



SINCE 1902

CONFERENCE OF STATE BANK SUPERVISORS

ANNUAL REPORT

2012

May 1, 2013

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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.....10

2012 Milestones12

2013 Priorities 14

State of the State Financial Industries.....15

Policy and Supervision Division Report.....18

 Legislative and Legal Section 18

 Regulatory Policy Section23

 Bank Supervision Section.....27

 Consumer Protection and Non-Depository Supervision Section31

Professional Development Division Report35

SRR Division Report.....38

Communications Division Report.....43

Bankers Advisory Board Report.....46

CSBS and Affiliates Financial Perspective.....47

CSBS Education Foundation Board of Trustees.....48

State Regulatory Registry LLC Board of Managers49

CSBS Bankers Advisory Board50

CSBS Staff51



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 approximately 5,300 state-chartered financial institutions with nearly \$4.5 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 16,688 mortgage companies, 120,142 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.

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, and 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 service industry professionals to participate in the organization in an advisory capacity. These

1 Source: Federal Deposit Insurance Corporation as of December 31, 2012.

2 Source: CSBS-AARMR Nationwide Mortgage Licensing System and Registry as of December 31, 2012.

3 Source: CSBS Profile of State-Chartered Banking. 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.

advisory groups promote communication between state regulators and their supervised industries, and provide industry perspective on issues of interest to the state regulatory system.

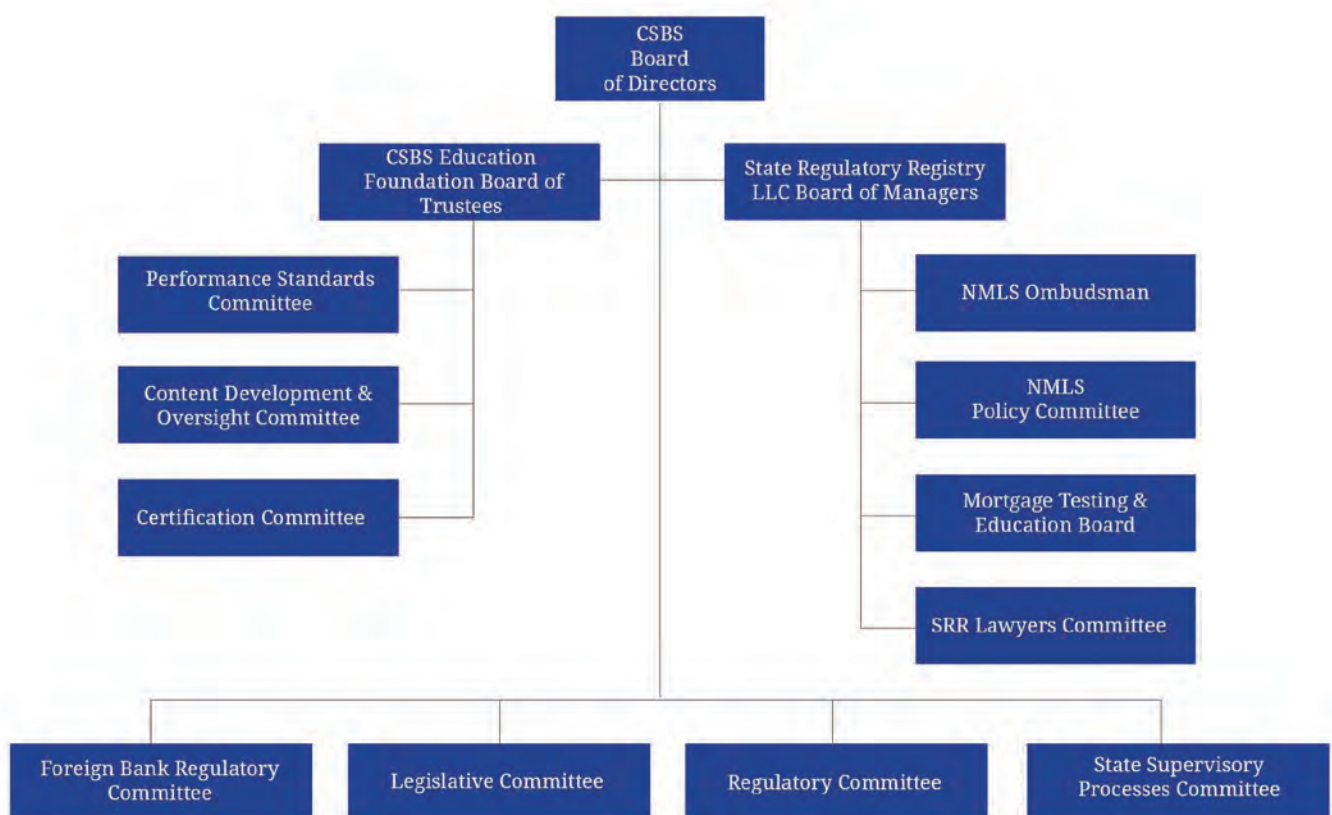
Affiliated Entities

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 Jeffrey C. Vogel, Director of the Wyoming Department of Audit. As Chairman of the CSBS Education Foundation Board of Trustees, Director Vogel 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 16 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 and Registry (NMLS, or the System) as a licensing and registration system for residential mortgage and other non-depository industries. 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.

CONFERENCE OF STATE BANK SUPERVISORS



LETTER FROM THE CHAIRMAN

May 1, 2013

On behalf of the CSBS Board of Directors, I present you with the 2012 Annual Report of the Conference of State Bank Supervisors.

Those of us in the financial services arena had another interesting year in 2012. Ongoing implementation of the extensive Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), continued emergence from the worst financial crisis in a generation, and further industry consolidation all combined to present significant obstacles and opportunities for CSBS and state regulators. However, thanks to strong leadership and clear direction from the CSBS Strategic Plan, CSBS not only weathered these challenges, but made tremendous progress in championing the nation's dual-banking system, supporting industry diversity, enhancing state supervision of both bank and non-bank entities, and facilitating coordination among financial regulators.

Regulatory Balance

In my 26 years with the Tennessee Department of Financial Institutions, I have been guided by a simple regulatory philosophy. As a regulator, it is my duty to ensure a safe and sound system of state-chartered banks and state-licensed financial services providers and to restrict their activities to the extent necessary to protect depositors or consumers. I am also required to encourage the development of state banks and financial services providers, allow for the exercise of business judgment in these entities, and to permit these entities the opportunity to contribute to the economic progress of Tennessee and the nation as a whole.

My ultimate goal, and one I share with my fellow state regulators, is to find a balance in regulation. If we are too lax in establishing safety and soundness standards, we could enable the development of an industry that cannot fully serve consumers. Conversely, if we are overly aggressive to entities that do not warrant it, we could inhibit healthy and well-managed entities from serving their customers and maintaining the availability of credit for individuals and businesses. Therefore, during my tenure as Chairman of CSBS, I have been cognizant of the need to tailor our system of supervision and to steer away from imposing a one-size-fits-all model of supervision for insured depository institutions and non-depository financial services providers.

As we continue our recovery from the Great Recession, it is critical that we as regulators continue to focus on the condition of the financial industry, our supervision, emerging trends and threats, and the future of financial supervision

in order to tailor regulation appropriately to ensure industry diversity and encourage economic development.

Industry Diversity

To that end, the priority of my Chairmanship has been to ensure the viability of the community bank model. It is imperative that CSBS maintains its central role in encouraging a diverse and competitive banking system. Community banks are simply too important to the health of our local, state, and national economies to be ignored.

Unfortunately, the banking industry continues to consolidate at an alarming rate. While there are some who may extoll the benefits of having a handful of banks and a single federal regulator located in Washington, D.C., the reality is our economy is better served by a diverse industry and a coordinated system of financial oversight.

Accommodation for Community Banks

To ensure the community bank model succeeds, we need to determine how statutes and regulations can be tailored to how community banks conduct business. State and federal regulators need to continue to coordinate to identify emerging threats and trends and to discuss opportunities for improving supervision. Forums such as the Federal Financial Institutions Examination Council (FFIEC) and the Financial Stability Oversight Council (FSOC, or the Council) are vital to this coordination.

This state-federal partnership leverages the strengths and resources of both state and federal regulators. I encourage state and federal regulators alike to strive toward a regulatory system that provides safety and soundness and consumer protection while preserving the very qualities of our unique dual-banking system that have contributed so significantly to our nation. I fear without honest and constructive coordination, the community banks we so heavily rely upon as a nation will fall victim to regulatory schemes designed around our nation's largest and most complex institutions.

To that end, I am encouraged by efforts of my federal counterparts to better explore and analyze the role and status of community banks and to tailor regulations to a bank's risk profile, size, and business model. I have been encouraged by the progress I have witnessed on this front in 2012 and the steps taken by my federal colleagues.



Greg Gonzales



Greg Gonzales Testifies Before Congress, November 2012

Efficient Supervision

Another primary objective of the CSBS Strategic Plan is to maintain an effective system of bank supervision and regulation. CSBS has undertaken a number of initiatives to enhance the efficiency and quality of state supervision. In particular, advancements in technology have had a significant impact in this area.

For instance, with regard to professional development, the CSBS Education Foundation has made a vast library of online courses available to state regulators at no cost and offers high-quality on-site training programs at reduced cost. The CSBS Accreditation Program ensures that state banking departments provide effective supervision and consumer protection by holding the agencies to high standards of supervision.

In addition, through CSBS state regulators have been actively involved with updating the electronic examination tools we utilize in our daily responsibilities. The initiative, performed in collaboration with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve, is a comprehensive modernization initiative to replace and update the current examination tools we use each day.

Non-Bank Supervision

State regulators also oversee non-depository financial services providers, including mortgage providers, MSBs, payday lenders, check cashers, and a host of other providers. A key ingredient of state supervisory efforts in this arena is the licensing of non-depository providers.

Non-depository regulation is rapidly coalescing around NMLS as a mechanism to enhance information flow, credentialing, and efficiency, all while respecting individual state laws and state authority. As such, in 2012 CSBS enhanced the capabilities of NMLS to accommodate state use of the System for non-mortgage, non-depository financial services industries.

Once licensed, supervision transfers to examination oversight where state regulators trust, but verify, that the licensee is in full compliance with consumer protection requirements, and in some cases, safety and soundness requirements. The Multi-State Mortgage Committee (MMC) is playing an important role in addressing national issues, such as the National Mortgage Settlement with major mortgage servicers, as well as coordinating the regulatory focus and examination of multi-state companies that require a national perspective to be effective.

CSBS is also partnering with the Money Transmitters Regulators Association (MTRA) to enhance and coordinate state supervision of MSBs. By year-end 2012, 39 state MSB regulators signed the Nationwide Cooperative Agreement for MSB Supervision and its companion Protocol for Performing Multi-State Examinations.

Looking Ahead

Looking forward to 2013 and the years ahead, I am very optimistic about the future of state financial supervision and CSBS. There will always be challenges for us to overcome, such as industry consolidation, threats to the dual-banking system, or even claims regarding our abilities as regulators. Despite these and other challenges, I am encouraged.

I am encouraged by the efforts of my fellow state and federal regulators to understand and advocate for industry diversity and a viable community bank model. I am encouraged by the resiliency of the financial services industry that adapts to the needs of our citizens and contributes to our ongoing economic recovery. I am encouraged by the innovative initiatives I see from state regulators in response to emerging trends or threats they see at the state level.

Ultimately, I believe that the purpose of regulation is not to be an end all to itself, but a means to an important end, which is to help facilitate the delivery of critical financial services to the country. At times, regulations and statutes become overly complex and ill-suited for the entities we supervise. It is imperative we continue toward the creation of a regulatory framework that not only ensures safety and soundness and consumer protection, but that empowers financial services providers to succeed and contribute to the economic growth of our states and nation.

Sincerely,

Greg Gonzales

Commissioner, Tennessee Department of
Financial Institutions

Chairman, CSBS Board of Directors

CSBS STRATEGIC PLAN

The following strategic plan was approved and adopted by the CSBS Board of Directors in December 2011. In the fall of 2012, the plan was amended and once again approved by the Board in December 2012. The long-term plan will guide CSBS staff efforts and will be implemented over the coming years.

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, 2013

CSBS staff are guided and directed in our efforts by our regulator members and the CSBS Strategic Plan. We have a vision of what the industry and supervision should look like in the future, and the Strategic Plan guides us today as we strive to achieve that vision for tomorrow.

Our vision is of a flourishing financial services industry that provides access to credit in every corner of the United States and across the globe in a manner that allows for borrowers to achieve their vision of success for communities, states, and the nation as a whole. Our experience has been that a diverse industry, complete with local banking institutions making local and individualized credit decisions, is key to achieving this vision. The country needs the relationship-based banking services that community banks provide to flourish and succeed. A small town should not be denied basic bank services because they are too small for their local bank to survive complex federal regulation. Put simply, we cannot maintain a dynamic, vibrant national economy with only a handful of institutions.

Unfortunately, the country is straying further and further away from this vision. The drastic decline in the number of banks, the lack of a single de novo bank chartered in 2012, the asset domination of a few banks, the failure to protect citizens from “too big to fail” institutions, and overly complex and costly regulations are indicators that the community banking system is in peril.

Unfortunately, the cost of regulation and compliance is preventing some community banks from providing needed services and products to their communities. More than one in four households (28.3 percent) are either unbanked or underbanked, conducting some or all of their financial transactions outside of the mainstream banking system.⁴ And according to the FDIC, 35 percent of banks cited regulatory requirements as a major obstacle in serving unbanked and underbanked consumers.⁵ The cost of “one-size-fits-all” regulation based in Washington, D.C. should not deny access to credit or expand the number of unbanked or underbanked households in the country. I fear the number of underserved households will only continue to grow if policymakers do not address the factors that threaten community banks and the vitality of our financial system.

⁴ Source: [2011 FDIC National Survey of Unbanked and Underbanked Households](#), September 2012.

⁵ Source: [2011 FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked](#), December 2012.

There are real challenges to achieving our vision, and we must do more to communicate why it is important. Despite the challenges we face, CSBS continues to work toward achieving our future vision of a flourishing financial system.



John W. Ryan

Industry Consolidation and Diversity

Maintaining industry diversity and slowing, or at least understanding, the dramatic consolidation of the number of banks and assets of banks is vital. According to the FDIC [Community Banking Study](#), in 1984 there were 17,901 banks in the United States. By 2011, however, this number had dropped to 7,357 banks. And there are no signs of growth. In 2012, there was not a single de novo bank chartered in the United States.

Yet it is not just the consolidation of the number of banks that is alarming, but also the concentration of assets within a small number of banks. There are only 19 banks in the U.S. that hold more than \$100 billion in assets. These 19 banks comprise only 0.3 percent of the total number of banks in the nation, but hold 60 percent of total assets. It is striking that in the wake of the Dodd-Frank Act, which was designed to eradicate “too big to fail” banks, the biggest banks in the country have only gotten bigger. Clearly we have yet to solve the too big to fail problem.

Policymakers in Washington, D.C. seem attuned to the risks posed by industry consolidation and have begun to take action to study and address this troubling trend. Solutions in this area, however, are difficult to come by.

State and federal policymakers must do more to ensure the community bank model remains a viable and competitive option in our financial system. Community banks play a critical role in economic development, job creation, and market stabilization. Community banks provide credit to small businesses, which in turn act as the fuel of the U.S. economy. Community banks also maintain credit availability in every corner of our nation.

