



SINCE 1902

CONFERENCE OF STATE BANK SUPERVISORS

2013

ANNUAL REPORT



MAY 2014

The 2013 Annual Report of the Conference of State Bank Supervisors was printed on Chorus Art 55% recycled paper. Additionally, it was printed at Goetz Printing, a carbon neutral facility, utilizing 100% renewable electricity in the form of wind and solar RECs with non-petroleum, vegetable-based inks.

The use of these environmentally responsible papers conserves the following:

Trees	3
Energy	1,000,000 BTUs
Greenhouse Gases	346 pounds CO ₂
Wastewater	1561 gallons
Solid Waste	99 pounds



TABLE OF CONTENTS

About the Conference of State Bank Supervisors	2
Letter from the Chairman	4
CSBS Strategic Plan	6
Letter from the CSBS President and CEO	8
CSBS Board of Directors	9
2013 Milestones	11
2014 Priorities	12
State of the State Financial Industries	13
Policy and Supervision Division	16
Legislative and Legal Section	16
Regulatory Policy Section	18
Bank Supervision Section	23
Consumer Protection and Non-Depository Supervision Section	27
Professional Development Division	31
State Regulatory Registry	35
Communications Division	39
Bankers Advisory Board	41
CSBS and Affiliates Financial Perspective	42
CSBS Education Foundation Board of Trustees	43
State Regulatory Registry LLC Board of Managers	44
CSBS Bankers Advisory Board	45
CSBS Staff	46



CONFERENCE OF STATE BANK SUPERVISORS

ABOUT THE CONFERENCE OF STATE BANK SUPERVISORS

The Conference of State Bank Supervisors (CSBS) is the nationwide organization of banking regulators from all 50 states, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

State regulators supervise 5,168 state-chartered financial institutions with more than \$4.6 trillion in combined assets.¹ Further, most state banking departments oversee mortgage providers and many other financial services providers, such as money services businesses (MSBs), payday lenders, check cashers, and finance companies. State regulators oversee 16,145 mortgage companies, 130,260 individual mortgage loan originators (MLOs),² and more than 138,000 additional non-depository financial services providers across the nation.³

The vision of CSBS is to be the recognized leader in advancing the quality and effectiveness of state regulation and supervision of banking and financial services. The mission of CSBS is to support the leadership role of state banking supervisors in advancing the state banking system and state financial regulation, benefiting the public by ensuring safety and soundness, promoting economic growth and consumer protection, and fostering innovative state regulation and supervision of the financial services industry.

CSBS WORKS TO:

- Preserve and strengthen the authority of individual states to determine the activities of their supervised financial entities;
- Enhance the professionalism of state regulatory agencies and their personnel;
- Represent the interests of the system of state financial supervision to federal and state legislative bodies and regulatory agencies; and
- Ensure that all banks continue to have the choice and flexibility of the state charter in the new era of financial modernization.

1 Source: Federal Deposit Insurance Corporation as of December 31, 2013.

2 Source: CSBS-AARMR Nationwide Multistate Licensing System and Registry as of December 31, 2013.

3 Source: CSBS 2012 Non-depository Survey. All states did not respond to the survey. This number includes money transmitters, money order, traveler checks, prepaid access cards, check cashers, payday lenders, pawn brokers, debt collectors, debt management companies, student lenders, credit report companies, currency exchangers, consumer lenders and finance companies, bond to deed/escrow agents, and credit report repair agents.

BACKGROUND AND HISTORY: CSBS is a non-profit organization headquartered in Washington, D.C. It was organized in 1902 as the National Association of Supervisors of State Banks. In 1971, the name of the organization was changed to the Conference of State Bank Supervisors to better reflect the ongoing nature of CSBS activities. For more than 110 years, CSBS has been uniquely positioned as the only national organization dedicated to protecting and advancing the nation's dual-banking system.

CORPORATE GOVERNANCE: CSBS is a professional regulatory association, and its voting members and Board of Directors are exclusively state financial regulators. CSBS is governed by bylaws and a Board of Directors comprised of 20 regulator members. Directors are elected or appointed annually for one-year terms, except for the treasurer, who serves a two-year term. Officers consist of the chairman, chairman-elect, vice chairman, secretary, treasurer, and immediate past chairman, which comprise the CSBS Executive Committee. The chief executive officer of CSBS is the president, who is recruited and employed by the Board of Directors.

Similar to federal financial agencies, CSBS invites bankers and other financial services industry professionals to participate in the organization in an advisory capacity. These advisory groups promote communication between state regulators and their supervised industries, and provide industry perspective on issues of interest to the state regulatory system.

AFFILIATED ENTITIES: In 1984, CSBS created the Education Foundation of State Bank Supervisors (EFSBS). In 2011, the EFSBS Board of Trustees voted to change the name of the foundation to the CSBS Education Foundation. The purpose of the CSBS Education Foundation is to fund and direct the education and training efforts of CSBS's Professional Development Division. The membership of the CSBS Education Foundation is comprised solely of state bank regulators and interacts extensively with the CSBS Board of Directors. The CSBS Education Foundation Board of Trustees is chaired by Victoria Reider, Executive Deputy Secretary of the Pennsylvania Department of Banking. As Chairman of the CSBS Education Foundation Board of Trustees, Executive Deputy Secretary Reider is also a voting member of the CSBS Board of Directors. Other officers of the CSBS Education Foundation are the vice chairman, treasurer, and immediate past chairman. There are a total of 14 members of the CSBS Education Foundation Board of Trustees.

In 2006, CSBS, on behalf of state regulators, in cooperation with the American Association of Residential Mortgage Regulators (AARMR), formed the State Regulatory Registry LLC (SRR), a limited liability corporation, to oversee the development and operations of the Nationwide Mortgage Licensing System (NMLS, or the System) as a licensing and registration system for residential mortgage and other non-depository industries. In 2012, the full name of NMLS was changed from Nationwide Mortgage Licensing System to Nationwide Multistate Licensing System in order to reflect System expansion that permits states to license non-mortgage financial service industries through NMLS. The SRR Board of Managers is chaired by Robert J. Entringer, Commissioner of the North Dakota Department of Financial Institutions. The SRR Board of Managers is comprised of nine state mortgage regulators, including the chairman of the CSBS Board of Directors, who serves on the SRR Board of Managers as an ex officio, non-voting member. As Chairman of the SRR Board of Managers, Commissioner Entringer is also a voting member of the CSBS Board of Directors. In addition to the chairman, officers of the SRR Board of Managers are the vice chairman, the treasurer, and the immediate past chairman. AARMR also has a voting board member on the SRR Board of Managers.

LETTER FROM THE CHAIRMAN

May 1, 2014



Charles A. Vice

On behalf of the CSBS Board of Directors, I present you with the 2013 Annual Report of the Conference of State Bank Supervisors.

The financial services industry saw improved stability and profitability in 2013, but this was curtailed by a modestly improved economy. Supervision of the financial services industry remains in transition as policymakers and regulators seek to implement regulatory reforms and policies designed to prevent another catastrophic collapse of the financial system.

CSBS has served as the forum for state regulators to share our observations and concerns about the current system of regulatory oversight. By working together through CSBS, state regulators have encouraged policymakers to consider the full impact regulatory policies and supervisory practices have upon the entire financial services system, particularly community based institutions, which are vital contributors to local economic stability and growth. As state regulators, we see the significant impact that policies and practices established in Washington, D.C. have upon business development, access to credit, financial stability, and economic growth in our states.

State regulators are committed to ensuring safety and soundness and consumer protection by advocating for right-sized regulation. Through a balanced approach to supervision, we must ensure the safety and soundness of the entities we supervise while also protecting our citizens. Furthermore, we must allow regulated entities to contribute to the economic development of their local communities and our states.

The CSBS Strategic Plan, drafted collectively by state financial regulators, specifically directs CSBS to maintain a central role in encouraging and maintaining a diverse and competitive banking system and an effective state system of bank supervision and regulation. Therefore, a key priority for CSBS in 2013 and moving into 2014 is to strike a balance. We seek tailored regulation and supervision based on an entities' business model, geographic footprint, size, and risk level.

RIGHT-SIZING REGULATIONS

The CSBS Community Banking Steering Group developed and published a white paper in December 2013 titled [*An Incremental Approach to Financial Regulation: Right-Sized Regulations for Community Banks*](#). In the paper, we note that recent regulatory reform efforts are ill-suited to smaller institutions' relationship- and portfolio-lending business models. Overly complex regulations undermine community based financial services providers' ability to offer tailored credit products to meet the legitimate needs of individuals and small businesses. The goal of the paper was to provide policymakers with actionable ideas to improve the community banking sector's ability to meet the needs of its communities in a responsible manner.

While there have been key instances in which federal policymakers have successfully tailored regulations to accommodate the community bank business model, there is still more work to be done. To effectively right size rules and regulations, we must do more to understand and define the full impact policies and regulations have upon the industry and the financial system as a whole.

RESEARCH

CSBS is committed to understanding the opportunities and challenges facing community banks, how these institutions operate, and how supervision of these entities can be adjusted.

In October 2013, CSBS and the Federal Reserve System hosted the first-of-its-kind community bank research conference in St. Louis, Missouri, with regulators, bankers, and researchers in attendance. At the conference, 12 research papers were presented on the role of community banks, community bank performance, and community bank supervision and regulation. In preparation for the conference, state regulators in 28 states held town hall meetings with more than 1,700 bankers to hear directly from the industry about the challenges and opportunities they face. A [report](#) of these town hall findings was published and released in conjunction with the conference.

Our hope is that by generating better research, data, and analysis, we can create more effective financial policy, legislation, and regulation. Through this process, CSBS wants to identify and to challenge excessive regulatory burdens and regulations, which are being inappropriately applied to the community banking business model.

Building on the success of the 2013 research conference, CSBS and the Federal Reserve will host the second community banking research conference in September of 2014.

NON-DEPOSITORY SUPERVISION

While preserving the dual-banking system is a top priority for state regulators and CSBS, our responsibilities go beyond bank supervision. Therefore, CSBS has worked diligently to facilitate and coordinate enhanced state supervision of non-depository financial services providers.

For instance, CSBS has expanded the use of the Nationwide Multistate Licensing System and Registry to accommodate state use of the System for non-mortgage, non-depository financial services industries. NMLS was modified in early 2012 to allow states to license or register entities in a number of financial services industries, including consumer lending, money services businesses, and debt collection. As of year-end 2013, 24 state agencies in 22 states were managing 68 non-mortgage license authorities on NMLS. In 2014, at least 14 additional state agencies are expected to expand their use of NMLS, resulting in 38 state agencies managing more than 100 non-mortgage license types on NMLS.

Additionally, advancements in technology have changed the financial services landscape as new providers have emerged. State regulators have been particularly interested in the emergence of virtual currencies. The risks posed by virtual currencies could impact consumer protection, the stability of the payments systems, money laundering, national security, and tax evasion. And yet, the potential benefits of virtual currency are also multi-faceted and include speed and efficiency, lower transactions costs, and access to the payment system for the unbanked and underbanked. To address these risks and benefits, CSBS has formed an Emerging Payments Task Force that brings together state regulators to study changes in payment systems to determine the potential impact on consumer protection, state law, and banks and non-bank entities chartered or licensed by the states.

TRAINING AND EDUCATION

One of the core functions of CSBS is to enhance the professionalism and knowledge of state financial regulators through training and professional development programs, certification of state examiners, and our supervision accreditation programs. CSBS is utilizing technological advancements and new platforms to bring state-of-the-art training and education programs to state financial regulators in an expedited and efficient manner. This is all done to ensure state financial regulators are well informed, highly trained, and held accountable to agreed upon standards of performance.

COORDINATION

Coordination is an ongoing priority for CSBS and state regulators. CSBS helps coordinate state regulatory efforts, and facilitates our coordination with our federal counterparts. In 2013, a particular emphasis was placed on coordination between state regulators and the Consumer Financial Protection Bureau (CFPB). In May 2013, CSBS and the CFPB signed the CFPB-State Supervisory Coordinating Framework. The framework establishes the process by which the states and the CFPB will coordinate examination responsibilities of institutions falling under the jurisdiction of both state regulators and the CFPB. This state-federal partnership leverages the strengths and resources of both state and federal regulators.

I look forward to continuing the tremendous work CSBS has done on behalf of state regulators to achieve a balanced and responsive approach to financial supervision. Through CSBS, state regulators will continue to work with one another and with our federal counterparts to achieve policy and supervision that is appropriately applied to institutions based upon their unique business models, size, location, and risk profile.

Sincerely,



Charles A. Vice
Commissioner, Kentucky Department of
Financial Institutions
Chairman, CSBS Board of Directors

CSBS STRATEGIC PLAN

The following strategic plan was originally approved and adopted by the CSBS Board of Directors in December 2011. The CSBS Board of Directors approved revisions in December 2012 and 2013. The plan guides the work of CSBS to ensure the strategic objectives of the Board is met.

VISION

The Conference of State Bank Supervisors will be the recognized leader advancing the quality and effectiveness of state regulation and supervision of banking and financial services.

MISSION

The mission of CSBS is to support the leadership role of state banking supervisors in advancing the state banking system and state financial regulation and benefit the public by ensuring safety and soundness, promoting economic growth and consumer protection, and fostering innovative state regulation and supervision of the financial services industry.

GUIDING VALUES

- **Collaboration** – To effectively meet the needs of our diverse economy, the banking and financial services sector demands collaboration and effective dialogue and planning. CSBS will work actively to convene state and federal regulators, other state associations, and industry to identify regulatory challenges and facilitate consensus.
- **Education** – A hallmark of CSBS’s work has been the education of a broad base of banking, financial services, and regulatory stakeholders to empower state decision making, to serve its members, and communicate the value and benefits of a strong dual-banking system and state regulation.
- **Innovation and responsiveness** – CSBS is dedicated to addressing the evolving needs of banking and financial services consumers by facilitating a competitive and diverse market.
- **Integrity** – Honesty and fairness are foundational to public and industry confidence in our regulatory system.
- **Professional excellence** – We will continue to provide training, engage thought leaders, and maintain the highest of standards in all that we do.
- **Relationship building** – Our work depends on our ability to effectively communicate and understand many points of view. Through strong relationships we will continue to work with and learn from others.
- **Communication** – CSBS understands that to be effective and support our vision and mission we must listen and learn before we formulate positions and then share our work in a manner that is understandable and adaptable to our audiences/stakeholders.

GOALS

GOAL #1

CSBS will prioritize programs and areas of advocacy consistent with the organization's mission and member needs.

GOAL #2

CSBS must maintain its central role in both encouraging and maintaining a diverse and competitive banking system and an effective state system of bank supervision and regulation. CSBS will challenge excessive regulatory burdens and regulations inappropriately applied to the community banking business model.

GOAL #3

The CSBS Education Foundation should continue developing its new business model that minimizes financial, geographic, and frequency barriers to high-quality training, professional development, and continue developing networking opportunities for all levels and types of state financial regulatory personnel.

GOAL #4

Support states in maintaining their central role in regulating non-depository financial institutions. CSBS will support a robust licensing and oversight program for state-licensed non-depository financial services providers.

GOAL #5

There will be a central message for the work of CSBS and its members which promotes state supervision and advocates the states' views on public policy.

GOAL #6

The governance of CSBS will reflect the regulatory role of the membership.

GOAL #7

CSBS will assist state financial services regulatory agencies in meeting their information technology (IT) needs in areas of supervision, education, and best IT practices.

LETTER FROM THE PRESIDENT AND CEO

May 1, 2014



John W. Ryan

2013 was a successful year for state regulators, marked by tremendous progress. We are still in the midst of a watershed moment in our nation's financial history, as local, state, and national economies are all experiencing significant change. In the midst of this rapidly evolving environment, state regulators – through the Conference of State Bank Supervisors – have taken the initiative to maintain and enhance a dynamic, adaptive, and flexible supervisory regime that allows for a diverse and resilient financial services industry. We have launched task forces, working groups, and research conferences to better understand, supervise, and regulate our evolving financial services industry in order to preserve local decision-making to benefit our local economies and local citizens.

A primary focus for CSBS last year was on maintaining and encouraging a diverse and competitive banking system and an effective state system of bank supervision and regulation. CSBS also worked to raise the bar of professional excellence for financial supervision and developed innovative approaches to coordinating non-bank supervision. With the strategic guidance of our state financial regulator members, and the work of CSBS staff, I am pleased to report that 2013 was a strong year in advancing these goals.

The future of our financial services industry is being shaped right now as state and federal financial regulators continue to implement financial reforms. This is why it is so critical that policymakers have a better understanding of the impact financial policy has upon the industry, and ultimately upon local communities and the health and stability of the national financial system. If we want a more sustainable financial system that promotes real economic growth, we need a financial system of supervision that encourages a diverse financial services industry, one that allows large and small banks to succeed, and holds industry participants accountable.

Achieving such a system of financial supervision would mean empowerment for local communities. This is because the well-being of local banks correlates directly to the health of local communities. Community banks provide access to credit where it otherwise may not be available. They play an integral role in local economic development and job creation, and they allow local markets to be served by local decision makers. If the diversity of our communities is to survive, so must the diversity in our banking system.

Our future system of financial supervision must also encourage the use of technology to help financial regulators make more timely and informed decisions, and to improve the effectiveness of non-bank supervision. Regulators must also promote innovative ways of providing quality training and professional development for examiners, and be able to respond to innovations in the delivery of financial services enabled by technology.

The future of financial services should be a network of large and small institutions that serve the diversity of our nation's communities in a safe, sound, and fair manner. We need a system that can sustain the inevitable shocks of economic cycles where the market, and not the government, decides who succeeds and who fails.

