

1,000 Banks to Fail In Next Two Years: Bank CEO

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The US banking system will lose some 1,000 institutions over the next two years, said John Kanas, whose private equity firm bought **BankUnited** of Florida in May.

"We've already lost 81 this year," Kanas told CNBC. "The numbers are climbing every day. Many of these institutions nobody's ever heard of. They're smaller companies." *(See the accompanying video for the complete interview.)*

Failed banks tend to be smaller and private, which exacerbates the problem for small business borrowers, said Kanas, who became CEO of BankUnited when his firm bought the bank and is the former chairman and CEO of **North Fork** bank.

"Government money has propped up the very large institutions as a result of the stimulus package," he said. "There's really very little lifeline available for the small institutions that are suffering."

This comes at a time when the FDIC has established new rules on bank sales. Private equity, for instance, would have to hold double the capital of their competitors in order to buy such an institution, said Kanas.

"This will have somewhat of a chilling effect on our participation," he said. "As a result of having to keep higher capital levels, we'll see lower prices coming from that sector."

Of the 81 failed banks this year, two have been successfully acquired by private equity, he said. Kanas' private equity firm bought **UnitedBank**, the failed Florida-based bank, from the FDIC in May. Regulators also allowed the sale of **IndyMac Bank** of California earlier this year.

"We are seeing more people step up and lobby bids in this situation," he said. "We're seeing more players mostly as a result of being attracted to the sector. I'm not so sure that will continue now that the rules have been ratchet it up."

Meanwhile, much of the commercial realty problem resides in the regional and small community banks, said Kanas, because larger banks haven't fueled that sector in the past.

"The market is expecting about the way we were expecting," he said. "Unfortunately, we're not seeing any evidence of a recovery in the real estate market in the southern Florida market," he said.

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