

North Jersey's money trees

Bank branches growing far faster than the population



North Jersey Community Bank Chairman Frank Sorrentino III at Englewood Cliffs headquarters. He plans to open a fourth branch soon in Hackensack.

By **RICHARD NEWMAN**
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To stand at Fort Lee's Main and Schlosser streets is to be in the middle of a gold rush.

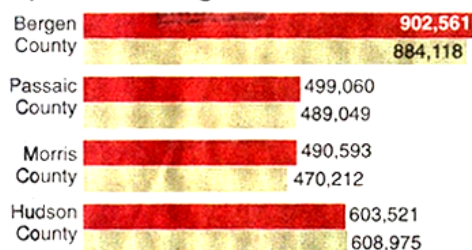
Banks from near and far have flocked to that corner in recent years for a share of northern New Jersey's wealth of deposits. One can turn around in a circle and spot branches of national banks, such as Bank of America Corp. and J.P. Morgan Chase, regional players North Fork Bank and 1st Constitution and local start-ups that include Bank of New Jersey and North Jersey Community Bank.

The number of new bank branches has grown at a rate four times the pace of the increase in North Jersey's population, making the state one of the most competitive banking markets in the U.S., according to economic development experts. The branch-building boom has been good for consumers who benefit from greater convenience and increased competition, which pressures banks to reduce fees and raise deposit rates. But the fierce competition has made it more difficult for banks to increase earnings and that could result in more bank consolidation. Branch-building also has drawn fire from some merchants who say deep-pocketed banks have

Net growth in bank branches



Population change



Sources: U.S. Census Bureau, FDIC

driven up retail rents.

"We may be over-branch-banked," said James Hughes, dean of the Rutgers University Edward J. Bloustein School of Planning and Public Policy. "It's a fiercely competitive market."

In Fort Lee, where there are about 14,000 people per square mile, the number of bank branches has grown 38 percent, to 29, since 2000. But consider this: Bergen, Hudson, Morris and Passaic counties saw a net gain in bank branches of 8.4 percent from 2000 to 2005, bringing the total to 1,041. The combined population in those counties grew 1.8 percent to 2.5 million in that period, according to U.S. Census Bureau estimates.

The number of bank branches in the United States expanded 7.6 percent while the population increased 5.3 percent.

Banks from New York, such as Citibank and Chase, have been expanding branch networks in New Jersey. So have lenders from more distant states, including Seattle-based Washington Mutual and TD Banknorth from Portland, Maine. Meanwhile, local banking stalwarts, such as Wayne-based Valley National, Fair Lawn-based Columbia Bank and Paramus-based Hudson City Savings, continue to add branches. At the

See **BANKS** Page B-2

Banks: North Jersey branches growing faster than population

From Page B-1

same time, local business men and women are starting new banks to mine North Jersey's riches.

The median income for a Bergen County household in 2005 was \$71,394, compared with \$46,242 in the U.S., according to U.S. Census Bureau statistics. New Jersey is the most densely populated state in the country with more than 1,100 people per square mile, more than India or Japan.

More competition

North Jersey Community Bank, a two-year-old commercial bank based in Englewood Cliffs, expects to open its fourth branch soon, in Hackensack, another branch-building hot spot. For the most part, businesses and consumers are benefiting from the proliferation of new branches with greater convenience and competition putting upward pressure on deposit rates and downward pressure on fees and loan rates.

For instance, the Federal Re-

A branch grows In Bergen

Banks that added the most branches in Bergen County from June 30, 2000, to June 30, 2005.

Bank share	Branches added*	2005 Marke
Commerce Bank	10	6.6%
Washington Mutual	10	2.3%
North Fork Bank	4	1.9%
Valley National Bank	3	4.7%
Columbia Bank	2	3.1%

* Does not include branches acquired through purchases of other banks.

Source: Federal Deposit Insurance Corp.

serve Board said that its January survey of senior loan officers showed that more than half of the U.S. banks trimmed spreads on commercial real estate loans, and nearly all cited "more aggressive competition" as the reason.

"Right now you see the benefits of competition," Hughes said. "Someone offers a better deal and someone has to match it. And you have the convenience of having

branches and ATM machines everywhere."

But New Jersey banks are feeling a financial pinch as a result.

Gerald Lipkin, chief executive officer of Wayne-based Valley National Bancorp, said about 100 new branches popped up in the bank's 11-county New Jersey turf in the past two years. In a conference call with analysts last month, he said the new competition "helped drive

up the cost of deposits" and "diminished the spread on loans."

The bank recently reported that it earned \$163.7 million in 2006, virtually unchanged from the previous year, owing to an unfavorable interest-rate environment and increased competition. Fourth-quarter earnings fell 13.8 percent to \$38.1 million.