The goal of CSBS, working with our federal counterparts, is to ensure that our supervisory policies and practices contribute to the success of a diverse, safe, sound, and fair system.

I am proud of the important work CSBS has done over the past year and I'm excited about the possibilities for 2014. CSBS will continue to be a strong voice for state financial regulators in Washington, D.C., ensuring that the power of 50 state regulators working together has a national voice with national impact.

Sincerely,

A handwritten signature in black ink that reads "John W. Ryan". The signature is fluid and cursive, written in a professional style.

John W. Ryan
President and CEO

CSBS BOARD OF DIRECTORS

As of December 31, 2013



CSBS 2013 Board of Directors

Chairman

Mr. Charles A. Vice
Commissioner
Kentucky Department of Financial Institutions

Chairman-Elect

Ms. Candace A. Franks
Bank Commissioner
Arkansas State Bank Department

Vice Chairman

Mr. David J. Cotney
Commissioner
Massachusetts Division of Banks

Secretary

Mr. Lauren Kingry
Superintendent
Arizona Department of Financial Institutions

Treasurer

Mr. Charles G. Cooper
Banking Commissioner
Texas Department of Banking

Immediate Past Chairman

Mr. Greg Gonzales
Commissioner
Tennessee Department of Financial Institutions

Chairman, CSBS District I

Mr. Howard F. Pitkin
Banking Commissioner
Connecticut Department of Banking

Chairman, CSBS District II

Mr. David H. Mills
Director
Indiana Department of Financial Institutions

Chairman, CSBS District III

Mr. Ray Grace
Commissioner
North Carolina Office of Commissioner of Banks

Chairman, CSBS District IV

Mr. Bret Afdahl
Director
South Dakota Division of Banking

Chairman, CSBS District V

Ms. Iris Ikeda Catalani
Commissioner
Hawaii Division of Financial Institutions

Chairman, CSBS Education Foundation Board of Trustees

Ms. Victoria A. Reider
Executive Deputy Secretary
Pennsylvania Department of Banking and Securities

Chairman, State Regulatory Registry LLC Board of Managers

Mr. Robert J. Entringer, CEM
Commissioner
North Dakota Department of Financial Institutions

CSBS BOARD OF DIRECTORS

As of December 31, 2013

Co-Chairman, CSBS Bankers Advisory Board

Mr. Charles J. Dolezal
Superintendent
Ohio Division of Financial Institutions

Chairman, CSBS Foreign Bank Regulatory Committee

Mr. Robert Donovan
Deputy Superintendent, Banking
New York State Department of Financial Services

Chairman, CSBS Legislative Committee

Ms. Sara M. (Sally) Cline
Commissioner of Banking
West Virginia Division of Financial Institutions

Chairman, CSBS Regulatory Committee

Mr. Richard Riccobono
Director, Division of Banks
Washington Department of Financial Institutions

Chairman, CSBS State Supervisory Processes Committee

Mr. Albert L. Forkner
State Banking Commissioner
Wyoming Division of Banking

Member-at-Large

Mr. Peter J. Bildsten
Secretary
Wisconsin Department of Financial Institutions

Member-at-Large

Ms. Melanie G. Hall
Commissioner
Montana Division of Banking and Financial Institutions

EX OFFICIO

(Non-Voting Members of the Board)

Chairman Emeritus (2011-2012)

Mr. John P. Ducrest
Commissioner
Louisiana Office of Financial Institutions

Chairman Emeritus (2007-2008)

Mr. Jeffrey C. Vogel, CEM
Director
Wyoming Department of Audit

Chairman Emeritus (2006-2007)

Mr. E. Joseph Face, Jr., CEM
Commissioner
Virginia Bureau of Financial Institutions

Chairman Emeritus (2003-2004)

Mr. Mick Thompson
Commissioner
Oklahoma State Banking Department

Chairman Emeritus (2002-2003)

Mr. Gavin M. Gee
Director
Idaho Department of Finance

Chairman Emeritus (1997-1998)

Mr. G. Edward Leary
Commissioner
Utah Department of Financial Institutions

Chairman, FFIEC State Liaison Committee

Mr. David J. Cotney
Commissioner
Massachusetts Division of Banks

Co-Chairman, CSBS Bankers Advisory Board

Mr. Michael Poland
President
Farmers State Bank, Cameron, MO

CSBS Staff Director

Mr. John W. Ryan
President and CEO

2013 MILESTONES

CSBS achieved several landmark accomplishments in 2013. These include:

- CSBS dedicated considerable resources to addressing and recommending a solution to the Consumer Financial Protection Bureau's (CFPB) ability-to-repay rule, which, because of its narrow definition of "rural," would disqualify numerous community banks from offering balloon loans under "qualified mortgage" status. CSBS submitted an official comment letter, testified before Congress, and published an opinion piece, all encouraging the CFPB to adopt a petition process for areas to be considered as "rural." These efforts led to the introduction of legislation in the U.S. House of Representatives, and subsequently the U.S. Senate, calling for the CFPB rural designation to be supplemented with a process for local input. Early in 2014, the House Financial Services Committee passed the bill out of committee.
- CSBS coordinated with state banking regulators to host town hall meetings with more than 1,700 community bankers from 28 states in order to continue the regulator-banker dialogue about the realities of doing business as a community bank in the current regulatory and economic environment. This led to the release of a first-of-its-kind report on the challenges and opportunities impacting 21st century community banks.
- Building on the community banker town hall meetings, CSBS co-hosted the Community Banking in the 21st Century research conference with the Federal Reserve System. Research by academics and from within the Federal Reserve System on issues impacting community banks was presented during the conference.
- CSBS continued its ongoing efforts to advocate on behalf of the state banking system before Congress and among federal regulatory agencies. Through the efforts of the CSBS Legislative and Legal Section, CSBS welcomed the introduction of two key bills in 2013: Senate Bill S. 947, which aims to amend the SAFE Act to ensure consistent protection of confidentiality and privilege across all regulatory agencies and licensed entities using NMLS; and House bill H.R. 2672, a bill that creates a petition process for areas seeking rural designation under the CFPB's Ability-to-Repay rule.
- CSBS released two notable white papers in 2013. *The Composition of the Federal Reserve Board* white paper outlines the 100-year history of the Federal Reserve Board's composition and its expanding supervisory role, which has received broad recognition as the Federal Reserve has transitioned to new leadership and new appointments have been made. The second white paper, *An Incremental Approach to Financial Regulation*, highlights the importance of financial regulators to design a framework that appropriately supervises and supports the community banking business model.
- CSBS hosted the annual Washington Fly-In, where 67 state financial regulators from 34 states came together for meetings with members of Congress and federal regulators to discuss pressing issues and to advocate on behalf of the state banking system.
- CSBS hosted the annual NMLS Conference and Training in San Antonio, Texas where nearly 550 state and federal regulators and industry representatives attended from the consumer lending, debt, money services businesses, and mortgage industries. The conference was particularly noteworthy because for the first time, the agenda was expanded beyond mortgage industry issues to include sessions relevant to the money services business, debt collection, and debt settlement industries. In addition, sessions included presentations on CFPB rule changes, the mortgage call report, testing and education, federal registry system use, and numerous new and upcoming NMLS enhancements.
- The CSBS Education Foundation reaccredited seven state banking departments and accredited one state mortgage division, verifying that the state agencies met the required standards as established by their peers.
- CSBS launched the new National SAFE MLO Test with a uniform state component, creating a single test that can meet both the national and state testing requirements of the SAFE Act. By year end, 39 state agencies had adopted the new test.
- CSBS's Multi-State Mortgage Committee (MMC), along with State Attorney's General and the CFPB, agreed to a mortgage servicer settlement with Ocwen Financial Corporation over serious operational deficiencies brought to light by an examination conducted by the MMC. The settlement required Ocwen to adopt a set of servicing standards, provide \$2 billion in relief to borrowers in the form of principal reduction to their loans for properties that are currently underwater, and allocate \$125 million to be disbursed in the form of checks to borrowers whose homes were foreclosed upon.
- CSBS and the CFPB signed a [Supervisory Coordination Framework](#) that implements the supervision requirements of the 2011 Information-Sharing Memorandum of Understanding (MOU). The Framework provides a roadmap for coordinated supervision including both examinations and enforcement actions. The Framework creates a platform to ensure that state and federal regulators work together to provide more efficient supervision, reduce regulatory burden, and improve consumer protection.

2014 PRIORITIES

In 2014, CSBS will continue to defend and advance the state banking system and the overall role of the states in financial regulation, consumer protection, and local economic development.

Additional priorities include:

COORDINATION WITH STATE AND FEDERAL REGULATORS

- CSBS will work to further promote coordination across the federal and state banking regulatory agencies on critical infrastructure and cybersecurity issues.
- On behalf of the State Coordinating Committee (SCC), which acts as a single point of contact between state regulators and the CFPB, CSBS will support state financial regulators in providing more efficient supervision, reducing burden for the industry, and improving consumer protection.
- CSBS will continue to support the Multi-State MSB Examination Taskforce through the implementation of the Nationwide Cooperative Agreement for MSB Supervision and its companion Protocol for Performing Multi-State Examinations.
- In 2013, the CSBS-CFPB Complaint Information Sharing work group, a working group of the CSBS Regulatory Committee, continued to pursue efforts to foster effective complaint information sharing between the CFPB and state regulators. These efforts will continue in 2014 with a review of possibilities for a more uniform complaint intake process and significant enhancements to the CFPB's Government Portal 1.0.

ADVOCATING THE STATES' POINT OF VIEW

- CSBS will continue to expend considerable resources to understand and propose remedies around the community bank model, as community banking is a key contributor to the stability and growth of rural, local, and state economies.
- CSBS will work to bring to the forefront more quality research related to community banking in order to better understand the community banking model and implications of bank regulatory policy.
- CSBS will work to ensure that Congress continues to recognize the importance of regulatory diversity, the dual-banking system, and the role of state banking and financial regulation in the financial regulatory fabric.
- CSBS will continue to develop a central message for the work of CSBS and its members to promote state supervision and advocate state regulators' view on public policy. New technologies and new techniques will be integral to this effort as CSBS seeks to utilize enhanced multi-media outlets to effectively communicate organizational priorities, promote state regulators, and advocate for the dual-banking system.

PROMOTING PROFESSIONAL EXCELLENCE

- CSBS will continue to take advantage of technological advancements in education by offering online learning opportunities for financial regulators on the topics of mortgage supervision, bank operations, information technology, the Bank Secrecy Act, appraisals, capital markets, trust, and MSBs.
- CSBS will continue to work closely with the state banking departments to implement new supervisory processes, develop and improve best practices, and to maintain and enhance examination tools.

ENHANCEMENTS IN NON-DEPOSITORY REGULATION

- CSBS will continue to work closely with regulatory and industry users to expand the use of the Nationwide Multistate Licensing System for non-mortgage consumer financial services industries, and to develop new and enhance existing functionality of NMLS.
- CSBS will continue to work with state regulatory agencies to adopt the uniform state test for state-licensed mortgage loan originators.

STATE OF THE STATE FINANCIAL INDUSTRIES

THE BANKING SYSTEM

The United States' banking system is uniquely American. It's made up of a diverse group of 6,821⁴ banking organizations that vary significantly in terms of size and business model, and its duality has made it one of the strongest banking systems in the world. America's dual-banking system provides financial institutions with a choice of being regulated at the state level or by the federal government, creating a dynamic that has led to responsive supervision and innovative approaches to policy. Today, 75 percent of banks operating in the U.S. operate under the state charter. While some of these institutions are large, the vast majority of these institutions, or 91 percent, are smaller community banks, which typically hold less than \$1 billion in assets.⁵

CHALLENGES FOR COMMUNITY BANKS

A hallmark of America's banking system is its diversity. This diversity allows smaller and larger banks to compete with each other, it ensures access to credit for consumers in nearly every corner of the U.S., and it allows local and rural communities to be served by local decision makers. Increasingly, however, this hallmark of America's banking system is threatened.

In 1984, the U.S. banking system was home to 17,901 banks. By 2012, this number dropped to 7,092 banks. In 2013, 271 additional banks left the U.S. banking system, thereby continuing a troubling trend of industry consolidation that has been ongoing for 29 years. Given that only 24 banks failed in 2013, most of the recent consolidation can be attributed to mergers and acquisitions.

The industry has also experienced dramatic consolidation of assets within a small number of banks. The four largest banks in the U.S. each hold more than \$1 trillion in assets, accounting for 41 percent of total industry assets. Additionally, there are 17 banks that hold between \$100 billion and \$1 trillion in assets and make up 21 percent of total industry assets. Lastly, while banks with less than \$10 billion in assets make up 98 percent of total banks in the United States, these banks hold only 19 percent of total industry assets. Figure 1 demonstrates how assets have increasingly become consolidated in the largest institutions.

Total deposits in the banking system have increased to more than \$11 trillion; however, smaller institutions have struggled to compete for a share. In addition to holding 41 percent of total industry assets, Figure 2 shows that the largest four banks continue to control 40 percent of total bank deposits while the 6,148 banks with less than \$1 billion in assets hold only 10 percent of total deposits.

FIGURE 1: PERCENTAGE OF TOTAL INDUSTRY ASSETS BY ASSET-SIZE

Source: FDIC

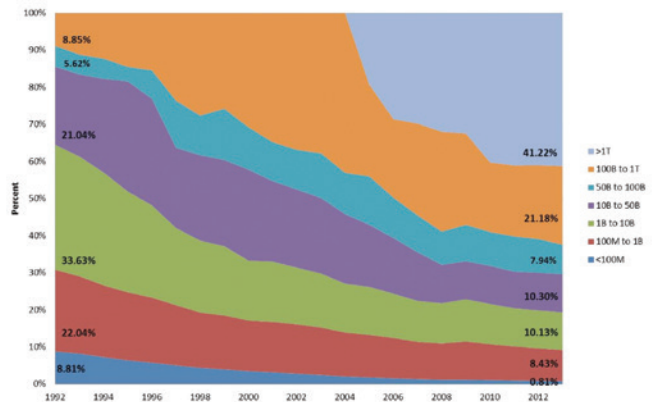
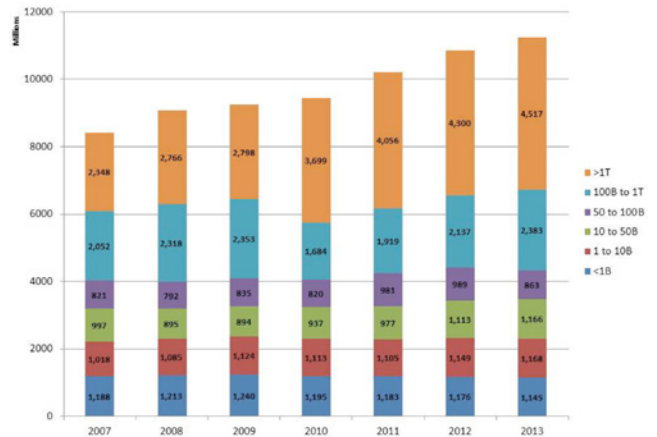


FIGURE 2: TOTAL DEPOSITS BY ASSET GROUP

Source: FDIC



The past year also saw the expiration of the FDIC's Transaction Account Guarantee Program (TAG). Prior to the program's expiration, industry and regulators debated the possible effects the TAG expiration would have on smaller institutions. During the first two quarters of 2013 banks with less than \$1 billion in assets saw a loss of 9.5 percent in non-interest bearing transaction accounts over the \$250,000 insurance limit. The largest banks saw only a 1 percent loss in this deposit category. However, this trend reversed over the second half of the year. Since the expiration of TAG, banks with less than \$1 billion in assets have seen a 1.9 percent overall reduction in these deposit accounts.

4 Federal Deposit Insurance Corporation as of December 31, 2013.

5 Ibid

STATE OF THE STATE FINANCIAL INDUSTRIES

CHARTER FORMATION

Although the first wave of consolidation was sparked primarily by changes in interstate and intrastate branching laws, the FDIC has suggested that financial innovation, technology and post-crisis regulatory developments could be exacerbating industry consolidation.⁶ State regulators believe that government policy should not drive consolidation, but rather reflect the varying business models among the nation's banks, and policy should be tailored to accommodate a community bank's business model and level of risk.

Community banks are already challenged with a stagnant economy, high unemployment, and a low interest rate environment. A one-size-fits-all approach to regulations designed to capture the activities of the largest banks only compound these challenges.

In the five years leading up to the financial crisis, an average of 156 new banks per year opened their doors. It is to be expected that the financial crisis and challenging economy would result in less chartering activity, however, since 2008, only 23 "new" banks have started, and all but two of these de novo charters were approved in order to buy failing

institutions. These two start-up banks represent the only new charters to have emerged in the post-crisis banking industry. The ability to charter a bank to meet local needs is a fundamental strength of our banking system and key to our economic success. It is crucial that federal regulators promote policies that aim to reverse the trend of consolidation and provide entrepreneurs with the confidence and opportunity to form new community banks.

