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## Little bank on the prairie

Platinum Bank's David Rom is serious about pushing the personal approach in his Oakdale bank

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Special to Capitol Report

It was February 2007. In London, one of the world's largest banks, HSBC, was busy writing down its mortgage-backed securities by \$10.5 billion as the world plunged into a subprime mortgage crisis during which more than 100 mortgage companies would fail, suspend operations or be sold.

At the same time, in Oakdale, Minnesota, David Rom was launching Platinum Bank as a stand-alone, brick-and-mortar shop catering to small businesses in the East Metro. The timing was less than fortuitous—the mortgage crisis proved to be just the first thread pulled from an economic fabric that by September 2008 had become almost completely unwound.

Rom, 41, and several early investors had already spent several years raising \$10 million, jumping through regulatory hoops, buying property and constructing a building. So they were committed to the move



David Rom, 41, went through a month of programming with the architect he hired to build his start-up bank in Oakdale to make sure it reflected the personal, "old-school style" he believes in. "I spent a third of my time for a year with the architect designing the building because I wanted this to be a representation of the business that we have."

(Staff photo: Bill Klotz)

despite the turbulent times.

Things have worked rather well—in any crisis, opportunity awaits the lucky and/or smart. Platinum and Rom were some of both, and the Twin Cities

and especially the East Metro have benefitted.

A primary reason is that Platinum started out with a huge advantage—clean books. As a new enterprise, the

# Rom Founder of Oakdale bank relies on the real old-school model of person-to-person banking

bank never had a chance to invest in the over-collateralized, toxic assets that froze the credit market in 2008. Platinum, in effect, emerged during a period of reduced competition.

Banks without sufficient assets to cover their at-risk assets have been digging themselves out since Platinum came on the scene, Rom says, and many have really not been looking for new customers. “They don’t have time to get new business,” he says. “They’re worried about taking care of what they have.”

Platinum, on the other hand, achieved profitability 20 months after its launch and has grown at least 16 percent in each of the two years since. It did that not by building itself on a hyper-efficient corporate framework, Rom says, but by leaning on a throwback model—the old-school prairie bank.

## ‘We Are Not Scared’

Matt Kramer, president and CEO of the St. Paul Area Chamber of Commerce, thinks Rom’s new wrinkle on an old business model has “captured the psyche” that small businesses now look for in banking relationships.

“The idea,” Kramer says, “is that somebody knows your name and is able to talk with you about your business and your future, and do it in a way where you’re not just cattle standing in between the ropes.”

Such was Steve Sylvester’s experience. The president and CEO of South St. Paul-based S&S Tree Specialists, Inc., went looking for a new bank several years after Norwest Bank sold out to Wells Fargo.

Sylvester met Rom when his company was hired to clear trees off the property at 7667 10 St. N. in Oakdale, the site where the bank now stands. After interviewing several other banks, Sylvester opted to give Platinum a try. “These guys wanted to learn our business,” he says.

That was key, because S&S is seasonal—raking in money during warmer months and often losing its shirt during winter. “It’s just like being a farmer,” Sylvester says. “Your banker has to

## The Rom File

**Name:** David Rom

**Age:** 41

**Title:** President and CEO, Platinum Bank, Oakdale

**Grew up in:** Des Moines, Iowa

**Lives in:** Woodbury

**Education:** St. John’s University, B.S., accounting.

**Family:** Married 15 years to Lori, a former special education teacher. Four kids, ages 5 to 12.

**Hobbies and Activities:** Coaches sons’ Woodbury baseball teams. Next year Rom is the incoming president of the St. John’s University Alumni Foundation. “I’m out there about every two or three weeks doing something. I mentor young students, I help with career networking opportunities, and I do some leadership coaching.”

understand that. If they don’t, they’re worthless.”

It is a popular myth that the credit market is actually frozen, Rom says, and Platinum is hardly the only bank extending loans. But it’s true that some banks have nearly stopped making loans, and that even more are reluctant to extend credit to small and mid-sized businesses.

Kramer says supporting small businesses financially is crucial, because they represent any community’s economic lifeblood.

And Rom agrees.

“I believe that banks are really the cornerstone to helping provide finance and commerce to local businesses, which create local jobs and provide for a strong community,” Rom says. “I don’t have my head in the sand—it is not easy to make decisions. But we are not scared about what is happening.”

