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In sale, Radius Bank will cut most union ties

Group of private equity firms to acquire Radius for \$63m

By **Deirdre Fernandes** | GLOBE STAFF OCTOBER 07, 2015

Radius Bank has been cutting ties to its labor heritage over the past year, forming new partnerships with financial technology startups and ditching its old name, First Trade Union Bank. Now Radius, started by and for local union carpenters, is about to sell itself to the ultimate capitalists: private equity firms.

Radius Bank will announce Wednesday that a group of four private equity firms will pay \$63 million to acquire the institution and buy out the carpenters union pension funds that have been the sole owners.

After the deal, which is expected to close in March, the New England Carpenters Pension and Annuity Funds and the Empire State Carpenters Pension Funds of New York together will own less than 5 percent of the bank. The pension funds turned to the private investors after a bid to cash out through a public stock offering failed last year.

“This is a good outcome as we would have hoped for,” said Mark Erlich, executive secretary for the New England Regional Council of Carpenters. “People who are interested in buying the bank are in the financial services world.”

The private equity owners will include Patriot Financial Partners LP of Philadelphia, BayBoston Capital of Newton, and GCP Capital Partners and Endicott Management Co., both of New York.

The firms are paying cash, Radius officials said.

Many of the firms have invested in community banks in the past. Carlos Garcia, a former executive with Santander Bank NA who launched BayBoston two years ago, said Radius was appealing because of its emphasis on digital banking through partnerships with mobile online financial services firms. Garcia declined to comment about how much of a stake his firm will have in Radius.

The goal, he said, is to make the bank “a nationally recognized digital bank and a well served community bank for the Boston area.”

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Mark Erlich Carpenters Council

The New England carpenters union started the bank in 1987 with its pension funds as a way to help finance construction projects that used union labor. The pension funds also keep deposits at the bank, where many carpenter union members are customers.

But the Dodd-Frank Act, passed after the recent financial crisis, made it difficult for the pension funds to continue to own the bank and do what most pensions funds do: invest some money in riskier ventures such as private equity, commercial real estate, and hedge funds.

As a result, the funds decided to sell their stakes in the bank.

Unable to attract investors through the public stock offering because the bank is so small — less than \$1 billion in assets — Radius decided to seek private equity investors, said Michael A. Butler, the bank president.

Under the deal, which still needs approval from federal regulators, about \$18 million of the \$63 million in capital will be retained by Radius to invest in expanding its technology and products, such as loans.

The remaining money will go to the pension funds.

Butler said Radius plans to continue its strategy of growing as a digitally focused bank. In recent years, Radius has partnered with companies such as LevelUp, a Boston mobile payments provider, SmarterBucks, a debit-card rewards program that helps participants pay down their student loans, and Aspiration Fund Adviser LLC, an online investment firm that allows customers to decide the fees.

Radius acts as the bank for these online ventures, which attract customers from throughout the country. Radius holds the customers' deposits.

Butler said this capital infusion will help the bank grow large enough to launch a successful public stock offering.

“We’ve got a chance to be a significant player in what we consider a new definition of community banking,” he said.

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