FIGURE 3: NUMBERS OF CHARTERS BY AUTHORITY

Source: FDIC

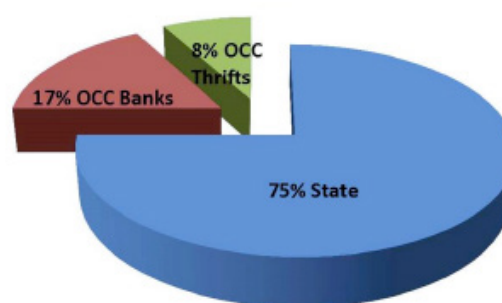


FIGURE 4: NUMBERS OF CHARTERS BY AUTHORITY

Source: FDIC

	STATE	%	OCC	%	OCC/OTS	%	TOTALS	Change
12/31/2013	5,168	75%	1,156	17%	497	8%	6,821	-271
12/31/2012	5,309	75%	1,236	17%	547	8%	7,092	-274
12/31/2011	5,432	74%	1,315	18%	619	8%	7,366	-300
12/31/2010	5,611	73%	1,386	18%	669	9%	7,666	-355
12/31/2009	5,855	73%	1,465	18%	701	9%	8,021	-293
12/31/2008	6,034	73%	1,540	19%	740	9%	8,314	-393
12/31/2006	6,216	71%	1,723	20%	768	9%	8,707	-1,046
12/31/2000	6,607	68%	2,231	23%	915	9%	9,753	-1,952
12/31/1995	7,676	66%	2,858	24%	1,171	10%	11,705	-1,662
12/31/1992	8,388	63%	3,593	27%	1,386	10%	13,367	
12/31/1985	High Point							18,043
	Change from 1985 to YE 2013							-11,222
	Percentage							-62%
	Percentage per annum							-2%

⁶ FDIC Community Banking Study, 2012: <https://www.fdic.gov/regulations/resources/cbi/report/cbi-full.pdf>.

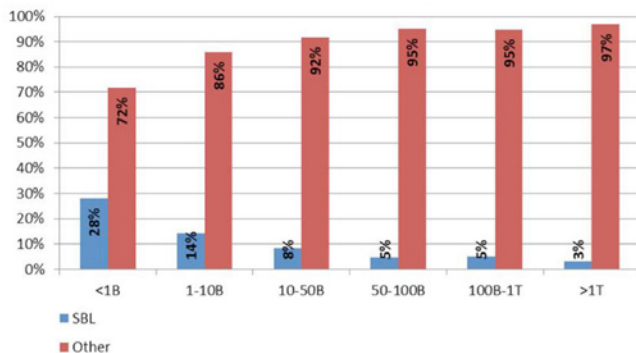
STATE OF THE STATE FINANCIAL INDUSTRIES

SMALL BUSINESS LENDING

Despite their smaller footprint, community banks have played an outsized role in small business lending. In 2013, 28 percent of total loans made by banks with less than \$1 billion in assets were made to small businesses, whereas only three percent of the total loans made by institutions with more than \$1 trillion in assets were made to small businesses. Despite holding less than 10 percent of total industry assets, community banks accounted for 36.3 percent of total small business lending in 2013.

FIGURE 5: SMALL BUSINESS LENDING BY ASSET GROUP (AS OF YE 2013)

Source: FDIC



MORTGAGE SERVICING INDUSTRY

Due to post-crisis regulatory policies, there has been a significant shift in the mortgage servicing landscape. Increased compliance costs and new capital requirements are causing many banks to rethink their servicing strategies with many selling their servicing rights to non-bank mortgage servicers. In a short amount of time non-bank mortgage servicers have increased their significance in the servicing industry. In 2013, \$1.03 trillion of mortgage servicing rights were sold with an overwhelming majority going to non-bank mortgage servicers.⁷ Even with this shift, the largest banks maintain about 40 percent of the \$10 trillion market. Non-depository mortgage servicers hold about 13 percent of the market share.

State regulators, through CSBS, are considering a range of responses to this sudden migration of servicing, including research into the appropriate prudential standards for non-bank servicers; a table top exercise of a non-bank servicer failure; and a model state law focused specifically on non-bank servicers.

PAYDAY LENDING

Payday lending is a \$7.4 billion industry with approximately 12 million borrowers taking out short-term loans each year. Over the past year, the industry has seen increased scrutiny from regulators and lawmakers as the volume of online payday loans have steadily increased along with the number of consumer complaints regarding these loans. According to a report by The Pew Charitable Trusts, three-quarters of payday loan borrowers use storefront lenders and one-quarter turn to online lenders. However, researchers expect online payday loans could eventually overtake storefront loan volume in the coming years. A growing concern for state regulators has been the illegal unlicensed payday lending occurring primarily from online lending.

MONEY TRANSMITTERS

Overtime technological innovations evolve, causing industry players and regulators to reassess business models and laws. Traditionally, state regulators have defined a money transmitter as an entity that receives money or monetary value to transmit, deliver or instruct to be transmitted or delivered, money or monetary value to another location. However, growth and innovation in emerging payment systems has focused attention on the broader financial marketplace that includes money transmitters, prepaid access and other non-bank participants. As such, a coordinated effort was initiated that encourages innovation while also maintaining state regulatory oversight and protecting consumers.

⁷ Bloomberg /Inside Mortgage Finance.

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

Overview

The government relations function of CSBS is the responsibility of the Policy and Supervision Division. The Division covers legislative issues and advocacy, regulatory policy, bank supervision practices and coordination, non-depository supervision, and consumer protection.

The work of the Division continues to focus on the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and changes to bank and non-bank supervision as a result of the financial crisis. CSBS is also evaluating items not fully addressed by the Dodd-Frank Act, including too big to fail, housing finance, and the structure of the regulatory system.

CSBS's single greatest priority is the viability of the community bank model. This cuts across all work streams, including legislative advocacy, recommendations on regulations, and examination processes. CSBS believes that federal policymakers should design a regulatory framework that appropriately supervises and supports the community banking sector's ability to safely and soundly meet the needs of local communities.

The United States has benefited from a diverse banking system. Ensuring that no institution is too big to fail and that federal policy accommodates and is more tailored to the community bank business model are fundamental to ensuring a diverse banking system.

Collectively, our goal is to ensure the state financial regulatory system is strongly represented in the formation of federal public policy. CSBS meets this goal by maintaining regular contact with state supervisors to be aware of current issues and coordinate best practices for the benefit of the state system of financial supervision. CSBS also develops and maintains relationships across the federal government to ensure the state perspective is represented and state regulators have a conduit to have issues resolved. Specific projects and advocacy initiatives to support this goal are highlighted in the sections to follow.

Legislative and Legal Section

OVERVIEW

Through active engagement with Congress, regulatory agencies, and other organizations concerned with financial services policy, CSBS's Legislative and Legal Division promotes the policy priorities of state regulators and educates policymakers on the role of state regulators in the larger financial regulatory fabric.

The CSBS Legislative Committee, chaired by Sally Cline, Commissioner of Banking of the West Virginia Division of Financial Institutions, serves as CSBS's legislative policy deliberating body, identifying legislative priorities and reviewing legislative proposals that could have a significant impact on state regulation of financial services. To support the work of the Legislative Committee and to keep the broader membership current on Congressional developments, CSBS legislative and legal staff monitor legislative developments to identify policy proposals affecting state bank supervision and state financial regulation and provide state regulators with timely reports of Congressional developments and analyses of relevant legislative proposals.

A kelement of CSBS's policy advocacy is the annual CSBS Washington Fly-In, which brings together state banking commissioners in Washington, D.C. every spring for meetings with key members of Congress and federal agency principals. More than 60 state regulators attended the 2013 Fly-In, which included sessions with House Financial Services Committee Chairman Jeb Hensarling (R-TX), and freshman Senator Elizabeth Warren (D-MA).

The CSBS Legislative and Legal Section also monitors litigation affecting state authority and the operation of applicable state law on financial services providers. In past years, CSBS has submitted *amicus* briefs in seminal cases involv-



Texas Congressman Jeb Hensarling Addresses State Regulators at 2013 CSBS Washington Fly-In

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

ing preemption of state law, including *Watters v. Wachovia* (2007) and *Cuomo v. Clearinghouse* (2009). More recently, and since enactment of the Dodd-Frank Act, CSBS legal staff has been monitoring a variety of preemption cases in the lower courts, as well as participating in the rulemaking related to the Dodd-Frank Act's preemption provisions. CSBS expects significant activity in this area for several years to come.

CSBS staff provide support to counsels in the state banking departments on a variety of legal issues. Since the passage of the Dodd-Frank Act, this work has focused on interpretive questions related to implementation of the Dodd-Frank Act as well as legal issues related to information sharing among regulators. CSBS legal staff also facilitate collaboration among the legal staff of state banking departments through the CSBS Lawyers Listserv, an online discussion tool utilized by many attorneys at state banking departments, and the annual CSBS Legal Conference.

CSBS legal staff also provide general legal support across all of CSBS, including the CSBS Education Foundation and the State Regulatory Registry (SRR), a CSBS subsidiary.

HIGHLIGHTS

In 2013 Congress continued to pursue an active oversight agenda examining various aspects of the U.S. financial regulatory landscape, particularly as it relates to the implementation of the Dodd-Frank Act. The impact of regulation and supervision on community banks has been a recurring theme during Congressional hearings and Congress has devoted significant efforts to respond to the concerns of community banks about the regulatory environment. Additionally, 2013 saw the beginnings of concerted legislative efforts to address the housing finance system, including the future of the housing finance Government Sponsored Enterprises, Fannie Mae and Freddie Mac.

In this setting, CSBS continues to distinguish itself as a non-partisan advocate for policies that make common sense and have flexibility, hallmarks of state supervision, and for a diverse financial services industry. CSBS's legislative work – in Washington and in members' home states – has focused on bringing state regulators' perspectives to issues affecting industry diversity and the role of state regulation within the country's regulatory fabric.

CSBS has been actively engaged with Congress on the challenges facing the community bank business model. CSBS's advocacy has centered on regulatory right-sizing – ensuring that regulation and regulators are not bound to a "one-size-fits-all" approach and have the flexibility and willingness to adapt to different business models. In the area of mortgage regulation, CSBS worked with Congress on legis-

lation providing greater flexibility to the Consumer Financial Protection Bureau's (CFPB) qualified mortgage rule's treatment of balloon loans in rural areas.

CSBS policy positions reflect a belief that industry diversity is best achieved if regulators and regulatory agencies reflect multiple, not monolithic, points of view. When assessing the current composition of two federal banking regulatory bodies – the Board of Governors of the Federal Reserve (Federal Reserve Board) and the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) – CSBS sees room for improvement.

In the fall of 2013, CSBS undertook a review of the history of the composition of the Federal Reserve Board and of the legal and legislative history of that Board's membership. What we found was a repeated effort by Congress to ensure that the Federal Reserve Board include individuals with varying and diverse backgrounds and expertise coupled with a consistent trend of expanding the Federal Reserve Board's supervisory responsibility. At the same time, our research found that the actual composition has become less and less diverse in terms of the backgrounds of the individual governors, with the Board becoming more and more dominated by academics and economists.

Turning to the composition of the FDIC Board of Directors, CSBS continues to advocate for adherence to the letter and spirit of the Federal Deposit Insurance Act, which requires that one member of the FDIC Board have state bank supervisory experience. No member of the current FDIC Board properly meets this requirement – a requirement that can only be met by an individual who has worked in state government as a regulator of state-chartered banks.

The past year also saw increased Congressional interest in certain non-bank financial services industries, including money transmitters and payday lenders. During hearings on each of these industries, CSBS witnesses had the opportunity to educate Congress about state oversight and regulation of non-bank financial services providers.

OTHER UPDATES

Congressional Testimony

CSBS testified before Congress twice in 2013. In July, CSBS Chairman and Commissioner of the Kentucky Department of Financial Institutions Charles Vice [testified](#) before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit on the CFPB's qualified mortgage rule. This hearing provided an opportunity for Chairman Vice to discuss community bank portfolio lending and to articulate a common sense approach to mortgage regulation of community banks. In particular, Chairman Vice discussed CSBS's rural petition concept for

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION



CSBS Chairman Charles A. Vice gives Testimony on CFPB's Qualified Mortgage Rule



Massachusetts Division of Banks Commissioner David Cotney Testifies on Virtual Currency

addressing areas seeking rural designations for purposes of the qualified mortgage rule.

In November, David Cotney, CSBS Vice Chairman and Commissioner of the Massachusetts Division of Banks, [testified](#) alongside Financial Crimes Enforcement Network (FinCEN) Director Jennifer Shasky Calvery on state regulatory perspectives on virtual currency. Commissioner Cotney's testimony outlined state regulators' roles as licensing and regulatory authorities over various money services businesses, a category that may include certain virtual currency companies. Commissioner Cotney's appearance at the hearing also provided an outline of state regulators' interests in emerging payments systems issues and the balancing of risks and opportunities that state regulators must engage in as they evaluate payments innovations.

OUTLOOK FOR 2014

The year 2014 will be the Second Session of the 113th Congress as well as a mid-term election year. The House Finan-

cial Services and Senate Banking committees will continue to pursue packed financial services agendas dominated by housing finance reform and continued Dodd-Frank Act implementation oversight. Additionally, the House Finance Services Committee is expected to take a year-long look into the oversight of Federal Reserve's mission and governance. And finally, with vacancies on the Federal Reserve Board of Governors, there will be a heightened focus in 2014 on the composition of the Federal Reserve Board and possible nominees. CSBS has advocated for the appointment of individuals with either community banking or bank supervisory experience to the Board of Governors.

Regulatory Policy Section

OVERVIEW

The Regulatory Policy Section analyzes and provides the state perspective on federal regulatory policy proposals that directly affect state-supervised entities. The Regulatory Policy Section facilitates state representation on the Federal Financial Institutions Examinations Council (FFIEC) and coordinates efforts among the state banking departments on supervisory related issues.

REGULATORY REFORM

During 2013, the Regulatory Policy Section analyzed and responded to several proposals related to the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Staff provided regular briefings to state financial regulators on the implementation of Dodd-Frank, including the status and pace of required Dodd-Frank rulemakings. Dialogue with state regulators has been productive in identifying implementation challenges and developing an understanding of the full impact of this historic law. Figure 6 highlights the progress of federal regulators in implementing the Dodd-Frank Act by title.

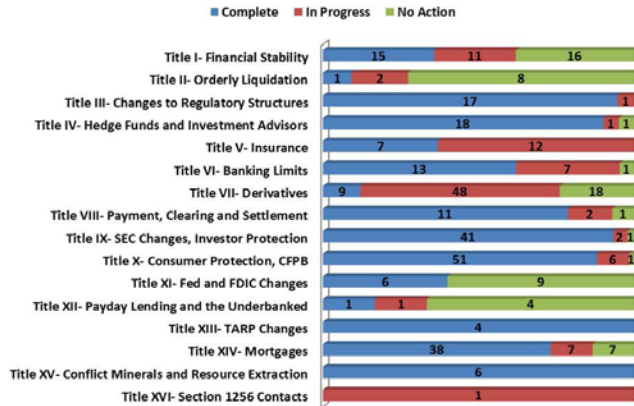
The Dodd-Frank Act created two new instruments of the federal government: the Consumer Financial Protection Bureau (CFPB) and the Financial Stability Oversight Council (FSOC). The CFPB is charged with enforcing federal consumer protection laws and developing rules and disclosures to protect consumers utilizing financial products. The CFPB has extensive and broad power over consumer financial services. As the CFPB was being formed, CSBS staff were – and continue to be – in regular dialogue with CFPB staff to ensure an understanding of the valuable and critical role state regulators play in consumer protection. As a first step in streamlining the supervisory process between state regulators and the CFPB, the CFPB signed a memorandum of understanding (MOU) with CSBS and several state departments in January 2011. The agreement provides a framework for coordination and information sharing that

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

FIGURE 6: DODD-FRANK IMPLEMENTATION PROGRESS BY TITLE (AS OF YE 2013)

Source: Bloomberg



state financial regulators and the CFPB would build upon in 2013. At the CSBS State-Federal Supervisory Forum, CSBS and the CFPB announced an agreement that enhances the 2011 MOU to establish the process for how state and federal regulators will share supervision of non-depository financial services providers and certain depository institutions with more than \$10 billion in assets.

The FSOC is responsible for monitoring the risk within the financial system, identifying gaps in supervision, and designating non-depository companies to be subject to enhanced prudential standards and supervision. In addition to a host of federal regulators who serve on the FSOC, there are three state regulators serving as non-voting members. The state members represent state banking, insurance, and securities departments. These positions provide an important connection between state financial regulation and the federal regulatory framework. The state banking supervisors, through CSBS, appointed John P. Ducrest, Commissioner of the Louisiana Office of Financial Institutions, to serve as their representative on the FSOC. Commissioner Ducrest is supported in his FSOC duties by four CSBS staffers who operate under secondment and confidentiality agreements. The FSOC has and will continue to play an increasingly important role in public policy and financial supervision over the years. In 2013, under its Dodd-Frank authority, the FSOC designated its first non-bank financial companies as systemically important financial institutions, subjecting the companies to enhanced prudential standards.

POLICY INITIATIVES

The ongoing work of the Regulatory Policy Section is to identify and analyze federal policy and its potential impact on state supervision, the banking and mortgage industries, and consumer protection. During 2013, the Regulatory



Richard Riccobono, CSBS Regulatory Committee Chair and Director of the Division of Banks at the Washington Department of Financial Institutions

Policy Section primarily focused its efforts on continued implementation of the Dodd-Frank Act, U.S. application of the Basel III Accords, and federal initiatives in housing finance reform. Policy positions are determined by the CSBS Regulatory Committee, chaired by Richard Riccobono, Director of the Division of Banks at the Washington Department of Financial Institutions. The policy process to evaluate these and other proposals serves to inform state regulators and to advocate for regulatory policies that support the business model of large and small financial institutions while ensuring a safe and sound financial system.

