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For Union-Owned Bank, Lifeline Offers Chance for Growth

By **Steven Greenhouse** April 11, 2012 1:50 pm

For Amalgamated Bank, having owners from both organized labor and the financial world is not just a marriage of convenience. The move will also help the bank take advantage of growth areas.

On Wednesday, Amalgamated Bank, long the nation's only union-owned bank, announced that two financiers who offered it a lifeline — **Wilbur L. Ross Jr.** and **Ronald W. Burkle** — had closed a deal giving them 41 percent ownership in the bank.

Their firms each invested approximately \$50 million, with Mr. Burkle's firm, the Yucaipa Companies, bringing in **Magic Johnson Enterprises** as an investor in the deal.

Amalgamated had sought the investments from Mr. Ross, a prominent investor in the steel and coal industries, and Mr. Burkle, a supermarket magnate, after the New York State Banking Department ordered the bank to increase its capital ratio to 7 percent by this August, after it had slipped to 6.2 percent.

Workers United, part of the **Service Employees International Union**, will reduce its stake to 59 percent, from 100 percent. **Noel Beasley**, the president of Workers United, will remain the bank's chairman.

Amalgamated said that the deal would not merely help it close a financing gap, but also help it expand.

“This money will give us the opportunity to grow significantly,” Edward Grebow, the bank’s chief executive, said in an interview.

Mr. Grebow said the bank would soon issue a nationwide, prepaid debit card that will provide a convenient, lower-cost way for union members and other workers — many of whom do not have bank accounts or bank cards — to manage their money and make purchases. Such products will also make it easier for many low-wage workers who do not have regular credit or debit cards to rent cars or reserve hotel rooms.

Those growth prospects helped attract the interest of the financiers.

“Amalgamated is well positioned to meet the needs of specific segments of the population who are not well served by the major banks,” Mr. Ross, chief executive and chairman of WL Ross, said in a statement. “The bank will use its stronger capital base to meet this demand.”

Investing in a union-owned bank is not a big leap for the financiers.

Mr. Ross has played a major role in revamping ailing companies in struggling, old-line industries, most notably steel and coal, where he worked closely with the **United Steelworkers** union. But he has occasionally battled unions when he restructured numerous steel mills, including several he bought from the bankrupt Bethlehem Steel in 2003.

Mr. Burkle is a prominent contributor to Democratic causes and has made Yucaipa a major investor in the supermarket business, having purchased stakes in Ralphs, now part of Kroger, and Pathmark, now part of the Great Atlantic & Pacific Tea Company. In that capacity, he has forged a close relationship with the nation’s largest grocery union, the **United Food and Commercial Workers**.

“Amalgamated’s long history of union ownership places it in a unique position to serve the financial needs of America’s labor organizations, the pension fund community and working people throughout the nation,” Mr. Burkle said in a statement.

Even as the **Occupy Wall Street** movement has denounced many big banks, Amalgamated has been one of the banks that has benefited from it. Amalgamated's branch near Zuccotti Park, the square in Lower Manhattan where the Occupy demonstrators had set up camp, hung a banner voicing support for the movement.

Soon, Occupy Wall Street set up its bank account at the Amalgamated. The bank has also attracted deposits from many Occupy supporters who pulled their deposits out of major banks, maintaining that those banks had not done enough to end foreclosures and help Main Street.

As a result, Mr. Grebow said, his bank's total number of retail depositors has doubled to 60,000 since the Occupy movement began last September.

The bank, which was founded in 1923 by the Amalgamated Clothing Workers of America union, now has \$4.5 billion in assets. It is the nation's largest manager of union pension funds, with its trust department managing or serving as custodian for \$31 billion in assets.

In February, the Federal Reserve gave official approval for Workers United to own Amalgamated. The bank had been owned by Unite Here, a union formed by the 2004 merger of the nation's main apparel workers union and the nation's main hotel workers union. But that merger ended in an ugly split in 2009 with some tensions over which of the unions would own the bank.

Amalgamated now has 25 retail branches including 20 in New York, as well as branches in Washington, Las Vegas, New Jersey and California.