it's also important to examine the differences between community banks and large banks.

Our community bank is not publicly traded. Sturdy Savings Bank is a mutually chartered bank, which means we are owned by the depositors of the bank. This business model causes us to not have public market pressures for high profits to satisfy outside investors, and we are not subjected to consolidation among stock banks. Unlike Sturdy Savings Bank, public companies are under tremendous pressure from the markets and investors to take risks to maximize profits and to constantly improve stock performance. We, however, have a conservative business philosophy and strategy as well as prudent risk management. As a community bank, Sturdy Savings Bank remains well capitalized and well positioned to continue serving our customers and our community.

The purpose of a community bank is simple: to protect customer deposits, to provide loans to purchase homes, and to provide funding for small businesses. Your deposits are used to help your doctor or accountant start their private practice or so your friends could buy their first home down the street. Money deposited at large banks could be lent or invested anywhere in the world. Here at Sturdy, the deposits entrusted to us are lent directly to our local small businesses and community members as over 95 percent of our loans are to individuals and businesses in Cape May and Atlantic Counties. During the pandemic, Sturdy participated in the SBA Paycheck Protection Program and provided over 800 businesses in our area with almost \$80 million while helping them pay their employees, rent, and other expenses. We heard time and time again that businesses were having a difficult time applying for the program at the larger regional banks as well as the largest banks in the country. Additionally, Sturdy has been the leader in providing loans to small businesses in Cape May County for over a decade which has helped fuel economic growth in our area.

Community banks have also been opening new local branches while regional and large banks have been closing branch locations. These closures cut off vital services for their customers and lay-off or displace countless employees. Sturdy, however, has added a number of branch locations over the years as we purchased the deposits and branch operations of a regional bank that was no longer interested in serving Cape May and Atlantic County. In addition, we also opened new branches in Marmora and a second location in Ocean City to further service our customers in northern Cape May County reaffirming our commitment to our community.

Sturdy Savings Bank exists not only to provide exceptional customer service, but to also give back to our community. Last year, we supported over 190 local organizations and non-profits. It's not often we see one of the large banks sponsor a softball/soccer team, a local event or fundraiser in our area. Sturdy has been around for over 100 years, as is the case with many community banks, and our commitment to our customers, employees and community is stronger than ever. As a community bank, we take pride in our relationship-based business model that is focused on building long-term confidence and trust with our customers. After all, we live in this community too, you are our neighbor, and your success and well-being are our success and well-being.

Recent government involvement causes me concerns on a number of levels but primarily because it seems as though they are deciding in the moment which banks are systemically important to the financial system. It is clear to me community banks are systemically important to our local economy and are vitally important not just here in southern New Jersey but in small communities all across America. It matters now more than ever where you bank.

Gregory M. Matuson, CPA

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