MEETING OF THE BOARD OF FINANCIAL INSTITUTIONS

Utah Department of Financial Institutions

Salt Lake City, Utah

October 8, 2025

MINUTES

BOARD MEMBERS PRESENT: Kip Cashmore, Paul Atkinson, Brad Baldwin, Andrea Moss

BOARD MEMBERS EXCUSED: Bill Tingey

DEPARTMENT STAFF PRESENT: Commissioner Shaun Berrett, Paul Allred, Layne Blanch, Andrea Staheli, and Emily Stanton

OTHERS PRESENT: Amy Kurtzweil, Governor's Office of Planning and Budget

1. Call Meeting to Order - Commissioner Shaun Berrett

Commissioner Shaun Berrett welcomed attendees to the board meeting. He noted that Bill Tingey was excused, and Chief Examiner Dan Gardner was also excused as he was attending the Community Bank Research Conference. Emily Stanton confirmed that the agenda and minutes had been posted on the Utah public notice website prior to the meeting.

2. Approval of Minutes - July 15, 2025

Commissioner Berrett called for a motion to approve the minutes from the last board meeting. Andrea Moss made a motion to approve the minutes from the meeting held on July 15, 2025. Brad Baldwin seconded the motion. The vote to approve the minutes was unanimous.

3. Industry Updates

- Kip Cashmore

Kip Cashmore commented on the controversy surrounding the Consumer Financial Protection Bureau’s (CFPB) small-dollar lending rule, stating that many things remained uncertain. He also reported that he would attend the industry convention held in Washington, D.C. He noted that consumers were facing more challenges, with an increase in customer visits and loan volume. Collections were reported as staying steady, but some lenders had to work out terms more than in the past to support borrowers. He concluded that the industry remained healthy despite continued consolidation and growing competition from technology sectors like "buy now, pay later" options and earned wage access programs.

- Andrea Moss

Andrea Moss reported that the recent industrial bank (IB) industry conference was a major success and the largest to date, with new sponsors and participants. The overall tone was positive, indicating a shift away from conflict. Jelena McWilliams delivered an optimistic keynote speech on the industry's future.

Travis Hill was nominated to be the permanent Chair of the Federal Deposit Insurance Corporation (FDIC) on September 30, 2025. His nomination is awaiting confirmation by the Senate.

The comment period for the FDIC's Request for Information (RFI) concluded on September 19. Responses to the RFI were largely (two-thirds) positive, expressing optimism toward the industry and the desired direction for the FDIC's handling of applications.

The Stena Center in Utah released a new, engaging report on industrial banks. The excellent research highlights the industry's strengths, history, and current updates.

The National Association of Industrial Banks (NAIB) has hired its first public relations firm. This firm will work with us to proactively promote the community and customer benefits of Industrial Loan Companies (ILCs) to counteract negative perceptions. The campaign will target influential individuals, not the general public.

- Brad Baldwin

Brad Baldwin reported that Utah's state banks are currently strong in capital, earnings, and credit quality. There is stress on businesses, large and small, out of state, suggesting a weaker external economy.

Stablecoins, spurred by the Genius Act, pose a rapid, significant change. The precise role for banks—as issuers, acceptors, or facilitators—is still evolving. High regulatory needs persist for oversight, auditing, and securing US dollar-backed stability, with adoption likely to be greater than expected for international transactions.

Banks face significant deposit competition from brokerages, US Treasury securities, and alternative investments.

Regulators are shifting focus more toward safety and soundness issues, away from evaluating reputational risk. He concluded that regulatory reform was coming, though slowly.

- Paul Atkinson

Paul Atkinson reported that Utah credit unions currently maintain strong capital, reflecting a general improvement and contributing to a sense of stability. Despite current uncertainties, the Return on Assets (ROA) shows a positive trend, increasing compared to previous years.

Unlike national trends, Utah credit unions have maintained steady delinquency and charge-off rates, indicating a strong local business environment.

He noted that growth in Utah's credit unions surpassed the national average, but growth in both deposits and loans remained below the long-run average. This is expected to potentially shift based on future economic developments.

Paul highlighted key concerns, including monitoring inflation, unemployment, and the Federal Reserve's actions on interest rates, as well as the ongoing risk of government shutdowns.

Regulatory uncertainty is another point of concern and uncertainty due to shifting political tides, which could lead to either overly stringent regulation or a complete lack of oversight.

Overall, members are looking forward to a slightly lower interest rate environment to facilitate the repricing of variable interest rate loans. Despite a few minor worries, credit unions remain optimistic.

