

**REMARKS OF COMMISSIONER JOSEPH A. SMITH, JR.  
TO THE NORTH CAROLINA BANKERS ASSOCIATION  
ANNUAL MEETING**

**THE BREAKERS**

**PALM BEACH, FLORIDA**

**June 11, 2007**

It is, as always, a pleasure to be with you.

First, may I say to you what is not said to you often enough: thank you. Thank you for providing the financing and good counsel that has led to success for thousands of North Carolina businesses, families and communities. Thank you also for all you do to enhance the civic lives of your communities through your leadership and support of the organizations that enrich us all in more than monetary terms: churches, service organizations, local government. Banking is a significant contributor to North Carolina's economy, but the economic statistics show only a portion of the industry's value to our State. What each of you does personally every day to make our state a better place is as important, if not more so. Finally, thank you for your support, through this organization, of important legislation to keep North Carolina in the forefront of banking and financial services.

If I quit now, I would be in good shape, but you know me: I have a few other things to discuss with you in the time that remains. To do so, I will reflect on two lessons that can be drawn from the life and teachings of Coach Paul "Bear" Bryant. As I am sure you know, Coach Bryant is a legend in college football, having won over 300 games and six national titles. I would suggest to you that this record is the result of two attributes that we all can and should emulate: an unyielding demand for excellence and an ability to change with the times.

Coach Bryant is famous for many sayings that embody his home-spun wisdom. Among the most famous is one that summarizes his operating philosophy: “Be good or be gone.” Those words aren’t comforting, but they are all too relevant to you and to me. I don’t have to tell you that banking is more and more competitive, that markets are more and more demanding and that earning a decent return is harder and harder. I regret to tell you that I don’t think it’s going to get any easier. Citigroup’s recent problems, including calls for it to be broken up, show that the pressures of the marketplace don’t really exempt anyone. In our world today, Coach Bryant’s words ring true.

I am not just talking about you, by the way. I am also talking about regulatory agencies like mine. “Be good or be gone” also applies to those of us who want to maintain and improve state chartered banking. If we don’t do all we can to make organization under state law a viable option for all banking organizations, we will, over time, be gone or the next worst thing: irrelevant. Weakening or elimination of the dual banking system would be a loss to the financial services industry and to our economy. That said, keeping the system alive takes work and success is not guaranteed.

Given the competitive pressures we face, what are we going to do? Coach Bryant’s career has another lesson for us, if we will listen: we have to be willing to change, quickly and dramatically. To learn this lesson, we must take ourselves back to the night of September 12, 1970.<sup>1</sup>

On that night, the University of Alabama, coached by Bryant, hosted the University of Southern California, at Legion Field in Birmingham. This was a meeting of powerhouse teams with a difference. The Alabama team was all white. Southern California had a number of African-American players, including starting tailback Clarence Davis, a native of Birmingham, and fullback Sam Cunningham, elder brother of Randall Cunningham of Philadelphia Eagles fame. To make a long story short, Southern Cal beat the living daylights out of Alabama: 42-21, with 485 yards rushing to Alabama’s 32. The Bear discovered he had what might today be called a human capital deficit.

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<sup>1</sup>This discussion of the 1970 USC / Alabama game is taken from Yaeger, Cunningham and Papadakis, Turning of the Tide: The Game That Changed the South (Center Street September 2006).

What did Coach Bryant do? He graciously congratulated the victorious Trojans. Supported by fans who didn't want a repeat of the Legion Field debacle and who wanted to be nationally competitive, he changed with the times. He began to recruit African-American players: five entered Alabama the next year. And he won three more national championships. "Be good or be gone" in action.

The lesson for us is all too clear, is it not? For us to be good, we must change with the times so that we can be competitive in a game that is increasingly global. Here are some specific ideas about what we can do together to stay in the game:

- We can work together to minimize the costs of regulation. My office is working to use our IT resources more effectively, so that we have done a good deal of our credit review of a bank off-site before our examiners visit the bank. It is our intention that off-site review will reduce our overall time expended on examinations and will make our time at the bank less intrusive and more helpful than in the past. Some of you have seen this approach in action; more will see it in the future.
- We can work to reduce regulatory burden. As I hope you are aware, my office has just revised or rescinded a number of our regulations to address your concerns regarding unnecessary and expensive requirements. There is more to come through statutory revision and further regulatory revisions.
- I am willing to work with you to address overall cost of regulation if, through NCBA, you wish to do so. My thought is to develop a list of regulatory issues and to address them with federal agencies and the Congress. I can't promise joy on this, but if we don't ask we won't get.
- We can continue our work together to broaden board diversity and to provide your boards with the training they need to deal with the challenges we face today.

- Finally, we can continue our work together to grant financial citizenship to low and moderate income working people. These folks comprise at least 15% of the market; leaving them to non-bank firms, including Wal-Mart, is a strategic mistake. I know the burden of proof on this, in terms of profit, remains with me. You will be hearing more on this.

This is a challenging agenda for you and for me, but I believe actions of the kind I have just discussed are essential to our being nationally and globally competitive. We can do it if we want to. Let's do it and be great!

Do I hear Amen?