



AMBASSADOR FINANCIAL GROUP

Notes from the Ambassador Bank Vault

March 16, 2018

Highlights From The Philadelphia Business Journal Banking Panel “Navigating a New Banking Landscape”

“We're all a bunch of underdogs and you know what underdogs is? It's a hungry dog. Hungry dogs run faster.” – *Jason Kelce, World Champion, Philadelphia Eagles center.* The election results from 2016 followed by the recent Tax Cut and Jobs Act (the “Tax Act”) generally have community bankers feeling cautiously optimistic regarding the condition of the local economy and regulatory environment. Concerns remain, however, regarding the level of new business generation amid intense competition for banking business. The panel also discussed the far-reaching effects of technology and growing economic power that Millennials will have upon the banking industry.

- 📦 We attended a banking panel workshop yesterday sponsored by the *Philadelphia Business Journal*. Panelists featured Ira A. Brown (Regional President, M&T Bank Corp.); Gerard Cuddy (President and CEO Beneficial Bank); James F. Dever Jr. (Philadelphia Market President, Bank of America); Richard J. Green (Chairman and CEO, Firsttrust Bank); Christopher P. Maher (President, CEO, and Chairman, OceanFirst Financial); and Evelyn Smalls (President & CEO, United Bank of Philadelphia).
- 📦 The seminar, which included approximately 150 attendees, was geared to the legislative, regulatory, and economic developments that should affect community banks. The panelists also discussed key issues that specifically impact banks operating in southeastern Pennsylvania markets.
- 📦 The bankers were generally upbeat about the economic health of the local economy, including Philadelphia. Although office vacancies in the city increased as buildings are converted to multi-family properties, overall asset quality remains good. It was noted that some of the western suburbs are still experiencing strong construction activity.
- 📦 It appeared to the bankers that new Senate legislation to modify the Dodd-Frank Act won't have much of an impact on smaller banks. Among the presenters, the provision to raise the Systemically Important Financial Institution (SIFI) designation to \$250 billion from \$50 billion will most impact M&T Bank Corp.
- 📦 The consensus among the panelists was that any legislative/regulatory changes regarding the Qualified Mortgage Definition and Safe Harbor status must be carefully reviewed. This is a difficult issue for community banks as they are obligated to balance a borrower's ability to repay a loan along with many social issues that come with lending for home ownership.
- 📦 Several panelists identified cyber-security as a chief concern. The question is how to defend against attacks; and not if your bank will be attacked.
- 📦 The local banks appear to be quite willing to embrace technology and evolving cultures to compete better against money center, out-of-area regional banks, and non-bank competitors. All of the bankers recognized the generational change and growing need to attract Millennials as both retail and commercial customers. For instance, there probably will be fewer branches in the future, but those branches will be staffed with more highly trained (and better paid) personnel to better assist clients.
- 📦 Attracting highly talented and motivated workers for entry level positions among the Millennials remains difficult. We suspect this is a challenge for much of the banking industry throughout the nation.

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