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On Focus and In Depth

'It's a Wonderful...' Public Comes to Aid of Mutual

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By [Bonnie McGeer](#)

With public sentiment running so hard against the banking industry these days the story of Dwelling House Savings and Loan Association, a \$13.4 million minority-controlled mutual in Pittsburgh, is nothing short of amazing.

Community leaders have rallied around the thrift for the past few months after cyber thieves took more than \$3 million through fraudulent automated clearing house transactions, leaving the thrift with a \$1 million capital hole.

Residents campaigned to boost the thrift's deposits, and it ultimately received pledges of cash injections from four local foundations and the \$5.6 billion-asset Dollar Bank of Pittsburgh, just in time for a June 30 deadline that regulators imposed for getting the thrift adequately capitalized.

But the story's happy ending is being threatened by technicalities related to those pledges.

Robert F. Vagt, president of The Heinz Endowments, one of the foundations that has been working to rescue Dwelling House, said Monday that because it is a mutual, it is not technically allowed to sell itself or raise capital in a traditional sense.

Vagt said he and others are working hard to overcome those issues, saying the survival of the 119-year-old thrift is important because it was a "safe haven" for minorities seeking mortgages decades before the Community Reinvestment Act came along.

"This is an iconic African-American institution in this city," he said. "It was the lender of first and last resort for black families in this region for a long, long time."

Vagt said details still need to be worked out with regulators about how to handle the recapitalization. Heinz and the other foundations had pledged \$780,000 of deposits, which would function as capital. The foundations could not withdraw the money, but they could earn interest on it. But it remains unclear how to structure the transaction, Vagt said.

One option is for the Federal Deposit Insurance Corp. to seize the thrift and then have it rechartered to the foundation itself, he said. But the charter would take "a long, long time" and the foundation would prefer another scenario where Dwelling House could continue operating as it has with some new board members and a stronger management team.

Vagt commended regulators for being helpful. "My hat's off to the FDIC. This is not a look-alike where there have been 20 of them," Vagt said of the capital proposal. "But I tell you, given the importance of that institution to this community, I am so grateful that they are willing to work with us."

The thrift did not respond to a request for comment by press time.

Vagt said the thrift had until this past Friday to be adequately capitalized, after getting an extension from June 30. But, he said, "the deal had not been fully done," because regulators were unsure about what form the transaction should take. Its new deadline is this coming Friday.

John Haines, the president and chief executive at the thrift, had announced the capital pledges June 19 and said the bank had drawn up a new capital plan. Speaking at a community rally for Dwelling House, Haines said federal and local law enforcement agencies were investigating the improper ACH transactions that drained the thrift of millions over the course of a year before being discovered in a December audit. He said the fraud had been executed by individuals unaffiliated with Dwelling House or other banks that unwittingly processed the withdrawals.

Some of those institutions have reimbursed Dwelling House or promised to do so, Haines said. Others have not responded or not made a decision on whether to return the money.

Still, the thrift is not giving up on recovering the losses.

"This is a time-consuming process, but given sufficient time we are optimistic that the greater part of Dwelling House's capital can be restored in this manner," he said.

As a last resort the thrift could sue the other banks, he added.

It is clear the thrift still has a lot of people in the community rooting for it. Jackie Dixon, a community activist, helped to organize what she called a "soiree" last month for anyone willing to make at least a \$1,000 deposit into the bank.

In an interview Monday, she said she felt the community had to do something to show its support. "It's the rapport with the community, particularly the minority community," she said. "You have to understand that when you couldn't get a loan anywhere else, Dwelling House would give you a loan."

Dixon, who was once a board member at the thrift, said approximately 25 people attended the party, which was supported by the thrift's management. She said she is optimistic about the thrift's future.

"Every day the people who came to my home for this party keep talking about what a great time they had and asking, 'What's plan B?' " she said. "Their enthusiasm and their generosity and their willingness to help continues."

Observers said the outpouring of support for the bank was primarily because of its age. "It goes to show their importance to the community that can't be divorced from their age," said William Michael Cunningham, social investing adviser with Creative Investment Research Inc., which

invests in minority-owned banks. "They have such a long history in the community that it doesn't surprise me they are rallying around the institution."

Rob Blackwell contributed to this article.