

**REMARKS DELIVERED BY JOSEPH A. SMITH, JR.,
NORTH CAROLINA COMMISSIONER OF BANKS,
AT HIS SWEARING IN CEREMONY**

RALEIGH, NORTH CAROLINA

MAY 25, 2011

Madame Treasurer, honored guests, friends and colleagues, it is an honor and pleasure to be with you today.

I would first like to thank Governor Perdue for appointing me to continue as Commissioner of Banks and the members of both Houses of the General Assembly for their prompt confirmation of that appointment. I am acutely aware that such authority as I have derives solely and exclusively from laws enacted by the people's representatives and by my appointment and confirmation by public officials elected by the people. I look forward to serving the people for another term.

I would also like to thank the members of the State Banking Commission, led by Treasurer Cowell, for their wise counsel and my colleagues in the North Carolina Office of the Commissioner of Banks for their hard work and commitment to fulfilling our mission of a strong and fair financial services marketplace in North Carolina. It is an honor and pleasure to be associated with you.

Finally, I would like to thank the person without whose love, support and encouragement I would not be before you today: my wife, soul mate and Muse, Elizabeth Marion Smith. Tomorrow will be our thirty-second anniversary, proof of the truth of Trammell Crow's maxim that in history the optimists win. Thank you my dear.

As my third full term begins, our economy and the industries my colleagues and I supervise and regulate are recovering from a deep recession that has resulted in great loss to families, communities and our State. While I hope for a strong recovery, I do not believe any of us can or should count on it. Until green shoots really appear, we should assume that the recovery will be slow and unemployment stubborn and persistent.

Given these circumstances, what should we do?

First, we should continue the work we are now doing to attract the capital necessary to strengthen our banks and to address the needs of our commercial and residential real estate markets. This means doing what we can to facilitate new investment in our banks and the restructuring of their balance sheets in a way that supports safe, sound and profitable operations. There is good news on this front. North Carolina is seen by many investors to be an attractive market. Recent transactions have shown that these investors are ready, willing and able to back up this opinion with real money.

As we are all too well aware, banking and real estate in North Carolina are intertwined and in need of restructuring. This is not a process that any of us finds pleasant or easy, but it is work we have to do to heal our economy and prepare for economic recovery. My colleagues and I will continue to do all we can to maintain a diverse banking industry, in terms of size and local focus; however, if local investors cannot or will not invest in our banks, we will look for other sources of capital. We will do what needs to be done to stabilize our market and get our banks lending again.

Second, we should revise our laws to reflect changes in federal law and regulation regarding financial services and the current needs of our State. Our State banking law was originally enacted in the 1930's and our original anti-predatory lending law in 1999. Those statutes have served North Carolina well, but times have changed. The enactment and implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and other related federal legislative and regulatory actions have increased the scope and complexity of financial services regulation. In addition, the conservation and potential reform of Fannie Mae and Freddie Mac are having and will have substantial impact on the mortgage market. Oh, and by the way, the so-called "shadow banking system" that was a source of the market meltdown has imploded and is, to be charitable, a shadow of its former self.

In light of these circumstances, I am hopeful that the General Assembly will conduct studies of our banking law and laws relating to mortgage finance and will revise them as necessary to be consistent with the new federal regulatory scheme and the needs of our economy. My colleagues and I look forward to assisting that important work.

By the way, "consistent" does not mean "subservient." I would be remiss if I did not point out that a number of the recent federal reforms in financial services are based on pioneering efforts in this State, including the anti-predatory lending law. North Carolina's consumer protection laws were supported by all stakeholders in the mortgage market and adopted by large bipartisan majorities in the General Assembly. They are a sterling example of states being, in Justice Brandeis' words, the laboratories of democracy.

Third, we should do all we can to ensure that the banking, mortgage and consumer finance industries meet the needs of North Carolina today and in the future. In the area of bank supervision, this means continuing engagement with our banks to ensure that their business plans support economic recovery. In particular, I look forward to continuing to work on Governor Perdue's small business initiative and such programs as the General Assembly may enact to support small business lending. My colleagues and I will provide such advice, counsel and support as we can to ensure the success of these efforts and will work with our federal colleagues to implement such programs in a way that is consistent with safety and soundness.

Access to credit is a necessary condition to small business success, but I do not think that lending alone is sufficient. Small businesses are crucial sources of employment for our people, but such employment is often, of necessity, at low or moderate wages and benefits. Among the services that banks should provide to small businesses are services to their employees. As many of you know, the Federal Earned Income Tax Credit is available to low and moderate income working people, generally with children. A reasonable extrapolation from recent EITC filings suggests that over 1.4 million North Carolinians live in homes that receive the credit. These are legal residents who work for low or moderate wages. Ensuring their access to the payments system and to credit at affordable rates and charges is not only a social good of itself; it is an aid to small business and to economic recovery. I took this job in 2002 in part to address the needs of the unbanked and underbanked among us. I have not given up on these folks and I'm asking you not to give up on them either. We need to address their needs and ensure their financial citizenship.

In the mortgage market, we will work with our colleagues at the North Carolina Housing Finance Agency to address the needs of our citizens facing foreclosure. We will also do what we can to help rejuvenate the mortgage market and restore the prospect of home ownership for borrowers who are willing and able to assume its responsibilities.

Fourth, we should not let the difficulties of the present obscure the opportunities and threats of the future. While we are dealing with the problems that confront us, technology marches on. Financial services transactions are being conducted more and more frequently over what used to be called "non-traditional" channels, but to refer today to online or mobile banking as "non-traditional" is, at best, quaint. It shows a lack of awareness about what inventive folks in Silicon Valley or Singapore or South Africa are doing in the payments domain. Not to mention, how Walmart's Mexican banking operations are progressing and what is being learned from that activity. If you agree with me that maintenance of community and regional banks to meet the needs of our State is important, we both need to keep an eye out about what is going on elsewhere. As Mr. Andy Grove has pointed out, "only the paranoid survive."

What I am suggesting for all of us is a tall order, but we are up to it. So long as the stakeholders in North Carolina's financial services marketplace – industry, advocates, legislators, regulators – continue to do what we have done in the past, collegially and with a view to the common good, I like our chances a lot. I am honored to be able to serve another term and look forward to working with all of you.

God bless you and God bless the Great North State!