

## Community Bank in Brockton, Massachusetts finding Success with Engaged Bankers who Educate and Put their Customers First



**James W. Blake**  
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**Interview conducted by:**  
Lynn Fosse, Senior Editor  
CEOCFO Magazine

**CEOCFO:** *Mr. Blake, would you tell us about your core vision at HarborOne?*

**Mr. Blake:** We pride ourselves on providing great service to our customers and the fact that customers do not have to look at the fine print. It is a function of the engagement with our employees to carry that out. The more we have them involved with our strategies and plans, the more able they are likely to participate and interact with our customers on a level that meets that plan. By way of example for the last eight years in a row, our employees voted us One of the Best Places to Work in the Boston Globe and that was with 86% of our employees voting. We firmly believe that the key to our success would be the work that our employees do every single day. The closer they are to our customers the better that strategy will work.

**CEOCFO:** *Did you always know that engaging your employees made a difference?*

**Mr. Blake:** I have always believed this and it speaks to the experiences I had coming up through the industry and having worked for four other institutions before I came here. I had an opportunity to see how four banks managed their strategies so it became clear to me that staff knowledge is power. If you expect to have strategies carried out you cannot do it by edict, you have to do it by having employees involved. They have to know the strategy and why it is the strategy and what their role in that strategy is and how they are going to participate in the success of the company going forward. I have been here twenty years and that is my core belief. As part of our strategic planning process we have someone in the organization that is responsible for maintaining the culture that we have. It has worked for us and I think that is evident by the response we get from our employees when they enter that Globe survey about whether they understand where the organization is going and whether they have a say in it, do they feel the communication process is valid. This is particularly true most recently with millennials; we have found that over the last eight years, there is a thirst on the part of our younger millennial staff on what we are doing as an organization and what we are doing in the community. There is a desire to work for a company that is doing something good in the community and they want to be part of that. It is becoming an even more important item for us over the last number of years.

**CEOCFO:** *How do you decide where to focus efforts in the communities?*

**Mr. Blake:** We were until a few years ago a credit union and we were the largest community credit union in the country. Part of that is the involvement in the activities of your membership. Brockton, Massachusetts is a gateway city where our roots come from and there a lot of challenges in gateway cities. There were not a lot of large organizations in the community so because of our size there was a belief that we could have an impact beyond just doing financial

transactions and through management being involved on various boards in organizations, that it would just continued to grow over time.

**CEOCFO: *Would you tell us about the geographic area that you serve?***

**Mr. Blake:** We are about 25 miles south of Boston between Boston and Cape Cod. We are a \$2.5 billion community bank. We recently over the last three or four years made changes to our structure to accommodate growth. We were at one point a credit union and we changed our charter in 2013 to become a bank. The reason for that was that we wanted to expand further than the legal structure for a credit union would allow us to do. We changed our charter and that has allowed us to continue to grow, to have customers do business with us that heretofore were not able to do because of the charter restrictions we had. To further that process, last June we went public with an IPO that was a minority offering so we issued 45% of the stock and retained 55%. So that has allowed us to raise \$144 million worth of additional capital which will be used to continue to support our growth and expansion going forward.

**“We do something that I don’t know of any other bank in the country is doing, and that is we have an educational facility that we call HarborOne U... We have four classrooms where we teach a host of courses. The fairly obvious ones are fundamentals of personal finance, how to buy a house. There are others; we looked at all the life cycle financial issues that people face such as what happens when you go through a divorce, how you recreate good credit, what happens when your child has to go to college and how do you pick out a college and pay for it. What do you do about someone who has dementia or Alzheimer’s, what is the difference between an assisted living center and a nursing home and how you finance it, how does Medicare and Medicaid work and what should you do to set yourself up for that. We also teach computer literacy, we have a large immigrant population here and we teach them the US citizenship test and we teach them how to use technology to communicate back to the Islands of Cape Verde with their family.”- James W. Blake**

**CEOCFO: *Why was last year the right time?***

**Mr. Blake:** The banking industry’s net interest margin has been shrinking for years particularly in this low interest rate environment. While we expect the margin will improve going forward for the industry, it is never going to go back to where it was. We wanted a source of income that was different from interest income in terms of taking deposits and making loans. We wanted to expand our mortgage business; it is an area that we have knowledge and we wanted to buy a mortgage company. In order to do that, the charter would have prohibited us from purchasing a mortgage company because it would not necessarily be within the four counties that we were legally able to do business in. As a result we subsequently bought a mortgage company in Manchester New Hampshire that does business in four states. The other issue was that we had just gone through 2008 which was the worst recession the industry had ever seen, and credit unions were the only financial institutions in the country that had no way to raise capital and we have always been a growth oriented company. Prior to the Great Recession we were growing 11% a year for ten years. We were out stripping our capital particularly in the low margin environment. As we did our scenario planning, it was obvious that we were going to have to change the direction of the organization or find a way to raise capital to continue to fund the growth of the company. As a result, we made a decision to go forward with a partial offering and that has worked for us to this point.