The regulatory response to the financial crisis and the implementation of the Dodd-Frank Act has required significant staff time and work with state regulators to develop policy and respond to federal proposals.

Key [comment letters](#) to the federal regulatory agencies submitted in 2013 include:

Rule to Amend Aspects of the Electronic Funds Transfer Rule

- CSBS sent a [comment letter](#) to the CFPB on January 30 written with the Money Transmitter Regulators Association (MTRA) regarding proposed amendments to the CFPB's Electronic Funds Transfer (Regulation E) as it applies to remittance transfers (Remittance Rule). CSBS has engaged the CFPB throughout the development of this rule and voiced concern surrounding the foreign tax and receipt provisions of the Remittance Rule, particularly the effect the provisions would have on small money transmitters that service underserved and diverse local communities. CSBS and MTRA noted that the CFPB is taking appropriate action to remedy impediments and endorsed the CFPB's commitment to developing practical and proactive standards in this area.

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

Small Creditor Qualified Mortgage (QM) Rule

- CSBS sent a joint [comment letter](#) to the CFPB on February 25 with the American Association of Residential Mortgage Regulators (AARMR) and the American Council of State Savings Supervisors (ACSSS) that stated support for the Small Creditor QM definition in the proposed amendments to the CFPB's Ability to Repay Standards under the Truth in Lending Act. The Small Creditor QM structure reflects CSBS's longstanding position that regulations should not hinder insured depository institutions from engaging in portfolio lending.

CSBS Proposes CFPB Adopt Petition Process

- CSBS sent a [letter](#) to the CFPB on March 26 proposing the establishment of a petition process to accompany the agency's implementation of balloon qualified mortgage and escrow requirements for rural creditors. CSBS believes that there will be inherent inconsistencies in a nationwide rural classification system, and a petition mechanism will facilitate a formal process through which interested parties can petition the CFPB to determine that a specified area be considered rural for the purposes of Truth in Lending requirements.

Enhanced Prudential Standards for Foreign Banking Organizations

- CSBS sent a [letter](#) to the Federal Reserve Board on April 30 regarding Enhanced Prudential Standards for Foreign Banking Organizations (FBOs). CSBS largely supports the Federal Reserve's efforts to apply enhanced prudential standards and early remediation requirements to FBOs, mandates derived directly from the Dodd-Frank Act. However, CSBS believes the proposal should not interfere with state regulatory structures and authority for FBOs, and that the Federal Reserve should further investigate the need for regulatory provisions that go beyond the scope of the Dodd-Frank mandate, particularly aspects of the Intermediate Holding Company requirement. The proposed framework should not encroach on existing and effective foreign bank regulatory structures governed by state regulators, and CSBS encourages state-federal coordination to avoid supervisory duplication.

Community Reinvestment Act Proposed Revisions

- CSBS sent a [letter](#) to the federal banking agencies on May 17 regarding the agencies' request for comment on the Interagency Questions and Answers Regarding the Community Reinvestment Act (CRA). CSBS believes the effort to revise CRA is misguided. CSBS questioned some of the procedural aspects of the proposed revisions related to investment in nationwide funds, and the agencies' election to pursue these changes outside the FFIEC. Notably, the proposed revisions make clear that larger institutions are particularly well-suited to invest in nationwide funds, and therefore should not have to produce proof of earmarking. CSBS contends that this puts smaller institutions at a competitive disadvantage despite their intrinsic support for investment in their communities.

FASB Proposed Accounting Standards Update

- CSBS sent a [letter](#) on May 31 regarding the Financial Accounting Standards Board's (FASB) proposed accounting standards update that would move away from the prevailing incurred loss impairment model to a Current Expected Credit Loss model. CSBS believes that an impairment framework that allows institutions to build stronger reserves by considering more forward-looking information would benefit the banking system. However, CSBS would not support the framework if it is ultimately model-driven and requires unworkable forecasting projections. Further, CSBS believes FASB should thoroughly weigh the impact the proposed standards might have on community banks from a burden and complexity perspective. In an already costly regulatory environment, it is critical that the benefits of any changes to the impairment accounting framework outweigh the costs. Therefore, FASB should proceed with caution in implementation and work with banking regulators to develop helpful tools to facilitate transition for smaller financial institutions if the revised proposal is adopted.

Leverage Ratio Framework

- CSBS sent a [letter](#) to the Basel Committee on Banking Supervision regarding revisions to its leverage ratio framework on September 23. The changes primarily involve the measurement of the exposure measure (the denominator) of the leverage ratio, which will create a more credible and uniform way to measure leverage at Global Systemically Important Banks (G-SIBs) even if they are subject to different accounting standards. CSBS generally supports the revisions as they provide a more effective and useful exposure measure and increase the safety and soundness of the banking system.

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

Enhanced Supplementary Leverage Ratio

- CSBS sent a [letter](#) on October 21 to the federal banking agencies on the Enhanced Supplementary Leverage Ratio for the eight U.S. G-SIBs. These bank holding companies would be required to maintain a tier-one capital leverage buffer of at least two percent above the minimum supplementary leverage ratio requirement of three percent for a total of five percent, and their insured depository institution subsidiaries would have to meet a six percent supplementary leverage ratio to be considered “well capitalized” under the Prompt Corrective Action framework. CSBS proposed extending the enhanced supplementary leverage ratio to all Advanced Approaches institutions. CSBS also supported the agencies’ assertion that leverage capital and risk-based capital should be equally important and prominent in capital policy. While the proposal mitigates certain issues surrounding “too big to fail” institutions, it does not fully address them.

In addition to engagement on federal banking agency rulemakings, CSBS monitors, collects, and updates federal regulatory developments for state regulators. CSBS developed and published guides and resources for state regulators on the following regulatory issues:

- Mortgage Rules: CSBS Briefing Deck reflecting amendments to the CFPB’s Ability-to-Repay and QM rule that focuses on small creditor QMs and balloon loans.
- Stress Testing: CSBS Briefing Deck on the federal banking agencies’ stress testing requirements.
- Lending Limits: Model rule for state financial regulators that reflects changes in the Office of the Comptroller of the Currency’s final rule and a CSBS Briefing Deck to assist state financial regulators in the examination and valuation of derivatives and securities financing transactions for purposes of calculating whether all exposures to counter-party exceed a state’s legal lending limit.
- “Too Big to Fail”: CSBS Briefing Deck on domestic and international policy proposals and efforts to address “too big to fail” financial institutions.
- Volcker Rule: Guide for state financial regulators that shows how the final Volcker Rule aligned with CSBS’ policy positions on the proposed rule.



Shane Deal, Community Bank Steering Group Chair and Deputy Commissioner of the Minnesota Department of Commerce

COMMUNITY BANKING

CSBS initiated an effort in 2011 to focus on the viability of the community bank business model and to investigate impediments that community banks face stemming from public policies and market pressures. Chaired by Shane Deal, Deputy Commissioner of the Minnesota Department of Commerce, the CSBS Community Bank Steering Group is engaged in various work streams to analyze the issues community banks face and propose actions that could positively impact their competitive position in the industry.

Through the guidance of the Community Bank Steering Group, CSBS heightened its advocacy, research, and policy development efforts in 2013. This includes the development of a list of [regulatory relief proposals](#) focused on ensuring that regulation and supervision of financial institutions reflect the community bank business model, publishing a white paper entitled [An Incremental Approach to Financial Regulation](#), which advocates for a federal regulatory framework appropriately designed to supervise and support community banks, and hosting a first-of-its-kind community bank research conference, [Community Banking in the 21st Century](#), alongside the Federal Reserve System in St. Louis. During the conference, research by academics on issues impacting community banks was presented, as well as the findings from 51 community banker town hall meetings across 28 states and attended by more than 1,700 community bankers.

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

Box A: Right-Sized Regulations that Support the Community Bank Business Model From the CSBS White Paper “An Incremental Approach to Financial Regulation”

Federal lawmakers and regulators have demonstrated the ability to distinguish between banks’ business models and tailor supervisory and regulatory expectations. By recognizing that Congress and federal regulatory agencies have the ability to design statutes and regulations to address risks inherent in large, complex organizations without crippling smaller, less sophisticated organizations, one can begin to envision a diverse and vibrant community banking sector that will continue to contribute to the economic vitality of the United States for decades to come. The Steering Group identified a need to develop future policy with an incremental approach that proactively tailors regulations to a bank’s risk profile, size, and business model. Additionally, the Steering Group vigorously opposes the tendency to apply a “one-size-fits-all” supervisory model.

As evidenced in previous tailored rulemakings, Congress and federal regulators have recognized the natural alignment of interests in the community bank business model, from consumer protections in portfolio lending to flexible capital options. By recognizing differences in portfolio lending business models and balance sheets for smaller institutions, policymakers have begun to incorporate the different cost structures and customer relationships that must be addressed when determining the risks facing community banks.

However, Congress and federal regulators must better support the community bank business model. If there is recognition that rational, sensible regulation is possible, then there is an obligation to act. Congress and federal regulators can support community banks and the local economies they serve by taking the following actions:

- Design regulations and examination practices that properly account for community banks’ relationship lending model, which small businesses and consumers rely heavily upon;
- Remove barriers to private capital investment for small bank holding companies;
- Grant all community banks’ loans held in portfolio QM status, thereby encouraging home ownership in all communities, not just those served by the largest financial institutions;
- Provide community banks with regulatory clarity and transparency regarding fair lending requirements;
- Extend pass-through deposit insurance for small business payroll accounts; and
- Eliminate the brokered deposit designation for reciprocal deposits.

COORDINATION

A cornerstone to the work of CSBS is to aid in the coordination between state and federal regulators. The coordination work covers policy development and examination processes. In this challenging environment, CSBS has been fully engaged in advising state departments of various regulatory approaches, and when necessary, assisting in the escalation of cases to the Washington, D.C. staff of the relevant federal agency. CSBS is also a helpful conduit for the federal agencies when they need input on new initiatives or need to communicate with state regulators.

In 2013, CSBS staff continued to facilitate state regulators’ membership on the FFIEC. The FFIEC’s mission is to facilitate a common approach to supervision, policy, and examiner education. The CSBS Policy and Supervision Division and Professional Development Division provide staff support for the state regulators serving on the FFIEC, its task forces, and its numerous working groups. Active state

involvement in the FFIEC is critical to ensuring a voice for the state system in the development of federal regulatory policy.

OUTLOOK FOR 2014

The implementation of the Dodd-Frank Act, the Basel III standards, and housing finance reform will continue in 2014 and beyond. These topics will also require continued work by CSBS to inform state financial regulators and advocates for the state system. Community banking is a key component to many rural, local, and state economies. As such, CSBS will continue to expend considerable resources to understand and support the community bank business model. The financial regulatory system must support this model in the interest of the national economy. Plans for a second community bank research conference are underway, and CSBS will look to this empirical research to drive its policy development process.

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

Additionally, the Regulatory Policy Section will engage the federal banking agencies on emerging issues such as virtual currencies, payments system reform, large scale mortgage servicing transfers, the banking of marijuana related businesses, and cybersecurity.

Bank Supervision Section

OVERVIEW

The Bank Supervision Section works closely with the state banking departments to implement new supervisory processes, develop and improve best practices, and maintain examination tools. Equally important is the Section's dedication to fostering better state-to-state and state-to-federal collaboration and coordination. The primary focus of the Section is safety and soundness examinations, but the Section also supports other areas, including information technology (IT), trust, and holding company examinations. The Bank Supervision Section supports all disciplines of state bank supervision, leveraging the information and resources gathered by the CSBS accreditation process to align best practices and standards across the state banking departments.

One of the Bank Supervision Section's primary functions is supporting state bank supervision and interagency coordination. CSBS staff work to be informed of all recent and emerging risks to ensure state supervisory processes remain efficient and current. Staff are available to provide any services needed for state regulators to conduct their daily tasks of state bank supervision.

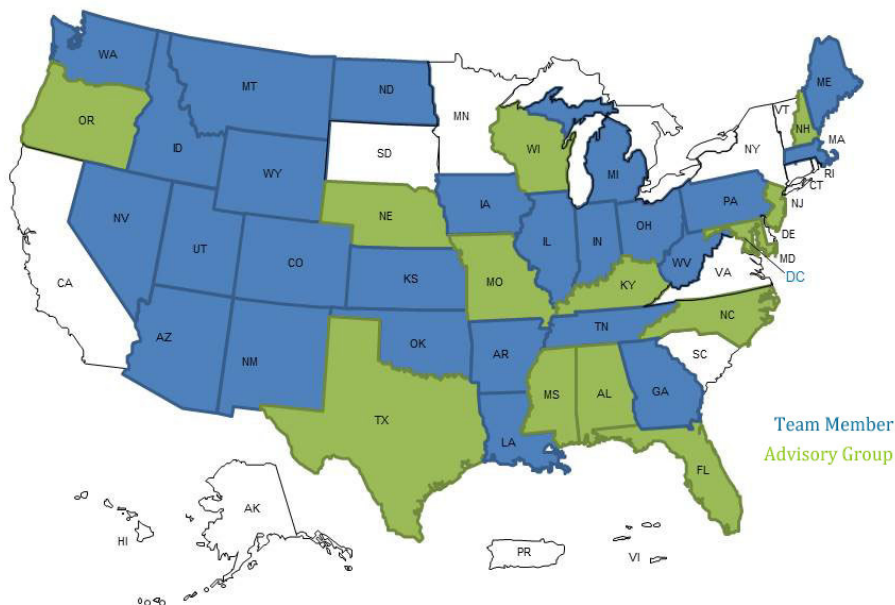
KEY INITIATIVES

Risk Identification Team and Advisory Group

In September 2013, the CSBS State Supervisory Processes Committee (SSPC) approved the formation of the CSBS Risk Identification Team and Advisory Group (Risk ID Team). As illustrated by Figure 7, the Risk ID Team has representation from more than 40 state banking departments. A smaller subset of the team, the Advisory Group, is chaired by Mike Johns, a Financial Examiner/Analyst Supervisor with the Florida Office of Financial Regulation. The Risk ID Team was formed to provide a broad, nationwide perspective of emerging risks, supervisory trends, and challenges from the perspective of a field examiner. Recognizing examiners are often the first to detect a developing trend or emerging issue, Risk ID Team members are encouraged to report matters as they are encountered. In addition, the team responds to a survey that collects information on supervisory trends across state banking departments. The Advisory Group evaluates the survey responses and explores certain issues more thoroughly. All activity of the Risk ID Team is conducted through the use of a secure, online, collaboration tool that facilitates ongoing discussions and provides a platform for sharing information. Information from the Risk ID Team is used by CSBS committees to better inform their work, and by the Professional Development Division to identify potential areas for training.

FIGURE 7: RISK ID TEAM REPRESENTATION BY STATE

Source: CSBS



CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

IT Advisory Group

The SSPC also approved the formation of the IT Advisory Group. The IT Advisory Group gathers field-level intelligence of IT emerging risks and addresses supervisory challenges. This advisory body serves as a risk and supervisory trends reporting team by using information from their IT supervision process and by reaching out to all 54 state banking departments as needed. As cyber threats grow, state regulators will be looking to this group to stay abreast of the best practices and provide guidance on addressing threats and communicating with the industry.

The IT Advisory Group will provide feedback to State Liaison Committee (SLC) representatives on the Federal Financial Institutions Examination Council (FFIEC) IT Subcommittee, the FFIEC Handbook Working Group, and the newly formed FFIEC Cybersecurity and Critical Infrastructure Working Group. Findings, recommendations, suggested initiatives/projects, and training needs from this advisory group will be channeled through the SSPC.

Corporate Account Takeover Best Practices and Guidance

The development and implementation of corporate account takeover standards, best practices and examination procedures remains a key ongoing initiative that began in late 2012. CSBS, the Financial Services-Information Sharing and Analysis Center (FS-ISAC), and the United States Secret Service adopted standards and best practices for a strong risk-management program to reduce the risks of this type of electronic theft affecting many financial institutions. State banking departments worked to communicate these standards and best practices to the banking industry throughout 2013.

Examination Tools Suite (ETS)

The Bank Supervision Section also provides substantial support to the development of examination tools utilized by both federal and state regulators. A primary example of this is ETS, which will provide examiners with a single platform for all examination activities. ETS is expected to be deployed in 2015 after significant testing and validation by examiners from state regulatory agencies, the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve. The primary objective of ETS is to replace two critical examination applications, ALERT and GENESYS. These applications have been in use for more than a decade and are critical tools to the examination process in the majority of states.

The release of the first product of the ETS initiative, ETS-ALERT 1.0, was made available in August 2012. This application is now in use by a majority of state banking departments

whose exam teams can now maintain loan review records electronically. At a time when many regulated institutions are moving to electronic document management systems, ETS-ALERT provides regulators the ability to maintain their documentation securely in electronic format.

Since the deployment of ETS-ALERT in 2012, much work has been done preparing for the eventual deployment of ETS. For example, a group of stakeholders organized under the CSBS State Examiner Review Team (SERT) participated in regular assessment activities during the construction process. The feedback provided by this group has ensured that state requirements are considered throughout the development of ETS. In anticipation of the nationwide implementation, staff continues to work closely with these stakeholders to develop a deployment plan that accommodates state regulators' unique testing and training needs.

Additional Examination Tools

Outside of the ETS initiative, the Bank Supervision Section is engaged in updating Examination Documentation modules, developing new job aids, testing additional examination applications, and responding to the ever changing supervisory risk landscape.

A Municipal Bond Job Aid was developed by SERT to improve examiners' understanding of municipal investments and to provide a single point of access for municipal bond information.