State and federal regulators are engaged in a number of initiatives to address the viability of the community bank model. CSBS has established the Community Banking Steering Group that is mandated to explore what is needed to support the community bank business model. The group is engaged in various work streams to analyze the issues community banks face and has proposed certain actions that could positively impact their competitive position in the industry.

The FDIC has embarked upon a multi-year initiative to further understand the evolution of community banks during the past 25 years, which culminated in the report mentioned above. The study is a data-driven effort to identify and explore issues and questions about community banks and is the most comprehensive report of its kind. The study should provide a platform for future research and analysis of community banks.

In addition, CSBS and the Federal Reserve System are partnering to sponsor a nationwide community bank research and policy conference to be held in October 2013. The conference will bring together academics, policymakers, bank supervisors, and community bankers to focus on the challenges and opportunities that community bankers face in the 21st Century.

These are just a few of the encouraging initiatives of state and federal policymakers to better understand the viability of the community bank model. Ultimately, policies and decisions made in Washington, D.C. must consider the impact on smaller banks and the communities they serve.

Regulatory Burden

The proposed Basel III capital framework is an example of the impact financial regulations could have upon industry diversity. State regulators certainly support improving the level and quality of minimum required capital standards for the U.S. banking system, but have serious concerns regarding the approach to implementing the Basel III and Standardized Approach proposals.

In our view, the Basel III framework is one of the most significant public policy matters facing the financial sector. The appropriate level of capital should enhance the resiliency of the banking sector, allowing institutions to remain solvent through the economic cycle. So while we support efforts to increase the minimum required capital for all institutions, we advocate for scaling back the scope of the Basel III proposal to apply only to the largest and most complex financial institutions. The Basel III framework, if applied to community banks, would introduce unnecessary complexity and cost to the capital planning process for many banking organizations.

This is but one example of the unintended consequences well-meaning regulations can have upon the financial system. The lack of sufficient understanding regarding the impact of regulations will have on the type of credit available, the manner in which banks lend, and the full impact on the economy and job growth must be carefully considered to achieve our vision of a healthy, thriving, and diverse financial services industry.

To that end, CSBS publicized our opposition to the proposals by issuing a public statement by CSBS Chairman Greg Gonzales, filing official comment letters in response to both the Basel III and the Standardized Approach proposals, and by testifying against the proposals at a Congressional hearing.

State-Federal Coordination

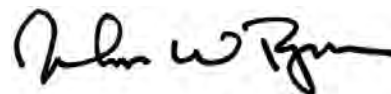
Our nation's financial services providers are often local in touch and national in scale. It is imperative that state and federal regulators work together to ensure effective and consistent supervision of both depository and non-depository financial services providers. The evolution of state regulation has shown that uniform infrastructure and federal policy can, if thoughtfully developed with the input of state regulators, support—not supplant—local governance and oversight. Combined state-federal regulatory regimes that include clear and appropriately calibrated incentives can promote consistent and comprehensive regulation without losing the benefits of states' on-the-ground perspective. Organizations such as the FFIEC and the FSOC bring state and federal regulators together to address pressing supervisory issues and trends and are vital to developing solutions that take both the state and federal perspectives into account.

The challenge for policymakers—and for the regulators who implement those policies—is to create a regulatory framework that ensures industry professionalism, industry and regulatory accountability, and the proper alignment of incentives, but that also avoids unnecessary regulatory inefficiencies and burdens. For state regulators, policies and approaches that encourage regulatory collaboration and coordination and that support regulatory innovation have been vital to striking this balance.

Looking Forward

State and federal policymakers cannot simply accept that we will eventually be a nation of a handful of money-center banks like our European counterparts that are overseen by one consolidated federal behemoth regulatory agency. Our system must continue to address diversity, economic development, and cooperative federalism to benefit individuals, businesses, and the national economy as a whole. State regulators, guided by the CSBS Strategic Plan, continue to spearhead efforts to understand industry consolidation and to address policy decisions that impact the composition of our financial services industry and financial supervision.

Sincerely,



John W. Ryan
President and CEO

CSBS BOARD OF DIRECTORS

As of December 31, 2012



*The CSBS Officers and Executive Committee, May 2012.
Left to right: David J. Cotney, Charles G. Cooper, Greg Gonzales, Charles A. Vice, John P. Ducrest, Candace A. Franks, John W. Ryan*

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Commissioner
Tennessee Department of Financial Institutions

Chairman-Elect

Mr. Charles A. Vice
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Mr. David J. Cotney
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Maine Bureau of Financial Institutions

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Ms. Sara M. (Sally) Cline
Commissioner
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Mr. David C. Tatman
Administrator
Oregon Division of Finance and Corporate Securities

Chairman, State Regulatory Registry LLC Board of Managers

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

Chairman, CSBS Foreign Bank Regulatory Committee

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



CSBS Board of Directors, March 2013

Chairman, CSBS Legislative Committee

Mr. Scott Jarvis
 Director
 Washington Department of Financial Institutions

Chairman, CSBS State Supervisory Processes Committee

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

Member-at-Large

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

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 Wyoming Department of Audit

Chairman Emeritus (2003-2004)

Mr. Mick Thompson
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 Oklahoma State Banking Department

Chairman Emeritus (1997-1998)

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 Director
 Idaho Department of Finance

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Mr. John Munn
 Director
 Nebraska Department of Banking and Finance

Co-Chairman, CSBS Bankers Advisory Board

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

2012 MILESTONES

CSBS achieved several landmark accomplishments in 2012. These include:

- CSBS submitted 17 official [comment letters](#) to federal regulatory agencies in 2012. Letters on key issues included a February letter in response to the Interagency [Volcker Rule](#) proposal; April letters to the Office of the Comptroller of the Currency (OCC) on [stress testing](#) and to the FDIC on [stress testing](#); an April letter to the Federal Reserve Board of Governors (FRB) on [enhanced prudential standards](#); October letters to the Consumer Financial Protection Bureau (CFPB, or the Bureau) on [mortgage servicing](#) and [loan originator compensation](#); October letters to the federal banking agencies on the [Basel III](#) and [Standardized Approach](#) proposals; and a November joint letter filed by CSBS, AARMR, the American Council of State Savings Supervisors (ACSSS), and the National Association of Consumer Credit Administrators (NACCA) to the CFPB on [integration of the Real Estate Settlement Procedures Act \(RESPA\) and the Truth in Lending Act \(TILA\)](#).
- Developed a model state law to implement requirements mandated by Section 611 of the Dodd-Frank Act regarding derivatives.
- Ongoing work on the viability of the community bank model. The CSBS Community Banking Steering Group, chaired by Jim Cooper, Deputy Director of the Indiana Department of Financial Institutions, established a definition of a “community bank” and evaluated several studies on the community bank system.
- Held the successful 2012 CSBS Washington Fly-In, bringing together more than 60 state regulators from over 30 states for meetings with key Members of Congress and federal regulators. Among highlights of the 2012 Fly-In were sessions with Richard Cordray, Director of the CFPB, and Ben Bernanke, Chairman of the FRB.
- State regulators testified three times before Congress on behalf of CSBS in 2012. In June 2012, Deborah Bortner, Director of Consumer Services for the Washington State Department of Financial Institutions, [testified](#) before a House Financial Services Subcommittee on state supervision of MSBs. In July, John Munn, Director of the Nebraska Department of Banking and Finance, [testified](#) at a House hearing examining proposals to grant federal charters to certain payday lenders. And in November, CSBS Chairman Greg Gonzales, Commissioner of the Tennessee Department of Financial Institutions, [testified](#) on the proposed Basel III and Standardized Approach proposals.
- CSBS, in coordination with the U.S. Secret Service and the Financial Services Information Sharing and Analysis Center (FS-ISAC) developed corporate account takeover [best practices and examination procedures](#) to combat this form of identity theft.
- State regulators, facilitated by CSBS, participated in the development of exam tools. The Examination Tools Suite (ETS) is a major technology initiative to replace many of the exam tools currently used by state and federal examiners.
- Recognizing examiners’ need for up-to-date information, CSBS developed a CSBS Examiner Reference CD. This resource contains materials that were previously distributed by the FDIC, as well as new references state regulators have reported as useful.
- CSBS staff assisted state regulators impacted by Hurricane Sandy in October 2012 by coordinating on their behalf with the federal agencies and other state regulators.

- The MMC devoted considerable time and resources to the mortgage loan servicing area in 2012. Most notable of these efforts was the historic [National Mortgage Settlement](#), a state-federal settlement with the five largest servicers. The \$25 billion settlement is a testament to the strong partnership among state mortgage regulators, state attorneys general, and multiple federal agencies.
- Development began on an MMC website to increase the efficiency of the MMC's work and to add significant accountability to the examination process. The site launched in January 2013 and enables examiners to see and work with their multi-state examinations in real time.
- To assist examiners in assessing mortgage loan originator licensing compliance, the MMC created [SAFE Act Examination Guidelines \(SEGs\)](#) to help examiners ensure all individuals acting as MLOs are properly licensed and registered in the states in which they are conducting business.
- The CSBS MSB Task Force, chaired by Charles G. Cooper, Banking Commissioner of the Texas Department of Banking, finalized the [Nation-wide Cooperative Agreement for MSB Supervision](#) and its companion [Protocol for Performing Multi-State Examinations](#) in January 2012. By year-end, 39 state MSB regulators signed the agreement and the Task Force began taking steps to establish the Multi-State MSB Examination Taskforce (MMET).
- During 2012, the CSBS Education Foundation conducted 24 on-site programs. Additionally, in collaboration with SRR, the Education Foundation produced 16 mortgage-related webinars. In 2012, 1,355 state regulators, federal regulators, members of industry, and other interested parties participated in the training and professional development programs developed and hosted by the CSBS Education Foundation, and 1,070 participated in NMLS-related webinars.
- As of year-end 2012, a total of 47 states had achieved bank [accreditation](#) and 12 state regulatory agencies had received mortgage accreditation, certifying the regulatory agencies met the highest standards of financial supervision.
- In February at the 2012 NMLS Annual Conference and Training, CSBS and SRR [announced](#) that efforts to develop content for a uniform mortgage loan originator state test had begun. The test went live in April 2013.
- In April, CSBS and SRR announced the ability for states to use NMLS for the licensing and supervision of non-depository financial services industries beyond the mortgage industry. By year-end 2012, 13 states had expanded their use of NMLS.
- In July, CSBS announced the availability of public state regulatory actions on [NMLS Consumer AccessSM](#). In addition, NMLS Consumer AccessSM now directly connects the public to state agencies for the purpose of submitting a consumer complaint on a state-licensed company or individual loan officer.
- In 2012, CSBS fielded approximately 150 media inquiries, issued 46 press releases, and monitored nearly 400 mentions of state regulators and CSBS in the press.

2013 PRIORITIES

In 2013, 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

- CSBS staff is working with state regulators to develop a comprehensive information sharing memorandum of understanding (MOU) between state regulators and the CFPB.
- Staff is continuing work to coordinate state supervision of MSBs through the implementation of the Nationwide Cooperative Agreement for MSB Supervision and its companion Protocol for Performing Multi-State Examinations. In 2013, state regulators also hope to establish the MMET.

Regulatory Policy

- CSBS will continue to expend considerable resources to understand and propose remedies around the community bank model, as community banking is a key component to rural, local, and state economies.
- CSBS will focus on the many rules that will have implications for consumer financial markets. While many relevant rules have been finalized, they are drawing attention to the significant issues of regulatory burden on community banks and the impact on credit availability, especially in non-metropolitan areas.

Legislative

- Staff will work to ensure that Congress continues to recognize the importance of regulatory diversity, the dual-banking system, and the important role of state banking and financial regulation in the financial regulatory fabric.

Bank Supervision

- CSBS will continue to support the state banking examination function and coordination with federal regulators.
- Staff will evaluate emerging risks, examination procedures, and will develop examiner job aids and tools to enhance state supervision.
- CSBS will facilitate state adoption of the corporate account takeover best practices.

- As the state banking departments prepare for radically new technology solutions for their supervisory staff, CSBS will support all aspects of this technology shift, including testing and development, delivery of training, and ongoing support.

Non-Depository Supervision

- Staff will be largely focused on supporting multi-state supervision through the MMC and the MMET.
- Another round of mortgage servicer negotiations currently underway will most likely be resolved by mid-2013.

Professional Development

- CSBS will continue to take advantage of educational technology advancements by launching online modules, thereby making professional development and continuing education available anytime and anywhere. This technology eliminates old delays and limits the expense associated with in-person schools. Topics will include mortgage supervision, bank operations, IT, Bank Secrecy Act (BSA), appraisals, capital markets, trust, and MSBs.

SRR/NMLS

- In the coming years, SRR will work with state agencies to license entities in expansion industries—such as MSBs, debt collection, and consumer lending—through NMLS, and to adopt the uniform state test for state-licensed MLOs.
- On an ongoing basis, SRR will work closely with regulatory and industry users to develop new and enhance existing NMLS functionality.
- In 2013, the NMLS development schedule for new and enhanced functionality includes MSB authorized agent reporting, agency fee invoicing, improved report delivery for state regulators, advanced notification filing in NMLS for state-licensed entities, and surety bond tracking and delivery.

Promote State Supervision

- CSBS will continue to develop a central message for the work of CSBS and our members that promotes state supervision and advocates the states' 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 our organizational priorities, promote state regulators, and advocate for the dual-banking system

STATE OF THE STATE FINANCIAL INDUSTRIES

Industry Diversity

The U.S. banking system is large and diverse. With nearly 7,100⁶ banking organizations across the country, the U.S. generally enjoys easy access to financial services. These institutions vary widely in terms of size and business model. CSBS views this diversity as a key strength of the system, which served the country well during the financial crisis.

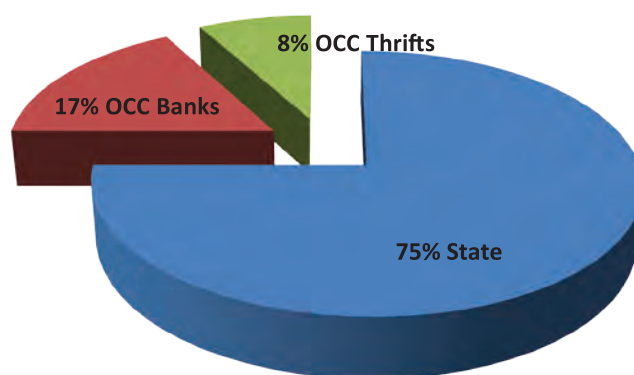
The state system remains the charter of choice for 75 percent of banks.⁷ The state charter, while home to several large institutions, also claims most of the nation's community banks. These banks value the ability to work with local officials who understand the economics and needs of local communities.

