

MEETING OF THE BOARD OF FINANCIAL INSTITUTIONS

March 19, 2015

11:30 a.m.

Minutes

BOARD MEMBERS PRESENT:

Louise Kelly, Dennis Hymas, Rick Beard, Kip Cashmore, Bill Tingey, and Commissioner Ed Leary

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Michael Jones, Paul Allred, and Sonja Long. Darryle Rude is excused.

1. Call Meeting to Order – Commissioner Leary

2. Minutes –

Kip Cashmore made the motion to accept the minutes, Dennis Hymas seconded the motion. It was unanimous.

3. Industry Input –

Bill Tingey – He apologized for missing the last two meetings. The industry is pretty much the same, they are finding that companies are hiring and wanting more insurance. They are selling a lot of cyber coverage across the board. He talked about upcoming changes with the Affordable Care Act.

Kip Cashmore – a continuation of last time, CFPB they are doing another town hall meeting in Virginia. He thinks they are going to give a lot of hints as to what the regulation might be. They have already announced SERS and started going through them in order to get over the SBA speed bump. Our best projection is that there will be some rule by the end of this year. And then the time frames for comments, etc. We had a database bill and maximum amount of loans you could do bill that was defeated. Kip mentioned that the CFPB has had the complaint portal open for about two years now, 7,500 complaints that have been recorded 2,000 of those have been verified. That puts the complaints at 0.0001 within the entire sector compared to the number of loans that they do every year.

Rick Beard – He thinks that June is the date for the FRB rate hike. They have been fighting to keep their loans short. Cybersecurity is still a huge issue. Their bank has lost over \$100,000 in

credit card fraud alone since the last meeting. The other thing is that consolidations are increasing dramatically. It isn't necessarily as much in Utah, but it is happening.

Dennis Hymas – Credit unions are seeing that consolidation as well, there used to be 200 or so credit unions in Utah and now there are 70 total. Security and cyber issues have been a problem as well. The NCUA has a copycat website out there right now; it looks just like the real thing. NCUA is trying to modernize and improve the exam process. There are going to try to make it more efficient, which hopefully means less time on-site, they are going to try and hire more specialists. He said that he heard about a change in the 5% fixed asset rule. He thinks that the stabilization assessment should be 0 again this year. They have even talked about rebates.

Louise Kelly – The industrial banks are still very concerned with the continued increase in regulatory burden. The efforts by some regulators to inhibit growth of existing banks or allowing for new charters has been difficult. We recognize it is not this state, but since we are examined jointly we understand that is hard to overcome and appreciate the efforts of the department. Another area of significant concern is what is perceived the industrial banking sectors new approach to regulating via consent order and enforcement action as opposed to the clearer way in presenting rules for comment and feedback. It is just more difficult now that you have to monitor all of the actions. With the FDIC it is becoming more focused on the Chairman and lack of willingness to take action. There is just a general feeling of frustration and discouragement in not being able to undertake activities that will make our institutions stronger and more profitable. They would also like to see delegated authority to come back to the regional offices at FDIC. City Weekly is getting ready to publish an article on Industrial Banks; she has heard that it might not be very favorable.

4. Legislative review – Paul Allred

There were 529 bills passed this session. We didn't monitor that many. The department's bill was SB24. He gave a summary of the bill at the last meeting. It passed early in the session. Some of the bills that we watched were HB144, Representative Daw's bill on check cashing; HCR6, a resolution on payment options for state services; SB292, the ABLE account bill, Achieving a Better Life Experience, Congress passed the ABLE account bill that is similar to the 529 Education account to help support disabled persons; SB120, regulation of reverse mortgages; SB259 Senator Madsen to allow for the use of medical cannabis, it was recommended to the Senator that he talk to our department about the issues that have come up in other states; HB436, Continuous Care Facilities Amendments, we were pulled into it because people were asked to put large amounts of money up front before they could become residents, Erickson Living wanted to put a community into Taylorsville and they aren't like traditional care facilities and they were expecting people to invest in the development in order to become a resident.

5. Budget review – Michael Jones

He gave out his budget handout. He went over the changes since the last board meeting. His estimation based on what we were authorized we are going to be about \$17,000 in revenue than what the prediction was, mostly due to growth in industry. However, his projection did not include CIT Bank being under supervision on July 1, it doesn't seem that they will be gone by

then so the revenue will probably increase. Bill Tingey asked about actual expenses eight months into the year being \$4.1 million and then the estimation that for the last four months we are going to increase \$2.8 million to be \$6.9 million. He wanted to know how we would jump that much in the last four months. Michael said that he would look at what the formula is on that page, because it doesn't look like it is figured correctly.

6. Out of State Travel – Michael Jones

He gave out his handout. The changes to that handout are bolded. He went through those changes.

7. Current topics – Commissioner Leary

Commissioner Leary went to the fly-in last week, FDIC sent in a senior crew to talk to the State Commissioners, they have tentatively approved a de novo community bank in New Hampshire, Primary Bank. They held that up as an example that their door is open and they are approving applications, but clearly as they described it, it would be a perfect community, historical bank.

Cybersecurity from the regulatory side is just as worrisome. He said that as a State agency we are very concerned about cybersecurity within the State of Utah as well. More and enhanced improvements, we will receive a security audit from someone outside the State of Utah in July.

Recently we lost Highline, which had been our offsite analysis program. They decided to go out of business. We looked around and found the only really good product is an SNL product that we can use.

We have new examiners hired and they will start on Monday and the following week.

With year-end numbers of total assets under supervision, we move from fifth largest to fourth largest.

Long range, with the movement of the Money Transmitter licenses onto the NMLS and beefing up our supervision of that industry, the question keeps coming up. What is Utah's position with regard to virtual currency? Commissioner Leary serves on a national task force for CSBS looking at that issue and come up with guidelines. They are trying to come up with a reasonable balance as to how you regulate it, how you supervise it without being responsible for what happens in that arena. If we can come up with something this fall, the department will then look at a bill for next session on how we are going to regulate it.

8. Other business –

9. Next meeting – June 11, 2015 at 11:30 a.m.