

AGENCY NAME:

State Board of Financial Institutions

AGENCY CODE:

R23

SECTION:

79



Fiscal Year 2014-15 Accountability Report

SUBMISSION FORM

AGENCY MISSION

The mission of the Board of Financial Institutions is to serve the citizens of the State of South Carolina by preserving a sound State chartered financial community and protecting the borrowing public by ensuring that the state banking and consumer finance laws and regulations are followed. To this end, the State Board of Financial Institutions is responsible for the supervision, licensing and examination of all State chartered banks, savings and loan associations, savings banks, credit unions, trust companies, development corporations, non-depository mortgage lenders/servicers and their branches and loan originators, consumer finance companies, deferred presentment service companies, and check cashing service companies.

Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Louie A. Jacobs	803-734-2001	Louie.Jacobs@banking.sc.gov
SECONDARY CONTACT:	Jim Copeland	803-734-2020	Jim.Copeland@bofi.sc.gov

I have reviewed and approved the enclosed FY 2014-15 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR
(SIGN/DATE):

[Signature] 8-25-15
[Signature] 8-25-15

(TYPE/PRINT NAME):

Louie A. Jacobs/Jim Copeland

BOARD/CMSN CHAIR
(SIGN/DATE):

[Signature]

(TYPE/PRINT NAME):

Curtis M. Loftis, Jr.

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AGENCY'S DISCUSSION AND ANALYSIS

The State Board of Financial Institutions is composed of eleven members, one of whom is the State Treasurer as an ex officio member and as the chairman. The remaining ten members must be appointed by the Governor with the advice and consent of the Senate. The Board's supervision is handled through its two divisions - the Banking Division and the Consumer Finance Division. The Board appoints a Commissioner of Banking which examines and supervises State chartered banks, trust companies, savings and loan associations, savings banks, credit unions, and development corporations. The Board is also authorized to designate or appoint a Commissioner of Consumer Finance which examines and supervises non-depository mortgage lenders/servicers and their branches and loan originators, consumer finance companies, deferred presentment service companies, and check cashing service companies. The Board's oversight includes the promulgation of regulations and instructions relating to the supervision of financial institutions as well as the consideration of applications for new banks, trust companies, savings and loan associations, savings banks, credit unions, non-depository mortgage lenders/servicers and their branches and loan originators, consumer lenders, deferred presentment service providers, and check cashing service providers and the consideration of applications for branches of banks, savings and loan associations, savings banks, credit unions, and trust companies.

The key goals of the agency are to ensure that procedures are in place to adequately monitor the safety and soundness of financial institutions under the Board's jurisdiction, to ensure that statutory responsibilities are met, and to ensure that the interests of the citizens of the State are protected. The agency strives to keep abreast of changes in financial products and services in order to conduct thorough and comprehensive examinations. The Chairman, Board members, and the directors of the two divisions are participants in the planning process. Programs and procedures are periodically reviewed and measures are implemented to address changes in the financial industry and the economic environment.

The directors of the agency strive to take advantage of all opportunities available to achieve success in fulfilling the agency's mission and achieving its strategic goals. Since having a competent and effective staff is crucial to fulfilling the mission of the agency, the directors seek new opportunities for staff development, effective recruitment procedures, and diversity in the workforce. The Board's major strategic challenge is to maintain a competent workforce. Because of the travel required for the agency's examiners, attracting and retaining competent employees is a major challenge. Major barriers include competition from other employers for experienced workers and the increasing complexity of financial products, which requires more training and more detailed review. Turnover for both divisions remains low. The directors continually evaluate the strategic challenges the agency faces and alter the agency's plans accordingly.

The agency's main service is to preserve a sound State chartered financial community and protect the borrowing public. Major products offered by the Board are licenses/charters to operate banks, savings and loan associations, savings banks, credit unions, trust companies, mortgage lenders/servicers and

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their branches and loan originators, consumer finance companies, deferred presentment service companies, and check cashing service companies. In addition to the licenses, the agency evaluates and monitors the condition of the institutions and determines compliance with applicable statutes and regulations. The citizens of South Carolina, the Legislature, and the Governor are the key customers of the Board of Financial Institutions. Regulated institutions are secondary customers of the Board. The Board's customers expect the Board to ensure the safety of deposits and protect the borrowing public by ensuring that the state banking and consumer finance laws and regulations are followed. The Board's key stakeholders are the taxpayers of South Carolina.

Since the agency is a regulatory agency that provides services to its customers, the employees of the Board are the key suppliers. Other regulatory agencies such as the Federal Deposit Insurance Corporation, the Federal Reserve Bank, the Consumer Financial Protection Bureau, and the South Carolina Department of Consumer Affairs are the agency's partners. Offices of the Board are located in Columbia, but employees travel throughout the state and country examining institutions under the Board's jurisdiction. The Board has 2 unclassified and 43 classified full-time positions. The Board is governed by the Laws and Regulations of the State of South Carolina. The Board is also governed by Federal acts such as the Americans with Disabilities Act and the Family and Medical Leave Act and by regulations of Federal agencies such as the Occupational Safety and Health Administration and the U.S. Department of Labor.

