

Wisconsin Regulator Takes Economic Development Into Her Own Hands

By Becky Nelson

Lorrie Keating Heinemann developed her knowledge of what it takes to start and grow a business firsthand – first, at her family’s company, later by running a successful operation of her own.

As the head of the Wisconsin Department of Financial Institutions since 2003, Heinemann has led key initiatives to increase access to capital for Wisconsin companies. She is a co-founder of the Wisconsin Angel Network and chair of the Wisconsin Technology Council’s Angel Advisory Committee. She’s also planning the creation of a Wisconsin Venture Center.

These efforts have expanded her role beyond the Department of Financial Institutions, where she oversees 139 employees and manages a \$32 million agency budget. DFI coordinates the state regulation of the banking and securities industries, the licensing of financial service providers, maintaining corporate filings, and administering the Wisconsin Consumer Act.

Heinemann began her business training early in life at the family-owned Thorp Telephone Co. in Thorp, Wis. The youngest child of 12, she and her siblings delivered telephone directories, and mowed the lawn. A few, including Heinemann, worked in the office in accounting and payroll.

Her mother, the financial expert, and her father, the engineer, were both University of Wisconsin-Madison graduates who placed education as a high priority. “My mother always said, ‘Your education is one thing that no one can ever take away from you,’ ” she said.

After graduating from UW-Eau Claire in 1983, Heinemann held jobs in accounting and credit management.

“After a couple of years, I just had to get out and meet people because it’s what I enjoy the most,” she said. She became an independent investment broker at age 24, but soon decided to move out on her own and started Wisconsin Investment Consultants, Inc.

“Cell phones didn’t exist when I owned WIC – I was meeting with clients, taking their fixed income order, then finding the nearest payphone to call in the trade,” she said. “The last truck stop I placed an order at, I had a great deal of cigar smoke puffed my way while I was talking on a greasy phone. It was a wake-up call that if I wanted to grow the business, I had to join someone or hire someone.”

At the time, five years after starting the business, she had \$10 million under management. She accepted an offer from Valley Bank in 1989 to transfer the business and start a cash

desk. At Valley Bank (later acquired by M&I), she developed unique cash management products for the municipal depositor market, growing the portfolio to \$150 million.

“It was a good stint in back office operations, and it has helped me a great deal in my current job,” Heinemann said.

In 1994, having earned a master’s degree in business administration, she went on to a sales position at Associated Trust Co. in Neenah, Wis. It was a job that still required travel, but allowed greater flexibility for her growing family.

Eventually she and her husband, Jack, would have four daughters in seven years, all the while keeping up the pace. “I even took my computer to the hospital when I had my third baby,” she recalls.

Banking as Politics

She was an investment adviser with Virchow Krause Wealth Management in 2003 when a colleague on the Oshkosh Community Foundation first encouraged her to go for the DFI position. “I told her I’d never heard of DFI – that’s been the opening line of most of my speeches since,” Heinemann said.

After interviewing for and being offered the position, she makes no secret of the fact that she had to read about how a bill becomes a law to better understand the political process.

Her new position provided a crash course in the legislative process and regulatory issues, particularly in the banking division, which Heinemann said is about 20 percent of her job.

Within the year, Gov. Doyle signed into law a financial modernization bill that made it easier for state-chartered banks, particularly thrifts, to compete with their federally chartered counterparts. The bill, considered a victory by the two state bankers associations, had been delayed for more than three years by a wage lien amendment.

The law created a new universal bank charter, which lost ground when the Office of the Comptroller of the Currency issued new preemption rule in 2004.

Heinemann was quick to speak out against the rule. “The dual banking system should be preserved at all costs – control should not be centralized in Washington, D.C.,” she said.

As for government’s role in the commercial marketplace, Heinemann says that the government bears responsibility for protecting consumers and ensuring that financial institutions are safe and sound. She also is sensitive to the need to implement laws efficiently and fairly so they are not overly costly to banks.

“We take the attitude of partnering with our state-chartered banks to ensure the state charter remains the charter of choice,” she said.

Other issues that have required DFI's prompt attention included banks' investments in Nevada subsidiaries and a debate over how those assets were taxed by the state Department of Revenue; loan loss reserves; and concerns about credit union competition.

Beyond the Regulatory Role

At the same time, "my real passion is access to capital for entrepreneurs," Heinemann said.

In her first two years, she helped create the Wisconsin Angel Network, a program designed to foster early-stage investing through education, deal flow and networking opportunities.

In 2004, six Wisconsin angel networks invested \$2.4 million in nine deals. By the end of 2005, the initiative had exceeded its goals with help from a new law that provided tax credits for angel investors. By then, the Network verified 13 active angel networks had invested \$19.5 million in 40 deals, although the actual total is probably much greater, Heinemann said.

To boost the flow of venture capital to high-potential businesses, particularly in the bioscience and biotech fields, Heinemann is collaborating with the state Department of Commerce in proposing a new Wisconsin Venture Center.

The center would get funding from the state and private sector, with support from foundations, endowments and health care institutions. "It's a partnership focused on connecting Wisconsin high-tech companies to sources of capital – angel, venture, private equity, bank financing," Heinemann said.

Improving financial literacy is another priority, one that builds upon the efforts of her predecessors. As chair of the Governor's Council on Financial Literacy, she oversees efforts in five key areas: formal education in schools, family financial literacy, emerging markets, employee education, and prevention of fraud.

Last October, the council coordinated the first statewide Money Smart Week – a program first developed by the Federal Reserve Bank of Chicago for the cities of Chicago and Detroit.

She has also been an advocate of greater diversity in the financial services industry. "I'd like to see more women and minorities active on the executive teams of banks, in angel networks, and in venture capital firms. Diversity at the top has been proven to provide profits at the bottom line."

Just as her parents were to her, Heinemann strives to set an admirable example to her school-age daughters.

Asked what she'd most like to be remembered for, she says her family comes first. "I would love to see my four daughters highly educated, healthy and happy with families of their own – and my husband and I having more time to relax together."

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