Lessons in Leadership: A Conversation with General Colin L. Powell

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Commissioner's Banking Symposium Provides a Barometer for New Jersey's Economic Outlook

New Jersey Department of Banking and Insurance Commissioner Tom Considine emphasized the importance of the regulator and bank relationship, the need to lend more and grow the economy, and the cost-saving advantages that flip from federal to state charters.

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FEATURING NEW JERSEY GOVERNOR CHRIS Christie as keynote speaker, a day-long symposium called “Banking Outlook for a ‘New’ New Jersey” brought together more than 200 banking, insurance, real estate and financial services professionals to gain insights on the potential impact of new federal and state banking rules. Held at the Battleground Country Club in Manalapan, New Jersey, on Dec. 1, 2010, the symposium also presented attendees with a forecast for New Jersey’s economy in 2011.

Co-sponsored by the New Jersey Department of Banking and Insurance and the Conference of State Bank Supervisors, the agenda featured distinguished panels of national and state banking and financial services regulators and policymakers and a panel of experienced dealmakers in the mergers and acquisition market.

“New Jersey over the last decade has been an enemy of economic growth,” Governor Christie said. “We threw a wet blanket over it and drove people and resources out of this state. The effect was devastating to private-sector jobs and that’s why you see this administration’s dedication to a consistent set of principles that this government will stand for.”

Governor Christie noted that the state is now moving in the right direction by eliminating burdensome regulation, lowering taxes and spending less. “It is the banking and insurance industries that serve as a great indicator for the health of our business environment. They will serve as a barometer as we continue our progress.”

New Jersey Department of Banking and Insurance Commissioner Tom Considine characterized his office’s approach under Governor Christie as decidedly “pro-business,” noting that a sound, competitive business climate is good for consumers as well. He emphasized the importance of the regulator and bank relationship, the need to lend more and grow the economy, and the cost-saving advantages that flip from federal to state charters. Commissioner Considine also urged attendees to use the symposium as an opportunity to start an ongoing dialogue with federal and state regulators, adding, “We are in unparalleled, complex financial times and we must all work together to expedite our recovery.”

Providing an insider’s view from our nation’s capital, event co-sponsor, John W Ryan, executive vice president of the Conference of State Bank Supervisors’ Legislative Division analyzed the probable effects of the Dodd-Frank Act, the massive federal statute on financial regulatory reform signed into law by President Obama in July 2010.

Addressing banking industry concerns about the burdens resulting from the more than 240 new rules, once implemented, Ryan conceded that increased costs, increased competition, and other pressures would most likely result to some degree. But the greatest challenge to the industry, he noted, is the uncertainty current around the rulemaking process which tends to freeze capital markets. Small community bankers in the audience, however, found reasons for optimism. Ryan

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stressed the importance of his agency’s recognition of the diversity which the smaller institutions bring to the nation’s banking system. He concluded, “Worst-case scenarios almost never happen in Washington. It will be a different world. Maybe in a better way, a net positive.”

A panel of economic experts from the regulatory and public policy arenas gave a similar outlook of “tempered optimism” as 2011 approaches. Kurt W. Rothoff, Ph.D., Department of Finance at Seton Hall University’s Stillman School of Business, provided a global perspective. He noted how closely interwoven global economic issues affect the New Jersey economy. As an educator both domestically and internationally, Rothoff reported seeing significant, positive economic signs including “valuable lessons learned in the area of securitization,” and a groundswell of “bright, young people with open minds, moving in the right direction.”

James W. Hughes, Ph.D., dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers University reported on key economic dynamics, painting a portrait of slow but steady recovery. As a positive sign, he noted 10 straight months of private-sector job growth for a total of 1.1 million jobs added to the economy—a major turnaround from 2009. But Dr. Hughes pointed out that when job growth figures are viewed in context, recovery to pre-recession levels would not occur until the end of 2014, and possibly as late as 2018. He summed up the situation: “We really do face a long and very difficult road back.”

Timothy Lizura, senior vice president for business development at the New Jersey Economic Development Authority (NJEDA), emphasized his agency’s commitment to creating jobs and investment. “During the last two to three years of economic meltdown,” he explained, “we took initiative to foster job creation and job retention.” He cited as a success the Main Street Business Assistance Program, a focal point of the Christie Administration, which finds innovative ways for companies to find the needed capital to survive. “We are also working in partnership with banks,” he continued. “Sometimes we help on the collateral side of the equation; sometimes we can obtain lower interest rates to help meet the ratio banks require.” Lizura also cited other tools used by his agency to attract and maintain business in the state such as bonds, incentive programs and a tax credit program that persuaded Honeywell to remain in the state. He urged audience members to tap the resources of the NJEDA to find similar, creative solutions.

Representatives from three New York investment firms were slightly more bullish in their assessment of the mergers and acquisitions landscape in New Jersey. William E. Hickey, principal and co-head of the Investment Banking Group of Sandler O’Neill & Partners moderated the panel, which included Andrew Senchak, president of Keefe, Bruyette & Woods; Joseph Moeller, managing director, Depository Banker/Thrift Conversions, Keefe, Bruyette & Woods; Andrew Guida, managing director, Financial Institutions Group M&A, FBR Capital Markets; and Jorge Solares-Parkhurst, managing director, Financial Institutions Investment Banking, FBR Capital Markets.

Andrew Guida said of the new investor money coming in:“Recapitalizations of banks are continuing to get done, but it can be challenging. Investors can become very contentious over what these assets are actually worth.” FBR’s Jorge Solares-Parkhurst added, “This year it is about strategic M&A. We are much more forward looking in light of the new capital rules.” He noted there is a lot of investor interest in how the winners and losers will be delineated.

Hickey suggested that banks with less than one-half billion in assets considering mergers have difficult decisions to make, saying, “I think that folks have to determine whether shareholders are better off doing good, smart business combinations to enhance liquidity and value for shareholders and elevate economies of scale.”