4. Financial Statements: FY2025 Year-End Review & FY2027 Budget Vote

Commissioner Berrett reviewed the board's topic cadence, which he introduced at the last meeting to establish a structure for future agendas.

Commissioner Berrett said that Layne Blanch will guide the board through the completed numbers from the fiscal year 2025 budget closeout. Following that discussion, the board will discuss its responsibility for making a budget recommendation for fiscal year 2027, as outlined in Utah Code 7-1-203 for the Board of Financial Institutions.

Commissioner Berrett said fiscal year 2026 ends on June 30, 2026. The budget for fiscal year 2026 was approved by the legislature in January 2025, and the upcoming 2026 legislative session begins on January 20, 2026, where appropriations for fiscal year 2027 will be considered.

DFI's obligation to the board and the governor's office is to prepare a realistic budget that accurately reflects the agency's expected revenue and expenses.

The Commissioner reminded the board that about 94% of the Department's revenue comes from asset-based fees assessed on its institutions, including banks, industrial banks, and credit unions.

The Commissioner shared that the Department has been made aware of some transactions or application events being initiated by entities under its jurisdiction that will affect the assessment base for the Department in fiscal year 2027.

The Commissioner explained that if those applications proceed, DFI's assets under supervision will decrease, resulting in a lower assessment base and a significant decline in expected revenue for fiscal year 2027. Layne's budget preparation will take these changes into account. DFI's fiscal year 2027 budget must be submitted to the governor's Office of Planning and Budget and needs to be accurate.

The Commissioner noted how timing poses a challenge because those applications have not yet been filed. DFI's knowledge of these events stems from its confidential supervisory information (CSI) relationship with the regulated institutions.

As a result of this CSI restriction, DFI cannot fully articulate the specific cause behind the forecasted revenue reductions. The Commissioner committed to informing the board about any relevant applications as soon as they become public record.

As a result of the above, the Department will be requesting an appropriation to exceed its revenue in fiscal year 2027. Fortunately, DFI is prepared for this situation. Contingencies like these are why DFI has maintained a sufficient balance in its restricted account, allowing it to operate until it can adjust revenue accordingly. As a result, DFI will utilize some of its restricted account funds.

Layne reviewed the final close-out numbers from the budget presentation and the projections for fiscal year 2027.

Layne Blanch provided a summary of the budget review, including:

- FY2025 Close-out: Actual revenue reached $10.3 million, and expenses remained within $132,000 of the $10 million appropriation.
- Building Expenses: $2 million was transferred to the Department of Facilities and Construction Management (DFCM) for building costs, with an anticipated return of $400,000 to $500,000 to the restricted account.
- Personnel: Personnel remained the largest expense category, with five current vacancies and anticipated future turnovers.
- Financial Literacy: The Department is requesting authorization to spend $200,000 annually on financial literacy until the earmarked settlement funds were exhausted, including intent language.
- Restricted Account Balance: The current balance was $15.6 million, and after accounting for all shortfalls and returns, the balance was expected to decrease to approximately $8.7 million.

The bulk of FY2026 revenue was collected in July and August. Remaining consumer and commercial fees are expected in November and December.

Of the $12 million received in revenue, $2 million was from settlement funds. DFI does not anticipate receiving any settlement funds for 2026, so projected revenue remains approximately $10 million.

DFI is requesting authorization to spend $200,000 annually on financial literacy until these funds are exhausted. This request includes intent language to possibly partner with the Department of Commerce on fraud awareness initiatives. DFI has been asked to explore the possibility of partnering with them to coordinate these efforts, which will also be included in the intent language for the upcoming initiatives.

Currently, DFI has appropriated $12 million for the 2026 budget as approved in the last general session. However, because DFI only anticipates bringing in $10.3 million in revenue, there will be a $1.7 million difference between actual revenue and total expense appropriation.

DFI’s total expected revenue across all industry categories and fee types is a little over $8 million. The requested appropriations for 2027, driven primarily by personnel costs, are estimated at $12 million. This results in a projected shortfall of approximately $4 million for the fiscal year due to declining revenue and rising expenses.

Regarding the restricted account, the current balance is $15.6 million. To determine DFI’s core funds, the DFI is backing out the settlement funds earmarked for other purposes. After accounting for the $1.7 million shortfall from 2026, an estimated $400,000 return from a construction project, and the projected $4.1 million shortfall for 2027, the DFI expects the restricted account balance to decrease to approximately $8.3 million. These projections assume no new banks are added and that all full-time positions remain filled.

Layne said DFI is beginning a project to restructure all fees across the board to improve its financial position.

