

# PHILADELPHIA BUSINESS JOURNAL



BOB FLEISCHHAUER | BUSINESS JOURNAL

CEO Tom Petro took over Fox Chase Bank while regulators were examining possible problem areas.

## Nuts and bolts fixed a hole

Fox Chase Bank got back on track by zeroing in on what really mattered

### **GROWTH** STRATEGIES

ADAM STONE  
SPECIAL TO THE BUSINESS JOURNAL

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**Tom Petro**  
Fox Chase Bank

**H**ATBORO — By the middle of 2005 bank regulators were seriously concerned about Fox Chase Bank.

Founded in 1867, the savings institution had kicked off the 21st century by lending heavily to builders at the Jersey Shore, and overseers worried that the bank didn't have the expertise to write or service so many construction loans.

At the urging of regulators the bank's board hired a new executive team. Since then the loans have stayed good, the bank has stayed solvent and a new course has been charted toward future growth.

"The projects are being completed and they are being sold, and as they are sold the loans are paid off. It is working exactly the way it was supposed to work," said CEO Tom Petro.

Petro's strategies for bank resuscitation could apply equally well to practically any business that finds itself in dire straits. "It

is broken because people have forgotten about the basics," he said. "The way that you fix it, and I don't care what kind of business it is, is to get back to the basics."

This is not the first time Petro has turned around a bank in a troubled period. In 1992 he did the same for Bryn Mawr Trust when that bank was in jeopardy, and he also brought Northeast Pennsylvania Financial Corp. back from the brink.

Wilson L. Smith worked with Petro at Northeast Pennsylvania. "He really had a lot of heavy lifting to do when he got up there, and in a pretty short period

of time he turned that thing around so they were able to sell it at a nice profit," said Smith, now director of financial services research at investment advisory firm Boenning & Scattergood in West Conshohocken.

"He identified what the issues were and he moved ahead to put in place the people and policies that were needed to be able

# FOX CHASE: Small bank regained its footing by installing regimented systems

to run it as a viable institution.”

The first step in this case was to stem the bleeding. When Petro came to Fox Chase he put a stop to the short-term construction loans and let that portfolio dwindle, from \$160 million at the start of last year to about \$40 million today.

At the same time he implemented strictly regimented systems for how future work was to be done. This referred specifically to the need for more intensive follow-up work.

“Making a loan is the easiest thing a bank can ever do. Collecting it is the hardest,” Petro said. To that end Petro put in place tighter policies in regard to monitoring loans, communicating with borrowers, watching borrowers’ credit situations and making sure borrowers were making their construction milestones.

“It’s hidden work. Typically, when you think of your banker, you don’t see any of that,” he said. “But it is really what the art

As for the “candor” bit, Petro is a firm believer in meetings over memos. All managers must hold weekly meetings with their teams, in addition to the regular all-company gatherings.

“You need to look people in the eye,” Petro said. “They need to hear the inflection of your voice and to make that personal connection.”

Even with these pieces in place, Petro and his executive team face challenges in an industry that has seen profound changes in recent years. “The traditional

business of a bank like ours have been the residential mortgage lending business,” he said. “But that business has been increasingly commoditized. Just about anybody who wants to hang out a shingle as a residential mortgage lender can do so.”

So Petro is seeking new markets, reaching out to service companies, small manufacturers, commodities brokers and others in need of access to capital. “Even though the residential real estate market is slowing, there still is a lot of capacity in

the commercial real estate market in this area, so we still think the real estate business is a good business,” he said.

Petro’s exit strategy? Despite mass mergers in the banking industry in recent years, he says a buyout is not necessarily his end goal.

“My personal motivation is to build a company that is built on enduring principles and values, one that can make it for another 130-odd years, and we don’t think there is any reason why that isn’t possible.” ■

## UP CLOSE

**COMPANY:** Fox Chase Bank

**LOCATION:** 4390 Davisville Road, Hatboro, Pa. 19040

**OWNERS:** Mutually owned by the depositors

**TYPE OF COMPANY:** Federally chartered savings bank

**NUMBER OF EMPLOYEES:** 130

**2003 REVENUE:** \$40 million

**2004 REVENUE:** \$40 million

**2005 EST. REVENUE:** \$42 million

**LESSONS LEARNED:** To turn around a troubled bank, Tom Petro found that rigorous systems are a key to success.

and science of prudent lending is all about.”

Then there are the people. As soon as he took the job, Petro recruited a cadre of trusted colleagues to help run the show, starting with Chief Financial Officer Jerry Holbrook. Observers call it a good move.

“He has brought in a strong team from a managerial perspective. He has recruited new directors who are very savvy in the business world,” said Ron Riggins, president and managing director at banking advisory firm RP Financial of Arlington, Va.

At the same time Petro has pushed hard to create cohesion among the rank and file. He calls it “a culture of candor and trust” and it is more than just lip service: Petro lets money talk.

Under the annual profit incentive plan, lower-ranking employees get their cut first. “Only if there is enough left over does senior management get its bonus, so I, as CEO, will always be the last to get my bonus,” he said.

Likewise, the bank delivers a graduated matching system for health-care benefits. It’s a highly creative response to spiraling health-care costs. Essentially, the more you make, the bigger the portion of your benefits cost comes from your own wallet. Those earning less, pay less.