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SPECIAL REPORT Popular Community Bank

Popular takes moniker 'community bank' seriously

by Mike Seemuth
Special to the Review

Though it operates in Florida under the trade name Popular Community Bank, the New York-based Banco Popular North America is a multistate operator that may be too big to fit most definitions of a community bank.

Yet in one important sense, few banks can match the "community" banking at Banco Popular, which has a sizable lending business with associations of homeowners in residential communities.

"The truth of the matter is, most banks don't understand this business, and they shy away from it. And that's fine with us," said Harold Blinder, Senior Vice President of Miami Lakes-based Popular Association Banking, a division of Popular. "We don't have any major competitors."

Banco Popular North America, which had $5.5 billion of loans at the end of last year, is a U.S. bank subsidiary of Puerto Rico-based Popular Inc. The mainland bank does business in Florida, California, Illinois, New Jersey and New York as Popular Community Bank. Banco Popular recently dropped the word "Banco" from its name in select markets to attract more business from non-Hispanics.

Blinder said Popular's loans to homeowner associations total about $400 million.

"We're actively involved in about 17 states right now," he said of his lending unit. "Florida is the state with the greatest portion of our portfolio, 60 percent. California is 20 percent, New Jersey about 15 percent."

Blinder said other banks don't compete with Popular in this niche market because they are unfamiliar with, or unaware of, the type of loan security Popular requires.

"You're taking an assignment of assessment rights," he said. "It's not liens placed on any of the units. It's not a real estate loan. In essence, you're taking an assignment of the future income from the property."

Popular offers homeowner associations debt financing that ranges from lines of credit to loans with fixed terms of up to 15 years.

"The runoff is tremendous on these loans, and we're thankful for that," Blinder said. "The associations pay these loans very diligently, so we have a battle every year just to maintain the status quo on the balances."

Lending to homeowner associations can be risky. Blinder said some of them have watched their accounts receivable pile up as financially distressed residents fail to pay assessments for the upkeep of their communities.

But he also believes many associations that have delayed common-area maintenance and repairs will seek financing to get them done.

"I see a pent-up need," Blinder said. "A lot of associations have been standing on the sideline because of the situation with their receivables."

But this year and next year, he expects many associations "are going to come back and take care of things that they haven't been able to take care of."