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Sterling in N.Y. Bucks Trend with Expanded Muni Reach.

Sterling Bancorp in Montebello, N.Y., is branching deeper into its home state with a new municipal group focused on an array of nonpublic financing services during a time when loans to bond issuers are on the decline.

The \$30.5 billion-asset company, which provides financing to local government banking clients through lease-purchase agreements, direct loans and the purchase of privately placed bonds, has tapped Tammy Leisen from Capital One Financial to lead its new Long Island municipal banking team. The group also includes Karen Bauer and Caryl Caponi, who also worked in municipal finance at Capital One.

Sterling, which acquired Astoria Financial last year, has worked with local governments in New York's Hudson Valley region for more than a decade and has a separate team that provides credit to municipalities on a national level for infrastructure projects such as community lighting, solar energy and public parking. The company is also looking at expanding its municipal banking business in New Jersey.

"The attraction to the Long Island market with its strong business, consumer and municipal demographics is a continuation of our overall corporate strategy to increase market share after the merger with Astoria Bank," said Leisen, who managed a portfolio of more than 80 government clients as a senior vice president at Capital One's Melville, N.Y., office.

"Sterling considers the government banking sector in the greater New York metro market strong and viable, and an excellent place to invest the company's time and resources," Leisen added.

Sterling is expanding its municipal banking business as some banks step back from loans and privately placed bonds for issuers. Kevin Dunphy, managing director and head of public finance for Mitsubishi UFJ Financial Group, said before last year's sweeping federal tax changes, banks conducted a majority of their municipal bond business as direct placements or direct loans.

Private placement bond deals through June 30 are down 57% from a year earlier, according to the Securities Industry and Financial Markets Association.

"Given the reduction of corporate tax rates, banks are uncompetitive with the capital markets and retail investors," Dunphy said. "In addition, some clients feel burned by banks increasing interest rates under margin rate factor clauses. Therefore, they said they would be reluctant to use the product in the future."

Leisen, who was a senior vice president at Wells Fargo for seven years before joining Capital One, said Sterling will work with Long Island localities of all sizes with credit, deposit and treasury management support.

"These bankers have a strong business acumen and broad expertise managing municipal relationships and providing superior client service," Tom Geisel, president of corporate banking,

said in a press release. “The expansion of our community banking team is aligned with our growth aspirations, as we continue to increase our Long Island market share.”

This article originally appeared in The Bond Buyer.

American Banker

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July 20 2018

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