While the nation maintains a significant number of institutions, the banking industry has experienced a consistent stream of consolidation. For instance, in 1984 there were 17,901 banks in the United States. By 2011, this number dropped to 7,357 banks.⁸ The industry has also experienced dramatic consolidation of assets within a small number of banks. For instance, there are 19 banks in the country with assets over \$100 billion. These 19 banks make up only 0.3 percent of the total number of banks in the U.S.,

but hold 60 percent of total system assets. Total deposits in the banking system have ballooned from \$4.9 trillion in 2000 to \$10.8 trillion in 2012, but small institutions are housing only a fraction of total deposits. The four largest banks control 40 percent of total bank deposits, representing a 21 percent increase since December 31, 2007.⁹ The size disparity between the average community bank and the average large bank has grown from 12 times larger in 1985 to 64 times larger in 2010.¹⁰

Percentage of Charters by Authority

As of 12/31/2012



Numbers of Charters by Authority									
	STATE	%	OCC	%	OCC/OTS	%	TOTALS	Change	
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 2012							-10,951	
	Percentage							-61%	
	Percentage per annum							-2%	

6 Source: FDIC as of December 31, 2012.

7 Ibid.

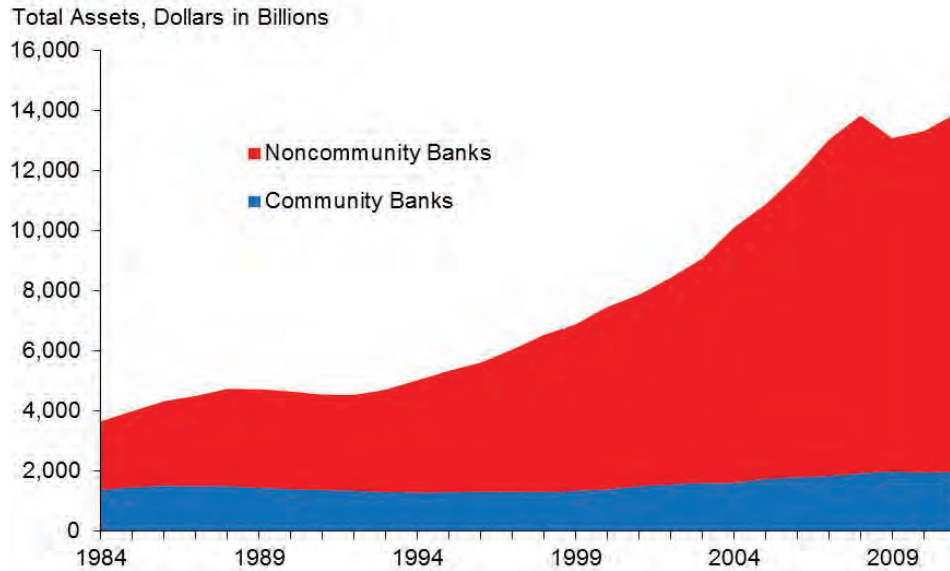
8 Source: FDIC *Community Banking Study*, December 2012.

9 Source: FDIC as of December 31, 2012.

10 Source: FDIC Community Banking Research Project as presented at the FDIC Future of Community Banking Conference, February 16, 2012.

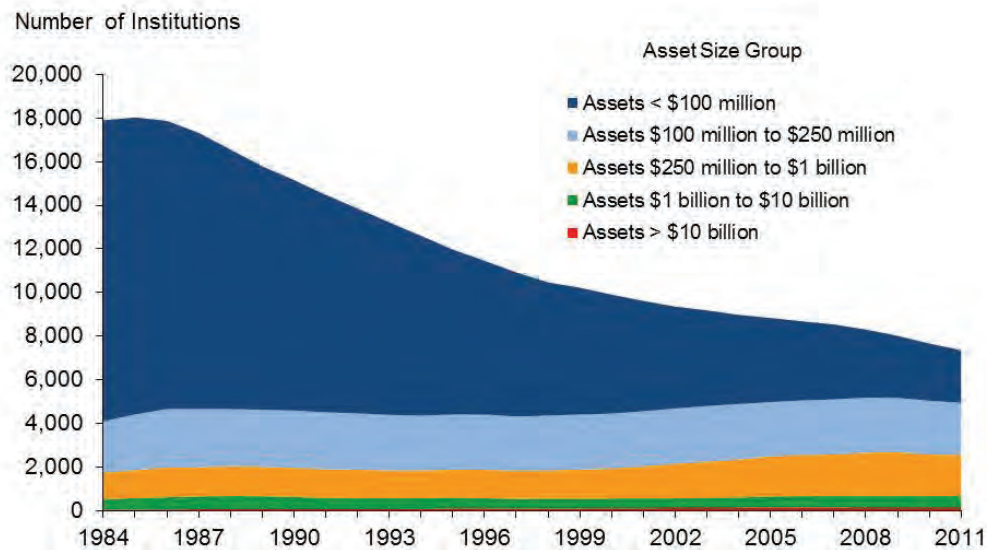
STATE OF THE STATE FINANCIAL INDUSTRIES

Noncommunity banks have used acquisitions to amass an 86 percent share of banking industry assets.



Source: FDIC.

All net consolidation in the number of banks since 1984 can be explained by an 83% decline in banks under \$100 million.



Source: FDIC.

According to the [FDIC's Community Banking Study](#), there are a few key factors driving this significant consolidation.

- **Bank failures.** 2,555 banks have failed from 1984 to 2011, primarily due to the banking crisis of the late 1980s and 1990s and the recent financial crisis.
- **Mergers and consolidation.** Most of the consolidation took place through mergers of banks belonging to different organizations, and the consolidation of banks within the same organization. In all, 7,583 banks exited the industry through mergers and 4,929 existed through consolidation from 1984 to 2011. Much of this was driven by changes to state branching laws.
- **Other: Financial innovation, technology, regulatory developments.** In its report, the FDIC acknowledges that other factors may have had some marginal effect on consolidation, but failures and mergers have contributed the most.

The size disparity between banks raises significant questions regarding financial stability and the impact industry consolidation has upon local economies. Ultimately, CSBS believes government policy should not drive consolidation. The other drivers of consolidation besides failures and mergers are worthy of further consideration in an effort to protect diversity in the system.

Non-Depository Supervision and Enforcement

State regulators also oversee a variety of non-depository financial services providers, including mortgage loan originators. In 2012, state regulators utilized NMLS to manage 160,000 unique entities (companies and individual loan originators), which held 330,000 state licenses from 58 participating state regulatory agencies. Additionally, since 2011 mortgage loan originators working for insured depositories have been required to register with NMLS. The System held 410,000 federal registrants (depository institutions and individual loan originators) at year-end 2012.¹¹

States have long worked to enhance supervision and enforcement of the residential mortgage industry, which led to the development and launch of NMLS by state regulators. In April 2012, NMLS expanded to include other non-depository consumer financial services providers. As of year-end 2012, 13 state agencies were using NMLS to license consumer lenders, MSBs, and debt companies. An additional 23 state agencies are scheduled to use NMLS in 2013 and 2014 for additional non-depository financial services providers. NMLS has proven to be an effective mortgage supervision tool, and this expansion is expected to streamline non-depository supervision and enhance consumer protection.

In 2012, new NMLS functionality allowed state regulatory agencies to upload state enforcement actions onto the System. At year-end, 35 states had uploaded more than 1,900 enforcement orders to NMLS. These orders are publicly available through *NMLS Consumer Access*.SM

Ending Too Big to Fail

Overall, the economy continues to recover from the financial crisis and regulators are implementing key provisions of the Dodd-Frank Act. The FSOC has proposed rules to facilitate identification of systemically important financial institutions. The FDIC has implemented its orderly liquidation authority and is working with the FRB to mandate living will requirements for certain institutions. Also critical are proposals concerning heightened prudential standards for systemic institutions and the Volcker Rule. The true impact of these new rules on large banks is still unknown, but the success of these rules is vital to mitigate the effect of “too big to fail.”

¹¹ Source: NMLS as of December 31, 2012.

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 Act and changes to bank and non-bank supervision as a result of the financial crisis. Staff has also begun an evaluation of items not fully addressed by the Dodd-Frank Act, including too big to fail, housing finance, and the structure of the regulatory system.

Our single greatest priority is the viability of the community bank model. This cuts across all of our work streams, including legislative advocacy, recommendations on regulations, and examination processes. We believe that federal policy needs to take an accommodative approach to policy, recognizing the risk mitigation inherently provided by portfolio lending and the lender's proximity to the market and the borrower.

Institutions that are too big to fail represent not only a threat to financial stability, but a threat to community banking. The existence of these institutions dominates the federal regulators' approach to policy and supervision. In times of stress, there is an inequity in the accommodative approach to dealing with too big to fail institutions compared to community banks.

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. We meet this goal by maintaining regular contact with state supervisors to be aware of current issues and coordinate best practices for the benefit of the system. Specific projects and advocacy to support this goal are highlighted in the sections to follow.

Legislative and Legal Section

Overview

Through regular interactions with Congress, regulatory agencies, and other organizations concerned with financial services policy, CSBS's Legislative and Legal Section monitors legislative and legal developments to identify policy proposals and legal issues potentially affecting state bank supervision and state financial regulation.

The CSBS Legislative Committee, chaired by Scott Jarvis, Director of Financial Institutions in Washington State, serves as CSBS's legislative policy setting 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 provide state regulators with timely reports of Congressional developments and analyses of relevant legislative proposals.

A key element of CSBS's policy advocacy is the annual CSBS Washington Fly-In, which brings together state banking commissioners in Washington, D.C. every



Scott Jarvis

spring for meetings with key Members of Congress and federal agency principals. More than 60 state regulators, representing more than 30 states, attended the 2012 Fly-In.

The CSBS Legislative and Legal Section 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 involving 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.

Additionally, 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. Additionally, information sharing among regulators and protection of confidential or privileged information as it is shared among regulators has become a topic of significant interest to CSBS and its members. In addition to working on information-sharing legislation, CSBS legislative and legal staff provided state agencies with updates and resources on understanding enacted and potential changes in federal law affecting information sharing.

CSBS legal staff also provide general legal support across all of CSBS, including the CSBS Education Foundation and SRR.

Highlights

The past few years have been marked by an active Congressional oversight agenda examining various aspects of the U.S. financial regulatory landscape. In the aftermath of the 2010 enactment of the Dodd-Frank Act, Congress has devoted significant energy to reviewing federal regulators' implementation of the many requirements of the landmark legislation. This oversight agenda has covered every aspect of the Dodd-Frank Act, including the CFPB, the FSOC and financial stability measures, changes in securities regulation, and ongoing work to implement provisions dealing with derivatives. 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.

The divided Congress of the past two years has been particularly partisan in its approach to financial services issues. Advocating policy positions in this environment means engaging constructively with a broad array of perspectives, ranging from those extremely skeptical of government regulation, to those who embrace the new structure as a necessary means of avoiding the excesses and mistakes that led to the financial crisis.

In this setting, CSBS's legislative work has focused on bringing state regulators' perspectives to issues affecting industry diversity and the role of state regulation in the regulatory fabric. From initiatives to reduce regulatory and compliance burdens for smaller institutions, to legislation

affecting the ability of the CFPB to share information with regulators, CSBS members and its legislative staff have provided the view of state banking and financial regulation. During 2012, Congress continued its efforts to address community banks' worries, angers, and frustrations with regulation and the federal regulatory agencies. As part of this effort, CSBS, through its members and staff, sought to convey the priorities and perspectives of state regulators. This included a variety of staff-level discussions about the regulatory environment, the Financial Institutions Examination Fairness and Reform Act, and conveying state regulators' concerns about the proposed Basel III capital requirements.

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



Deborah R. Bortner Testifies Before Congress, June 2012

CSBS testified three times before Congress during 2012.

In June, Deborah R. Bortner, Director of Consumer Services for the Washington State Department of Financial Institutions, [testified](#) before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit on state supervision of MSBs. This hearing provided an opportunity for Bortner to educate members of the Subcommittee and their staff on the role of the states in licensing and overseeing MSBs. Bortner also discussed states' use of NMLS as a licensing database for MSBs, a development that was praised by industry witnesses appearing at the same hearing. Bortner and other witnesses also discussed the challenges in obtaining banking services encountered by some money transmitters serving certain immigrant communities and transmitting money to countries such as Somalia.

CSBS DIVISION REPORTS



John Munn Testifies Before Congress, July 2012

In July, John Munn, Director of Banking and Finance of the Nebraska Department of Banking and Finance, [testified](#) on behalf of CSBS at a hearing examining proposals to grant federal charters to certain

payday lenders. Munn's testimony articulated state regulators' opposition to proposed legislation (H.R. 6139) as undermining state regulation and consumer protection. Although couched in language about the laudable objective of providing financial services to underbanked and unbanked consumers, the bill was industry driven and aimed at promoting internet lending by the nation's largest payday lenders.



Greg Gonzales Testifies Before Congress, November 2012

In November, Greg Gonzales, CSBS Chairman and Tennessee Commissioner of Financial Institutions, [testified](#) alongside witnesses from the federal banking agencies on the proposed Basel III

and Standardized Approach rules. Gonzales articulated CSBS's concerns about the rules' impact on the community bank business model and criticized the agencies for not properly considering the future impact of the proposals on smaller institutions' ability to deliver local credit.

CSBS Washington Legislative and Regulatory Fly-In

In March 2012, CSBS hosted its annual Washington Fly-In, bringing more than 60 state regulators to Washington, D.C. for meetings with key members of the House and the Senate and with senior officials at the FRB, the FDIC, and the CFPB. Among highlights of the Fly-In were sessions with CFPB Director Richard Cordray and FRB Chairman Ben Bernanke.

CSBS Legal Conference

In August 2012, CSBS hosted its annual Legal Conference in New Orleans, Louisiana. The conference covered a variety of legal and regulatory developments, include ongoing

efforts to implement the Dodd-Frank Act requirements related to state legal lending limits and derivatives exposure, and an update on anti-money laundering (AML) and BSA compliance issues.

Outlook for 2013

Deficit reduction and the budget will occupy much of Congress's energy and attention during 2013. However, both the Senate Banking and the House Financial Services Committees are expected to pursue robust agendas. Each Committee will have some new faces in leadership roles. The House Financial Services Committee will have a new Chair, Rep. Jeb Hensarling (R-TX), and a new Ranking Member, Rep. Maxine Waters (D-CA). In the Senate, Senator Tim Johnson (D-SD) will return as Chair of the Senate Banking Committee and Senator Mike Crapo (R-ID) is the new Ranking Member.

As the effort to implement the Dodd-Frank Act continues, Congress will similarly continue its oversight of Dodd-Frank and financial services regulation. There could be more discussions about technical and minor changes to the Dodd-Frank Act. The future of the housing finance system remains one of Congress's big "to do's" for 2013; however, the complexity of the issue and complexity of the politics surrounding housing and housing finance suggest a long road to resolution.

Congress will also continue its efforts to respond to the concerns community banks express about the current regulatory environment. While these concerns also flow from the current economy and uncertainty about the effect of Dodd-Frank implementation, Congress is likely to focus on the actions of the federal regulatory agencies. Despite the challenges of effectively legislating to address issues of management and supervisory discretion, Congress will continue to highlight—through legislation and hearings—community banks' frustrations and challenges. Recognizing the need to put forth concrete and actionable proposals for better tailoring regulation and supervision to the community bank business model, CSBS has developed a series of regulatory relief proposals. These proposals come from the work of the Community Banking Steering Group, as well as the Legislative and Regulatory Committees. Refer to Box A for more information.

As we put forth these proposals, CSBS will continue to work to ensure that Congress continues to recognize the importance of regulatory diversity, the dual-banking system, and the important role of state banking and state supervision in the financial regulatory fabric.