A Third-Party Payment Processor Job Aid, developed by SERT as a resource for examiners, was in its final stages of development by year-end 2013. The Job Aid is a tool for examiners to use to better understand, identify and assess risks associated with an institution's relationship with third-party payment processors. Once approved by the SSPC, the job aid will be released to all examiners. An all-states webinar will introduce the key concepts of the job aid and work program necessary to allow states to implement the job aid in a manner that suits their examination practices.

The CSBS Examiner Reference CD is a downloadable resource that contains new and updated reference materials commonly used by field examiners. While no longer a true CD, the reference compendium was updated in late 2013. This update incorporates current accounting guidance, federal examination manuals, and updated Examination Documentation modules.

COMMITTEE WORK

The Bank Supervision Section has a number of committees and working groups to enhance examination collaboration, communication, and supervisory tools available for state regulators. The strength of these committees is the

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

participants' broad range of experience and expertise. This expertise allows supervisory concerns seen at different levels to be centralized and evaluated. Often, these committees report on and address supervisory concerns of one state before they affect other states.

State Supervisory Processes Committee (SSPC)



Albert Forkner, SSPC Chair and Commissioner of the Wyoming Division of Banking

The CSBS SSPC is chaired by Albert Forkner, Commissioner of the Wyoming Division of Banking. Throughout 2013 the SSPC worked to identify supervisory challenges and coordinated efforts to develop best practices with the CSBS accreditation process. The SSPC also addressed supervisory issues and challenges

that arose from state and federal coordinated supervision, released the Municipal Bond Job Aid, and evaluated supervisory actions required on permissible investments as the Dodd-Frank Act required federal agencies to strip all references to credit ratings from regulations.

Non-Depository Trust Working Group

The Non-Depository Trust Working Group is comprised of 32 participating state banking agencies. The group holds

monthly conference calls that allow for an exchange of ideas and experiences related to non-depository companies that lie solely within the state regulatory purview. The effort began with a focus on evaluating the need for data collection in the form of a nationwide call report, but expanded in 2013 to include the creation of guidance for minimum capital requirements, and the development of examination procedures dealing specifically with non-depository companies. The examination procedures will provide consistent processes and help state examiners better assess the risk inherent with these institutions.

State Examiner Review Team (SERT)

A working group of the SSPC, SERT is chaired by Doug Heselton, Supervising Examiner of the North Dakota Department of Financial Institutions. SERT continues to represent the states on interagency software development initiatives. Many SERT members have been longstanding participants on various examination tool development initiatives, the latest of which is ETS. SERT was significantly engaged in ETS development and testing throughout 2013, a role that ensures state banking departments maintain a voice throughout the interagency application development process. The anticipated release of ETS has expanded SERT's role to include software testing, development of state training plans, and leading state train-the-trainer events, all with an eye toward ensuring states are well-positioned to leverage the ever-changing technology environment.

Technology Committee

The CSBS Technology Committee is charged with developing IT best practices and information sharing between the

Box B: State Regulators Work to Mitigate Cybersecurity Risk Through Cybersecurity and Critical Infrastructure Working Group

Cybersecurity threats are on the rise for financial institutions as cybercriminal activity becomes increasingly sophisticated and migrate from the country's largest banks to include mid- and smaller-sized financial institutions. This has become a heightened area of concern for state financial regulators as these threats could put the entire U.S. financial system at risk. To mitigate these cyber risks state financial regulators are working with their federal counterparts as part of the FFIEC's Cybersecurity and Critical Infrastructure Working Group (CCIWG) to promote coordination across federal and state banking regulatory agencies on critical infrastructure and cybersecurity issues, as well as consider how to best implement aspects of President Obama's Executive Order on Cybersecurity.

The CCIWG will enhance communication among the FFIEC member agencies regarding threats, best practices to address threats, and incident coordination. The CCIWG will work to increase awareness across financial institutions, community institutions in particular, about the evolving nature of the cyber landscape and encourage the engagement of financial institutions in public-private partnerships. A key objective of the CCIWG is to identify and address gaps in the landscape of federal and state bank examination policies related to cybersecurity and critical infrastructure resilience. These efforts are important in light of the growing sophistication and volume of cyber-attacks and the global importance of critical financial infrastructure.

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

states. The committee is chaired by Danny Ragan, Information Technology Director of the Louisiana Office of Financial Institutions. Similar to SERT, the Technology Committee has assumed an expanded role preparing for the delivery of ETS applications. State banking departments, through CSBS, have a unique opportunity to bring much of the back-end support for these applications under more direct control. Throughout 2013, the Technology Committee began looking at solutions to manage the expected output and data from ETS. With this solution, all examination data could be centralized under state control, rather than housed at a federal agency.

CSBS PROFILE OF STATE-CHARTERED BANKING

Each year, CSBS updates the [Profile of State-Chartered Banking](#) (the Profile), a unique compilation of information regarding the operations and characteristics of the state banking departments. Included in the Profile are numerous state-by-state charts with detailed information including:

- State-supervised financial services providers;
- Assessments and fee structures;
- Salary ranges;
- State bank statutes;
- Regulations and requirements, including new charter application filing requirements, bank holding company requirements, and interstate branching activities;
- State-authorized activities, including real estate brokerage and development, securities brokerage, and wild card and parity statutes;
- Trust statutes and chartering requirements;
- Foreign banking information; and
- Bank Secrecy Act (BSA) examinations.

State and federal regulators, bankers, legislators, and others interested in the financial industry use the information presented in the Profile to identify and understand emerging industry issues and to compare one state's policies and practices to another. This compilation of data is exclusive to CSBS.

CRITICAL INFRASTRUCTURE & DISASTER PLANNING

The Bank Supervision Section spearheads CSBS's participation on the Financial and Banking Information Infrastructure Committee (FBIIC). The FBIIC is charged with improving coordination and communication among financial regulators, enhancing the resiliency of the financial sector, and promoting the public-private partnership. The section also

leads efforts to have a comprehensive internal CSBS policy for disaster preparation, and assists states in developing disaster preparation plans. In times of actual emergencies or disaster, such as Hurricane Sandy, which hit in late October 2012, CSBS staff assist state regulators in impacted states by facilitating information flow between the states and the federal government.

OUTLOOK FOR 2014

Many of the initiatives from 2013 will continue into 2014 as CSBS continues to support the state banking examination function and coordination with federal agencies. CSBS will continue to evaluate emerging risks through the newly established Risk ID and IT Advisory teams, as well as develop examiner job aids and tools to enhance the state supervisory process. CSBS will assist state departments as they continue to work with the industry in mitigating cyber security risks. As the state banking departments prepare for new technology solutions for their supervisory staff, the roles of the SSPC, SERT, the newly created Risk ID Team and IT Advisory Group, and the Technology Committee will expand. These teams will support all aspects of this technology shift, from testing and development, to the delivery of training, and ongoing support. Further, CSBS staff will continue to support state examiners through the continued development or refinement of supervisory practices.

Whether it is through the ongoing engagement on technology modernization initiatives, the development of groundbreaking IT security processes, or the launch of new initiatives to detect emerging information technology or safety and soundness risks, CSBS continues to elevate the role of state bank supervisors. Both the Risk ID Team and the IT Advisory Group will build momentum in 2014 and provide valuable direction to the various groups within bank supervision. The information garnered from these groups will necessitate appropriate responses, such as changes to supervisory processes or development of new examiner job aids. The ETS initiative will continue to progress toward deployment and in doing so, command resources to adequately prepare this major technology enhancement. The bank supervision committees and teams will support all aspects of this technology shift, from testing and development, to the delivery of training, and ongoing support. Finally, the importance of effective coordination between state and federal regulators will only increase through the adoption of new technology solutions and implementation of new supervisory standards and techniques that may result from our monitoring of the ever-changing risk landscape.

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

Consumer Protection and Non-Depository Supervision Section

OVERVIEW

During 2013, the Consumer Protection and Non-Depository Supervision Section had a year of heightened activity and expansion, and emerged as an area of significant focus for the CSBS Policy and Supervision Division.

The Consumer Protection and Non-Depository Supervision Section is responsible for the following areas:

- Non-depositories (including mortgage, money services businesses (MSBs), emerging payments, debt collection and payday lending);
- Bank Secrecy Act (BSA) and (AML) Anti-Money Laundering;
- Consumer protection; and
- Coordination between state regulators and the Consumer Financial Protection Bureau (CFPB) and the Financial Crimes Enforcement Network (FinCEN).

Highlights from the year include the examination and enforcement accomplishments of the Multi-State Mortgage Committee (MMC); the launch of the Multi-State MSB Examination Taskforce (MMET); the formalization of supervisory coordination with the CFPB; as well as ongoing work in the areas of consumer complaints, payday lending, emerging payments, and support to the Mortgage Testing and Education Board (MTEB) in enforcing policy violations of the testing and education requirements.

The headlines throughout 2013 were riddled with issues of consumer protection and more effective supervision. Mortgage foreclosures continued to dominate the lists of consumer harms and state regulator attention. The Consumer Protection and Non-Depository Supervision Section balanced ongoing supervision support with state regulator needs in overseeing mortgage servicers and rapidly developing demands in new areas of non-depository supervision.

MULTI-STATE MORTGAGE COMMITTEE (MMC)

The Nationwide Cooperative Protocol and Agreement for Mortgage Supervision (the mortgage supervision agreement) outlines a basic framework for the coordination and supervision of multi-state mortgage entities. The mortgage supervision agreement established the MMC, which is comprised of 10 state regulatory officials appointed by CSBS and the American Association of Residential Mortgage Regulators (AARMR). The MMC is the state oversight body charged with implementing and directing supervisory processes related supervision of multi-state mortgage entities. Charlie Fields, Director of Mortgage for the North

Carolina Office of the Commissioner of Banks, was the 2013 chair of the MMC.

The MMC is responsible for the selection of examination targets and coordinating multi-state mortgage examinations and enforcement actions. In addition, the MMC is responsible for the development of uniform examination processes and the modernization of traditional examination approaches for achieving more effective supervision. When necessary, the MMC coordinates, directs, and negotiates enforcement resolution occurring under individual state authority.

The MMC fulfills its responsibilities through regular meetings of the full committee, as well as work groups assigned to specific supervisory processes and oversight functions. CSBS provides administrative, staff, and technical support for all of the MMC processes and functions —including examination and enforcement support — and acts as a facilitator for coordination of supervision between the states. In late 2013, the MMC assumed the additional responsibility of fulfilling the mortgage supervision role for the State Coordinating Committee (SCC) in coordinated examinations with the CFPB.

Mortgage Servicing

During 2013, the MMC continued its focus on the mortgage loan servicing area. Following on the heels of the 2012 [National Mortgage Settlement](#), the MMC narrowed its focus to the second-tier, or mid-sized, mortgage servicers. Through acquisitions and consolidations of a number of non-depository servicing entities, what began as negotiations with a handful of servicers was reduced to a single settlement with Ocwen Financial Corporation and Ocwen Loan Servicing LLC, which through an examination initiated by the MMC was found to have essentially the same degree of operational deficiencies as the large servicers in the National Mortgage Settlement.

The Ocwen Loan Servicing Settlement culminated with a 44-state regulatory agency consent order and the filing of a court judgment by the State Attorneys General and the CFPB in December 2013. The findings centered on serious operational deficiencies brought to light by the MMC examination, most notably document mismanagement, false and misleading correspondence on loan modifications, failure to honor terms of loan modifications, incorrectly calculated interest rates and fees, and inaccurately crediting borrower payments.

The state regulators' order was filed with the federal consent judgment on December 19, 2013. Ocwen was compelled to adopt a set of servicing standards, provide \$2 billion in relief to borrowers in the form of principal reduction to their loans for properties that are currently underwater, and allocate

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

\$125 million to be disbursed in the form of checks to borrowers whose homes were foreclosed upon.

Following the Ocwen settlement, the MMC recognized a need for a more comprehensive supervisory program for non-depository servicers. Subsequently, the MMC began developing standards for non-depository mortgage servicing supervision for states with statutory authority, but no formalized process for examination. Additionally, the MMC added a safety and soundness module to the servicing examination guidelines currently under development.

Multi-State Mortgage Examinations

As the MMC matured in 2013 it settled into two basic types of multi-state examinations: full-scope examinations and limited-scope electronic (LSE) examinations. While each type has its place and role in the supervisory process, the LSE examination may be used as a precursor, or scoping exam to the more comprehensive full scope examination.

MMC full scope examinations are the multi-state equivalent of the traditional examination approach. Led by a single Examiner in charge (EIC), an examination team comprised from several states conducts an onsite review of management, policies and procedures, financial condition, operations, and of course, the institution's origination or servicing portfolio. Full scope examinations review the entity for federal law compliance, state law compliance, including institution and loan originator licensing requirements, and operational sufficiency, including the institution's financial condition and wherewithal to support consumer protection.

LSEs were introduced in 2011 as a streamlined approach to the traditional full-scope examination. LSEs are offsite reviews employing a technology driven examination platform that allows the examination team to review all, or a large portion, of the institution's portfolio for apparent compliance violations. In 2012, the MMC began 15 LSE exams, completing nine by year end. In 2013, the MMC finished the remaining six examinations started in 2012, and began 11 new examinations, seven of which were LSEs.

Although at times more difficult to employ, the MMC has affirmed its commitment to advanced technology in the exam process as the results allow the examination team to see patterns and trends of violations not apparent with random sampling review of loan transactions. Further, the MMC has not limited its use of compliance software to LSE exams, but rather has made it the core component of both LSE and full scope origination exams.

MMC Website

The launch of the MMC website in early 2013 changed the way the MMC conducts business. The website allows for a secure exchange of documentation among examination

teams and MMC members, and much more. Within the website itself, those with specific access rights conduct the business of both the MMC and examination management. Through the website, CSBS staff deliver information and documents for the MMC to review and use. On a weekly basis the MMC conducts its business meetings from within the website, which allows document versioning and an efficient means of recording and tracking committee votes and processes, procedures, and examination direction or approval.

BSA/AML Work Group

FinCEN's BSA and AML requirements to the mortgage industry were published in 2012. In 2013, the MMC assembled a working group and produced an examination work program aimed at assisting examiners in their review of residential mortgage loan originators. The focus of the program is to determine that internal controls, policies, and procedures have been established, are well implemented and provide adequate compliance with BSA/AML regulations and fraud prevention procedures.

MONEY SERVICES BUSINESS (MSB) SUPERVISION

In 2012, 39 state MSB regulators signed the Nationwide Cooperative Agreement for MSB Supervision and its companion Protocol for Performing Multi-State Examinations. The agreement and protocol was a collaborative endeavor between CSBS and the Money Transmitter Regulators Association (MTRA) to enhance the long standing MTRA multi-state examination process. By the end of 2013, 44 state regulatory agencies, including the District of Columbia's Department of Insurance, Securities, and Banking and the Puerto Rico Office of the Commissioner of Financial Institutions, had signed the agreement, committing to a more unified and uniform approach to state supervision. Primarily, the agreement established the Multi-State MSB Examination Taskforce (MMET) as the oversight body for multi-state MSB supervision, and set in motion a yearlong endeavor to establish operations of the MMET.

Multi-State MSB Examination Taskforce (MMET)

The MMET consists of 10 representatives of participating state regulatory agencies, five of which are appointed by CSBS and five of which are appointed by the MTRA. The MMET's role of coordinating supervisory efforts is meant to assist state regulators in fulfilling their own regulatory responsibilities. In coordinating supervisory processes, the MMET is responsible for:

- Determining the risk profile of an MSB operating in multiple states;
- Facilitating and maintaining joint examination schedules;
- Establishing examination teams in consultation with participating state regulators;

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

- Coordinating the collection of consumer complaints and working to ensure that such activity is given due consideration when drafting and scoping the examination plan;
- Facilitating the exchange of information between the joint examination state regulators and the concurrent examination states; and
- Supporting communications and facilitating development and implementation of joint or concurrent actions.

The MMET elected Ray Grace, Commissioner of the North Carolina Office of Commissioner of Banks, as its inaugural chair. The MMET held its first annual meeting in Austin, Texas in April 2013 and met six more times by phone to establish its operating procedures, work groups and policies for conducting multi-state supervision. Actual examinations are slated to transition from MTRA oversight to MMET oversight in 2014.

Highlights of the MMET's accomplishments in 2013 include:

- Developed and approved Operating Procedures to guide the MMET;
- The MMSB Identification Committee provided recommendations to the MMET on companies that should be given priority for multi-state examinations and determined that criteria such as risk, volume, ratings, enforcement actions, and complaints be utilized for scheduling joint and coordinated examinations;
- Identified IT training needs as crucial for MSB Examiners; and
- Developed a survey to gather information for the enhanced coordination of Money Services Businesses examinations. More than 70 percent of states regulatory agencies have provided information that will assist in the coordination.

EMERGING PRODUCTS AND SERVICES

Consumer Protection and Non-Depository Supervision Section staff have been spending significant amounts of time focusing on virtual currency, prepaid or stored value, and mobile forms of payment. Work in this area is preliminary and does not reflect policy development by CSBS members. As states embrace the challenges of regulating emergent technology driven products, the Section intends to be ready to provide needed coordination and support.

PAYDAY LENDING

The Payday Lending Advisory Group (PLAG) provided a forum for state regulators to discuss existing and emerging issues with the payday lending industry, including illegal online and tribal payday lending, and the role of third-party payment processors in ACH transactions, as well as con-

tinued efforts to coordinate with the CFPB on supervisory processes.

