



# Banks Go Back to Basics

## SAFETY, SOUNDNESS AND CHECKING ACCOUNTS

BY SCOTT VAN VOORHIS



The banking industry is grappling with one of the biggest upheavals since the Great Depression, but the economic outlook for banks in New Jersey and the Northeast is better than other parts of the country, such as Nevada, Florida and parts of California, which saw rampant overbuilding of new housing, bank executives say.

“The entire country got out of control at the leverage party,” said Kevin Cummings, chief executive and president of Short Hills-based Investors Savings Bank. “There was too much leverage in the system, and we are paying for it.

“Now we are getting back to basics,” he added.

And one way New Jersey bankers are getting back to basics, from community institutions to the local operations of major national players, is through a renewed effort to grow their deposits.

Some banks have attracted new customers by pitching themselves as islands of stability in uncertain financial times.

Late last year, when the banking industry appeared stuck in a major crisis, Vineland-based Sun National Bank’s print, TV and direct-mail ads touted its long record as a safe, sound and well-capitalized bank. That message resonated. Sun grew its overall deposits while elsewhere, panicky customers pulled out their money.

It was not necessarily easy, said Bruce Dansbury, chief operating officer and senior credit officer of Sun National Bank. “It has been kind of an up and down ride,” he said.

Community banks’ traditionally strong reputation among consumers for safety and soundness has been a plus during the tough times.

“We have been pretty consistent

with our message,” Dansbury said. “We are a well-capitalized, sound bank. We have been in the market for 25 years. We are not afraid to put that message out.”

Beneficial Bank touts its disciplined approach to banking, says Gerard Cuddy, President and CEO of Beneficial Bank. “That means no derivatives, no credit cards, and no subprime loans,” Cuddy says. “At the same time it also means developing personal relationships with our customers and being there to guide them through important financial milestones.”

The back to basics fever also has gripped the larger banks.

Lucia DiNapoli Gibbons, president for Northern New Jersey for Wells Fargo/Wachovia, said gathering core deposits is central to the bank’s philosophy of doing business.

The checking account, she said, can be a platform on which to build larger financial relationships with customers for everything from investments to paying for college.

“Deposits are critically important to us,” Gibbons said. “They always have been. The checking account is central to the rest of the relationship.”

On the lending side, there is a renewed emphasis on looking at the five C’s – character, capacity, collateral, character and condition – when evaluating a customer’s credit worthiness, she said.

“We are going to have some pretty hard conversations about capacity and collateral,” Gibbons said.

Robert H. Doherty, president, Bank of America New Jersey, says a “new normal” has emerged in the industry – marked by increasing regulation, changing customer behavior and emerging competitors – that has led his bank to think differently.



KEVIN CUMMINGS



LUCIA DINAPOLI GIBBONS

“We are working to sustain, and in some instances regain, the trust of our customers,” Doherty said. “We are doing this by making our products and services fair and easy to understand, as well as improving service quality.”

New Jersey banks are also finding creative ways to grow amid the worst downturn in decades.

Sun National Bank recently launched its first health care lending group. Five employees work in the new practice, focused on lending to larger medical practices and their various office and equipment needs.

The bank is also looking for opportunities in the equipment leasing field.

Local bankers also are carefully evaluating the commercial and residential mortgage markets.

Sun is considering loans for light warehouse facilities, which have not been hit as hard, Dansbury said.

Cummings, chief executive at Investors Savings, said he sees potential in the multifamily market.

The down economy may also give well-capitalized New Jersey banks

the opportunity to grow through acquisition, either by acquiring other banks or buying branches from competitors.

Investors Savings, which raised \$500 million through an IPO in 2005, has been on the hunt. It's in the middle of its third acquisition in the past 18 months, one that will add six branches – and nearly a billion in deposits – to its balance sheet. “In these troubled times, capital is king,” Cummings said. “Credit keeps me awake at night, but capital allows me to sleep.”

The big banks also are looking at growing their overall loan portfolios.

Wells Fargo/Wachovia recently launched a campaign to add small business customers. Gibbons oversaw a spirited competition between various branches and office locations to see who could bring in the most business. To boost morale and reward effort, she has delivered trays of cookies and is planning to take winning teams out to dinner.

“The last two months have been all about small business,” Gibbons said.

“We have had fun with it.”

New Jersey boasts some unique strengths, not the least of which is being one of the wealthiest states in the country, Cummings said. The state and the Northeast have a fairly diverse economy and have not overly relied on the housing and construction markets.

The Garden State's community banks steered clear of risky areas like subprime lending, said James Silkensen, co-president and co-CEO of the New Jersey Bankers Association.

Further, local banks have benefited from an influx of deposits from skittish investors looking for a safe place to put their cash, he said.

“One of the bright spots has been a flight to safety,” Silkensen said. “Deposits have been flowing into banks. That has taken the pressure off trying to find sources of liquidity in a tough economic environment.” ❖

---

*Scott Van Voorhis is a freelance columnist and writer specializing in banking, finance and real estate.*

Serving the Community since 1928



CLIFTON • GARFIELD • WALLINGTON • WAYNE

[www.cliftonsavings.com](http://www.cliftonsavings.com)

**(973) 473-2200**

**Internet Banking**

**Business Checking**

**Business Savings & Money Market Accounts**

**Commercial Mortgages**

Member  
**FDIC**