BOX A: PROPOSALS FOR COMMUNITY BANK REGULATORY RELIEF

1. The Law Should Ensure Regulations are Tailored for Portfolio Lending

Banks that originate and hold consumer loans have an aligned economic interest with the borrower. These banks provide the capital to support the credit and live with the risk of non-performance. In some cases, the credit is tailored to the needs and circumstances of the borrower which may prohibit the loan from being sold on the secondary market. This is an important source of credit for consumers and small businesses. Therefore, regulations should be tailored in such a way that they support and do not impede portfolio lending.

2. Fair Lending Examination Procedures Must be Tailored to Recognize the Relationship Lending Model of Most Community Banks

Many times it is not the statute that creates the problem, but the interpretation, guidance, and the examination techniques utilized. Despite interagency examination guidelines and assurances of continued fair lending collaboration, the states have observed a drastic difference in how the three federal banking agencies treat community banks on these issues. Our Community Banking Steering Group has listed overzealous compliance/fair lending examinations as a major issue facing community banks.

Application of one-size-fits-all examination techniques and tools to community banks without regard for the use of judgment based on deep knowledge of local credit markets is not appropriate. For example, loans held in portfolio often are tailored to the needs and circumstances of the borrower. A fair lending analysis of community bank loans should capture the differences and nuances of how and why certain loans were made or why there may be a difference in terms.

Despite assurances to the contrary, we are seeing an examination approach that lacks recognition of the community bank business model. Institutions are abandoning certain products due to these examination practices. The result is that the consumer and small business person are forced to leave the banking system for alternative delivery of products at a higher cost.

In addition to requiring accountability through its oversight capacity, Congress should explore ways to recalibrate fair lending requirements to recognize the community bank approach to relationship-based lending. Supervisors must utilize their flexibility to look beyond statistical models to determine fair lending violations at community banks.

3. Remove the Rural or Underserved Definition for Balloon Loans

Limitation of the rural or underserved standard to balloon loan qualified mortgages should be eliminated. Balloon loans should be treated under the basic small creditor Qualified Mortgage standard proposed by the CFPB.

4. Appraiser Qualifications for Certain 1-4 Family Loans

Regulations regarding appraisals can curtail credit in smaller communities where there can be a lack of qualified appraisers or a lack of comparable sales. Congress should require regulations to accommodate portfolio loans for owner-occupied 1-4 family loans, recognizing the unique challenges to securing a qualified appraisal and the lender's proximity to the market.

5. Ensure State Supervisory Representation on Federal Regulatory Bodies

The current FDIC Board does not include an individual with state regulatory experience as required by law. The Federal Deposit Insurance (FDI) Act and Congressional intent clearly require that the FDIC Board must include an individual who has worked as a state official responsible for bank supervision. As the chartering authority for 75 percent of all banks in the U.S., state regulators bring an important regulatory perspective that reflects the realities of local economies and credit markets. Congress should refine the language of the FDI Act to ensure that Congress's intent is met and that the FDIC Board includes an individual who has worked in state government as a banking regulator.

In creating the CFPB, Congress clearly recognized that the CFPB would touch a variety of state-regulated financial services providers, and Congress directed the CFPB to collaborate closely with state regulators across both bank and non-bank supervision. Should Congress choose to establish a CFPB governing board, it must include a member with state supervisory experience.

CSBS DIVISION REPORTS

BOX A: PROPOSALS FOR COMMUNITY BANK REGULATORY RELIEF

6. Revise the Dodd-Frank Act Creditworthiness Provisions

Certain aspects of the Dodd-Frank Act that require the federal regulators to remove references to credit rating agencies in their regulations have negative implications for permissible investments standards. Community banks will be required to perform more in-depth analysis of investment options to demonstrate their investment grade status. Many community banks do not have the capacity to perform such analysis and may be forced to turn to expensive third-party analysis or abandon certain investment options altogether. Many of these investments are local bond issues that provide critical support to schools and city and county governments. Congress should revisit the Dodd-Frank Act creditworthiness provisions to ensure this unintended consequence for community banks is resolved.

7. Application Decisions Related to Community Banks Should Not Set Precedent for Systemically Important Financial Institutions (SIFIs)

Community bank applications submitted to federal banking agencies for transactions such as mergers and capital investments can take an extended time to process because the federal banking agencies have to ensure the decision will not establish a precedent that could be exploited by larger institutions. Federal law could provide the necessary protection by stating that application decisions for banks below a specified size (perhaps \$2 billion) do not establish a precedent for any institutions designated as a SIFI (i.e., a bank holding company over \$50 billion or a designated non-bank SIFI).

To further address the length of time the agencies are taking to review these applications, the review and approval process for applications submitted by institutions below a certain size should be de-centralized with more final decision-making authority given to FDIC Regional Offices and the regional Federal Reserve Banks.

8. Deposit Insurance for Defined Transaction Accounts

The expiration of the Transaction Account Guarantee (TAG) program eliminated an option for community banks to serve local businesses during a time of continued economic uncertainty. To encourage businesses to bank with community banks, the FDIC should treat deposits in defined transaction accounts, such as payroll, as the deposits of the designated beneficiaries of the funds. As evidenced by deposit insurance for revocable trust accounts, the FDIC has the authority to apply pass-through insurance to defined transactions where relationships are fiduciary in nature, such as when payroll funds are placed in a transaction account for the benefit of explicit employees. This would ease business concerns and protect consumers by spreading deposit insurance to each employee's share of the sum set aside for payday.

9. Risk-Based Capital

Congress should mandate a study (by the Government Accountability Office (GAO) or another applicable body) that investigates the value and utility of Risk-Based Capital for smaller institutions. The study should seek to understand how risk weights drive behavior in the volume and type of credit a bank originates, as well as the burden of providing the necessary data for calculation of the ratios.

10. Concern About Delayed Recognition of Losses

Certain proposals addressing banking relief over the last few years have included provisions, such as delayed recognition of commercial real estate losses, that manipulate accounting standards in a fashion which overstates the financial condition of banking institutions. We have longstanding safety and soundness concerns about measures that delay recognition of losses and believe they should not be included in regulatory relief bills in the future.

Regulatory Policy Section

Overview

The Regulatory Policy Section supports the Bank Supervision Section and the Consumer Protection and Non-Depository Supervision Section to analyze and provide the state perspective on federal regulatory policy proposals that directly affect state-supervised entities. The Regulatory Policy Section facilitates state representation on the FFIEC and coordinates efforts among the state banking departments on supervisory related issues.

Regulatory Reform



John P. Ducrest

During 2012, the Regulatory Policy Section analyzed and responded to the numerous proposals related to the implementation of the Dodd-Frank Act. Staff provided regular briefings to the states on implementation of the Act. Dialogue with the states has been productive in identifying implementation challenges and developing an understanding of the full impact of this historic piece of legislation.

The Dodd-Frank Act created two new instruments of the federal government: the CFPB and the FSOC. The CFPB is charged with enforcing federal consumer financial laws and developing rules and disclosures to protect consumers utilizing financial products. The Bureau has extensive and broad power over consumer financial services. As the Bureau was being formed, CSBS staff was, and continues to be, in regular dialogue with CFPB staff to ensure they understand the valuable and critical role the states play in consumer protection. As a first step in streamlining the supervisory process between the states and CFPB, the CFPB signed an MOU with CSBS and several states in January 2011. The agreement provides a framework for coordination and information sharing, which the states and the CFPB can build upon as we move forward.

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 Council, 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 will play an increasingly important role in public policy and financial supervision.

Policy Initiatives



Mark Kaufman

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. Policy positions are determined by the CSBS Regulatory Committee, chaired by Mark Kaufman, Commissioner of the Maryland Office of Financial Regulation.

The policy process to evaluate these and other proposals serves to inform the states and advocate for regulatory policy that serves all communities. The regulatory response to the financial crisis and early implementation of the Dodd-Frank Act has required extended staff time and work with the states to develop policy and respond to proposals.

Key comment letters to the federal regulatory agencies submitted in 2012 include:

- [November 6, 2012 letter](#) to the CFPB on its proposed integration of disclosures under RESPA and TILA. CSBS, AARMR, NACCA, and ACSSS endorsed the CFPB's efforts to develop a simpler, less onerous disclosure process under RESPA and TILA, but offered substantive feedback on specific aspects of the proposed disclosures to enhance their effectiveness. Additionally, the state regulators endorsed a more inclusive finance charge to more accurately capture the cost of credit and a revision of statutory high cost thresholds.

CSBS DIVISION REPORTS

- October 17, 2012 letters to the banking agencies on their [Basel III](#) and [Standardized Approach](#) proposals. CSBS opposed the agencies' proposed implementation of Basel III in the United States and their proposed adjustments to the risk-weighting framework for domestic banking organizations. While supporting efforts to enhance the quality and quantity of capital at banking organizations, CSBS argued the proposals are too complex, inappropriately far reaching in scope, unsupported empirically, and potentially damaging to banks' credit allocation strategies. CSBS also took issue with certain other peripheral items in the Basel III proposal related to the definition of capital and the treatment of trust-preferred securities and the negative impact the Standardized Approach proposal would have on banks' engagement in residential mortgage lending. In addition to the two official comment letters, CSBS also issued a [public statement](#) and [testified](#) before Congress alongside federal regulators on the development and potential impact of the proposals. Please see Box B for the full text of the October 3, 2012 public statement by CSBS Chairman Greg Gonzales.
- [October 16, 2012 letter](#) to the CFPB on its Loan Originator (LO) compensation proposed rule. CSBS believes the CFPB made effective use of its exception authority to implement a practical standard related to restrictions on up front points and fees. CSBS additionally endorsed the CFPB's clarifications to the existing LO compensation rule as a positive step in facilitating compliance.
- [October 9, 2012 letter](#) to the CFPB on Mortgage Servicing. CSBS advocated that the use of preemptive language in the proposal should be eliminated because the statutory basis in RESPA sufficiently addresses the issue of duplicative or conflicting state laws.
- [April 30, 2012 letter](#) to the FRB on its proposed enhanced prudential standards for SIFIs. CSBS largely supported the provisions of the proposed rule but offered feedback to enhance the effectiveness of the framework and urged the FRB to ensure aspects of the proposal work in concert with and not undermine certain state chartering authority standards.
- April 2012 letters to the [OCC](#), [FDIC](#), and [FRB](#), respectively, on their large bank stress testing proposals. CSBS supported the Dodd-Frank stress testing requirements for banks above \$10 billion and believes the agencies have proposed a reasonable implementation of the requirement. However, CSBS urged the agencies to both ensure their requirements are consistent and comparable, and work with the chartering authority in implementing the requirement.
- [February 8, 2012 letter](#) to the federal financial agencies on their proposed implementation of the Volcker Rule. CSBS indicated general support for the Dodd-Frank mandate, which prohibits proprietary trading at insured depository institutions, but raised concerns about the implementation strategy, which unnecessarily implicates all depository institutions in some capacity in the Volcker Rule compliance structure.

BOX B: STATEMENT ON FEDERAL BANKING AGENCIES' PROPOSED CAPITAL RULES

By Greg Gonzales, Chairman of CSBS and Commissioner of the Tennessee Department of Financial Institutions

The Conference of State Bank Supervisors supports higher levels of required minimum capital and an improvement to the overall quality of capital. We are strongly supportive of the Federal banking agencies' efforts to improve capital standards internationally and for systemic institutions. However, we are opposed to the proposed approach put forth by the federal banking agencies to implement the Basel III capital accord and to incorporate a standardized approach for risk-weighted assets. CSBS will be filing comment letters with the federal agencies expressing our concerns about the impact on the industry and the economy.

As bank supervisors, we believe there is sufficient justification for higher levels of capital. We can achieve this objective without increasing the complexity of capital. The proposed rules are highly reactionary to the most recent economic events and do not represent a thoughtful, long-term approach in the best interest of the U.S. banking system or the national economy.

Many of the issues the agencies are trying to address are best managed through risk management and the supervisory process. By proposing a capital rule that attempts to remedy various issues that occurred during the financial crisis on a transaction-by-transaction basis, we are building a capital framework that is more complex and more prone to volatility.

Many provisions of the proposed standardized approach are very similar to those proposed in the middle of the decade; however, the agencies have removed the beneficial aspects of those proposals and simply incorporated the more conservative elements. In response to previous proposals, we highlighted the need for further study on many of the risk weights and the potential impact on the industry. We continue to believe this is imperative.

The agencies have an obligation to provide empirical support for their recommended course of action, especially related to the risk-weights. We do not believe there is sufficient support for many of the specific risk-weights in the framework.

The standardized risk-weighted assets proposal would present key challenges for mortgage lending. At a time when the government lacks a long-term solution to housing finance, the proposed framework would further stifle mortgage lending by traditional depository institutions.

The definition for a Category I mortgage loan and the ability to achieve the more favorable risk weights is very narrow. This will likely cause banks to curtail or eliminate traditional adjustable rate products that banks have originated successfully for decades. The Category II risk weights are so punitive in nature banks will have a very difficult time extending loans secured by home equity. This is an important source of credit for consumers and small business. While the reasons for higher risk weights may seem obvious given the challenges we have experienced, we must remember that most banks conducted this business prudently.

In other areas, standardized risk weights are effectively serving to replace much needed supervisory judgment and institution specific analysis. For example, the proposal includes a new designation of "high volatility commercial real estate exposures." The proposed approach, with a highly punitive risk weight, fails to adequately account for the institution's experience and expertise in this type of lending, the adequacy of its policies and procedures, and the level of concentration. Issues with development and construction lending should be addressed at the risk management level and through the supervisory process. The proposed 150% risk weighting is effectively telling institutions not to engage in this type of lending.

State banking supervisors are supportive of high and strong capital standards in the United States. However, the framework must be clear and easy to implement and sustain. A strong and healthy banking system will fuel economic growth and promote job creation. An overly complex capital rule will only increase cost to the industry, curtail credit availability, and drive industry consolidation. This is not in the economic interest of the United States and it will be especially damaging to the economic prospects of local communities in Tennessee, as well as around the country.

CSBS will file comment letters on the Basel III and Standardized Approach proposals later this month. In the letters, we will ask the agencies to not advance the proposed rules and encourage them to seek out a more meaningful and less complex capital framework that promotes a strong banking system and provides a foundation for a healthy and growing economy throughout the United States.

CSBS DIVISION REPORTS

CSBS also developed and delivered feedback on a National Bureau of Economic Research working report addressing the inconsistencies among prudential banking regulators. The report, authored by two Federal Reserve economists and two academics, maintained that federal regulators are generally tougher regulators than their state counterparts. In a [March 15, 2012 letter](#), CSBS addressed fundamental flaws in the writers' research strategy and systematic misunderstanding of the supervision process. CSBS also discussed key aspects of banking supervision over the last decade that were overlooked by the authors in the development of their conclusions.

Additionally, in an effort to help the states meet the requirements of section 611 of the Dodd-Frank Act, which requires state laws with respect to lending limits to consider derivatives exposure if state-chartered banks engage in such transactions, CSBS developed and issued a model rule for state regulatory use in August 2012. The model rule was largely derived from the OCC's Interim Final Rule on Lending Limits, but offered flexibility for the states to tailor the rule to their own specific regulatory needs.

A comprehensive list of CSBS comment letters filed in 2012 can be viewed at <http://www.csbs.org/regulatory/policy/Pages/CSBS%20Comment%20Letters%202012.aspx>.