COORDINATION WITH FEDERAL AGENCIES

The Dodd-Frank Act requires coordination and consultation between the state regulators and the CFPB to promote consistent regulatory treatment, among other things. Additionally, both the FinCEN and the Internal Revenue Service (IRS) coordinate and consult with state regulators on BSA and AML matters. Throughout 2013, the Section increasingly applied resources to establish and facilitate communication channels with both the CFPB and the FinCEN.

CFPB-State Supervision Coordination

In late 2012, the CSBS Board of Directors established the CFPB Coordination Task Force, chaired by Gavin M. Gee, Director of the Idaho Department of Finance. The CFPB Coordination Task Force was responsible for steering the process of developing, advocating, and implementing a nationwide cooperative agreement between state regulators and the CFPB to cover depository and non-depository entities chartered or licensed by the state. Throughout the first half of 2013, the Task Force worked with the CFPB to develop a coordination framework intended to implement the 2011 Information-Sharing MOU.

On May 20, 2013, CSBS and the CFPB entered the 2013 CFPB-State Supervisory Coordination Framework (Framework). Through the Framework the parties intend to work together to achieve examination efficiencies and to avoid duplication of time and resources expended. The Framework itself required the formation of the SCC, which in turn was established by an agreement between CSBS, AARMR, the MTRA, the National Association of Consumer Credit Administrators, the North American Collection Agency Regulatory Association, and the National Association of State Credit Union Supervisors.

This first annual meeting of the SCC and the CFPB focused on establishing ground rules for coordination and setting a coordinated examination schedule for 2014. Moving forward, the SCC will direct the development of a comprehensive coordination plan for both depository and non-depository supervision, as well as oversee with the CFPB the coordinated examinations and enforcement actions conducted under the Framework.

Information Interchange

The relationship established between state regulators and the CFPB under the Framework allows both sides to efficiently exchange supervisory information. CSBS staff provide this service by securely transmitting advance exam and enforcement information and resolution of independent supervisory matters such as Reports of Examination or

CSBS DIVISION REPORTS

POLICY AND SUPERVISION DIVISION

Memorandums of Understanding. Staff are in the process of perfecting more efficient systems of notification to be able to handle future volumes of information interchange.

FinCEN Coordination

CSBS continues to have active involvement in FinCEN's BSA Advisory Group (BSAAG). Under the group, law enforcement, regulators, and industry meet twice a year to discuss BSA and AML issues. Texas Department of Banking Commissioner Charles Cooper is the CSBS voting member to the BSAAG, and CSBS staff provide support to Commissioner Cooper and communicate information to other state members as necessary.

In 2013, FinCEN established a new working group, The Delta Team, to provide industry, regulators, and law enforcement the opportunity to review and reduce the space between compliance risk and illicit financing risk. In 2013, the Delta Team was tasked to surface views about illicit finance risks versus compliance risks, get issues on the table, and begin the discussion of solutions. As with the BSAAG, CSBS staff supports the states on the Delta Team initiative.

Consumer Complaints

In 2013, the CSBS-CFPB Complaint Information Sharing work group, a working group of the CSBS Regulatory

Committee, continued to pursue efforts to foster effective complaint information sharing between the CFPB and state regulators. The work group developed a user agreement with the CFPB to allow a pilot group of states access to the CFPB's Government Portal, which is a gateway to the CFPB's consumer complaint data base. Eleven state agencies participated in this pilot, which allowed authorized users to search, filter and extract CFPB consumer complaint information related to the state agency's jurisdiction. More work is expected in this area in 2014 to include a complaint conference that will be held in July.

OUTLOOK FOR 2014

Throughout 2014, CSBS staff will continue to support multi-state supervision through the MMC and the MMET and coordination between the SCC and the CFPB. New supervisory issues with mortgage servicers will continue to take center stage, while efforts to support payday lending and debt collector exams under the Framework will be new territory for CSBS. As with prior years, uniformity, effectiveness, and efficiency are the standards by which we measure success in non-depository supervision, and technology is the solution to competing demands in a limited resource environment.

CSBS DIVISION REPORTS

PROFESSIONAL DEVELOPMENT DIVISION

Overview

The CSBS Professional Development Division is dedicated to enhancing the professional excellence of state financial supervision. This is one of the core functions of CSBS and it is the mission of the Professional Development Division, which is funded and directed by the CSBS Education Foundation. Victoria Reider, Executive Deputy Secretary of the Pennsylvania Department of Banking, is chair of the Foundation.

The Professional Development Division works to ensure state financial regulators are well informed, highly trained, and held accountable to widely agreed-upon standards of performance excellence. To do this, the Division offers a variety of trainings and professional development programs, bank and mortgage supervision accreditation programs, and certification of examiners.



Victoria Reider, CSBS Education Foundation Chair and Executive Deputy Secretary of the Pennsylvania Department of Banking

TRAINING AND PROFESSIONAL DEVELOPMENT

CSBS continues to offer cutting edge training and professional development opportunities for state regulatory departments that meet the evolving needs of staff at all levels of experience and expertise, ranging from new examiners to commissioners. These include technical bank examination schools, continuing education programs for senior examiners and executive seminars for department leaders.

In 2013 the Professional Development Division introduced several new training opportunities. These courses include the State Examiner Training Initiative (SETI), a set of collaborative training and education courses developed by CSBS and the Consumer Financial Protection Bureau (CFPB). The SETI includes courses on lending principles, operations and deposits, and fair lending examination techniques. The

Division also supported the Bank Supervision Section in the delivery of the Corporate Account Takeover (CATO) Webinar, a seminar that provides an overview on the threat of a corporate account takeover and offers best practices for reducing cyber-security risks.

Additionally, the Division's Examiners Forum program, a seminar designed to bring together senior examiners to discuss emerging issues, served as the spring board for the development of the CSBS Risk Identification Team (Risk ID Team), which regularly shares and discusses emerging risks and supervisory challenges from the perspective of field examiners. More information on the Risk ID Team is discussed in the Bank Supervision Section of this annual report.

In 2013, the Division conducted a total of 24 training and professional development opportunities around the country and four customized in-state programs where nearly 1,400 state regulators, federal regulators, members of industry, and other interested parties attended. The Division also worked with the State Regulatory Registry Division (SRR) to produce 33 webinars on the Nationwide Multistate Licensing System and Registry (NMLS). Approximately 2,750 participants attended the NMLS-related webinars. The Professional Development Division also helped organize the fifth annual NMLS Conference and Training, which was held in San Antonio, Texas. The conference drew nearly 600 attendees, including state and federal regulators, industry representatives, and other stakeholders.

In an effort to provide training and educational opportunities that state regulators can access anywhere and anytime, CSBS maintains access to Regulatory University, a vast library of more than 300 online, self-paced training modules. More than 30 states are actively using this online system. By year-end 2013, 2,091 state examiners completed more than 22,800 courses on the system.

Finally, to reinforce the value of CSBS training and professional development, the CSBS Education Foundation secured National Association of State Boards of Accountancy and American Institute of Certified Professional Accountants continuing professional education credit for up to 25 programs.

The "Day One" Project

The Professional Development Division continued its expansion of the "Day One" project in 2013. The "Day One" project is an innovative online training platform that aims to minimize financial, geographic, and frequency limitations that often serve as barriers to high-quality training for state regulators. The "Day One" project allows entry-level examiners to have immediate access to high-quality and

CSBS DIVISION REPORTS

PROFESSIONAL DEVELOPMENT DIVISION

necessary training from their first day on the job. Before this project was launched, new hires often had to wait months to attend the next available school.

The first “Day One” program released by CSBS was the Mortgage Examiner School in December 2012. In June 2013, the former Money Service Business (MSB) online school was updated, redesigned and launched into the “Day One” format as “The Principles of MSB Supervision.”

As of January 2014, approximately 210 examiners from 27 states were enrolled in the “Day One” program. In addition, 467 examiners from the CFPB were enrolled in both the “Day One” Mortgage Examiner and The Principles of MSB Supervision Schools.

BANK AND MORTGAGE ACCREDITATION

In addition to providing training and professional development programs for individuals employed by state regulatory departments, CSBS also conducts accreditation programs for state bank and mortgage regulatory departments.

Established in 1984, the CSBS Accreditation Program was designed to strengthen state regulatory departments by raising the bar on professional excellence in state regulation. The CSBS Accreditation Program is often credited as the most effective tool for advancing state financial regulation.

CSBS, in partnership with the American Association of Residential Mortgage Regulators (AARMR), established the CSBS-AARMR Mortgage Accreditation Program in 2009 to jointly accredit state mortgage regulators. The development of the CSBS-AARMR Mortgage Accreditation Program was indicative of state regulators’ ongoing commitment to enhancing supervision of all financial services industries.

Both the bank and the mortgage accreditation programs involve a voluntary comprehensive review of the critical elements that assure a banking department or a mortgage department’s ability to discharge its responsibilities with professional excellence. This is done through an investigation of all department operations including, administration and finance, personnel policies and practices, training programs, examination policies and practices, supervisory procedures, and statutory powers. The high standards set by CSBS’s accreditation programs supports CSBS public interest goals by identifying highly competent state regulatory departments and strengthening the capabilities of all state regulators.

In the 29-year history of the CSBS Bank Accreditation Program, a total of 47 state banking departments have achieved and maintained the rigorous standards set forth by the program. As of year-end 2013, a total of 13 state mortgage regulatory agencies had achieved and maintained the requirements of the CSBS-AARMR Mortgage Accreditation Program.

Accreditation Program Evaluation

In 2013 CSBS conducted an evaluation of its accreditation programs to assess the programs’ standards and criteria, and to ensure the programs continue to reflect state financial regulators’ recommended best practices. The Division engaged a consultant to conduct an extensive document review and numerous in-person and telephone interviews with staff, accreditation review team members and commissioners from accredited states. The consultant concluded there were no fundamental flaws in the structure or operation of the CSBS programs, but recommended CSBS focus efforts on moving the accreditation programs to the next level as CSBS seeks to become a more effective player in the quality improvement process for participating departments. This will be a key area of focus for the CSBS Professional Development Division and the CSBS Education Foundation in 2014.

CSBS DIVISION REPORTS

PROFESSIONAL DEVELOPMENT DIVISION

BOX C: Raising the Bar on Professional Excellence **Arizona Superintendent of Financial Institutions Turns Around Agency with CSBS Accreditation**

In 2010, the Arizona Department of Financial Institutions (AZDFI) found itself in a worst-case scenario. As its state-chartered banks suffered in poor financial health amidst the financial crisis and were subject to more frequent and more intense examinations, the AZDFI's budget was reduced by 40 percent, forcing staff layoffs. Eventually, the AZDFI found itself nearly incapable of performing its statutory duties as a state regulator. As a result, AZDFI was placed on probation and faced losing its CSBS accreditation.

With this as his backdrop, Lauren Kingry was appointed Superintendent of the AZDFI in April 2010 and charged with restoring professional excellence to the agency.

"[In the worst days,] it got to the point where we had only two senior examiners left to examine 26 banks," Kingry said.

Faced with a lack of resources, AZDFI examiners were forced to take a back seat when examining state-chartered financial institutions. Federal regulators were fully staffed and the Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Bank of San Francisco (San Francisco Fed) took on the role of Examiner-In-Charge and led most reviews of each of the CAMELS components during examinations.

"The Department's role was reduced to basically assisting the federal authorities in examinations of our state-chartered banks," Kingry said. "Examination schedules were increased due to the fragile conditions of banks and in some cases, the AZDFI examiners could only attend the exit review meetings. As opposed to being part of the joint examination, federal regulators led practically everything."

But Kingry was determined to turn things around for the AZDFI, and ensure the value of a dual-chartered system remained intact for Arizona banks. Within 18 months the agency was back on its feet and aiming for reaccreditation.

"We started with the basics. We laid out everything we were doing well and everything we were not doing well and compared them with the CSBS Accreditation Program's best practices. We needed to re-build the strength of the AZDFI and earn the assessments that the statute allows us to charge the industry, and then provide them a quality product. The measuring stick we used to determine examination quality was the CSBS Accreditation Program. So I was building toward reaccreditation as well as making the point of statutory responsibility."

AZDFI continued the work of rebuilding internally, with the help of remaining dedicated staff, but Kingry knew that for the agency to get where it needed to be as a state financial regulator, they needed support from the Arizona Governor's office.

In an effort to demonstrate to the governor's office the importance of rebuilding the AZDFI and returning the AZDFI to wholeness from a budget standpoint, Kingry organized meetings with the governor's office in August 2011. He invited industry leaders from Arizona banks and credit unions to discuss the importance of the dual-banking system, having a strong state regulator, as well as how the annual assessments deserved a stronger AZDFI. He also brought in representatives from both CSBS and the National Association of State Credit Union Supervisors to talk about the global value of having a strong AZDFI and how that equates to accreditation. "The goal was to help the governor's office understand the importance of accreditation in terms of financial supervision and the value, health, and welfare of the DFI," Kingry said.

To do this, Kingry drew parallels from the importance of accreditation in secondary education and pressed upon the governor's staff that when you have a healthy state regulatory agency, you have an equal voice at the examination table. "What I wanted, at minimum, was for my examiners to be able to sit across the table from an FDIC or an Federal Reserve examiner and say 'this is how I see it' and have mutual respect," Kingry told the governor's staff.

Kingry also spoke with members of the Arizona legislature, where he stressed the importance of examination excellence and the value of bringing local regulatory knowledge to the table with federal regulatory agencies. He said the process of advocating on behalf of the AZDFI within state government strengthen his role as superintendent and assisted in his political skills.

"The relationship that a commissioner has with the governor's office makes a significant difference," Kingry said.

CSBS DIVISION REPORTS

PROFESSIONAL DEVELOPMENT DIVISION

Kingry's efforts paid off. The AZDFI secured additional funds for the hiring and training of staff for the 2012, which allowed a returned focus toward becoming reaccredited.

"Everyone in the agency knew we were going after reaccreditation and in the process I reached out to fellow state colleagues in California, Idaho, and Utah to learn more about how they maintained best practices."

As the AZDFI prepared for reaccreditation, the agency did a self-evaluation. Staff reviewed internal policies and procedures and looked at past accreditation results to evaluate what the AZDFI needed to get reaccredited.

"It was an agency-wide effort. It was grueling, because it is never fun to look in the mirror and find all the blemishes and weakness, but by September 2012 we were reaccredited," Kingry said. "We now have 10 examiners dedicated to financial institutions exams and we are cross-training to support exams for non-depository institutions."

Leading up to reaccreditation, the AZDFI and the federal agencies transitioned roles and the AZDFI began to once again lead the examinations of its state-chartered banks.

"The Arizona Department's accreditation was put on probation at a time when we probably deserved it," Kingry said. "There was a need to rebuild in order for us to meet other regulators at the table and to also build back credibility," said Kingry. "Although there are many components to the DFI experience, accreditation is a strong tool to prepare you for your statutory responsibility of examining banks."

EXAMINER CERTIFICATION

CSBS also achieves its goal of enhancing the professional excellence of state regulatory departments and their personnel through the Examiner Certification Program. CSBS offers 16 examiner certifications, including safety and soundness, mortgage, and specialty certifications to recognize examiners who have attained expertise in specific areas of supervision.

The certifications include:

- Certified Operations Examiner (COE);
- Certified Credit Examiner (CCE);
- Certified Examiner-In-Charge (CEIC);
- Certified Examinations Manager (CEM);
- Certified Information Systems Examiner (CISE);
- Associate Certified Information Systems Examiner (ACISE);
- Certified Trust Examiner (CTE);
- Certified Consumer Compliance Specialist (CCCS);
- Certified Anti-Money Laundering Specialist (CAML);
- Certified Mortgage Examiner (CME);
- Certified Senior Mortgage Examiner (CSME);
- Certified Mortgage Examinations Manager (CMEM);
- Certified Mortgage Investigator (CMI);
- Certified Multi-State Mortgage Examiner-In-Charge (CMME);
- Certified Money Services Business Examiner (CMBE); and
- Certified Senior Money Services Business Examiner (CSMBE).

The Examiner Certification Program has become the sought-after program states use to document and recognize the professionalism of their staff with their legislatures and other state and federal regulators. In many cases, states have also secured salary increases and bonuses to staff who maintain their certified status with continuing education and job performance. At the end of 2013, 857 examiners from 43 regulatory agencies in 40 states held one or more of the 16 examination or specialty certifications listed above.

OUTLOOK FOR 2014

A priority for the CSBS Education Foundation in 2014 is to continue expanding the roll-out of the "Day One" project and to maintain the quality and integrity of "Day One" programs.

CSBS expects to release another "Day One" program in April 2014 titled the Certified Bank Operations Examiner School. Courses for the Certified Bank Operations Examiner School will include:

- Introduction to Bank Supervision and Regulation;
- Fundamentals of Risk Management;
- Fundamentals of Financial Institution Accounting;
- Principles of Financial Institution Investment Portfolio;
- Concepts of Interest Rate Risk Management; and
- Bank Financial Analysis.

Additionally, the Professional Development Division is working to develop a training module on appraisals for examiners and industry users, and a Financial Statement Analysis and Mortgage Licensing School for mortgage examiners.

STATE REGULATORY REGISTRY

Overview

CSBS, in cooperation with the American Association of Residential Mortgage Regulators (AARMR), established State Regulatory Registry, LLC (SRR) in September 2006. A limited-liability company, SRR is a non-profit entity that operates the Nationwide Multistate Licensing System and Registry ([NMLS or the System](#)) on behalf of state financial services regulatory agencies. SRR is governed by a Board of Managers that is comprised of state mortgage regulators. The SRR Board is responsible for all development, operations, and policy matters concerning NMLS. SRR operates as a subsidiary of CSBS.