In addition to meeting the statutory requirements for the establishment and supervision of state-chartered banks, savings and loan associations, savings banks, and credit unions, the Banking Division has identified several significant accomplishments in FY 2015. A review of capital adequacy, earnings, and past due and nonaccrual loans was performed quarterly on all banks, and the reviews were utilized to determine supervisory strategies. All examinations of financial institutions were completed within the time frames required by law. In addition to on-the-job training in the field and computer based training in the office, examiners attended eight Federal Deposit Insurance Corporation (FDIC) sponsored schools and three Federal Financial Institutions Examination Council sponsored schools. Examiners also attended training conferences sponsored by the Conference of State Bank Supervisors, the South Carolina Bankers Association, and the FDIC. The Division continuously reviewed and solicited ideas through staff meetings on ways to improve operations. The Commissioner of Banking met with the Board of Directors and/or senior management of banks regulated by the division. He and his staff also met with industry executives and Federal regulators to discuss current issues and trends.

The key goal of the Consumer Finance Division is to proficiently supervise the licensing and examination of all non-depository mortgage lenders/servicers, their branches and loan originators, consumer finance companies, deferred presentment service companies and check cashing services companies. In addition to meeting statutory requirements for the licensing and examination of these companies, the Division has identified several additional accomplishments in 2014 - 2015. These are briefly described below.

The Division continues to participate in multistate examinations of mortgage lenders and servicers facilitated by the CSBS / AARMR Multistate Mortgage Committee. By cooperating with other states in these examinations, the Division continues to acquire additional knowledge and information regarding

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the regulation of mortgage lenders and servicers allowing expansion of the examination process. This cooperative effort as well as internal knowledge gained continues in the discovery and correction of a number of significant violations resulting in substantial refunds to SC borrowers. Three mortgage examiners have completed the schools for National Mortgage Examiner Certifications. One examiner has obtained the national certification of "Certified Mortgage Examiner" issued by the American Association of Residential Mortgage Regulators (AARMR) and the Conference of State Bank Supervisors (CSBS). Two others await the final certification processes consisting of time on job and examination experience factors.

Examiners from the Division also participated in annual training schools offered by the National Association of Consumer Credit Administrators (NACCA) and the American Association of Residential Mortgage Regulators (AARMR) as well as training webinars offered by the Conference of State Bank Supervisors (CSBS) and the Consumer Financial Protection Bureau (CFPB). These schools and webinars provide the most up to date trends in state and federal regulatory requirements regarding RESPA, TILA, ECOA, Fair Lending, Pay-Day, Consumer Small Loan, Installment and Automotive Lending. The Division has two employees that have completed half of the Certified Public Manager Program (CPM) and will graduate with this national certification in May 2016. An additional employee has been chosen to apply for entrance in this program once the two graduate. Training programs for the Consumer Finance Division's employees are continually being enhanced to keep up with the ever changing financial environment. Training opportunities have been, and will continue to be provided to every staff member.

The Division continues to make enhancements to its secure digital storage system (Onbase) through the South Carolina Division of Information Security (DIS) to store confidential license and examination data. Enhancements are also underway to improve information retrieval for licensing and examination processes. These enhancements continue to improve security of stored data as well as improving efficiencies communicating needed information to consumers, licensees and other state and / or federal agencies.

The Division continues to work closely with SLED ensuring policies, procedures and certifications for the security of criminal background information obtained through the national Criminal Justice Information System (CJIS) are maintained. The Division also passed the SLED (CJIS) information security protocol audit.

The Division continues to work closely with the SC Department of Consumer Affairs (SC DCA) supplying and distributing educational information to consumers and lenders regarding foreclosure prevention and assistance. This program will continue to be supported in fiscal year 2016. During the fiscal year, examinations and complaint resolutions completed by the Division resulted in the refund of \$1,049,244 in unauthorized or erroneous charges to South Carolina consumers. Through the cooperation with licensees this was completed without any administrative court actions.