Community Banking



Jim Cooper

As originally directed by the CSBS Board of Directors in the 2011 Strategic Plan and reaffirmed in the 2012 Strategic Plan, CSBS initiated an effort 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 Jim Cooper, Deputy Director of the Indiana Department of Financial Institutions, the CSBS Community Bank Steering Group is engaged in various work streams to analyze the issues community banks face and proposed certain actions that could positively impact their competitive position in the industry.

The steering group first developed a definition of the group of institutions on which it would focus its efforts. This definition of community banks generally presumes institutions below \$1 billion in assets to be community banks and institutions above \$1 billion in assets not to be community banks, with certain exceptions related to geography, lending patterns, and ownership, among other characteristics, that could affect institutions on either side of the \$1 billion threshold in terms of their status as a community bank.

The steering group did further work around monetary capital challenges, the expiration of the TAG program, and supervisory processes hurdles. The group also evaluated various studies tied to community banks, including the FDIC's *Study on Community Banking*, GAO and FDIC Office of Inspector General (OIG) reports on use of certain regulatory tools during the crisis, FDIC and FRB OIG reports on adherence to examination guidelines, and the FDIC report on depository institutions' efforts to serve the unbanked and underbanked. Additionally, the steering group advised CSBS policy committees on key proposals with implications for community banks, including the Basel III and Standardized Approach proposals.

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 the states 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 the states.

In 2012, CSBS staff continued to facilitate the states' 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 2013

The implementation phase of the Dodd-Frank Act will continue for some time and will require continued work by CSBS to inform the states and advocate for the state

view. CSBS will also expend considerable resources to understand and propose remedies around the community bank model. Community banking is a key component to many rural, local, and state economies. The regulatory system must support this model in the interest of the national economy. Further, CSBS will focus on a myriad of final rules that will have implications for consumer financial markets, particularly those issued by the CFPB on ability to repay, mortgage servicing, LO compensation, appraisal requirements for high-cost mortgages, escrow requirements, and the interagency rulemaking on risk retention and the qualified residential mortgage. While many of these rules are final, they are drawing attention to the significant issues of regulatory burden on community banks and the impact on credit availability, especially in non-metropolitan areas.

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-state and state-federal collaboration and coordination. The primary focus of the Section is safety and soundness examinations, but the

Section also supports other areas, including 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

Corporate Account Takeover Best Practices and Guidance

A key initiative in 2012 was the development and implementation of corporate account takeover best practices and examination procedures. CSBS, the FS-ISAC, and the United States Secret Service adopted 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 will issue these best practices throughout 2013. Read more about this initiative in Box C.

BOX C: MITIGATING THE RISKS OF CORPORATE ACCOUNT TAKEOVER

Businesses across the United States have suffered large financial losses from electronic crimes through banks of all sizes. These thefts have ranged from a few thousand to several million dollars. Along with the financial impact, there is a very high level of reputational risk for financial institutions, which can undermine confidence in the banking system. Last year, state and federal authorities announced efforts to assist financial institutions in adopting best practices to reduce the risks of corporate account takeover. Corporate account takeover is a form of identity theft where cyber thieves gain control of a business' bank account, often by stealing user passwords and other valid credentials. Once this information is obtained, thieves can then initiate fraudulent wire and Automated Clearing House (ACH) transactions.

Recognizing the significant impact of these thefts, CSBS, the U.S. Secret Service, and the FS-ISAC have adopted best practices for a strong risk-management program to reduce the risks of this type of electronic theft. The practices were developed by the banking industry through a task force formed by Charles G. Cooper, Banking Commissioner of the Texas Department of Banking, and the Secret Service. The task force was composed of operational executives from a diverse group of banks in terms of size, complexity, and market environment so the practices would be useful for all financial institutions.

Because the financial losses of many of these crimes are quietly settled between the bank and the corporate customer, there is very limited awareness within the banking industry of the extent of the crimes. No other guidance on this topic or with this level of detail has been made available to the banking industry for preventing these crimes. Distributing the best practices will make bankers aware of the risks and the actions they can take before thieves further expand this threat. This will help prevent the large financial losses that are occurring and help prevent loss of confidence in the banking industry. State financial regulators will issue these best practices in their states throughout 2013. Training will be made available to examiners, as well as the industry.

CSBS DIVISION REPORTS

Examination Tools Suite (ETS)

In addition, the Bank Supervision Section supports the development of examination tools utilized by both federal and state regulators. The ETS is a major technology initiative, led by the FDIC, which aims to replace many of the critical examination tools currently used by safety and soundness and compliance examiners from the states, the FDIC, and the Federal Reserve. This initiative has involved participation from each of the committees the Bank Supervision Section works with, which are detailed below. The primary objective of ETS is to replace the two most commonly-used applications, ALERT and GENESYS. These applications have been in use for over 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 entirely new asset review application replaced its legacy predecessor, ALERT. Leading up to the August release were several months of onsite testing and evaluation conducted by stakeholders from the states, the FDIC, and the Federal Reserve. During the testing and evaluation phases, the states were well-represented by an experienced group of examiners. Their efforts helped ensure the software was not released without ample consideration of state user requirements. In concert with the application's release, three training approaches were offered to meet the needs of the different banking departments.

As ETS-ALERT 1.0 was undergoing its release, the development of the other application in the suite, ETS-SAGE, progressed significantly. The construction phase of ETS-SAGE was characterized by several onsite stakeholder meetings and bi-weekly stakeholder conference calls where critical requirements and feedback were conveyed to the development team. ETS-SAGE benefits from an active group of state stakeholders and is on schedule to be delivered in early 2014.

Additional Examination Tools

Outside the ETS initiative, the Bank Supervision Section engaged in the updating of the Examination Documentation modules, the maintenance of GENESYS, new job aids, and the creation of the first edition of the CSBS Examiner Reference CD.

The Loan Scoping Job Aid was developed by the State Examiner Review Team (SERT) to improve the loan scoping process by providing a set of considerations and action steps to assist examiners in forming a comprehensive and thoughtful loan review scope using ETS-ALERT. The job

aid's concepts are less focused on meeting a pre-determined penetration ratio and more focused on locating risk. By encouraging examiners to consider less traditional risk criteria, the concepts may lead to a more effective examination and more valuable loan review experience from the institution's perspective.

The Thrift Conversions Job Aid was developed by members of the CSBS State Supervisory Processes Committee (SSPC) and ACSST. The job aid is intended to provide guidance to examiners and resources to state banking departments preparing for or conducting a conversion exam of a thrift institution. Changes in federal law by the Dodd-Frank Act caused many federal thrifts to consider their options under the state charter. It was imperative for the states to understand all the critical issues relative to these institutions.

Recognizing examiners' need for up-to-date information, CSBS has developed what states formerly received from the FDIC and created a CSBS Examiner Reference CD. This downloadable resource was developed to contain not only updated reference materials found on the former FDIC version, but also new references from other agencies that state examiners have reported as useful.

The Bank Supervision Section dedicates significant resources to supporting state examiners. A broad and ever-expanding role, this function is fulfilled by the development of best practices, job aids, and supervisory processes that make the examination process more efficient. Two examples from 2012 were the development of the aforementioned Loan Scoping Job Aid and the CSBS Examiner Reference CD. The job aid was a derivative of a larger initiative addressing the sustainability of the community bank model, while the reference CD was a long-awaited solution providing anytime access to critical examination references. The CSBS committees comprised of state regulators play a significant role in this function, as the following paragraphs more fully describe.

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 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.



Vaughn Noring

State Supervisory Processes Committee (SSPC)

The CSBS SSPC is chaired by Vaughn M. Noring, Bank Bureau Chief of the Iowa Division of Banking. Throughout 2012, the SSPC worked to identify supervisory challenges and develop best practices to address these obstacles. These practices were coordinated with the CSBS accreditation process to ensure state banking departments utilize the best practices developed by the SSPC. The SSPC also addressed supervisory issues and challenges that arose from state and federal coordinated supervision, released the Thrift Conversions and Loan Scoping Job Aids, 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. The SSPC also evaluated and approved the work drafted by the corporate account takeover working group. Finally, late in the year, members established a working group to evaluate methods for enhancing and coordinating state supervision of non-depository trust companies.

State Examiner Review Team (SERT)

A working group of the SSPC, SERT is chaired by Doug Hoselton, Supervisory 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. In addition to its significant contribution to the ETS initiative, SERT also developed the Loan Scoping Job Aid published by the SSPC, participated in the FFIEC's modernization of the Uniform Bank Performance Report (UBPR), and continues to work with the SSPC to identify ways to improve the examination process of community banks. In 2013, SERT will expand

its workload, as the two ETS applications begin their final phases leading up to the nationwide release. SERT will be integral in the development, testing, piloting, and training of these applications.

Technology Committee

The CSBS Technology Committee is chaired by Danny Ragan, Information Technology Director of the Louisiana Office of Financial Institutions, and is charged with developing IT best practices and information sharing between the states. The committee discussed enhancing remote user access, social media, oversaw the development and upgrades to interagency examination tools (such as GENESYS, ALERT, and ETS), assisted with the development of the program for the 2012 CSBS Technology Seminar, and discussed challenges and benefits of the Bring Your Own Device policy, wherein state employees can bring their personally owned mobile devices for professional use in the workplace. The Technology Committee plays a pivotal role in the support of ETS applications. The state banking departments, through CSBS, have a unique opportunity to bring much of the back-end support for these applications under more direct control. With this solution, all examination data will 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 truly 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 on 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 BSA examination procedures.

State and federal regulators, bankers, legislators, and others interested in the financial industry can 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 cannot be found in any other source.

The Profile is compiled and managed by the Bank Supervision Section and is available to state banking departments free of charge. More information on the Profile is available at <http://www.csbs.org/regulatory/resources/Pages/StateCharteredBanking.aspx>.

CSBS DIVISION REPORTS

Critical Infrastructure & Disaster Planning

The Bank Supervision Section spearheads CSBS's participation on the Financial and Banking Information Infrastructure Committee (FBIIIC). The organization 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 inter-

nal CSBS policy for disaster preparation, and assists states in developing their disaster preparation plans. In times of actual emergencies or disaster such as Hurricane Sandy which hit in late October 2012, CSBS staff assisted state regulators in impacted states by performing many duties, including coordinating on their behalf with the federal agencies or other state regulators. Read more about the role CSBS played in the wake of Hurricane Sandy in Box D.

BOX D: STATES IMPACTED BEFORE, DURING, AND AFTER HURRICANE SANDY

Hurricane Sandy impacted 24 states and brought much of the Northeastern seaboard to a crippling halt in late October. The stock market had a historic two-day closing, municipal markets shut down, and power outages and flooding were commonplace up and down the Eastern seaboard. Financial institutions were directly impacted by the devastating storm, though the majority successfully employed their contingency plans and many activated their contingency sites. Institutions worked hard to open offices and provide financial services to their customers as quickly as possible. However, getting back to business as usual for many was not a quick and easy process.

Banks of all sizes in the hardest-hit areas of the region—Connecticut, New Jersey, and New York—were completely shut down in the early days of the storm. A lack of electricity was the most significant obstacle to opening banking offices. The industry demonstrated determination to serve their communities as they found innovative ways to conduct business and work with customers. For instance, branch locations reopened with limited staff and for limited operating hours. In some places, bank offices opened without power for a few hours to manually process bank transactions. For consumers, the most important function these institutions provided was access to cash.

In times of crisis, state financial regulators play a vital role in recovery, and Hurricane Sandy was no exception. State financial regulators in the affected parts of the nation coordinated with their federal counterparts to monitor the operational status of banks, as well as the ongoing availability of cash and access to banking services. CSBS hosted daily conference calls with state and federal regulators to share data, coordinate efforts, and perform industry outreach. Many departments used the Federal Reserve's Emergency Communications System (ECS), which proved helpful when communicating to the industry prior to the storm, as well as assessing branch openings and damage after the storm. State financial regulators served as liaisons with the impacted state governments to communicate the status and needs of the financial sector in that state. Much coordination among the critical sectors takes place at the state level and is key to disaster recovery.

Outlook for 2013

Many of the initiatives from 2012 will continue into 2013 as CSBS continues to support the state banking examination function and coordination with federal agencies. CSBS will continue to evaluate emerging risks, examination procedures, as well as develop examiner job aids and tools to enhance the state supervisory process. CSBS will assist states as they adopt the corporate account takeover best practices and issue the guidelines to their institutions. Training webinars for examination teams as well as the in-

dustry will be made available throughout the first and second quarters of 2013. As the state banking departments prepare for radically new technology solutions for their supervisory staff, the roles of the SSPC, SERT, 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.

Consumer Protection and Non-Depository Supervision Section

Overview

The role of CSBS in support of MSBs and BSA supervision expanded as the CSBS Board of Directors dedicated additional staff resources directly to these areas. Recognizing increasing demands in non-depository supervision, CSBS formed a new section under the Policy and Supervision Division called the Consumer Protection and Non-Depository Supervision Section. This Section has responsibility for the following areas:

- Non-depositories (including mortgage and MSBs);
- BSA;
- Consumer protection; and
- Coordination between state regulators and the CFPB and the Financial Crimes Enforcement Network (FinCEN).

Issues of consumer protection and effective supervision led much of the headlines in 2012, driven largely by the emergence of the CFPB and continued concerns over mortgage foreclosures and the availability of consumer credit. Throughout the year, the MMC continued its focus on national review of both originators and servicers, as well as the development of effective uniform processes for supervision.

Multi-State Mortgage Committee (MMC)



Charlie Fields

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 AARMR as the oversight body charged with implementing and directing supervisory processes. In 2012, the MMC was chaired by Charlie Fields, Director of Mortgage for the North Carolina Office of the Commissioner of Banks. The Vice Chairman of the MMC was Anne Balcer Norton, Deputy Commissioner of the Maryland Office of Financial Regulation.

The MMC is responsible for the selection of examination targets and coordinating multi-state examinations. In addition, the MMC is responsible for the development of



Anne Balcer Norton

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.

Mortgage Servicing

During 2012, the MMC focused on a number of important issues, including mortgage servicing, licensee risk profiling, and multi-state examination tracking and coordination. The MMC devoted a considerable amount of time and resources to the mortgage loan servicing area.

Notably, after nearly two years of intensive examinations and negotiations, this effort culminated in a historic settlement with the five largest servicers in the country. The [National Mortgage Settlement](#) is a testament to the strong partnership state mortgage regulators now have with the state attorneys general and several federal agencies. The \$25 billion settlement and agreement will help many homeowners avoid foreclosure and stay in their homes through loan modifications. From the total settlement, \$17 billion was allocated for assistance to borrowers who have the intent and ability to stay in their homes while making reasonable payments on their mortgage loans. Additionally, to assist homeowners who are not delinquent on their payments but cannot refinance to lower rates because of negative equity, the banks must offer refinance programs totaling at least \$3 billion. The banks are required to notify eligible homeowners of the availability of these programs. Lastly, approximately \$5 billion was dedicated to the states, to be utilized to fund housing counselors, legal aid, and various cash payments to borrowers who experienced servicing abuses.

Several additional loan servicing companies have been examined by state regulators and found to have essentially the same degree of operational deficiencies as the large servicers encompassed in the National Mortgage

CSBS DIVISION REPORTS

Settlement. These companies do not have the same financial size or scope of the larger servicers, and so any plan to correct their deficiencies will need to be substantively different. At the end of 2012, the MMC lead negotiations to incorporate most of the servicing standards included in the National Mortgage Settlement, while attempting to bring relief to as many borrowers as possible.