NMLS launched in January 2008 as a voluntary web-based system that allowed licensed mortgage lenders, mortgage brokers, and individual mortgage loan originators (MLOs) to apply for, amend, update, or renew a license online using a single set of uniform applications. With the passage of the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) in July 2008, all MLOs were required to be either registered or licensed through NMLS and meet minimum professional standards. In mid-2012, NMLS and the uniform state application forms were modified to accommodate state agency use of the System for licensing entities in other non-depository financial services industries, such as money services businesses (MSBs), debt collectors, and consumer lenders. At the end of 2013, NMLS contained active state licenses or federal registrations on approximately 30,000 unique companies and 535,000 individual licensed or registered MLOs.



State Regulatory Registry Board of Managers

FIGURE 8: ACTIVE STATE LICENSES AND FEDERAL REGISTRATIONS IN NMLS (AS OF YE 2013)

Source: NMLS

Who is in NMLS?

State Licensed	Entities	Licenses
Mortgage Companies	16,145	34,994
Mortgage Branches	19,881	38,520
MLOs	130,260	331,293
Non-Mortgage Companies	3,081	4,906
Non-Mortgage Branches	3,775	4,667

Federally Registered	Entities
Institutions	10,846
MLOs	404,284

As the system of record for state regulatory agencies, NMLS is able to track the number of unique companies and individuals, as well as the number of licenses held in each state. For example, a company licensed in three states would count as one unique entity holding three licenses. By year-end 2013, NMLS data showed there were approximately 19,000 state-licensed companies holding 40,000 active state licenses, and 130,000 individual MLOs holding 331,000 active state licenses. The System also contained about 404,000 registered mortgage loan originators and nearly 11,000 registered federally insured institutions and subsidiaries. Because there is no requirement for a federally regulated MLO to register in each state he or she wishes to do business, federal registration data do not provide insight as to where these individuals are engaging in mortgage loan origination comparable to that provided by analysis of state-licensed entities.

SRR is responsible for maintaining NMLS and receives direction from the SRR Board of Managers, chaired by Robert J. Entringer, Commissioner of the North Dakota Department of Financial Institutions.

In many ways, 2013 was an extraordinary growth year for SRR and NMLS. The 2013 accomplishments discussed in this report are part of a multi-year coordinated state effort to increase consumer protection, enhance state supervision, and streamline the licensing process in the non-depository financial services industries. For more information, see the [2013 SRR Annual Report](#).

NMLS ENHANCEMENTS

In 2013, some major System enhancements and new functionality included: *Federal Disciplinary Actions in NMLS Consumer AccessSM*, *Advance Change Notice*, *Education*

STATE REGULATORY REGISTRY



Robert J. Entringer, Chairman of the SRR Board of Managers and Commissioner of the North Dakota Department of Financial Institutions

Management System, Regulator Log and Uniform Authorized Agent Reporting for money transmitters. All remaining functionality necessary to meet requirements in the SAFE Act for MLOs was completed in 2013.

NMLS also piloted a new analytics platform for state agencies with data from the NMLS Mortgage Call Report. This platform went live to all state mortgage regulators on March 31, 2014. The purpose of the platform is to provide better tools to state and federal regulators and the Multistate Mortgage Committee for supervisory and policy purposes. It is anticipated that additional data will be added to this platform in the coming years.

NMLS has proven to be an effective mortgage supervision tool and with its expansion, NMLS is helping to enhance the oversight of other non-depository consumer financial services providers. As of year-end 2013, 24 state agencies were using NMLS to license consumer lenders, MSBs, and debt companies. Fifteen additional state agencies are scheduled to license an additional 28 non-depository financial service licenses through NMLS in 2014. A good part of the 2013 development efforts were aimed at new functionality tailored for use by non-mortgage industries such as uniform authorized agent reporting, which allows mortgage transmitter licensees to submit periodic reports regarding their authorized agents to state regulators.

NATIONAL TEST WITH UNIFORM STATE CONTENT

A major development in 2013 was the launch of the National Test with Uniform State Content (UST).

The SAFE Act requires MLOs to pass the SAFE MLO test before they can be licensed with a state agency through NMLS. Prior to April 2013, the test was comprised of two parts: a national component and a state component. In ad-

dition to passing the national component, MLOs seeking to hold licenses in multiple states were required to pass the state component for each state in which they wished to do business. Under the new National SAFE MLO Test with uniform state content, a license applicant who passes the test will not need to take any additional state-specific tests to hold a license within participating states.

A total of 39 state agencies have adopted the UST. It is anticipated that additional agencies will adopt the UST in 2014.

The UST tests applicants on their knowledge of high level state-related content based on the SAFE Act and the CSBS/AARMR Model State Law. After the UST launch, a Stand-alone UST was made available for a limited time to allow licensed MLOs the opportunity to take the separate test and thus complete the testing requirements for all jurisdictions that adopt the National Test with Uniform State Content.

From April 1 through Dec. 31, 2013, nearly 26,000 individuals took the UST and more than 17,000 MLOs took the Stand-alone UST. Many states adopting the UST reported heavy MLO application activity following their adoption dates.

Figure 9 show what states have adopted the UST. The adoption of the UST is not required and the remaining state agencies have the option to adopt the UST.

TESTING AND EDUCATION

Under the SAFE Act, all state-licensed MLOs must demonstrate a basic level of industry and regulatory knowledge. Specifically, all licensees must take a minimum of 20 hours of pre-licensure education, take a qualified written test and pass with a minimum passing score of 75 percent, and take a minimum of eight hours of continuing education each year. As specified in the SAFE Act, NMLS is responsible for all test development and approval of course providers. NMLS began administering tests and providing approved courses through NMLS in 2009.

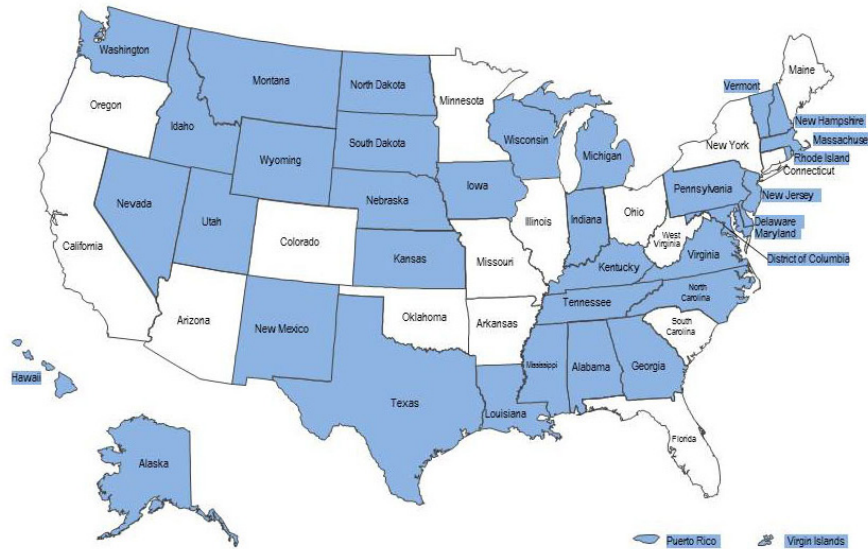
In 2013, NMLS administered more than 127,000 test components, bringing the total number of tests administered since July 2009 to 785,000. By the end of 2013, 127 course providers and 1,300 pre-licensure and continuing education courses were approved by NMLS, and close to 1.9 million hours of education were delivered through NMLS-approved courses.

As noted above, the launch and state agency adoption of the National Test with Uniform State Content was a major focus of the SRR education and testing department. Other related functionality included the implementation of an Education Management System that greatly improves the ability of state regulators to track education requirements of mortgage loan originators.

STATE REGULATORY REGISTRY

FIGURE 9: STATE ADOPTION OF UNIFORM STATE TEST (AS OF YE 2013)

Source: SRR, LLC



NMLS ANNUAL CONFERENCE AND TRAINING

In February 2013, SRR CSBS hosted its fifth annual NMLS Annual Conference and Training. The conference brought together state and federal regulators, industry professionals, compliance companies, top law firms, and education providers to learn about the latest developments in NMLS functionality, state non-depository financial services supervision, and to discuss pressing issues confronting the industry. The conference was particularly noteworthy because for the first time the agenda was expanded beyond mortgage industry issues to include sessions relevant to the money services business, debt collection and debt settlement industries. More than 575 individuals attended the event held in San Antonio, Texas.

NMLS SAFE ACT MANDATES

Pursuant to the SAFE Act, SRR was required to develop and implement a series of mandates, some of which were carried out in 2013. These mandates include:

- Establishing protocols for the issuance of the NMLS Unique Identifier;
- Receiving and processing fingerprints for criminal history background checks for MLOs;
- Developing the MLO test and approving education providers and course content;
- Providing public access to licensing and registration information on MLOs;
- Developing the NMLS Mortgage Call Report; and
- Making publicly adjudicated disciplinary and enforcement actions available to the public.

All of these mandates have been met. In 2013, SRR continued to improve and streamline the functionality connected to these requirements, such as adding federal disciplinary actions in NMLS *Consumer Access*SM.

SRR COMMITTEES, TASK FORCES AND WORKING GROUPS

The work of numerous committees, task forces, and working groups composed of state regulators contributed greatly to the achievements of milestones in 2013.

NMLS Ombudsman

The NMLS Ombudsman provides the mortgage industry and other interested parties with a neutral venue to discuss issues or concerns regarding NMLS and mortgage licensing. The objective of the NMLS Ombudsman is to foster constructive dialogue between industry users of NMLS and state regulators to mutually work toward the goal of modern and efficient mortgage regulation. The 2013 NMLS Ombudsman was Timothy Siwy, then-Deputy Secretary for Non-Depository Institutions of the Pennsylvania Department of Banking and Securities. During 2013, the NMLS Ombudsman held two public meetings in conjunction with the NMLS Annual Conference in San Antonio, Texas and the AARMR Annual Regulatory Conference in Denver, Colorado. Topics discussed at the meetings include, licensing requirements and regulatory schemes for lead generators, loan processors and underwriters, the annual license renewal process, MLO self-reported employment history on NMLS Consumer Access, required disclosures on industry advertising, mortgage call report information, NMLS requirements for branch licensing, state adoption of the uniform

STATE REGULATORY REGISTRY

state test, exempt company registration and document upload capabilities, and NMLS requirements for control persons.

NMLS Policy Committee

The NMLS Policy Committee assists the SRR Board of Managers in decision-making and handling operational and policy matters related to NMLS operations and development. The Committee is comprised of 11 state regulators, including the NMLS Ombudsman, representatives from each of the five CSBS Districts, and representatives from AARMR, the Money Transmitter Regulators Association (MTRA), the National Association of Consumer Credit Administrators (NACCA), and the North American Collection Agency Regulatory Association (NACARA). In 2013, the NMLS Policy Committee was chaired by Sue Clark, Director of Regulatory and Consumer Affairs of the Vermont Department of Financial Regulation. During 2013, the Committee considered and made recommendations on numerous NMLS-related policy issues, including expansion of the Mortgage Advisory Committee to a broader-based Industry Advisory Committee, changes to the NMLS uniform licensing forms and the mortgage call report, loan originator license revocation guidelines, and formalizing policies regarding pre-licensure and continuing education requirements.

Mortgage Testing and Education Board (MTEB)

The MTEB has both oversight and advisory roles in connection with a wide array of issues affecting the continued development and operation of SAFE Act testing and education requirements. The MTEB is comprised of nine state regulators representing each of the five CSBS Districts and at least one AARMR representative. The MTEB is chaired by Craig Christensen, Senior Examiner of the Iowa Division of Banking.

SRR Lawyers Committee

The SRR Lawyers Committee consists of attorneys from state mortgage regulatory agencies. The committee typically meets monthly to identify and analyze legal issues related to NMLS operations with the intent of helping SRR spot potential legal issues from a state agency perspective and to help shape solutions before they are incorporated into the System. The committee also helps provide a multi-state perspective on issues of interpretation and offers recommendations in order to facilitate a more uniform application of law on a nationwide basis. The committee does not provide SRR with legal advice. The SRR Lawyers Committee is chaired by Shauna Shields, Regional Manager of the Iowa Division of Banking.

Regulator and Industry Participation

SRR staff rely on participation from state regulators and from industry users of the System to gather input on NMLS operations, enhancements and development issues. The NMLS Participating States Committee, Regulator Development Working Group, Industry Development Working Group, and the Large Institutions Working Group meet regularly to serve as subject matter experts on NMLS requirements and to help prioritize recommendations for enhancements to the System.

OUTLOOK FOR 2014

Throughout 2014 and over the coming years, SRR will continue to work closely with state regulatory agencies and industry to provide System enhancements to ensure that all NMLS users receive the optimum benefits available. SRR will also continue working with state agencies to license entities in expansion industries—such as MSBs, debt collection, and consumer lending—through NMLS, and to continue to encourage state agencies to adopt the UST for state-licensed MLOs.

On an ongoing basis, staff will work closely with regulatory and industry users to develop new and enhance existing NMLS functionality. In 2014, the NMLS development schedule for new and enhanced functionality includes the launching of the risk profiling tool, electronic surety bond tracking, an improved payment processing system, development of an examination management system, and other System improvements.

CSBS DIVISION REPORTS

COMMUNICATIONS DIVISION

Overview

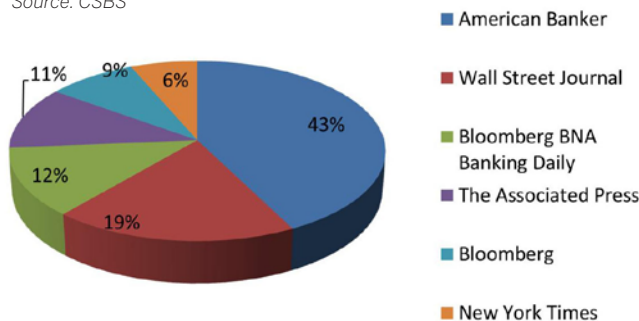
The goal of the Communications Division is to promote state supervision and to advocate state financial regulators' views on public policy through media. The Division does this by formulating communication strategies that raise the profile of state regulators' initiatives, successes, and policy positions impacting the dual-banking system. The Division supports state financial regulators and all CSBS sections and divisions through media relations; drafting and publishing press materials, including press releases, the weekly *CSBS Examiner* newsletter, opinion pieces, and public statements; graphic design; audio and video production services; and copy editing.

PROMOTING STATE SUPERVISION

In promoting state supervision, the Communications Division issued more than 40 press releases in 2013 highlighting state financial agencies that received CSBS accreditation, annual conferences and meetings, new developments within the state supervisory system, state regulators' policy positions, and many other topics and issues affecting the state system of supervision.

FIGURE 10: 2013 TOP MEDIA COVERAGE BY PUBLICATION

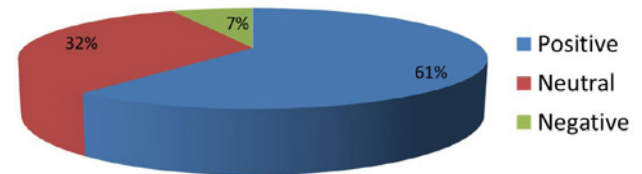
Source: CSBS



The *CSBS Examiner*, CSBS's premier weekly publication, is another way the Division promotes state supervision. The *CSBS Examiner* provides to its more than 3,000 subscribers a weekly report of timely state, federal, and global news regarding the U.S. and global financial system. The *CSBS Examiner* also features exclusive interviews with state regulators and in-depth analysis of policies resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The publication's primary readership is state financial regulators, community bankers, and federal policymakers.

The Division also promotes state supervision through digital media platforms such as the CSBS website, video and audio, and conference blogs.

FIGURE 11: 2013 MEDIA COVERAGE BY TONE



ADVOCATING THE STATES' VIEWS ON PUBLIC POLICY

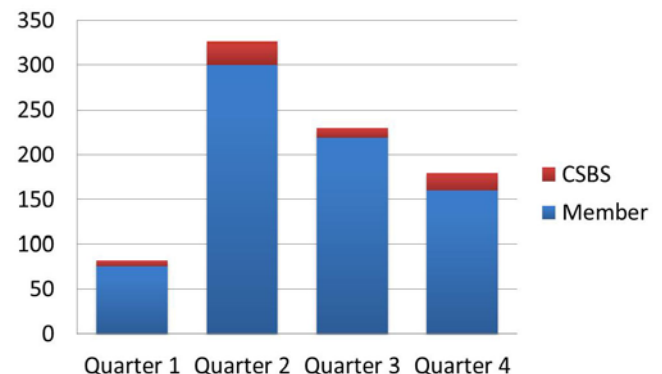
A core function of the Communications Division is to communicate a clear and central message that advances state regulators' public policy views on the financial system. This is done through the issuance of press releases, newsletter articles, public statements, digital media tools, and direct media engagement with various media outlets. The Division works continuously to build and cultivate key relationships with members of national and trade media, to educate reporters about the diversity and dynamics of the dual-banking system, and to inform reporters of the new and pressing issues important to state financial regulators.

The news media plays a pivotal role in shaping public perception. For this reason the Communications Division has placed great emphasis on media coverage assessment and media engagement. The Division keeps a pulse on national and trade media coverage of financial regulation, the financial services industry, and of course, state regulatory agencies. The Division tracks media mentions of CSBS and its members, and measures tone – how CSBS and state regulators are portrayed in the media.

