

Banking for the underserved

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For many individuals, including home buyers and entrepreneurs seeking financing, close encounters of the banking kind can be intimidating. For home buyers and entrepreneurs of color – who may have experienced prejudice, language barriers or just a lack of understanding – such encounters may be doubly challenging.

That's where Ponce Bank (pronounced "Pahn say") comes in.

"We like to say we serve the underserved but not the undeserving," said Carlos P. Naudon, director, president and CEO of the bank, a subsidiary of the Ponce Financial Group Inc. which is traded on the Nasdaq and for which he also serves as president and CEO. A \$2.2 billion institution with 13 branches in every New York City borough except Staten Island, as well as Union, New Jersey; and five mortgage offices in the city, plus one in Bergenfield, New Jersey, Ponce Bank helps low- to middle-income minorities, especially the Latinx community, with everything from rent-stabilized apartments and other affordable housing to starting a business. The bank has been recognized as a Minority Depository Institution (MDI) as well as a Community Development Financial Institution (CDFI), one of fewer than 50 banks so designated in the United States. Ponce Bank was recently rated the No. 1 Latinx bank in the country for community investment by Mighty Deposits, an independent rating resource for mission-oriented banking.

Helping Ponce Bank to help individuals and businesses acquire real estate is Mortgage World Bankers, which Ponce bought in 2019.

"We bought a mortgage company that enables us to sell 30-year fixed-rate mortgages to secondary markets," Naudon said, "which enables us in turn to assist first-time home buyers. We couldn't have done that three or four years ago.

"Two, three, four years ago, a lot of people were refinancing their mortgages. Not a lot of people are refinancing in today's world," he added, referring to the high interest rates that the Federal Reserve has set in a bid to combat stubborn inflation.

But Ponce is about more than lending. It's also about educating clients. Recently, owners of startups and other entrepreneurs took part in the graduation ceremonies for the bank and the Business Outreach Center Network's

"Getting Ready" series2 program, which takes enrollees through best business practices in banking, tax planning and reporting, credit reports and scores, managing cash flow, legal issues and marketing.

"We spend a lot of time on educating people," Naudon said. "It's called financial literacy. But literacy means reading at a fifth-grade level. We have to have more than a fifth-grade education in financial understanding."

Asked the one thing he'd like to convey to the public financially, Naudon said, "Don't underreport your earnings on your tax forms. If the IRS doesn't get you, the bank will."

That's because when you underreport, you appear to be less of a good credit risk.

Naudon also advised building a steady source of income: "If you can, buy a two-family home. Live in one part and rent the other...For many people, individuals and entrepreneurs, homes are their largest source of capital."

He practices what he preaches. Naudon has a two-family brownstone in Brooklyn that he purchased in 1977. But as his office is in the Bronx, he also has an apartment in East Harlem.

In educating potential small-business owners, he said, the bank isn't looking at credit scores but rather at cash flow and helping clients take practical steps on how to put together a loan application and how to hire.

"We're helping people who have a dream get started on that dream," he said.

Ponce supports dreams in other ways. Naudon is also president of the Ponce De Leon Foundation, a Bronx-based nonprofit founded in 2017 with a gift of stock and cash from Ponce Bank when the bank was converted to a mutual holding company "The foundation," he said, "continues to support the development of communities where we have branches, using charitable organizations."

The bank – established in 1960 in the South Bronx as the Ponce de Leon Federal Savings & Loan Association and named for the Spanish explorer Juan Ponce de León, who led the first official European expedition to what is now Florida and served as governor of Puerto Rico – is also "quite involved" in Puerto Rico's recovery from Hurricanes Maria and Fiona, supporting organizations providing aid to the U.S. territory.

Naudon's background is a nexus of Latin America, economics and the law. He grew up in Santiago, Chile, in a



Carlos P. Naudon, director, president and CEO of Ponce Bank, said his No. 1 piece of advice for those who would be financially literate is never to underreport your earnings on your tax forms: "If the IRS doesn't get you, the bank will." *Courtesy Ponce Bank.*



Ponce Bank

French-Spanish family. His father was a lawyer. His mother's family had its own glass-blowing business. At 13, he sailed into New York Harbor.

"I always wanted to have my own business," he said. After graduating with a Bachelor of Science degree in economics and computer science from the University of Maryland, an MBA from the University of Rochester and a juris degree from Brooklyn Law School, he had his own certified public accounting firm and a marketing job with the Savings Banks Association of the State of New York. But in 1984, amid the savings and loan failures and leveraged buyouts, he founded Banking Spectrum Inc., a bank consulting turned bank publishing company that he still owns; and the law firm Allister & Naudon, which he sold

in 2014. Naudon had worked with Ponce and was serving as regulatory counsel when the bank invited him to become director in 2014. He became president and CEO of Ponce de Leon Federal Bank in 2015. (Two years later, after its mutual holding-company conversion, the bank rebranded itself as Ponce Bank.)

Banking would seem to be Naudon's destiny – and all in the family. (Wife Susan Steingass worked for Citibank. They are the parents of two sons – a quantum programmer for Bloomberg and a captain in the U.S. Army.)

"In the great circle of life and fate," he observed, "I wanted to serve the Latinx community and I'm doing just that."

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