Limited Scope Electronic (LSE) Examinations

Introduced in 2011 and continued in 2012, 15 examinations were undertaken using a technology driven examination platform. These 15 LSE examinations focused on using the compliance software to determine what degree of compliance violations may exist within the entity's loan portfolio. Of the 15 examinations begun, nine were finished and closed completely in 2012, while six exams are presently in various stages of resolution.

MMC Website

Technology continues to be a focal point for the MMC. Development began on an MMC functional website in 2012. The website is designed to increase the efficiency of the MMC's work, as well as add significant accountability to the examination process. The website launched in January 2013 and enables examiners to see and work with their multi-state examinations in real time and will add accountability to the overall process. Announcements about upcoming conference calls, deadlines on various tasks, and a monitoring dashboard for commissioners and their agency staff to view examination efficiencies were included in the launch.

Institution Profiling Dashboard

The MMC has also been spending significant time on developing and enhancing an institution profiling dashboard that will use company specific metrics to determine the degree of risk inherent in a company's operations. Using data from the expanded NMLS Mortgage Call Report, the dashboard will be available to provide all state mortgage regulators with a tool to effectively prioritize scheduling and risk scoping on a state and multi-state basis.

CSBS-AARMR Examiner-in-Charge School

CSBS, in conjunction with AARMR, held an Examiner-in-Charge School dedicated to running a multi-state examination following MMC processes. Nearly 100 examiners participated in the program covering all aspects of the multi-state examination process such as financial analysis, pipeline assessment, managing an examination staff that

spans many states, and presenting to management at an exit interview.

SAFE Act Examination Guidelines (SEGs)

To assist examiners in assessing mortgage loan originator licensing compliance, the MMC created a working group to craft SEGs published in early 2012. The SEGS will help examiners ensure that all individuals acting as MLOs are properly licensed and registered in the states in which they are conducting business. The SEGs provide a standardized set of examination procedures for the first time. While not required, state agencies and industry should benefit from their implementation and use.

MMC Operating Procedures

Increasingly complex examination formats and decision making over a wide range of issues necessitated the formalization of a set of procedures under which the MMC would consistently operate. The overriding purpose of these procedures is to affirm the policies and procedures governing the administration of the MMC, and the conduct of activities in support of the MMC's mission.

The operating procedures cover a broad range of issues, including the composition of the MMC, members' terms and structure, the overall responsibilities of the committee, processes for electing a chairman and vice chairman, and clarification of their terms, responsibilities, and authority. Also addressed in the document are voting protocol, MMC workgroup establishment and responsibilities, MMC meeting rules, information sharing, a protocol for supervisory actions, and administrative support for the committee.

As discussed below, the MMC actively coordinates supervisory efforts with the CFPB. To facilitate exchanges of supervisory information, the MMC developed an information sharing protocol to provide guidance in the sharing of multi-state information with the CFPB. The protocol is part of the MMC's operating procedures.

BSA/AML Work Group

FinCEN's BSA and AML requirements to the mortgage industry were also made available in 2012. Accordingly, 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, well implemented and provide adequate compliance with BSA/AML regulations and fraud prevention procedures.

MSB Supervision

State banking departments have oversight over a host of financial services providers, including MSBs. The CSBS MSB Task Force was established by the CSBS Board of Directors to enhance coordination of MSB regulatory oversight. Charles G. Cooper, Banking Commissioner of the Texas Department of Banking, chaired the 16-state task force in 2012.



Charles G. Cooper

In January, the task force finalized the Nationwide Cooperative Agreement for MSB Supervision and its companion Protocol for Performing Multi-State Examinations. Thirty-nine state MSB regulators signed the agreement in 2012 and the task force began taking steps to establish the MMET.

Once formed, the MMET will consist of 10 representatives of participating state regulators, 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 will:

- Determine the risk profile of an MSB operating in multiple states;
- Facilitate and maintain joint examination schedules;
- Establish examination teams in consultation with participating state regulators;
- Coordinate the collection of consumer complaints and work to ensure that such activity is given due consideration when drafting and scoping the examination plan;
- Facilitate the exchange of information between the joint examination state regulators and the concurrent examination states; and
- Support communications and facilitate development and implementation of joint or concurrent actions.

Coordination

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. In 2012, the Section focused on three primary areas of support to state regulators:

- Coordination of non-depository supervisory activities, including examination schedules;
- Coordination on enforcement actions involving state-licensed non-depositories; and
- Coordination of information sharing on consumer complaints.

In 2012, coordination of non-depository supervisory activities was focused primarily on the mortgage and MSB industries. The MMC, with support from the Section, shared information, coordinated examination schedules, and collaborated on supervisory efforts with the CFPB. Additionally, the Section assisted the state regulators in collaborating with FinCEN and the IRS on concurrent examination procedures and revisions to the BSA Examination Reporting Form.

Significant enforcement coordination between the MMC and the CFPB, as well as state attorneys general and other federal agencies, was necessary throughout the year in relation to servicer activities. Section staff devoted a considerable amount of effort to facilitating this coordination.



Gavin M. Gee

Throughout 2012, the CSBS-CFPB complaint information sharing work group, a working group of the CSBS Regulatory Committee, pursued efforts to foster effective complaint information sharing between the CFPB and state regulators. As part of this process, the work group developed the State Com-

plaint Processing Blueprint, which establishes the principles and vision of the work group in forging a standardized process for complaint processing and an information-sharing alliance with the CFPB.

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 is responsible for steering the

CSBS DIVISION REPORTS

process of developing, advocating, and implementing a nationwide cooperative agreement between state regulators and the CFPB to cover banking and non-banking entities chartered or licensed by the state. The task force will:

- Advise state regulators and CSBS staff on the creation of a proposed cooperative agreement with the CFPB;
- Develop a strategy for educating state regulators and state regulatory associations on the purpose and goals of the agreement;
- Serve as an advocate to securing as many signatures as possible to make the agreement operational; and
- Develop and recommend to the CSBS Board a governance solution to ensure successful implementation of the agreement.

The effort to provide an effective coordination mechanism with the CFPB will require the task force to contemplate a governance structure that represents the views and interests of the state regulators, while respecting sovereign authority. The task force will look to support collaboration from CSBS's sister organizations in bringing this important initiative to fruition.

Outlook for 2013

Looking forward, CSBS staff will again be largely focused on supporting multi-state supervision primarily with the MMC, but increasingly in support of the MMET. The current round of servicer negotiations is expected to be resolved by mid-year 2013. Technology on a variety of fronts will require a significant amount of staff resources, as will continued efforts to establish a more uniform state system of non-depository supervision capable of effectively coordinating and collaborating with the CFPB and other federal agencies.

PROFESSIONAL DEVELOPMENT DIVISION

Overview



Jeffrey C. Vogel

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 examiners, and bank and mortgage supervision accreditation programs. The Professional Development Division of CSBS works to ensure state financial regulators are well informed, highly trained, and held accountable to widely agreed-upon standards of performance excellence.

To successfully perform this core function, state regulators created the CSBS Education Foundation, chaired by Jeffrey C. Vogel, Director of the Wyoming Department of Audit. An affiliate of CSBS, the CSBS Education Foundation was established in 1984 to fund and direct the education and training efforts of the CSBS Professional Development Division.

The mission of the CSBS Education Foundation is “enhancing state financial supervision,” which is fulfilled by providing:

- Technical examiner training, continuing education, and executive programs;
- Department accreditation for bank safety and soundness and mortgage supervision; and
- Examiner certification for multiple levels of expertise and specialty areas.

Training and Professional Development

The CSBS Education Foundation provides technical training and professional development for staff of state regulatory agencies at all levels of experience and expertise, ranging from new examiners to commissioners. In 2012, the CSBS Education Foundation conducted 24 on-site programs. The CSBS Education Foundation also worked with SRR to produce 16 webinars and the fourth annual NMLS Annual Conference and Training, held in Scottsdale, Arizona in February 2012. The event drew more than 450 attendees. In 2012 alone, 1,355 state regulators, federal regulators, members of industry, and other interested parties participated in the training and professional development programs developed and hosted by the CSBS Education Foundation, and 1,070 participated in NMLS-related webinars.

To enable ready-access to training content, the CSBS Education Foundation renewed access to a vast library of over 250 online, self-paced training modules from FIS/ComplianceCoach® and made them available to state regulators on Regulatory University, a product of FIS/ComplianceCoach.® This well-vetted training is available at no cost to the states so they can continue to build knowledge and skills. All federal regulatory agencies are also users of this product. Since the launch of Regulatory University, all states have been registered for access and many are using the system to track user activity and performance. Time spent in courses and test scores achieved can be

documented in training records and for continuing education credits for examiner certification. By year-end 2012, state examiners completed more than 14,000 modules on Regulatory University.

The CSBS Education Foundation provided four customized in-state programs upon request, which allowed states to provide training opportunities to a far greater number of their staff at significantly lower cost.

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 profession education credit for up to 25 on-site programs.

Day One Project

The Professional Development Division is also working on the ongoing “Day One” project. The goal of this project is to minimize financial, geographic, and frequency barriers to high-quality training for state regulators. CSBS accomplishes this by providing immediate entry level examiner training. The training can be provided anywhere and anytime online. As the Day One title implies, this training is available to new examiners on their first day on the job. Before this project was launched, new hires often had to wait months to attend the next available school. Through sequential online lessons, knowledge checks, and regular requirements to engage department mentors and leaders in the learning, new examiners become productive faster.

CSBS DIVISION REPORTS

To date, the first Day One school to be released is the Mortgage Examiner Training 1 School, which was made available in December 2012. This program replaces the previous one-week, in-person school.

As of April 2013, 152 examiners from 27 states have enrolled in the Day One program, and are at various stages of completion.

Next up for development is the Certified Bank Operations Examiner School. To date, bank safety and soundness examination modules are being finalized and will be released in early April 2013. Courses 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;
- Bank Financial Analysis;
- Loan Documentation; and
- Regulation O—Loans to Insiders—Compliance.

Other Day One modules currently under development include:

- The former MSB Examination online course is undergoing final review and validation before being launched as a “Principles of MSB Supervision” course consisting of nine separate modules.
- Currently working with the Appraisal Foundation to develop a training module on appraisals for examiners and industry users. This will translate a current one-day onground program into an online program available anytime and anywhere.
- Currently working on a Financial Statement Analysis training for mortgage examiners.

Bank and Mortgage Accreditation

In addition to providing training and professional programs for individuals employed by state regulatory departments, CSBS also conducts accreditation programs for state bank and mortgage regulatory agencies. Established in 1984, the CSBS Accreditation Program seeks to strengthen state regulatory agencies and to demonstrate the high quality of state regulators to the general public, the federal banking agencies, the U.S. Congress, and other state regulatory agencies. The CSBS Accreditation Program is often credited as the most effective tool for advancing state financial regulation.

In 2009, CSBS signed an agreement with AARMR to jointly accredit state mortgage regulators. The development of the CSBS-AARMR Mortgage Accreditation Program is indicative of state regulators’ ongoing commitment to enhancing supervision of all financial services industries, not just the banking industry. As state regulators work to provide comprehensive supervision of the financial services providers in their state, CSBS has expanded its focus beyond the realm of traditional banking supervision.

Today, the Bank and Mortgage Accreditation Programs involve a comprehensive review of the critical elements that ensure the ability of a state banking department or mortgage agency to discharge its responsibilities through an investigation of its administration and finances, personnel policies and practices, training programs, examination policies and practices, supervisory procedures, and statutory powers. In setting high standards, CSBS is supporting public interest goals by identifying highly competent state regulatory agencies and strengthening the capabilities of all state regulators.

In the 28-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 2012, a total of 12 state mortgage regulatory agencies had achieved and maintained the requirements of the CSBS-AARMR Mortgage Accreditation Program.

Examiner Certification

CSBS also achieves its goal of enhancing the professionalism of state regulatory departments and their personnel is through the Examiner Certification Program. Through the CSBS Education Foundation, 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 (CAMLs);
- 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 continues to grow as states use it 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 and bonus increases to staff who maintain their certified status with continuing education and job performance. At the end of 2012, 762 examiners from 39 regulatory agencies in 36 states held one or more of the 16 examination or specialty certifications listed above.

Outlook for 2013

With the launching of the “Day One Project,” wherein we have made comprehensive, in-depth schools available online, the priority for the CSBS Education Foundation is to ensure the new online education framework is as good as, or better than, the in-person schools it has replaced. Throughout 2013, CSBS staff will be monitoring student performance, both in the class and on the job. To date, early performance results have been excellent. Nevertheless, staff will continue to seek improvements to delivery of education programs and to develop best practices for achieving the best results from the new training platform for both individual regulators and state departments.

CSBS DIVISION REPORTS

SRR DIVISION

Overview

CSBS, in cooperation with AARMR, established SRR in September 2006. A limited-liability company, SRR is a non-profit entity that operates the [NMLS](#) on behalf of state financial services regulatory agencies. The SRR Board of Managers 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 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 (SAFE) Act in July 2008, all MLOs were required to be either registered or licensed through NMLS and meet minimum professional standards. In 2012, NMLS and the uniform state application forms were modified to allow state agencies to license entities in other non-depository industries, such as MSBs, debt collectors, and consumer lenders, through NMLS. At the end of

2012, NMLS contained active state licenses or federal registrations on approximately 30,000 unique companies and 520,000 individual licensed or registered MLOs.

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 they hold in each state. For example, a company licensed in three states would count as one unique entity holding three licenses. By year-end 2012, NMLS data showed there were approximately 18,000 state-licensed companies holding 36,000 active state licenses, and 120,000 individual MLOs holding 259,000 active state licenses. The System also contained about 400,000 registered mortgage loan originators and 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.



Robert J. Entringer

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. The SRR Board is comprised of state mortgage regulators who are CSBS and AARMR members.

In many ways, 2012 was an extraordinary year for SRR and NMLS. The 2012 accomplishments discussed in this report are part of a multi-year coordinated state effort through CSBS and AARMR to increase consumer protection, enhance state supervision, and streamline the licensing process in the residential mortgage industry and additional non-depository industries. For more information, see the 2012 SRR Annual Report at <http://www.csbs.org/srr/Pages/AboutSRR.aspx>.

The two most significant events in 2012 were the enhancements made to NMLS to allow states to license or register non-mortgage industries, and the development of a uniform state test for MLOs seeking state licensure.

NMLS Expansion

During 2012, SRR adopted new enhancements in NMLS to accommodate state use of the System for non-mortgage, non-depository financial services industries. As originally conceptualized, NMLS was modified for states to license or register entities in a number of financial services industries, including consumer lending, MSBs, and debt collection. Since April 2012, 13 state agencies in Idaho, Indiana, Kentucky, Louisiana, Massachusetts, New Hampshire,

Oklahoma, Pennsylvania, Rhode Island, Tennessee, Vermont, and Washington have begun transitioning non-mortgage license authorities onto NMLS. Those license types include money transmitters, collection agencies, checks cashers, small loan lenders, sales finance companies, and debt adjusters. At least 24 additional agencies are expected to expand their use of NMLS in 2013 and 2014.

See Box E for more information on NMLS expansion.

BOX E: NMLS EXPANSION

After a year and a half of development, including public comment and extensive discussions with regulator and industry working groups, new NMLS licensing forms were launched in the System on April 16, 2012. These new forms not only provided for improved efficiencies and information available to regulators for licenses currently managed on the System, but they contained additional information that allowed state agencies to use NMLS to manage a wide range of non-depository financial services licenses.