Engagement with the media allows CSBS members to tell their stories of state supervision, communicate their public policy goals, and shape the public policy dialogue.

FIGURE 12: 2013 MEDIA COVERAGE OVERVIEW

Source: CSBS



CSBS DIVISION REPORTS

COMMUNICATIONS DIVISION

BOX D: The Role of Media in Advocating for the Adoption of a Rural Petition Process

One public policy issue of 2013 that garnered media attention was the Consumer Financial Protection Bureau's (CFPB) definition of "rural" in its balloon loan Qualified Mortgage rule. Under the rule, certain small creditors that operate in predominately rural or underserved counties are eligible to originate balloon loans under qualified mortgage status. However, the CFPB's definition of "rural" disqualifies several areas that are truly rural.

State regulators understand that community banks have responsibly utilized underwritten balloon loans for decades to provide mortgage credit in their communities where it would otherwise be impossible and that the CFPB provision may unnecessarily restrict the availability of loans in truly rural areas. Because of this, state regulators proposed the CFPB adopt a petition process where interested parties could petition the CFPB to make a determination that an area be considered rural.

CSBS engaged in a multi-faceted campaign to advance this public policy position. Following a letter sent to the CFPB from CSBS encouraging the adoption of a petition process, CSBS issued a press release on the matter and began engaging the media, generating media coverage in publications such as the *American Banker*, a leading trade news organization that focuses on issues within the banking and financial services industry.

To further advocate state regulators' views on the CFPB rural definition, the Division successfully secured the publication of an opinion article in the *American Banker* written by Louisiana Commissioner of Financial Institutions John Ducrest. In the opinion article, Ducrest contends that the one-size-fits-all approach to regulation, such as the CFPB's rural definition, does not work, and gave examples of rural parishes in Louisiana what would be excluded from offering QM balloon loans due to the CFPB's rural definition.

In June, CSBS Chairman and Commissioner of the Kentucky Department of Financial Institutions Charles A. Vice provided Congressional testimony before a subcommittee of the House Financial Services Committee. During his testimony on the CFPB's mortgage rules, Chairman Vice advocated the views of state financial regulators and called on the CFPB to adopt a petition process to address inconsistencies of its rural definition. The Division also issued a press release on Vice's testimony and secured favorable media on the topic.

Days after Vice's testimony, Representative Andy Barr (R-KY) introduced a bill in the U.S. House of Representatives that would address the limitations to the CFPB's rural designation. In early 2014, a companion bill was introduced in the Senate by Senate Minority Leader Mitch McConnell (R-KY) and Sen. Rand Paul (R-KY).

OUTLOOK FOR 2014

For 2014, the Communications Division will continue to develop a central message for the work of CSBS and its members that promotes state supervision and advocates the states' views on public policy. The Division will continue to cultivate current relationships with members of the media, build new ones, and work to expand its use of multi-media tools to more effectively meet the needs of CSBS and its members.

CSBS DIVISION REPORTS

BANKERS ADVISORY BOARD

CSBS has a long-standing Bankers Advisory Board (BAB) to benefit from the perspective and experience of state-chartered banking institutions. The duties of the BAB are to advise and assist the CSBS Board of Directors in pursuit of the organization's goals and to provide industry input on appropriate areas of CSBS activities. This is an advisory role, and BAB members do not participate in CSBS policy making committees.

The bankers who serve on the CSBS BAB bring their views of and concerns about current issues to the policy-making Board of Directors, giving the commissioners their sense of priorities from the banker's view. The group meets in person three times a year. The BAB also meets via conference call on an as-needed basis with CSBS staff and members to share input on urgent issues.

In 2013, the BAB provided feedback to CSBS staff and the CSBS Board of Directors on a variety of issues, including the Federal Deposit Insurance Corporation's Community Banking Study, the Consumer Financial Protection Bureau's ability-to-repay (qualified mortgage) final rule, cybersecurity risks, bank chartering activity, and the Volcker Rule.

In coordination with the CSBS Regulatory Committee, the BAB established the Bankers Accounting Advisory Work Group in 2013. The purpose of the work group, which is comprised of bank Chief Financial Officers, is to provide state regulators direct input on how the banking industry is potentially impacted by accounting changes proposed by the Financial Accounting Standards Board (FASB).

Members of the BAB are recommended by their home-state commissioners and appointed by the CSBS Chairman, subject to approval by the CSBS Board of Directors. The bankers provide a voice representing the approximately 1,200 banks that give CSBS their voluntary membership support each year.

CSBS AND AFFILIATES FINANCIAL PERSPECTIVE

OVERVIEW

This Annual Report presents the activities of three separate legal entities: the Conference of State Bank Supervisors (CSBS), the State Regulatory Registry LLC (SRR), and the CSBS Education Foundation. CSBS is a non-profit, membership organization exempt from federal income tax under section 501(c)(3) of the internal revenue code. SRR is a subsidiary of CSBS and for tax reporting purposes is consolidated with CSBS. The CSBS Education Foundation is also a non-profit organization, also exempt from federal income tax under 501(c)(3) of the internal revenue code.

Annually, an audit of the combined organization is performed by the independent accounting firm of Tate & Tryon, a D.C.-based firm specializing in non-profit organizations. At the time of this printing, the annual audit for the year ended Dec. 31, 2013 was underway, but the final report had not been presented. When available, a copy of the final 2013 audit report will be posted on the CSBS [website](#).

MOST RECENT AUDITED RESULTS

The information below is summarized from the Dec. 31, 2012 [audited financial statements](#).

The financial results for 2012 include \$12.8 million in net income from operations and an additional \$16 million of restricted revenue from the National Mortgage Settlement. These contributions to net assets have continued to strengthen CSBS's financial position, which is extremely important given the role of CSBS in both depository and non-depository regulation. To date, CSBS has invested over \$40 million in developing the Nationwide Multistate Licensing System and Registry (NMLS or the System) and related professional standards systems. In a short period of time, NMLS has become a cornerstone of mortgage regulation for our members and the industry as a whole. The CSBS Board of Directors has determined that prudent oversight of the System requires a reserve balance sufficient to ensure the System is not adversely affected by cyclical changes in the industry. It is imperative that the high cost of maintenance, enhancements, and ongoing system security are not subject to potential revenue swings based on changes in the non-depository industry. Therefore, CSBS has continued to designate a large portion of annual net revenue for development reserves.

CSBS EDUCATION FOUNDATION BOARD OF TRUSTEES

As of December 31, 2013

Chairman

Ms. Victoria A. Reider
Executive Deputy Secretary
Pennsylvania Department of Banking and Securities

Treasurer

Mr. Charles G. Cooper
Banking Commissioner
Texas Department of Banking

Executive Secretary

John W. Ryan
President and CEO
Conference of State Bank Supervisors

Member

Ms. Charlotte Corley, CEM, CTE
Director, Banking Division
Mississippi Department of Banking and Consumer Finance

Member

Ms. Melanie G. Hall
Commissioner
Montana Division of Banking and Financial Institutions

Member

Mr. Robert Donovan
Deputy Superintendent of Banks
New York State Department of Financial Services

Member

Mr. Robert Venchiarutti
Deputy Commissioner, Money Transmitters
California Department of Business Oversight

Chairman, Content Oversight Committee *

Mr. Tracy Bergmann, CEM, ACISE
Examiner
Iowa Division of Banking

CSBS Staff Director

Roger Stromberg
Senior Vice President
Conference of State Bank Supervisors

Vice Chairman

Mr. Mick Thompson
Commissioner
Oklahoma State Banking Department

Immediate Past Chairman

Mr. Jeffrey C. Vogel, CEM
Director
Wyoming Department of Audit

Member

Mr. Scott D. Clarke
Assistant Director
Illinois Department of Financial and Professional
Regulation, Division of Banking

Member

Mr. Luther Guinn
Deputy Bank Commissioner
Arkansas State Bank Department

Member

Mr. Vaughn M. Noring, CEM
Bank Bureau Chief
Iowa Division of Banking

Member

Ms. Judi M. Stork
Deputy Bank Commissioner
Kansas Office of the State Bank Commissioner

Chairman, Performance Standards Committee

Mr. W. Kurt Purdom
Director, Bank and Trust Supervision
Texas Department of Banking

Chairman, Certification Committee *

Ms. Daphne Porter, CEM
Senior Examiner
California Department of Business Oversight

* Denotes Non-Voting Members of the Board

STATE REGULATORY REGISTRY LLC BOARD OF MANAGERS

As of December 31, 2013

Chairman

Mr. Robert J. Entringer, CEM
Commissioner
North Dakota Department of Financial Institutions

Treasurer

Mr. Charles G. Cooper
Banking Commissioner
Texas Department of Banking

Board Member

Ms. Deborah R. Bortner
Director of Consumer Services
Washington Department of Financial Institutions

Board Member

Mr. Mark A. Kaufman
Commissioner
Maryland Office of Financial Regulation

Ex Officio Board Member *

Charles A. Vice
Commissioner
Kentucky Department of Financial Institutions
Chairman, Conference of State Bank Supervisors

Secretary*

John W. Ryan
President and CEO
Conference of State Bank Supervisors

Vice Chairman

Mr. Douglas B. Foster
Commissioner
Texas Department of Savings and Mortgage Lending

Immediate Past Chairman

Mr. David J. Cotney
Commissioner
Massachusetts Division of Banks

Board Member

Mr. Thomas J. Candon
Deputy Commissioner of Banking and Securities
Vermont Department of Financial Regulation

Board Member & AARMR Representative

Mr. Darin J. Domingue
Deputy Chief Examiner
Louisiana Office of Financial Institutions

Ex Officio Board Member*

William (Bill) Matthews
President and CEO
State Regulatory Registry LLC

* Denotes Non-Voting Members of the Board

CSBS BANKERS ADVISORY BOARD

As of December 31, 2013

Co-Chairman

Mr. Charles J. Dolezal
Superintendent
Ohio Division of Financial Institutions

Immediate Past Chairman

Mr. Joseph G. Pierce
President and CEO
Farmers State Bank, LaGrange, IN

District II Chairman

Mr. Patrick Glotzbach
President and CEO
New Washington Bank, New Washington, IN

District IV Chairman

Mr. Stephen Sherlock
President
Colorado East Bank and Trust, Lamar, CO

Member

Mr. Fernando A. Capablanca
Director
Ocean Bank, Miami, FL

Member

Mr. Steven K. Buster
President and CEO
Pacific Mercantile Bank, Costa Mesa, CA

Member

Mr. Bradley W. Krieger
Executive Vice President/Regional Executive
Arvest Bank, Fayetteville, AR

Member

Mr. Raymond (Ray) Specht
President and CEO
Toyota Financial Savings Bank, Henderson, NV

Member

Mr. David H. Weaver
Executive Vice President
Branch Bank and Trust, Winston-Salem, NC

Member Emeritus

Mr. Garry D. Denney
Chairman, President, and CEO
Southwest Missouri Bank, Carthage, MO

Member Emeritus

Mr. Donald A. Pape
Chairman
Republic Bank and Trust, Norman, OK

Co-Chairman

Mr. Michael Poland
President
Farmers State Bank, Cameron, MO

District I Chairman

Mr. John J. Patrick, Jr.
President and CEO
Farmington Bank, Farmington, CT

District III Chairman

Mr. G. Robert Aston
Chairman and CEO
TowneBank, Suffolk, VA

District V Chairman

Mr. Trey Maust
Co-President and CEO
Lewis & Clark Bank, Oregon City, OR

Member

Mr. Michael L. Allen
Chairman and President
Union State Bank, Kerrville, TX

Member

Mr. Edward J. (Ted) Geary
Senior Vice President
Depositors Insurance Fund, Woburn, MA

Member

Mr. Henry A. (Bubba) Logue
President and COO
Merchants and Planters Bank, Raymond, MS

Member

Mr. K. Brent Vidrine
President and CEO
Bank of Sunset and Trust Co., Sunset, LA

Member

Mr. Benedict (Bick) Weissenrieder
Chairman and CEO
The Hocking Valley Bank, Athens, OH

Member Emeritus

Mr. Gary L. Nelon
Chairman and CEO
First Texas Bancorp, Inc., Georgetown, TX

CSBS Staff Director

H. Catherine Woody
Vice President of Media & Industry Relations

CSBS STAFF

As of May 1, 2014

President and CEO

Mr. John W. Ryan

Executive Assistant to the CEO

Ms. Cecelia H. Smith

ADMINISTRATION

General Counsel

Mr. John (Buz) Gorman

Executive Vice President, Finance and Administration

Mr. Thomas E. Harlow, CPA, CAE

Vice President, Human Resources

Ms. Kelly Haire

Controller

Mr. Franklin Whetsell, Jr., CPA

Senior Manager of Payroll and Accounting

Ms. Tammy Phan

Staff Accountant

Mr. Bikram Chakraborty

Staff Accountant

Mr. Serigne Dieng

Accounting Manager

Ms. Nhu Duong

Manager, Administrative Services

Ms. O'Della Harris

Senior Administrative Assistant

Ms. Nerissa Legge

Office Assistant

Ms. Sauma Hoza

TECHNOLOGY

Senior Vice President, Chief Information Officer

Mr. Mark Rippe

Vice President, Information Technology

Mr. Anthony Donfor

Vice President, SRR Information Technology

Mr. Peter Wallace

Director

Mr. Derek Holt

Director

Mr. Juan Narvaez

Senior Manager of Database and IT

Mr. David Rodgers

POLICY AND SUPERVISION DIVISION

Senior Executive Vice President

Mr. Michael L. Stevens

Senior Administrative Assistant, Policy and Supervision, and Legal

Ms. Tiyenne Greene

Regulatory Policy Section

Senior Vice President, Policy

Mr. Jim Cooper

Policy and Supervision Analyst

Mr. Chris Robb

Policy and Supervision Analyst

Mr. Nathan Ross

Policy and Supervision Analyst

Mr. Daniel Schwartz

Legislative and Legal Section

Senior Vice President and Deputy General Counsel

Ms. Margaret Liu

Senior Director and Associate General Counsel

Mr. Sandy Sussman

Senior Director, Legislative Policy

Ms. Natalie McGarry

Director, Policy Counsel

Mr. Matthew Lambert

Bank Supervision Section

Senior Vice President, Bank Supervision

Ms. Mary Beth Quist

Senior Director, Bank Supervisory Processes

Mr. Kyle J. Thomas, CEIC

Senior Manager, Policy and Supervision

Ms. Tonita Allers

Consumer Protection and Non-Depository Supervision Section

Senior Vice President, Consumer Protection and Non-Depository Supervision

Mr. Chuck Cross

Vice President, Supervision

Mr. John M. Prendergast

Director, Supervisory Processes, BSA, and Non-Depository Supervision

Ms. Jeanette Barraza, CEIC, CAMS

Supervision Analyst

Mr. Alan Ridenour

Supervision Administration Analyst

Ms. Mary Simonds

PROFESSIONAL DEVELOPMENT DIVISION

Senior Vice President of Professional Development

Mr. Roger Stromberg

Vice President of Professional Development

Mr. Sebastien Monnet

Vice President of Accreditation

Ms. Georgia High, CEM

CSBS STAFF

As of May 1, 2014

Director of Learning Services

Mr. C. Thomas McVey, CEM, CAMLS

Senior Manager of Programs and Certification

Ms. Rosemarie Shaheen

STATE REGULATORY REGISTRY DIVISION

SRR Administration

Executive Vice President

Mr. William (Bill) Matthews

Senior Administrative Assistant

Ms. Amber Ramirez

SRR Policy Section

Senior Vice President

Mr. Tim Doyle

Vice President

Mr. Michael Belak

Senior Director

Mr. Tim Lange

Senior Director

Ms. Mary Pfaff

Director

Ms. Margo Frampton

Director

Mr. Chris Moore

Director

Mr. Derek Schultz

Director

Ms. Christine Stevens

Senior Manager

Mr. Paul Ferree

Senior Manager

Mr. Derek Holt

Manager

Ms. Sarah Grimm

Manager

Mr. Ronald "RJ" Hauman

Senior Administrative Assistant

Ms. Leila Vossoughi

SRR Operations Section

Senior Vice President

Ms. Vickie Slater

Senior Director

Mr. Dave Dwyer

Director

Ms. Sharon Hughes

Director

Ms. Kathy Hunter

Director

Mr. Tim Vanderwerp

Senior Manager

Ms. Mindy Chang

Manager

Ms. Paola Alvarado

Manager

Ms. Stephanie Buonomo

Manager

Mr. Michael Casagrande

Manager

Mr. Reece Chekan

Manager

Mr. Stephen Lantzas

Manager

Ms. Lindsay Schmidt

Manager

Mr. Philip Whims

Senior Administrative Assistant

Ms. Ebony Monti

SRR Testing & Education Programs Section

Vice President

Mr. Pete Marks

Senior Director

Mr. Rich Madison

Senior Manager

Ms. Jessica Ayton

Senior Manager

Mr. Matt Comber

Senior Manager

Ms. Michelle Vandernaalt

Analyst

Mr. Mike Bray

Manager

Ms. Alana Chamoun

Support Analyst

Ms. Gabriela Turner

Senior Administrative Assistant

Mr. Graham Davidson

COMMUNICATIONS DIVISION

Vice President, Media and Industry Relations

Ms. H. Catherine Woody

Senior Manager, Communications

Ms. Rockhelle A. Johnson

Manager, Communications

Mr. Matthew Longacre



Conference of State Bank Supervisors

1129 20th Street, N.W. 9th Floor

Washington, D.C. 20036

Ph: 202/296-2840

Fax: 202/296-1928

www.csbs.org