Rom’s confidence in Platinum stems at least partly from the bank’s financial health. As of June 2010, it possessed \$82.74 million in assets against \$75 million in loans, according to the Federal Deposit Insurance

Corp. (FDIC). Its “Texas Ratio”—money on hand vs. the value of at-risk loans—rates 5 out of 5 stars, according to interest-rate tracking website DepositAccounts.com.

Because Rom is rooted in the East Metro, Rom and his team make a point of getting to know the area’s small business community members. By design, Rom says, a chat and a handshake can result in a loan deal. “I’ve made two loans out to people who I happened to run into at the health club in Woodbury,” he says.

Platinum bankers are constant presences at Rotary, Chamber and nonprofit events, he says. “We cook hot dogs at the fire station, we serve coffee after church services on Sunday,” he says. “We volunteer to show up all the time. And so we’re seeing people.”

Platinum has even designated a conference room in its building as The Loft and has offered it as a community meeting space. Once, he recalls, he made a presentation about money there to a group of Girl Scouts. Before the children had finished their cookies and left for home, several mothers chaperoning the group cornered Rom, and soon they all became customers.

“That’s how things tend to happen with us,” he says.

## Starting from scratch

Rom grew up in Des Moines, Iowa. His father Wayne has worked in agriculture his whole life, and now runs a co-op outside Eau Claire, Wis. His mother, JoAnn, was mostly a stay-at-home mom who occasionally took part-time jobs. “My family was middle middle-class,” Rom says. “Pretty average.”

As a boy he showed a talent for numbers, so he decided to study accounting after graduating high school. He earned a B.S. in accounting at St. John’s University in Collegeville, then began his career in Denver at a CPA firm that helped the Resolution Trust Corp. straighten out the savings and loan mess of the late 1980s.

Though his job was to help shut down failed banks, he nevertheless discovered that he liked the industry. “I understood what the business was,” he says.

He continued as an accountant, assessing banks' financial health after moving to Kansas City in the early 1990s. Finally, at the behest of his new, Minnesota-born wife, Lori, he moved to Minnesota and took a job at B. John Barry's MidAmerica Bank, specializing in mergers and acquisitions and regulatory affairs.

After Barry sold out in 1998, Rom returned to accounting with Deloitte & Touche in Minneapolis, once again studying bankbooks. By the early part of this decade, Rom felt he knew enough to go into banking himself.

At first he wanted to buy an existing bank, but couldn't find any takers at a reasonable price. So he decided to start one from scratch.

Rom had strict ground rules as he began hunting for capital: No investor would be allowed to own more than a 10 percent stake in the business—not even Rom, the bank's third largest shareholder. He turned down fairly big money from a few investors who wanted 20 to 30 percent stakes in the bank.

"I didn't want control to be outside with disinterested investors who would get nervous or change their mind," he says. "If they were financially stressed, that would cause stress for us. I really wanted to make the decisions."

At first, Rom tried to recruit owners of existing banks to invest in his ven-

ture. When that didn't pan out, he formed a partnership of "trusted local colleagues," according to the Platinum Bank's website.

Rom ended up raising \$9.9 million in start-up capital from 100 individual investors, including himself, and on Feb. 12, 2007, Platinum Bank opened its doors.

Dick Howard, president of the Fairview Hospital Foundation in Minneapolis, knows Rom through their mutual connection to the St. John's University Alumni Association. "He is very thoughtful, but deliberate, and what I call intentional," Howard says. "He is very decisive."

Rom and Platinum don't plan to stand pat.

Because of regulatory demands and the high costs of FDIC insurance, he says, no bank can survive if it doesn't keep growing. He is already scouting locations in the west metro—he won't say where—to build the next Platinum Bank branch.

In succeeding years, he says, he plans to draw on his experience as a

mergers-and-acquisition specialist to possibly buy out other banks.

"There are a lot of banks having difficult times or that are just stalled out because they are not growing, and an aging ownership group at a lot of those banks," he says. "So now my offer is look at what we've done, you can check us out. And how about it?"

Is now a time to sell out?"

In 10 years out, he says, he hopes Platinum will grow into one of the top three or four billion-dollar community banks in the Twin Cities. And he wants to do that, he says, by "still staying true to what we do today."

That will be a challenge, but Rom thinks he can do it if he hires people who are willing to buy into Platinum's hands-on, relationship-

based business culture.

"What is happening as a society is we are coming to recognize that more authentic and scaled-down relationships matter," Rom says. "So we want authentic, old-school types of bankers. And they're out there."

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—Dick Howard, president of the Fairview Hospital Foundation in Minneapolis