The goal of modifying NMLS to allow state agencies to manage additional license authorities on the System is to bring the efficiencies, improved oversight, and enhanced consumer protection to other industries that NMLS brought to the mortgage industry. The functionality for financial statement and document upload, credit reports, etc. are available for state agencies through NMLS if their laws and regulations require it.

Five agencies immediately began managing 17 non-mortgage license authorities on NMLS and by the end of 2012, 13 agencies were managing 37 non-mortgage license authorities on NMLS. SRR expects that by the end of 2013, 33 state agencies will be managing a total of 74 non-mortgage license authorities on the System.

Fundamental to the enhancements to the NMLS licensing forms that allowed for expanded use of NMLS was the inclusion of the “Business Activities” section of the company and branch licensing forms wherein licensees identify all the financial activities (according to generalized definitions) they are engaged in within any state. State agencies can then map its license authority (with its possibly unique definitions) to the relevant business activities. While the responsibility is always on the licensee to understand a state’s laws and regulations, this mapping allows NMLS to present to the licensee the relevant licenses based on their selected business activities.

As state agencies have brought on new license authorities, NMLS policies have had to be revisited and modified. As an example, NMLS guidance on the definition of ownership that triggers disclosure was 10% (and still is for the mortgage industry licenses), but for non-mortgage license authorities, licensees are directed to meet the most stringent level among the states in which that particular licensee is licensed.

SRR’s governance has also changed to accommodate a broader perspective. Most notably, the NMLS Policy Committee has been modified to include representatives from AARMR, MTRA, the North American Collection Agency Regulatory Association (NACARA), and NACCA.

Uniform State Test

The major test development activity in 2012 was the creation and development of the new National SAFE MLO Test with uniform state content. In 2011, the SRR Board of Managers appointed a committee to determine the feasibility of developing such a test, and by October 2011 a contract was awarded to design and develop the test. In February 2012, a larger committee of subject-matter experts approved the content outline for the test. By summer 2012 the committee completed approving and writing questions for the test. More than 80 regulatory staff mem-

bers representing 49 state agencies participated in one of six test content review sessions, during which participants reviewed the items that had been approved by the committee. The development of the test was completed in 2012 and was implemented in April 2013.

The new test will evaluate applicants on their knowledge of high-level, state-related content based on the SAFE Act and the CSBS-AARMR Model State Law, which many states used to implement the SAFE Act. None of the new National SAFE MLO Test with uniform state content questions will involve state-specific content.

CSBS DIVISION REPORTS

The test is designed to become part of the National Test Component. For a limited period of time, there will also be a stand-alone test that candidates who have already passed the National Component are eligible to take to satisfy testing requirements in all states that adopt the new National SAFE MLO Test with uniform state content.

NMLS Annual Conference and Training

In February 2012, NMLS conducted its fourth annual NMLS Annual Conference and Training. The conference brought together state and federal regulators, as well as industry professionals, compliance companies, top law firms, and education providers to learn about the latest developments in mortgage supervision and to discuss pressing issues confronting the industry. More than 450 individuals attended the event held in Scottsdale, Arizona.

NMLS SAFE ACT Mandates

Pursuant to the SAFE Act, NMLS was required to develop and implement a series of mandates including:

- 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 2012 NMLS continued to improve and streamline the functionality connected to these requirements, such as making numerous revisions to *NMLS Consumer Access*,SM including the addition of state regulatory actions and a complaint button that connects a consumer directly to the complaint portal of the relevant state regulator.

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 20 hours of pre-licensure education, take a qualified written test and pass with a minimum passing score of 75 percent, and take eight hours of continuing education each year. NMLS is responsible for all test development and approval of course

providers and began administering tests and providing approved courses through NMLS in 2009.

In 2012, NMLS administered more than 133,000 test components, bringing the total number of tests administered since July 2009 to 658,000. By the end of 2012, 178 course providers and 1,200 pre-licensure and continuing education courses were approved by NMLS and close to 1.7 million hours of education were delivered through NMLS-approved courses.

As noted above, the development and implementation of the new national SAFE MLO Test with uniform state content was a major focus of the SRR education and testing department.

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 achievement of these milestones.

NMLS Ombudsman



Timothy Siwy

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 NMLS Ombudsman is Timothy Siwy, Deputy Secretary for Non-Depository Institutions of the Pennsylvania Department of Banking and Securities.

NMLS Policy Committee



Sue Clark

The NMLS Policy Committee assists SRR in decision-making and handling operational and policy matters related to NMLS operations and development. Before 2012, the Committee consisted solely of state mortgage regulators, but in order to reflect the new non-depository industries that have come

on to the System, the scope of the membership was expanded. The committee is now comprised of 11 state regulators including the NMLS Ombudsman, representatives from each of the CSBS Districts, and representatives from AARMR, MTRA, NACCA, and NACARA. The NMLS Policy Committee is chaired by Sue Clark, Director of Regulatory and Consumer Affairs of the Vermont Department of Financial Regulation.

Mortgage Testing and Education Board (MTEB)



Craig Christensen

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.

Mortgage Advisory Council (MAC)

The MAC provides industry input on NMLS policies and operations. The MAC operates only in an advisory capacity and does not have policy or operational decision-making authority. MAC members consist of mortgage lenders and brokers and industry trade associations and meets periodically with the NMLS Policy Committee.

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 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, however, does not provide SRR with legal advice.

NMLS Participating States Committee

The NMLS Participating States Committee meets at least every two weeks to discuss NMLS policy, process, and development through open forum calls and release feature meetings. The NMLS Participating States Committee consists of representatives from each state agency participating in NMLS.

Regulator Development Working Group (RDWG)

The RDWG is comprised of mortgage regulators representing a minimum of five states. The RDWG typically meets weekly and serves as regulatory subject matter experts on detailed NMLS requirements and the development process.

Industry Development Working Group (IDWG)

The IDWG is comprised of NMLS industry users and provides input to SRR staff regarding usage of NMLS. The IDWG typically meets monthly to discuss NMLS operations, enhancements, and development issues.

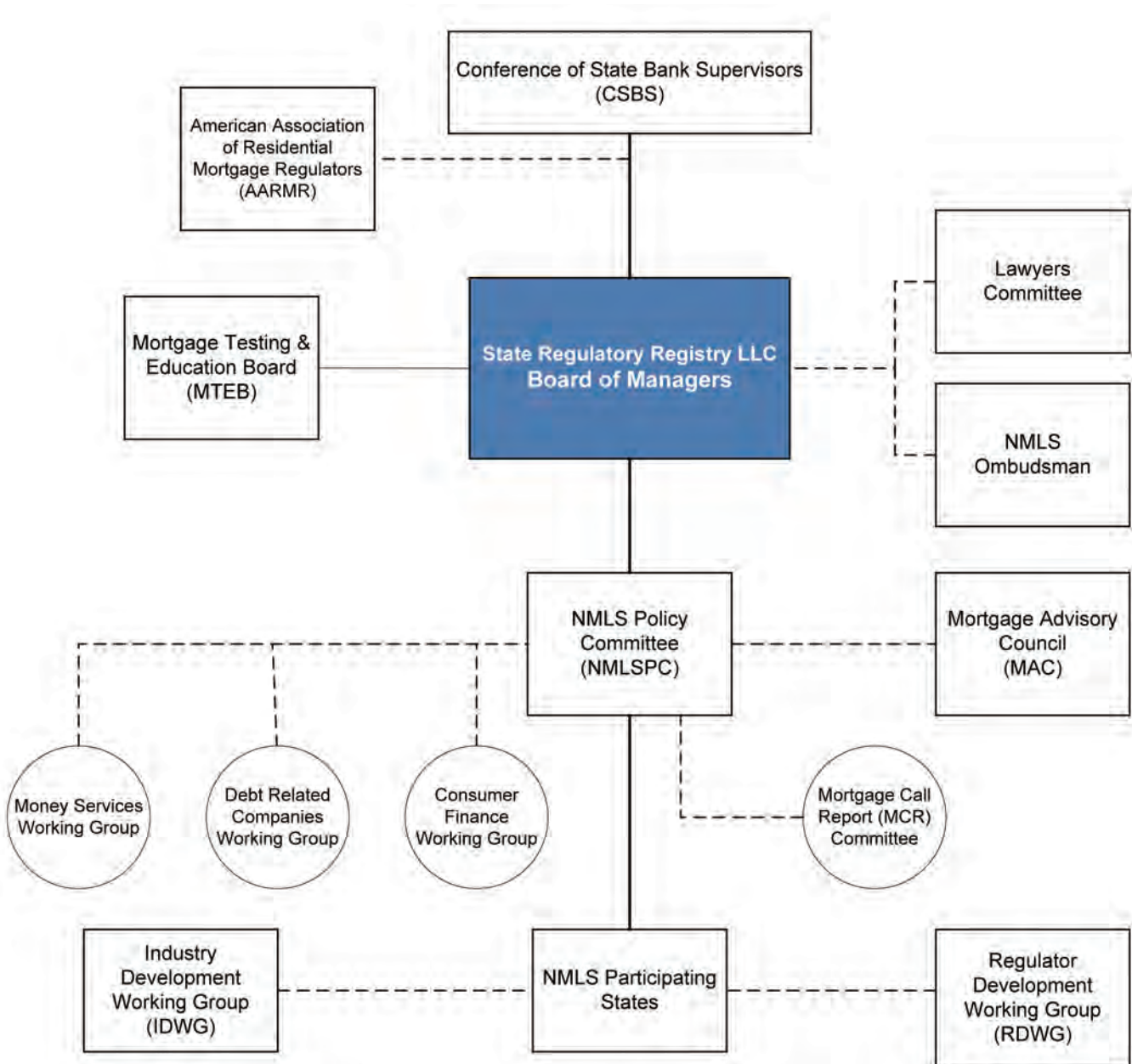
Outlook for 2013

In 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 work with state agencies to license entities in expansion industries—such as MSBs, debt collection, and consumer lending—through NMLS, and to adopt the uniform state test for state-licensed MLOs.

On an ongoing basis, SRR will work closely with regulatory and industry users to develop new and enhance existing NMLS functionality. In 2013, the NMLS development schedule for new and enhanced functionality includes MSB authorized agency reporting, agency fee invoicing, improved report delivery for state regulators, advanced notification filing in NMLS for state-licensed entities, and surety bond tracking and delivery.

CSBS DIVISION REPORTS

SRR - NMLS ORGANIZATION CHART



COMMUNICATIONS DIVISION

Overview

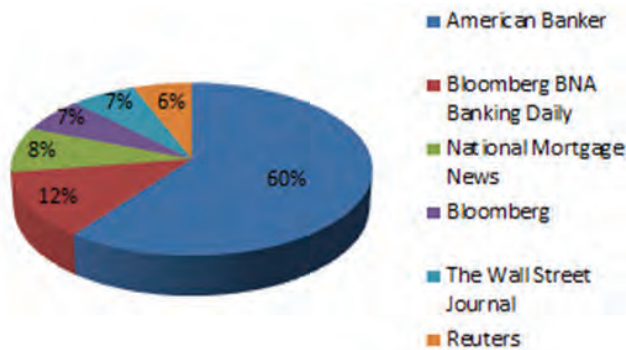
The goal of the Communications Division is to implement the CSBS's strategic priorities by publicizing state regulators' initiatives, successes, and policy positions; by advocating for a diverse financial industry; and by exploring new methods and technologies to enhance CSBS's communication efforts. The CSBS Strategic Plan guides the Communications Division's efforts to be the recognized leader advancing the quality and effectiveness of regulation and supervision of state banking and financial services.

The CSBS Communications Division continues to publicize the many initiatives, successes, and policy positions of state regulators by issuing approximately 50 press releases per year and the weekly *CSBS Examiner* newsletter. The Division also submits opinion pieces and produces a number of public statements on timely issues.

Promote State Supervision and Advocate the States' Views on Public Policy

Through CSBS, state regulators are engaged in initiatives to raise the bar for financial supervision, advocate the critical role of the dual-banking system, and develop prudent positions on policy issues. The CSBS Communications Division is responsible for publicizing these efforts to enhance the profile of state regulators and to spread the states' message to key audiences.

2012 Top Media Coverage By Publication



National Mortgage Settlement

The National Mortgage Settlement gained national attention in 2012. CSBS issued press releases drawing attention to the coordinated multi-state efforts leading up to the announcement. In February 2012, CSBS issued a public [statement](#) by CSBS President and CEO John W. Ryan on the National Mortgage Settlement. In his statement, Ryan indicated the comprehensive settlement illustrated the value of state-federal coordination and the culmination of years of work by state mortgage regulators and state attorneys general.

Corporate Account Takeover

State and federal regulators also coordinated efforts to combat corporate account takeover, a form of identity theft where cyber thieves gain control of a business' bank

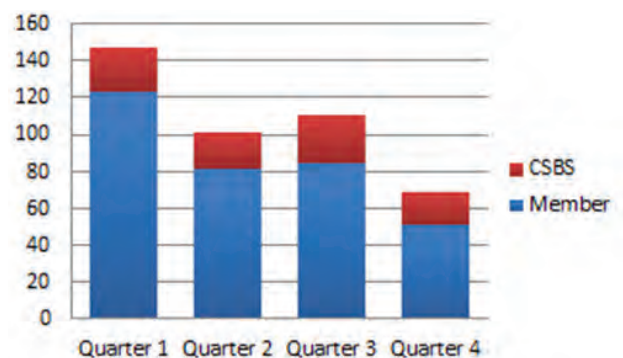
account. In December, CSBS, the United States Secret Service, and the FS-ISAC issued a [joint press release](#) to announce the three groups adopted best practices for a strong risk-management program to reduce the risks of corporate account takeover. The practices were developed by the banking industry through a task force formed by Charles G. Cooper, Banking Commissioner of the Texas Department of Banking, and the Secret Service. Once again, a troubling trend or threat identified first at the state level was successfully addressed at the national level as a result of coordinated state-federal supervision.

Public Policy Positions

Throughout 2012, CSBS submitted 17 [comment letters](#) in response to proposed federal regulations. To publicize state regulators' positions on particularly significant issues, the Communications Division issued press releases to accompany the several CSBS comment letters.

The most significant policy issue of 2012 was the Basel III

2012 Media Coverage Overview



and Standardized Approach proposals. Greg Gonzales, CSBS Chairman and Commissioner of the Tennessee Department of Financial Institutions, issued a [statement](#) on October 3, 2012 to indicate CSBS supports higher levels of required minimum capital and improvements to the quality

CSBS DIVISION REPORTS

of capital, but the organization is opposed to the approach put forth by the federal banking agencies. CSBS also issued a [press release](#) that more explicitly outlined the organization's opposition and specific concerns with both the [Basel III](#) and the [Standardized Approach](#) proposals. Finally, Chairman Gonzales [testified](#) on behalf of CSBS in opposition to the proposals before a Congressional hearing in late November.

In addition, CSBS issued a [statement](#) by John W. Ryan in response to efforts by the FDIC, the FRB, and the OCC to implement the stress testing mandates of the Dodd-Frank Act. CSBS, AARMR, ACSSS, and NACCA issued a [joint press release](#) to offer support for the CFPB's efforts to address discrepancies between RESPA and TILA. Further, [efforts](#) continued throughout the year to advocate for an extension of the TAG program, including an [opinion piece](#) published in the *American Banker* by John P. Ducrest, Commissioner of the Louisiana Office of Financial Institutions.