Commissioner Berrett asked for a motion to recommend the fiscal year 2027 budget to both the governor's office and the Utah state legislature.

Brad made a motion that the board recommend the budget as proposed to the governor and to Utah legislature. Kip seconded the motion. The board voted unanimously to recommend the budget to the governor's office and the Utah state legislature.

Commissioner Berrett asked Layne to give an update on the progress of the construction in DFI’s new office location.

Layne reported that the bid for the construction came in at just below what the DFI expected. The selected contractor has an excellent rating with the DFCM. The DFI feels confident having this experienced contractor on board, and is excited to see that construction of the new office space has finally begun and is ahead of schedule.

Demolition was complete, and framing began that week, with a goal to finish framing by the end of the week. They have a four-way inspection scheduled for October 21. This inspection will cover all structural, mechanical, HVAC, electrical, and plumbing work that needs to be checked before it is covered by drywall. Based on the current timeline, DFI’s moving date is likely to be in early March.

5. Department Operations: Annual Employee Satisfaction Survey Results

Commissioner Berrett walked through the results of the 2025 employee satisfaction survey. This is the third consecutive year the Governor's Office has conducted this assessment, focusing on four paradigms: engagement, work environment, flexibility, and compensation. The survey data, administered by the Department of Human Resource Management (DHRM), allows the DFI to compare the Department's performance against other departments or the state. Because the survey uses a consistent set of questions, a valuable trend analysis is now available.

Commissioner Berrett said to keep in mind that with 52 Department employees completing the survey this year, small shifts in percentage points represent only a few individuals.

Commissioner Berrett focused on high-level trends and said additional data is available regarding demographics.

- Engagement

The Department continues to outperform the state average in all seven engagement categories, including job satisfaction, sense of meaning, and understanding of expectations. Notably, DFI saw a significant jump in scores regarding progress discussions, reflecting its compliance with the state's quarterly performance review mandate. While communication regarding changes remains a challenge, the DFI is addressing this by holding office hours and introducing a staff newsletter.

- Work Environment

The Department is performing well across the board compared to the state. While the "culture" metric is trending slightly downward, DFI remains above the state average. Regarding physical safety, it is worth noting that scores in this area are often influenced by external factors, such as office location and building environments, rather than internal operations.

- Flexibility

Department employees continue to show strong support for teleworking. However, work-life balance scores have trended down recently. This may be attributed to the transition back to the office two days a week, particularly among the management team. The DFI is committed to maintaining as much flexibility as possible for its staff.

- Compensation

Consistent with state-wide trends, compensation is the lowest scoring metric. While the DFI is on par with other state agencies, the impact of inflation on purchasing power remains a significant concern for Department employees, particularly regarding housing affordability in Utah. Conversely, the benefits package remains a highly valued factor for retention and stability.

Given time constraints, Commissioner Berrett suggested reviewing Personnel Trends at the next meeting in January 2026.

Commissioner Berrett reviewed the strategic plan initiatives and how those efforts will support the re-accreditation process with the Conference of State Bank Supervisors (CSBS) and the National Association of State Credit Union Supervisors (NASCUS). The DFI has submitted its accreditation packet, and the team will be on-site the week of November 4 for staff interviews and material review.

Commissioner Berrett provided the board with an update on several key areas:

- Operational Efficiency
- Workforce Development and Training
- Timeliness
- Industry Engagement
- New Initiatives

A primary focus this year is reducing the turnaround time for exam reports. Timeliness is a critical accreditation metric where the DFI has room for improvement. The DFI is now monitoring this metric in real-time to ensure it is providing reports to bank presidents as quickly as possible, while maintaining pressure on case managers at the FDIC and Examiners in Charge (EIC) to address external delays.

Due to limited availability and hiring freezes at federal schools, the DFI is shifting toward more robust in-house training. The DFI has appointed the first-ever Training Coordinator to lead this initiative. Additionally, the DFI is updating the promotions policy to focus on field experience rather than school completion to ensure career progression is not stalled by federal scheduling issues.

The DFI is also expanding educational assistance. The DFI will now provide financial support for relevant degree programs and professional certifications, such as Certified Anti-Money Laundering Specialist (CAMS), that were not previously covered. The DFI is also planning to cross train an additional money transmitter examiner to ensure continuity ahead of upcoming retirements.

Department leadership continues to attend Utah Association of Financial Services (UAFS) and Utah Bankers Association (UBA) meetings. The DFI has also established a new meeting cadence with both the UBA and the Utah Credit Union Association to maintain these vital relationships. Despite the loss of the credit union and bank advisory boards, the DFI remains committed to industry outreach.

