Statement by Jim Edwards

CEO of United Bank, Zebulon, Georgia

Before the

Subcommittee on Financial Institutions and Consumer Credit

August 16, 2011

Dear Chairman Bachus, Subcommittee Chairman Capito, Representative Westmoreland, Representative Scott and other members of the Subcommittee,

My name is Jim Edwards and I am Chief Executive Officer of United Bank based in Zebulon, Georgia. I appreciate the opportunity to speak to you today concerning the state of banking in Georgia and our bank's experience working with FDIC loss share agreements.

United Bank's corporate office is located 50 miles south of Atlanta and 40 miles east of Newnan. I joined United Bank in 1993 and became CEO in 2002. I'm proud to say that I represent the third generation of my family to work with United Bank and the banks from which it was created. I am active in both state and national bank trade associations and currently serve as chair-elect of the Georgia Bankers Association and also serve as a member of the American Bankers Association Community Bankers Council.

United Bank traces its roots back to the founding of its predecessor, The Bank of Zebulon, in 1905. Over one hundred years later more than 90 percent of our Company's stock continues to be owned by our employees and directors who live in and care deeply about the local communities we serve. We operate 21 banking offices in 11 contiguous counties ranging from 35 to 65 miles southwest, south and east of Atlanta. Our total assets are just over $1 billion, and we offer traditional banking services along with mortgage, trust and investment products. We are pleased that we have been able to grow our employee base through this economic downturn and now provide jobs and benefits to nearly 400 people and their families.

The economic downturn which Georgia and our entire Nation have endured over the last several years has created the most challenging operating environment for banks that I have ever experienced. United Bank has historically maintained above-average capital levels and worked to make sure that our loan portfolio was well diversified among different types of lending. This conservative philosophy has served our company well during the past century of operation. This same cautious approach encouraged our Board to make the decision to apply for Capital Purchase Program funds (more commonly known as TARP) from the U.S. Treasury in late 2008. After a rigorous application process, we were approved for $14.4 million in funding. Even though we were already well capitalized at the time, the new capital provided an additional buffer in a worsening economy and has allowed us to maintain employment and continue to make loans to qualified borrowers in the communities we serve.

Since accepting this funding in 2009, United Bank has paid over $2.6 million dollars in quarterly interest payments at an approximate rate of 8 percent to the Treasury. Our current plans are to repay this TARP funding in May of 2012, which is the earliest that Treasury will allow us to do so given Treasury required subchapter S banks like United Bank to hold the funds for a minimum of three years.

United Bank has acquired three failed banks from the FDIC during the last three years, purchasing deposits in all transactions, and loans in only two transactions. In the early stages of the recession, the FDIC liquidated failed banks primarily by auctioning the deposits of an institution and retaining the loans for later disposition.

In December of 2008 United Bank purchased the deposits of First Georgia Community Bank in Jackson, Georgia using this "clean bank" type transaction without a loss-share agreement. A group of FDIC contractors stayed on site and managed the failed bank's loan portfolio for over a year, but they were given limited authority to make decisions or offer options in order to work with the customers experiencing financial difficulties. Ultimately the FDIC bundled all of the failed bank's loans into several groups and bulk sold them in an internet-based auction. The winning bidders were mostly located several states away and, therefore, knew very little about the local community. As a result, they had minimal incentive to try any long-term approaches to working with troubled borrowers.

In August of 2009, United Bank entered its first loss-share agreement with the FDIC for the purchase of deposits and loans of First Coweta Bank here in Newnan. In contrast to our earlier acquisition in Jackson, we are fully responsible for managing the loan portfolio. In return, the FDIC reimburses us for essentially 80 percent of the credit losses we experience in the loan portfolio. This reimbursement is effective for the first 5 years for commercial loans and for 10 years for one-to-four family residential loans. The loss-share agreement does not reimburse United Bank for the expenses associated with funding these loans nor does it cover the overhead needed to manage this loan portfolio and remain in compliance with the extensive requirements involved with the loss-share agreement.

In the fall of last year the FDIC informed us that First National Bank in my home town of Barnesville, Georgia soon would fail and asked us to consider submitting a bid. Although we were competitors, this was shocking and sad news. Our employees in Barnesville had always enjoyed a good relationship with First National's employees and we had historically worked together to improve the local community. Our Board ultimately decided not to submit a bid for First National due to the recent growth we had experienced from earlier acquisitions and the continuing negative economy. Shortly after the bid deadline the FDIC contacted us and explained they had received no qualifying bids and that they were preparing to close the doors, terminate the employees and send checks to depositors. They also communicated that some customers might exceed deposit coverage limits so there could be depositor losses. After considering how devastating this would be to one of our most important communities, our management team and Board decided to submit a bid to prevent the bank pay out. I'm pleased to share that we were able to hire a majority of First National's former employees and continue banking services without any disruption to customers in Barnesville.

Through these experiences I've seen the advantages of how a loss-share arrangement works as compared to the FDIC's earlier practice of using outside contractors to manage a failed bank loan portfolio. When a local community bank such as United Bank manages the loan portfolio, it has a strong vested interest in trying to take a long-term approach and work with customers to overcome their financial challenges. The primary reason for this is so that we can make the borrower a life-long bank customer. The secondary reason is that because the bank participates in any future loan loss, we work hard to try to minimize these losses. We have worked hard in Newnan and Barnesville to find solutions for struggling loan customers and have offered loan modifications and forbearance agreements. We've had a number of successes with this approach.

Under our agreement with the FDIC, United Bank is essentially required to manage the loss-share loan portfolio in essentially the same manner as we handle our non-loss-share loan portfolio. The FDIC has encouraged us to work with these customers whenever possible. The FDIC also audits our Bank regularly to make sure that we remain in compliance with all elements of the loss share agreement. This enhanced scrutiny has necessitated United Bank to hire a number of new employees to insure our compliance.

No, there is nothing good about any bank failure. Customers, bankers, businesses and in fact entire communities suffer in a variety of ways. However, as I mentioned, in our experience the current system of utilizing loss-share agreements is preferable to others used earlier in the economic cycle. In general, the resolution process works to keep the transition organized, provides maximum depositor protection, encourages confidence in the safety of deposits at a critical time and minimizes more broad-based market disruption.

Thank you again for the opportunity to share United Bank's experience in working with the FDIC on loss share agreements and I look forward to answering your questions.

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name:	2. Organization or organizations you are representing:
Jim Edwards	United Bank
3. Business Address and telephone number:	
[redacted]	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
☐ Yes ☒ No	☐ Yes ☒ No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature: Jim Edwards	

Please attach a copy of this form to your written testimony.