

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

**RALEIGH, NORTH CAROLINA**

**May 23, 2007**

My friends and colleagues, thank you very much for being here today. At the beginning of a new term as Commissioner of Banks, I think it is important to review where we are today and where we are going. Your being here for that purpose is very gratifying. I will try not to waste your time.

I would first like to express my profound gratitude to Governor Easley for appointing me to a second full term. Public service is for me both an honor and a pleasure and I do not take the position to which I have been appointed for granted. I would like also to thank him for the opportunity of working with his very able staff, including particularly Franklin Freeman, Alan Hirsch and Ruffin Poole and with department and agency heads such as Secretary Jim Fain and OSP Director Thom Wright.

I am also grateful for the help and support I have received from the General Assembly, both members and staff. In particular, I would like to express my sincere appreciation for the General Assembly's speedy confirmation of my appointment and its bipartisan support of legislation that has made the financial services marketplace in North Carolina the envy of the nation.

Governor Easley and the leadership of the General Assembly have done me the great favor of appointing to the Banking Commission highly effective and energetic people who have given me good counsel, support and correction when needed. A number are here today and I would like to thank them for their valuable contributions.

As Commissioner, I have been blessed with able and diligent colleagues in the Office of Commissioner of Banks. I am proud to work with them and strive every day to be worthy of them. Chief Deputy David Hanson and Deputy Mark Pearce serve at my pleasure. It should come as no surprise to you that they each please me very much and I am delighted to report that David and Mark will continue to serve in their current capacities during the term now beginning. I am also deeply grateful for the able representation of our agency by our colleagues from the North Carolina Department of Justice.

My colleagues and I are fortunate to receive counsel and support, including constructive criticism, from a variety of non-governmental organizations representing the various stakeholders in financial services, including the North Carolina Bankers Association; the North Carolina Association of Mortgage Professionals; the Mortgage Bankers of the Carolinas; the North Carolina Resident Lenders; the Center for Responsible Lending; the North Carolina Justice Center and CRA North Carolina. Each of these groups ably and professionally contributes to a continual and healthy debate about how financial services firms can and should conduct their business. We do not always agree, but North Carolina is always better off for the exchange of views.

As the recent Bloomberg – Schumer report has pointed out, success in the global financial services marketplace depends on intellectual capital. In that regard, I am particularly grateful to the UNC Law School Center for Banking and Finance for its assistance in conducting our Bank Directors College and its leadership in policy and practice development of the financial services bar in North Carolina and the United States. I am also grateful to the North Carolina State University College of Management for its assistance in the development and implementation of our Advanced Directors College.

Most importantly, I am deeply and eternally grateful to two Mrs. Smiths who are here today. Mrs. Helen Smith gave me the precious gift of life and an upbringing that was loving, supportive and demanding. Elizabeth Marion Smith, to whom I have been married for twenty-eight years, has given of herself to me and to our children in ways too numerous to mention. Liz has been my greatest supporter and fairest critic. She is the first reader of everything important that I write and the audience I seek to most please. My dear, thank you for everything.

My time as Commissioner of Banks has been eventful and, in my humble opinion, very productive, thanks to all of you here today and to others too numerous to mention. Bank assets under supervision have grown from \$140 billion to over \$190 billion; we have implemented one of the most advanced mortgage licensing systems in the nation and currently license over 1,600 mortgage companies and over 16,000 individual loan originators; with the support of the Banking Commission and General

Assembly, we have broadened agency job categories, raised pay and instituted a performance management system. It has been a great five years.

I would like to tell you today that the next four years will be as easy and successful as the last five, but I cannot do so. As we look forward together, a number of challenges present themselves. To name a few:

- The business of banking continues to be a competitive one in North Carolina and there is no way that it will be any less competitive in the future. The size, number and skills of our banks' competitors is ever increasing, both here in North Carolina and throughout the United States.
- The travails of the subprime mortgage market are well known and are not over. Further, it is not clear that these problems are limited to the subprime market. Mortgage concerns are affecting real estate activity throughout the country, less here than elsewhere but here nonetheless.
- Our national economy in general and the personal finances of many of our fellow citizens in particular are in deficit. With the exception of corporate profits, global pools of savings outside our borders are growing faster than inside. On a macro level, these developments affect our country's position of economic leadership; on a micro level, it is causing much distress among a significant number of the people with whom we live.

These challenges – and others I have not mentioned – are daunting. Are we up to dealing with them? I believe we are. Let me suggest to you how we can.

During the last year, my colleagues and I have been engaged in a strategic planning exercise. From this exercise we have determined that our mission is to promote a strong, efficient and fair marketplace for financial services in North Carolina. Let me review briefly what strength, efficiency and fairness mean to us.

To us, the *strength* of the market depends on:

- The financial strength of financial services providers. This includes not only the traditional concern with safety and soundness of banks and thrift institutions, but extends to other non-bank financial services providers. We have learned a great deal from recent events in the mortgage market and will be addressing the issue of financial responsibility of non-bank financial services providers during the upcoming term.
- The risk management capabilities of financial services firms. We will be addressing the need for all firms to understand and address the risks of their businesses, including particularly operating risks such as money laundering.
- The competitive strength of our financial services firms. In the area of banking in particular, we want to help create a business climate that leads to sustainable competitive advantage for our institutions.

*Efficiency* in our view means that regulation of the various markets with which we are involved needs to be as much as is reasonably necessary to promote safety and fairness and not an iota more. We believe that reducing regulatory burden can contribute to the financial and competitive strength of our firms without sacrificing fairness. We cannot control, at least directly, the costs imposed by federal regulation; we can keep our costs to a minimum and do what we can to right-size other costs.

*Fairness* also has multiple aspects, including:

- Prevention of fraud and predatory conduct. The increase in the foreclosure rate and mortgage fraud in recent history has damaged both consumers and the market. We will continue to do all we can to reduce or eliminate these dangers.
- Promotion of competition. An open and fair market in financial services, with many competitors, benefits consumers by giving them greater choices and better prices. Such competition must, of course, be subject to such regulation as is necessary to prevent fraud and abuse.
- Increasing access to financial services. The availability of financial services to North Carolinians who work for low wages is an important issue not only for the industries my agency regulates, but for our society as a whole. I have had the pleasure of working with good people from the banking industry and the non-profit sector during the last five years to

address this issue. We have worked hard and have had some successes but have a long way to go. In spite of its difficulty, I have not given up and I pledge to all of you that I won't give up, and I hope you won't give up, until we have made financial citizenship available to the hard working folks who deserve it.

Careful and critical listeners will have noticed that there is some tension between the goals of strength, efficiency and fairness that I have just discussed. That is so, but the tension can be resolved by careful thought and hard work. When Governor Easley appointed me Commissioner of Banks five years ago, he said that he expected me to maintain and improve the banking climate in North Carolina and to ensure that our citizens receive fair and equitable treatment in financial transactions. I agreed with those twin goals then and I continue to agree with them today. I believed then, and continue to believe today, that those goals are ultimately complementary in that you cannot achieve one of them without achieving the other.

We find ourselves in a globally competitive marketplace today. We can compete successfully and win by hard and focused work that enhances the strength, efficiency and fairness of our markets. If we all pull together with integrity and a touch of humility, we will prevail. I look forward to working with all of you to that end.

Thank you.