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Program Template

Program/Title	Purpose	FY 2013-14 Expenditures				FY 2014-15 Expenditures				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
Banking Examiners	This division performs safety and soundness examinations of banks, savings and loan associations, savings banks, credit unions, and trust companies. The division evaluates applications of banks, savings and loan associations, savings banks, credit unions, and trust companies for the following: new charters, new branches, holding company acquisitions, mergers, branch purchases and assumption of liabilities, property purchases, office closings and relocations, and trust powers.		\$ 1,897,419		\$ 1,897,419		\$ 2,032,335		\$ 2,032,335	1.1.1; 1.2.1; 3.1.1; 3.1.2; 3.2.2
Consumer Finance	This division evaluates new applications, conducts licensing and annual renewal, and performs compliance examinations of consumer finance companies, deferred presentment services, check cashing companies, mortgage lenders/servicers and their loan originators. The division conducts various types of supervisory and enforcement activities to detect and take corrective action for violations of the regulatory statutes applicable to financial institutions. Activities include: complaint processing, investigation, and appropriate action against consumer loan companies, deferred presentment services, check cashing companies, and mortgage lenders/servicers and their loan originators.		\$ 1,628,169		\$ 1,628,169		\$ 1,772,042		\$ 1,772,042	1.1.2; 1.2.2; 2.1.1; 3.1.1; 3.1.2; 3.2.1; 3.2.2
Total			\$ 3,525,588		\$ 3,525,588		\$ 3,804,377		\$ 3,804,377	

Note: No separate Administration activity level is shown because the Administration for R23 reflects per diem and travel for Board members only. No FTEs are associated.

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Strategic Planning Template

Type	Goal	Item # Strat	Object	Description
G	1			Preserve a sound State chartered financial community.
S		1.1		Monitor the safety and soundness of financial institutions and licensees under the Board's jurisdiction.
O			1.1.1	Examine state chartered financial institutions within the timeframes required by law.
O			1.1.2	Examine consumer finance and mortgage licensees within the timeframes required by law.
S		1.2		Ensure that statutory responsibilities are met.
O			1.2.1	Review and evaluate applications for new financial institutions and branches and for holding company acquisitions.
O			1.2.2	Review and evaluate applications for consumer finance and mortgage licenses.
G	2			Protect the interests of the citizens of South Carolina.
S		2.1		Monitor the concerns of the depositing and borrowing public.
O			2.1.1	Respond to consumer complaints against regulated entities.
G	3			Maintain a competent and well-trained staff.
S		3.1		Hire and retain qualified, diverse employees.
O			3.1.1	Hire employees meeting all job requirements.
O			3.1.2	Maintain a diverse staff.
S		3.2		Provide training opportunities for employees.
O			3.2.1	Ensure compliance with CJIS education and certification requirements.
O			3.2.2	Require annual job specific training for all staff.

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Performance Measurement Template

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
1	State Chartered Financial Institution Examinations	45	43	32	January 1 - December 31, 2014	Excel Spreadsheet	Annual	Excel Formula	1.1.1
2	Average Cost Per Bank	\$36,953	\$40,582	\$42,000	July 1 - June 30	Excel Spreadsheet	Annual	Total bank expenditures divided by number of banks	1.1.1
3	Consumer Finance Examinations	1365	1450	1250	July 1 - June 30	Internal Database & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	1.1.2
4	Mortgage Examinations	7	11	20	July 1 - June 30	Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	1.1.2
5	Refunds to consumers from examination findings	New metric	\$1,015,170	0	July 1 - June 30	Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	1.1.2
6	Financial Institution Applications Processed	22	44	35	July 1 - June 30	Excel Spreadsheet	Annual	Excel Formula	1.2.1
7	Consumer Finance Applications processed	149	229	150	July 1 - June 30	Internal database & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	1.2.2
8	Consumer Finance Applications processed within 30 days	100%	100%	100%	July 1 - June 30	Internal database & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	1.2.2
9	Mortgage Applications processed	2043	1960	1900	July 1 - June 30	NMLS, internal database & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	1.2.2
10	Mortgage Applications processed within 20 days	100%	100%	100%	July 1 - June 30	NMLS, internal database & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	1.2.2
11	Mortgage amendments processed	19,802	19,656	19,000	July 1 - June 30	NMLS, internal database & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	1.2.2
12	Consumer Finance Complaints Closed within 30 days	100%	100%	100%	July 1 - June 30	SC DCA & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	2.1.1
13	Mortgage Complaints closed within 60 days	100%	100%	100%	July 1 - June 30	SC DCA & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	2.1.1
14	Refunds from Complaints	New metric	\$34,074	0	July 1 - June 30	Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	2.1.1
15	Employee Turnover Ratio	2%	2%	5%	July 1 - June 30	SCEIS & Excel Spreadsheet	Annual	Number of employees who leave the agency divided by total FTEs.	3.1.1
16	Staff Diversity (Minority and Women)	58%	56%	50%	July 1 - June 30	SCEIS & Excel spreadsheet	Annual	Totals from all data sources computed last day of FY	3.1.2
17	Consumer Finance employees certified CJIS compliant where applicable	100%	100%	100%	July 1 - June 30	Excel Spreadsheet	Annual	Totals from all data sources computed last day of FY	3.2.1
18	Average Training Hours	50 hours	64 hours	40 hours	July 1 - June 30	Excel Spreadsheet	Annual	Total training hours divided by number of employees	3.2.2