"Nobody wants competition," Lipkin said in a recent phone interview. "Even if your deposits don't shrink, [new competitors] may be taking some of your growth."

Lipkin, a former deputy regional administrator for the Office of the Comptroller of the Currency, said bankers who want to add branches today face fewer regulatory hurdles than in the past.

Less supervision

"When I was a bank regulator — and that was 30 years ago — we used to make banks jump through hoops to show there was high level of probability that it would succeed," he said. "The regulatory supervision of branch expansion has been diminished since then. [The OCC] went to a more free-market approach. Banks no longer have to do a branch-feasibility study. Now it's more or less perfunctory. I'm not saying that's a bad thing, but that's the way it is."

Valley National would know about expansion. The bank added nine branches in New Jersey and New York City in 2006, and plans to boost its total by 11 more this year.

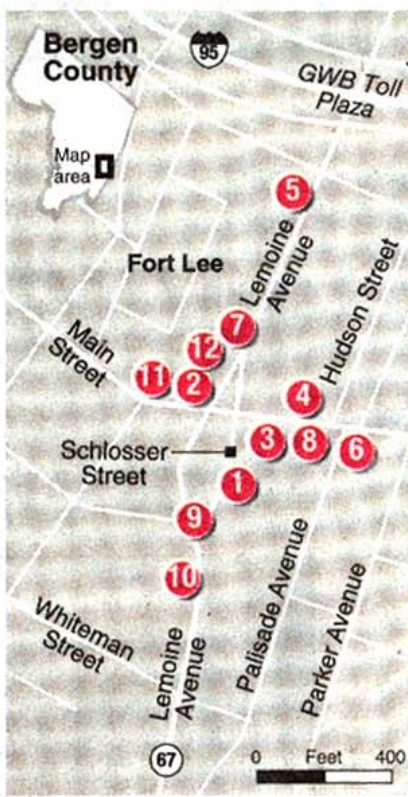
Commerce Bank of Cherry Hill, which opened 55 branches last year, plans to open 65 this year, including about 30 in the New York metropolitan area, which includes northern New Jersey.

"We are really one of the deepest markets in the country in terms of disposable income and that makes us a real target for branch banking," Hughes said. "It's the same reason we have so many box stores."

But as competition makes it increasingly difficult to lure deposits, the cost of building new branches will make less and less sense for

Drawing interest

Twelve of Fort Lee's 29 bank branches are concentrated around Main and Schlosser streets.



1. **Washington Mutual**
1640 Schlosser St.
2. **North Fork Bank**
201 Main St.
3. **JPMorgan Chase Bank**
188 Main St.
4. **Woori America Bank**
183 Main St.
5. **Woori America Bank**
2053 Lemoine Ave.
6. **Bank of America**
154 Main St.
7. **Wachovia**
2011 Lemoine Ave.
8. **1st Constitution Bank**
180 Main St.
9. **North Jersey Community Bank**
1620 Lemoine Ave.
10. **TD Banknorth**
1605 Lemoine Ave.
11. **Royal Bank America**
213 Main St.
12. **Bank of New Jersey**
201 Main St.

JOHN W. TOMAC/STAFF ARTIST

banks. Big spender Commerce says the average cost of opening a branch is about \$4 million.

"We're not spending anywhere near that," said Frank Sorrentino III, chairman and CEO of North Jersey Community Bank.

In Ridgewood, HSBC, Citibank, North Fork and Columbia have all added branches in recent years, prompting protests from local merchants who say there are too many banks.

"They take over prime retail space and contribute to parking problems," said Oliver Abel, the owner of Oliver's Chocolates. Abel led an unsuccessful petition drive to block more bank branches from coming to town. Banks may also have pushed rents higher in the downtown shopping district, said Tony Damiano, owner of Mango Jam.

Not all store owners are opposed to the increase in bank branches. "I don't think it's an issue here," said Jim Dolack, co-owner

of Merit Trophies in Hackensack. "I don't think [banks] are bad neighbors. It's better than having an empty store."

Bucking the branch-building trend is TD Banknorth, which is closing about a dozen branches in Bergen County as it consolidates following its purchase of Hudson United Bancorp and Interchange Financial Services Group. Vineland-based Sun National Bancorp closed five of its 80 branches last year amid lackluster earnings growth. Analysts see Sun National as a possible takeover target.

If the competitive pressures don't ease, expect another wave of bank mergers in New Jersey, said Joseph J. Seneca, an economics professor at Rutgers.

"We are over-stored and over-malled, and we are getting to be over-banked," Seneca said.

"You will see a continued shakeout of banks."

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