

## Some 'Sterling' Advice... Know Thyself, Serve Thy Customers

BY STUART P. PAPAVALASSIOU

**This month, *ABF Journal* sat down with Louis Cappelli**, chairman of Sterling National Bank, and asked him to reflect on his illustrious career in the commercial finance industry that spans six decades. Cappelli shares his history and imparts some time-honored wisdom he picked up along the way. The message is simple, yet profound — know thyself and serve thy customers.



**LOUIS CAPPELLI**  
Chairman,  
Sterling National Bank

**O**n April 14, 1949, *The New York Times* ran a detailed account of the complex tale of one Richard H. Crowe, an assistant manager of National City Bank at its 195 Broadway branch. A trusted employee, Crowe had apparently absconded with \$883,660 of bank funds and bonds and had been arrested in Florida approximately one week prior. The story chronicles the recovery of \$50,000 during a heavy rainstorm at a Staten Island cemetery, where Crowe had led FBI agents in an attempt to make amends for his transgression.

It's not clear whether the sensational story held much interest to a young high school graduate, but one thing is certain, Louis Cappelli, the future chairman of Sterling Bancorp did read *The New York Times* that day.

"I had just graduated from high school and the country was in the middle of a recession. My parents couldn't afford to send me to college so I registered at the City College of New York and went out to look for a job," Cappelli recalls. "The only job I applied for was for the position of 'office boy' — not a politically correct title by today's standards."

Political correctness aside, the industrious young New Yorker applied for the job at Standard Factors Corporation, was offered the position on the spot and went straight to work that very day at a salary of \$28 per week. His start date: April 14, 1949.

### Role Reversal: From Practice to Theory

The road from mail clerk/messenger to chairman, while extraordinary to say the least, had some stepping stones along the way. "There were some stepping

stones and a few big rocks," Cappelli says. "I've worked for the same company continuously since 1949 except for the two years I spent in the military. I ran into a roadblock when the colleges wouldn't transfer my night school credits and since I'd worked so hard for them, I just couldn't give them up. So I returned to Standard Factors and I figured with business experience and my degree in hand, some day I'd be positioned for a really good job."

As time progressed, Cappelli's career development continued and his responsibilities grew at Standard Factors. He continued to work in commercial finance until he was invited by the controller to become his assistant.

"I wound up getting trained in accounting and spreadsheets on the job well before my course work at City College. I kept moving through the ranks and worked in every single department and when you've worked through it all, you know what questions to ask."

### More Role Reversal: Factor Buys Bank

Standard Factors Corporation was founded by Theodore H. Silbert in 1934. Cappelli describes his predecessor as a "true pioneer in commercial finance." He notes, "By the time I joined the company, it had gone public and company shares were traded over-the-counter and a few hundred thousand in outstandings at the time."

The company, Cappelli notes, operated as a commercial finance company and factor through the 1960s when the banks began to realize that asset-based lending and factoring were, in fact, good businesses to be in. Cappelli explains, "They felt that these products really belonged in a bank rather than a freestanding commercial finance company. The margins were good and the risks were certainly manageable."

The first noteworthy acquisition of a factor by a bank came with First City National Bank's acquisition of Hubshman Factors, an event that triggered a string of similar acquisitions at other institutions. But Standard

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Factors' management, and Silbert in particular, didn't take to the strategy of selling to a bank.

Instead the company adopted the role of an acquirer. "We acquired numerous nonfinance companies ranging from a gold mine in California to The New York Fur Auction Company — the second largest fur auction company in the world after the Hudson Bay Company — with many other acquisitions in between. During this time, we owned a ditch-digging company, a converter of fabrics, a spinning mill and a lawn mower manufacturer ... and there were others."

In 1968, Standard Factors turned the tables and acquired Sterling National Bank and as Cappelli says, "It was about a \$400 million bank and we took all of our finance expertise and melted that expertise into the bank ... and it turned out to be a wonderful relationship."

With the 1970s brought an amendment to bank holding legislation that caused Silbert and his management to rethink its ownership in fur auction companies and lawn mower manufacturers. The legislation stated that bank holding companies could only engage in the business of banking and banking-related activities. "We had ten years to make up our mind. Mr. Silbert was of the mind that we'd be better served by being in the financial arena ... so we began to sell those companies off." Sterling Bancorp was in full swing.

When Silbert died in 1992, Cappelli became Sterling Bancorp's second chairman in its 80-year history. He notes, "We've had a very interesting history because we are one of a very few institutions on the New York Stock Exchange operating in New York. We do business with and compete against many of the major institutions, but this market is huge and there are many opportunities."

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### Maintaining a Sterling Reputation

In speaking with Cappelli, one gets a sense that Sterling's future success lies firmly rooted in the sound and steadfast strategies employed from its earlier days. He says proudly, "We've paid dividends for the past 50 years, so we plan to continue on our path. One of our strategies is that we look at things from the bottom line up rather than from the top line down. As a result, our growth is very managed."

"We certainly could be much larger, but if you look around you'll see what's happened to other institutions. Some have grown and increased their assets significantly and they are exploding."

In terms of today's economic climate, Cappelli adds, "We've been through cycles before, and although this one is a bit different, we have seen similar cycles and we expect to go along. We expect to keep improving and earning more year after year."

And in the grand scheme of things, he is clear about what his institution is and who the clients are it serves. "We are primarily a business bank and we cater to small- and mid-sized businesses. We believe that these folks are not well served by the major institutions."

He adds with a slightly heightened intensity in his voice, "These are people who have grown their businesses, they are pillars of their communities and they like to get respect from their banker. We take care of them."

By "we," Cappelli refers to the 550 or so employees who make up the Sterling National Bank team, many of whom boast 25-plus years with the institution. Cappelli views them as a group of knowledgeable people, committed to their customers as well as to their organization. While employees who exhibit this level of commitment would be desirable

anywhere, they are the natural outcome of the culture that permeates within the Sterling organization, Cappelli explains.

"We have two and three generations of customers here who have done business with us for over 40 and 50 years, and they've done that because we provide what they need. We do it promptly, we meet their needs and we do it at a fair price. If they ever have a problem, they can talk to some high-level person here to get a response to their particular issue ... and I don't think that there are a lot of banks where a customer can pick up the phone and speak to the bank's chairman or president."

"The doors are open all the way to the top and interestingly enough, I don't get as many calls as one might think because our people are taking care of the issues as they come up and they do it on a day-to-day basis," Cappelli explains.

As far as future initiatives go, Cappelli intends to keep an eye on market demands and apply the same bottom line up approach. "We've moved

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as the market has changed ... and much of what we do today is linked to services since we're not as dependent on manufacturing and products as we once were. We go with the trends if we have enough in terms of resources and mental capacity to be able to evaluate the risks — and that's really the whole job — the ability to manage the risks."

### Looking to the Future — No Signs of Stopping

Looking out into 2009, Cappelli sees these as "super times for ABLs" as banks continue to pull back from lending and reduce outstandings. As for the topics of discussion at the fall conferences, Cappelli thinks smaller asset-based lenders and factors will probably be most concerned about their funding. He speculates, "I think that's a major source of concern for that group. It's going to be harder for these folks to borrow as much as they have in the past. Those who can get funding probably won't be borrowing at the same rates that they once did. In other words, I think the liability side of their balance sheets is going to be stressed."

At age 77, Cappelli exhibits none of the signs of stress that one might expect of a bank chairman doing business in a competitive market during less than desirable times. He doesn't see himself as slowing down quite yet. "Honestly, it's a total joy for me to work and I'd rather be at my desk than on the golf course, chasing a ball and getting aggravated." [abf](#)

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