The Department is currently managing several high-priority initiatives. The DFI's primary focuses include planning for its move, preparing for accreditation, and supporting the Governor's GRIT initiative.

- New Initiatives
    - Post-Exam Surveys: The DFI is working to relaunch the post-exam surveys for safety and soundness exams using Qualtrics to automate the process.
    - Industrial Bank Application Guide: To improve efficiency, the DFI is developing a comprehensive guide for industrial bank applicants. This will provide a clear overview of the process and reduce the time spent on lengthy introductory consultations. This draft will soon be reviewed by the Attorney General's office.
    - Financial Literacy: The DFI is working with the legislature to ensure that settlement proceeds can be specifically allocated to expanded financial literacy and fraud awareness initiatives.

Additionally, the DFI is processing six de novo industrial bank applications while monitoring a strong pipeline of upcoming applications.

Regarding regulatory reform, the DFI is closely tracking federal banking agency initiatives aimed at simplifying the exam process and focusing on core financial risks. Monitoring these changes remains a significant undertaking.

Finally, the DFI is dedicating considerable time to the Genius Act and its implications for stablecoins. The Department is evaluating how this affects its current supervisory duties and determining if the Department needs to establish a state regulatory regime for payment stablecoin issuers, as provided for in the Act.

Commissioner Berrett asked Deputy Commissioner Paul Allred to give an update on the legislature's interim study focused on non-depository trusts.

Paul Allred said the Department has concerns regarding these trusts. The law says non-depository trusts cannot operate in Utah unless they were already in existence before 1981.

At that time, there were only two non-depository trusts. One has since surrendered its trust powers and is no longer operational. The other, Deseret Trust, is owned by the Church of Jesus Christ of Latter-day Saints. Deseret Trust is a charitable trust that does not offer trust services to the public; its purpose is to manage the gifts given by church members for charitable purposes.

The Department examines the trust operations similarly to how is reviews a trust department within a bank. However, the DFI is not concerned about Deseret Trust's capital levels or about what would happen if they failed, as they do not provide services to the general public.

When the DFI was approached about the need for the state of Utah to license non-depository trusts, the Department expressed concern regarding appropriate capital levels for such companies. The DFI's main issue is that non-depository trusts, like banks and credit unions, can fail due to poor management, insufficient capital, or mismanagement of the business.

The DFI understands how to manage failing banks and credit unions. The Department takes possession of these institutions and then hands them over to a receiver. For banks, this is the FDIC; for credit unions, it's the National Credit Union Administration (NCUA). The DFI has established a ready-made receiver to handle these resolutions, but with a non-depository trust, the DFI would face a different challenge. Without a clear plan, the DFI wouldn't know whom to approach for managing those assets or who would administer them effectively.

This situation raises concerns because the DFI has examples from other states where trust businesses have failed and remained in receivership for over ten years. Trusts can have lasting impacts, sometimes spanning generations.

Those advocating for the law change are the professionals who believe that individuals can serve as trustees, fiduciaries, or custodians, and that the DFI should issue licenses to individuals for these roles. The DFI believes this approach poses a significant risk to the public.

Recently, the DFI shared these concerns with some legislators, and they are now considering the matter. There is a possibility that the proposed bill may not pass as initially drafted. The interim session concludes in November.

6. Consumer Affairs Director's Comments - Andrea Staheli

Andrea Staheli provided an update on staffing and non-depository renewals, both of which are part of the DFI's strategic plan objectives for consumer affairs.

The Department is excited to welcome TJ Rivera, who joined the team on September 29 as the Department's first Administrative Specialist. This position was planned for a while, as the DFI reclassified a receptionist role to better meet Departmental needs.

TJ recently retired from the Air Force, where he served as an inspector general for complaints and resolutions. His experience will enhance the DFI's capability to handle complaints, non-depository institution licensing, finance support, and other operations.

As the Department prepares for non-depository license renewals starting in November, the DFI expect about 1,800 entities to renew this year. DFI's team is better equipped than before, with improved processes to reduce duplication and enhance communication with industry.

Last year, the DFI streamlined operations to complete renewals more efficiently. The DFI aims to perform even better this year, improving overall customer experience.

7. Commissioner's Comments - Commissioner Shaun Berrett

Commissioner Berrett reported that the Department's annual report was submitted to the legislature and governor's office. It's due on September 30 every year.

Commissioner Berrett thanked everyone for their attendance and extended time.

8. Date of next meeting – Wednesday, January 14, 2026