Bank Accreditation

Finally, the CSBS Communications Division issued 13 press releases in 2012 announcing that [Alabama](#), [Arizona](#), [Connecticut](#), [Hawaii](#), [Illinois](#), [Kentucky](#), [Maine](#), [Maryland](#), [Minnesota](#), [North Carolina](#), [Oregon](#), [South Dakota](#), and [Wyoming](#) had received accreditation, thereby verifying the banking departments maintain the highest standards and practices in state bank supervision established by the [CSBS Bank Accreditation Program](#).

Highlight and Promote the Leadership of State Regulators

State regulator members of CSBS are experts in financial supervision, consumer protection, and public policy related to financial services. CSBS will often issue press releases to publicize the accomplishments of individual state regulators to promote state regulators and CSBS to the general public and the media.

CSBS publicized the [appointment](#), and subsequent [reappointment](#), of John P. Ducrest, Commissioner of the Louisiana Office of Financial Institutions, to serve on the FSOC.

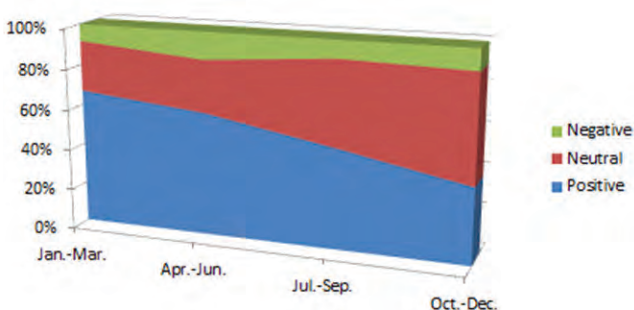
In April, CSBS issued a [press release](#) announcing that Timothy Siwy, Deputy Secretary for Non-Depository Institutions for the Pennsylvania Department of Banking and Securities, had been named NMLS Ombudsman.

In May, state regulators [elected](#) new officers and board members for 2012-2013. Greg Gonzales, Commissioner of the Tennessee Department of Financial Institutions, was

elected Chairman. In this new capacity, Chairman Gonzales [addressed](#) attendees of the annual CSBS State-Federal Supervisory Forum (SFSF) to share his priorities for his chairmanship and to stress the importance of state and federal coordination. Chairman Gonzales called for increased coordination among state and federal regulators to identify and address new threats and challenges impacting community banks, and encouraged attendees to "continue to strive toward a regulatory system that provides safety and soundness and consumer protection, while preserving the very qualities of our unique dual-banking system that have contributed so significantly to our nation."

John P. Ducrest, Commissioner of the Louisiana Office

2012 Media Coverage Tone



of Financial Institutions and Immediate Past Chairman of CSBS, gave outgoing [remarks](#) to attendees during a question-and-answer session at the SFSF. Ducrest indicated that because of the valuable role small banks play in the economy and because of their significance to local communities, ensuring the viability of the community banking system had been his priority as CSBS Chairman.

Maintain the Central Role of States in Regulating Non-Depository Financial Institutions

In addition to regulating insured depository institutions, state financial regulators also supervise a host of non-depository financial services providers. CSBS has been charged with supporting efforts to help state regulators maintain their central role in non-depository supervision. To that end, the Communications Division has publicized efforts throughout the year to support a robust oversight program for state-licensed, non-depository financial services providers.

NMLS Enhancements and Expansion

In February, in conjunction with the fourth annual NMLS Annual Conference and Training, CSBS [announced](#) that efforts to develop content for a uniform mortgage loan originator state test had begun.

CSBS also [announced](#) plans at the 2012 NMLS Annual Conference to enhance the use of NMLS to accommodate state use of the System for non-mortgage, non-depository financial services industries such as consumer lending, MSBs, and debt collection.

In April, CSBS publicized the realization of this plan with a [press release](#) on the enhanced use of NMLS by five state banking agencies. As of year-end 2012, state agencies in Idaho, Indiana, Kentucky, Louisiana, Massachusetts, New Hampshire, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Vermont, and Washington had begun to manage license types beyond the mortgage industry on NMLS.

In June, CSBS [released](#) 2012 first quarter reports on state-licensed mortgage companies, branches, and individual MLOs in NMLS and on registered institutions and MLOs in the NMLS Federal Registry. Together, the two reports provided for the first time a comprehensive tally of all individuals, companies, and depository institutions authorized to originate residential mortgage in the United States.

Yet another enhancement to NMLS was announced in July when CSBS issued a [press release](#) announcing the availability of public state regulatory actions on *NMLS Consumer Access*.SM This enhancement to [NMLS Consumer Access](#)SM consolidated enforcement actions taken by state regulatory agencies against state-licensed companies and individuals in a single repository.

Non-Depository Supervision

Through CSBS and sister organizations, state regulators have begun several new initiatives to coordinate and elevate state non-depository supervision. CSBS and AARMR, for example, issued a [joint press release](#) in February announcing the creation of SEGs developed by the MMC.

In June, CSBS issued a [press release](#) to publicize [testimony](#) by Deborah R. Bortner, Director of Consumer Services at the Washington State Department of Financial Institutions before the Financial Institutions and Consumer Credit Subcommittee of the House Financial Services Committee on supervision of MSBs. In her testimony, Bortner summarized state efforts to supervise MSBs through licensing and by conducting on-site examinations for a number of years. In addition, state regulators—through CSBS and the MTRA—are engaged in efforts to further enhance supervision of these entities.

CSBS once again [publicized](#) testimony by a state regulator in July. John Munn, Director of the Nebraska Department of Banking and Finance, testified before the House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit. In his [testimony](#), Munn expressed serious concerns with proposed legislation that would establish a federal charter for non-depository consumer credit industries, including payday lenders, check cashers, and issuers of stored-value cards. Munn expressed concern that the bill would circumvent the ability of state regulators to establish and enforce laws governing financial services providers.

Mortgage Accreditation

In 2009, CSBS partnered with AARMR to jointly accredit state mortgage regulators in the same manner as the CSBS Bank Accreditation Program. In 2012, CSBS issued two press releases publicizing that [Mississippi](#) and [Wyoming](#) had achieved mortgage accreditation, thereby verifying the departments maintain the highest standards and practices in state mortgage supervision established by the [CSBS-AARMR Mortgage Accreditation Program](#).

Outlook for 2013

For 2013, the CSBS 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. New technologies and new techniques will be integral to this effort as CSBS seeks to utilize enhanced multi-media outlets to effectively communicate its organizational priorities, promote state regulators, and advocate for the dual-banking system.

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 2012, for example, the BAB submitted to the CSBS Board of Directors a resolution advocating several areas of relief for community banks. The CSBS Board accepted the resolution and made it a priority assignment for the CSBS Community Banking Steering Group, which is working on the long-term future of community banks.

In separate conference calls, the BAB shared thoughts on the FDIC's Community Banking Study and various issues associated with the Dodd-Frank Act.

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 1,800 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: CSBS, 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 December 31, 2012 was underway, but the final report had not been presented. When available, a copy of the final 2012 audit report will be posted on the CSBS website at:

<http://www.csbs.org/about/governance/Pages/CSBSDocuments.aspx>.

Most Recent Audited Results

The information below is summarized from the December 31, 2011 audited financial statements. The full audit report is also available at <http://www.csbs.org/about/governance/Pages/CSBSDocuments.aspx>.

The financial results for 2011, with just under \$22.2 million being added to the organizations' 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 \$35 million in developing NMLS 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.

Summary Statement of Financial Position (Audited)			Summary Statement of Activities (Audited)		
2011 and 2010 (in thousands)			2011 and 2010 (in thousands)		
	2011	2010		2011	2010
Assets			Revenue		
Cash and Marketable Securities	\$33,445	\$16,299	NMLS Processing Fees	\$31,606	\$17,586
Furniture and System Development, net	\$23,778	\$19,829	NMLS Professional Services	\$26,123	\$46,333
Other Assets	\$3,049	\$3,040	Dues	\$4,853	\$5,116
			Other Revenue	\$2,437	\$5,560
Total Assets	\$60,272	\$39,168	Total Revenue	\$65,019	\$74,595
Liabilities and Net Assets			Expense		
Accounts Payable and Accrued Expenses	\$7,464	\$10,078	NMLS Professional Services	\$24,539	\$28,397
Deferred Revenue	\$3,048	\$2,669	NMLS System Operations	\$15,106	\$10,028
Other Liabilities	\$4,424	\$3,278	NMLS Call Center	\$7,353	\$6,706
Staffing and Administrative			Staffing and Administrative	\$12,298	\$10,654
Other Expenses			Other Expenses	\$2,512	\$1,980
Total Liabilities	\$14,936	\$16,025	Total Expense	\$61,808	\$57,765
Net Assets			Income from Operations	\$3,211	\$16,830
Unrestricted	\$43,962	\$23,132			
Restricted	\$1,374	\$11	Pension Related Changes	\$529	\$62
Total Net Assets	\$45,336	\$23,143	Change in Net Assets from Operations	\$3,740	\$16,892
Total Liabilities and Net Assets	\$60,272	\$39,168	Income Designated for Reserves and Development	\$18,453	
			Change in Net Assets	\$22,193	\$16,892

CSBS EDUCATION FOUNDATION BOARD OF TRUSTEES

As of December 31, 2012

Chairman

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

Vice Chairman

Mr. James M. Cooper, CEM
Deputy Director
Indiana Department of Financial Institutions

Immediate Past Chairman

Mr. Scott D. Clarke
Assistant Director
Illinois Division of Banking

Member

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

Member

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

Member

Ms. Regina Stone
Deputy Superintendent, Foreign and Wholesale Banks
New York State Department of Financial Services

Member

Mr. Mick Thompson
Commissioner
Oklahoma State Banking Department

Chairman, Performance Standards Committee

Ms. Susannah T. Marshall
Deputy Bank Commissioner
Arkansas State Bank Department

Chairman, Certification Committee

Ms. Daphne Porter
Senior Examiner
California Department of Financial Institutions

Treasurer

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

Member

Ms. Carol A. Collison, CEM
Chief Examiner
Delaware Office of the State Bank Commissioner

Member

Mr. Luther Guinn
Deputy Bank Commissioner
Arkansas State Bank Department

Member

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

Member

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

Member

Mr. Robert Venchiarutti
Deputy Commissioner
California Department of Financial Institutions

Chairman, Content Oversight Committee

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

STATE REGULATORY REGISTRY LLC BOARD OF MANAGERS

As of December 31, 2012



SRR Board of Managers, September 2012.

Left to right: David J. Cotney, Robert J. Entringer, Thomas J. Candon, Charles G. Cooper, Darin J. Domingue, Douglas B. Foster, Deborah R. Bortner, Charles J. Dolezal, Greg Gonzales, Bill Matthews, John W. Ryan

Chairman

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

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

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. Charles J. Dolezal
Superintendent
Ohio Division of Financial Institutions

Ex Officio Board Member

Mr. Greg Gonzales
Commissioner
Tennessee Department of Financial Institutions
Chairman, Conference of State Bank Supervisors



CSBS Bankers Advisory Board, March 2012

Co-Chairman

Mr. James M. Schipper
Superintendent
Iowa Division of Banking

Immediate Past Chairman

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

District II Chairman

Mr. Patrick Goltzbach
President and CEO
New Washington State Bank, New Washington, IN

District V Chairman

Mr. Steven K. Buster
Chairman
Previvo Genetics, Lafayette, CA

Member-at-Large

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

Member-at-Large

Mr. Richard C. Houseworth
Director of Government Relations
Capitol Bancorp, Ltd., Phoenix, AZ

Member-at-Large

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

Member-at-Large

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

Member-at-Large

David H. Weaver
Executive Vice President
BB&T, Winston-Salem, NC

Co-Chairman

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

Vice Chairman, Policy Coordination

Mr. Fernando A. Capablanca
Managing Director
White Cap Consulting Group, Coral Gables, FL

District IV Chairman

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

Member-at-Large

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

Member-at-Large

Mr. Waymon Hickman
Senior Chairman
First Farmers and Merchants Bank of Columbia,
Columbia, TN

Member-at-Large

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

Member-at-Large

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

Member-at-Large

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

Member-at-Large

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

President and CEO

Mr. John W. Ryan

Senior Manager and 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, Information Technology

Mr. Anthony Donfor

Vice President of Membership and Banker Relations

Mr. Edward F. Smith, III

Director of Accounting

Mr. Franklin Whetsell, Jr., CPA

Senior Manager of Payroll and Accounting

Ms. Tammy Phan

Senior Manager of Database and IT

Mr. David Rodgers

Manager, Administrative Services

Ms. O'Della Harris

Senior Staff Accountant

Ms. Nhu Duong

Staff Accountant

Mr. Kit Meyer

Accounting Analyst

Ms. Bing Wang

Policy and Supervision Division

Senior Executive Vice President

Mr. Michael L. Stevens

Senior Manager, Policy Development

Mr. Jeffrey S. Allen

Policy and Supervision Analyst

Mr. Chris Robb

Policy and Supervision Analyst

Mr. Daniel Schwartz

Senior Administrative Assistant – Policy and Supervision and Legal

Ms. Kelly Buechner

Legislative and Legal Section

Senior Vice President and Deputy General Counsel

Ms. Margaret Liu

Senior Director

Mr. Sandy Sussman

Legislative Policy Counsel

Mr. Matthew Lambert

Bank Supervision Section

Senior Vice President, Bank Supervision

Ms. Mary Beth Quist

Director of 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

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

Director of Learning Services

Mr. C. Thomas McVey, CEM, CAMLS

Senior Manager of Programs and Certification

Ms. Rosemarie Shaheen

Administrative Meeting Assistant

Ms. Keesha Jones

State Regulatory Registry Division

SRR Administration

Executive Vice President

Mr. William (Bill) Matthews

Administrative Assistant

Ms. Ebony Monti

SRR Policy Section

Senior Vice President

Mr. Tim Doyle

Senior Director

Mr. Tim Lange

Senior Director

Ms. Mary Pfaff

Director

Mr. Kevin Finnerty

Director

Ms. Margo Frampton

Director

Mr. Chris Moore

Senior Manager

Mr. Derek Holt

Manager

Ms. Sarah Grimm

Administrative Assistant

Ms. Ashley Senkowski

SRR Operations Section

Vice President

Ms. Vickie Slater

Director

Ms. Sharon Hughes

Senior Manager

Ms. Kathy Hunter

Manager

Ms. Mindy Chang

Manager

Ms. Lindsay Schmidt

Manager

Ms. Stephanie Buonomo

SRR Technology Section

Vice President

Mr. Mark Rippe

Senior Director

Mr. Peter Wallace

SRR Testing & Education Programs Section

Vice President

Mr. Pete Marks

Senior Director

Mr. Richard Madison

Senior Manager

Mr. Matt Comber

Senior Manager, Education Compliance

Ms. Michelle Rosenthal

Manager

Ms. Jessica Ayton

Manager

Ms. Alana Chamoun

Production Support Analyst

Mr. Alan Ridenour

Support Analyst, Education Compliance

Ms. Gabriela Turner

Administrative Assistant

Mr. Graham Davidson

Communications Division

Senior Director of Communications

Ms. H. Catherine Woody

Manager, Communications

Ms. Rockhelle A. Johnson

Conference of State Bank Supervisors

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