**CEOCFO: *Do prospective customers appreciate the 100 plus year history, or is it about what you can do for them today?***

**Mr. Blake:** It is always about what you can do for them today but they absolutely value the 100-year experience. For any company, that is quite a marker and particularly today as you look at the life cycle of companies coming in and out of existence especially in the tech industry, their life cycle is much shorter and they are sold and they raised a billion dollars in the process. When we went public the requirement for us was that we had to have a in person vote by our customers to approve offering. We had one of the largest in-person votes that the industry had seen. We had 96.7% of the customers that voted in favor of us going forward with the IPO. That was tremendous support. Through the process we had lines of customers at our stock center. They could buy stock through the mail or phone but we had lines of customers showing up in person. They would be telling stories about how they opened an account here when they were young and about how they got their first mortgage here or their parents got their mortgage here and they wanted to monetize their ownership in the bank. There have been a lot of changes in the banking industry and a whole host of new competitors. The industry is bifurcated between what I will call community banks and national banks. The service levels have changed. Certainly in Massachusetts there is a desire for good quality local business but at the same time to have a service capacity to match what is taking place on a national level. That is what we try to do.

**CEO/COO: *How do you attract new business?***

**Mr. Blake:** Reputation is one but our staff of calling officers are going out and telling the story of the organization and who we are. We are trying to reach out to people that may be doing business with us in one segment of the organization who may own a small business or a large company and we are trying to attract that business as well. We have a very experienced group of people that have worked in other financial institutions. If you look at what has taken place at some large institutions, we offer a great alternative of stability, the longevity of our employees, the fact that as a bank our size you we are not just going to lop off an entire segment of business. That is attractive today. Going through the Great Recession there were a lot of segments of business where larger banks just determined it was not profitable for them to continue to serve a particular market. That is not the kind of environment that we operate in and as a result it creates a greater sense of predictability and stability for business owners. On the retail side, it is really our reputation in the community. Eight years ago for the first time when we conducted research on our customers and asked them why they do business with us, it was always because of our low fees, as well as we were close to home and close to work. Eight years ago the number-two reason that people chose the financial institution they were doing business with was about being involved in the local community. That is what we historically have been building our philosophy and name on and now suddenly the market is saying to us that localness is very important in who they want to do business with. You see that same trend take place with millennials and they see value in that.

**CEO/COO: *How do you make things easy for your customers on the business side as well as the consumer side?***

**Mr. Blake:** In our history, we have never had a customer sue the bank. In our history we have never had an employee sue the bank. I am not going to name any national bank for you but if you go Google lawsuits on XYZ bank, do not hit the print button because you do not have enough paper to cover all that it is going to print out. For us it is the attention to service and our knowledge of the community, the focus that our staff have, in terms of understanding what consumers need and what we are trying to do. We hire based on personality. We can train people to do anything but if we have people that are good people, that enjoy working with people, that understand what this business is about in terms of it being a customer-facing business, then we will succeed. It is our responsibility to make sure they are trained properly and adhere to the management practices we have. We delegate the authority to the lowest level in the organization and that is right at the customer level. We encourage our staff to waive fees when they think it is "the right thing to do." What we talk about all the time is how you would feel if this was happening to you. You went on vacation and forgot to put the check in the mail, you have three kids and it is July 4<sup>th</sup>. You made a mistake. You can look at the customer and see that the person has never missed a payment. You can waive the \$30 charge or you can be a robot and charge \$30 and tell the customer that is your policy. People get sick, they have medical problems, and their lives today are stressful, and chaotic, they have a lot of segments in their lives that are pulling them apart. We do not want to be part of that. We monitor the level of activity that takes place to make sure that there is no abuse. If you want to have a customer relationship for life, you want to be reasonable and fair about how you treat them and people do not forget that because today many customer service organizations do not really provide a high level of customer service. The policy says this is what is going to take place. The technology does not provide any leeway to override so customers become alienated. How would you like to do business with a bank were for twenty years you never bounced a check and then have the bank tell you that you should have managed your financial affairs properly. In today's world I just do not think that is appropriate.

**CEO/COO: *Why choose HarborOne Bank?***

**Mr. Blake:** I would say that we do something that I don't know of any other bank in the country is doing, and that is we have an educational facility that we call HarborOne U. We did an analysis of the Great Recession, and you can argue that financial instruments caused the problem but really what took place is there was not a lot of financial sophistication on the part of the consuming public. So as a result, we started an education program. We have four classrooms where we teach a host of courses. The fairly obvious ones are fundamentals of personal finance, how to buy a house. There are others; we looked at all the life cycle financial issues that people face such as what happens when you go through a divorce, how you recreate good credit, what happens when your child has to go to college and how do you pick out a college and pay for it. What do you do about someone who has dementia or Alzheimer's, what is the difference between an assisted living center and a nursing home and how you finance it, how does Medicare and Medicaid work and what should you do to set yourself up for that. We also teach computer literacy, we have a large immigrant population here and we teach them the US citizenship test and we teach them how to use technology to communicate back to the Islands of Cape Verde with their family. We provide small loans to people and if they go through our educational programs, regardless of their past credit, we give them a \$500 line of credit and a checking account. After a year, we monitor it and then raise it to \$1000. We provide small business lending programs. We provide education in small business and teach them how to create a website. Over the last ten years we have had well over 13 thousand people sit down in our four classrooms and take courses. The average age of participants is mid forties. We try to help people avoid what the next bubble is going to be so they are better prepared in making better decisions. An assisted living center or nursing home is a perfect example. Most

people turn to someone in their family that has been involved in a decision in this area to ask what to do. So you have the subject matter expertise of one person. We have instructors come in and teach courses on the difference between the two and how to fund it. When someone asks why they should do business with us, that is one of the great reasons. Through education we will help you avoid making decisions because of lack of financial sophistication. I don't know of another bank in the country that does that.

