The Virgin Islands Consortium

Potter Vows To Crack Down On Adverse Lending Practices of Local Banks, Hopes To Attract New Banks To Territory

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In an exclusive interview with *VI Consortium*, Lt. Governor Osbert Potter said one of his immediate plans is to crack down on local banks not lending to small businesses.

Potter said he became aware of the decreased lending activity within the territory's banking sector during the administration's review of all government agencies and departments.

"That's a big concern of mine and it's one that I'm really committed to see if we can make a major turn around in that area," Potter said, adding that "small businesses are hurting."

"You have banks that don't have the confidence that, I guess, small businesses will be able to pay back these loans. You have that disconnect because it's a Catch 22. The small businesses need the loans in order to stay in business and sustain and be able to grow and expand; and the banks are not lending," Potter said.

He said that although some off-island banks have been willing to lend to local small businesses, "my understanding is that in the past, when these outside banks were able to provide small business loans, local banks made a big push back against them. Which I don't understand because it's not like if they were competing with the local banks because the local banks were not providing the service. So, that is something that I am going to be seriously looking at."

Potter said he would meet with representatives of local banks this week.

"As an industry, I want to bring all of them to the table and try to get to the bottom of it because it's important that we are able to put monies in the hands of our small businesses to help them, and I want to see that happen," the lieutenant governor said.

Furthermore, Potter said he wants to "attract another bank or two to the territory, that would, in fact, cause for more competition in products that they offer. Just the ability to try and offer something more to this community."

While Potter said he did not specific banks in mind just yet, he pointed out that, through a separate discussion with a local business development entity, he learned of a Florida bank that is interested "in coming here to do, in particular, mortgage loans."

As lieutenant governor, Potter also serves as the territory's commissioner of insurance. He recently attended the National Association of Insurance Commissioners (NAIC) conference in Languna, Ca., that brought together state insurance regulators from all 50 states, the District of Columbia, and the territories. Through the NAIC, regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight.

"It is a very important organization from the standpoint of being able to have resources to assist the various territories, the various states regarding their insurance concerns and their insurance questions," Potter explained.

His NAIC membership gives Potter access to the organization's extensive staff spread across Kansas City, Mo., New York and Washington, DC, which he describes as "extremely resourceful, as far as being able to stay on top of all insurance questions and issues."

As for insight he gained during his inaugural NAIC conference that would serve the territory well, Potter said the security of residents' information is "critical."

"Security of your information is critical. Securing your information, securing clients' information because there was a breech that was discovered where there was a huge identity theft that took place with insurers' information and that is going to filter down to at least the states on the mainland," Potter explained.

The lieutenant governor also said ways to attract new insurers were discussed.

"We spoke about different ways that we can, in fact, attract insurers to your area and the need to really seriously monitor them because insurance companies try to get away with anything, and if you don't really take your time to monitor them and really look at every item that makes up an insurance package, an insurance agreement, you can open yourself up to problems, not just with the insurance companies, but with the regulatory association, which is NAIC," Potter explained.

"For an initial conference, it started to open my eyes that hey, this is serious business," Potter said, adding, "And my role as insurance commissioner here in the territory is one that has to be taken seriously. I cannot just take this on as a 'business as usual' situation; I must dig deep into every aspect of it."

With the multitude of information presented at the four-day conference that convened Feb. 6 - 9, Potter admits it was a lot to digest, but pointed out that veteran commissioners say the learning curve generally is a two-year period.

"I'm hoping that is not the case for me. I consider myself a quick learner and I don't like to feel that I'm in a situation where I don't have a really, really good handle on things, so I will put in the extra time to make sure that I do get a chance to be able to say, 'Now that I understand this, then why is this being done that way and why can't it be done that way.'

"But until you know what you're dealing with, you can't make those kinds of recommendations or ask those kinds of questions in getting changes made to things that you don't see are right in your eyes," Potter said. He praised his appointee for Dir. of Banking and Insurance Gwendolyn Hall as one who is well-respected and capable of navigating industry matters.

As commissioner of insurance -- with the exception of the government's group health insurance, which is regulated by a different entity -- all of the territory's insurances fall under Potter's regulatory authority, such as property, casualty, auto, life and others.

"So, I've got to get on top of them quickly," he said, adding, "I'm excited about it. You should never be lacking for information; it's whether you want to dig into the information that you have."

Potter will attend another NAIC conference in mid-March. This time, the meeting will be comprised of insurance commissioners, insurance companies, agents and anyone associated with the industry.