

DEPARTMENT OF COMMERCE  
IOWA DIVISION OF BANKING

# PERFORMANCE REPORT

Performance Results Achieved  
for Fiscal Year 2004

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# INTRODUCTION

I am pleased to present the Department of Commerce, Iowa Division of Banking (IDOB) Performance Report for Fiscal Year 2004 (July 1, 2003 - June 30, 2004). This report contains valuable information about the services the Iowa Division of Banking has provided for Iowans during the past fiscal year. This report is being published to meet the agency's commitment to manage for results and to be open and accountable to Iowa citizens. This report contains performance information on the Banking and Finance Bureau of the IDOB.

The agency's core function is regulation and compliance. It regulates state chartered banks and other financial service providers (FSPs). It accomplishes this by utilizing the following processes: licensing/chartering FSPs; examining the FSPs to determine compliance with applicable laws and safety and soundness for certain FSPs; investigating consumer complaints.

Performance measures have been established to improve the efficiency of each process. All FSPs have been examined within the statutory time limit and all are considered safe and sound and operating in compliance with applicable laws. The average turnaround time on bank examination reports (days from when exam was completed to final report was mailed to the examined bank) was 18 calendar days. This is significantly below the Conference of State Bank Supervisors best practice recommendation of 30 calendar days.

In the finance bureau, new measures were established effective July 1, 2004, targeting a 30-day turnaround for 90% of license applications or complaints received. It was felt these measures would better gauge efficiency than past measures. Old measures are provided showing an average turnaround time of 29.92 days from receipt of a complaint to resolution, and 22.43 days from receipt of a new application to issuance of a license as of calendar year-to-date June 30, 2004.

One major accomplishment was the facilitation of on-line license renewal. Presently, all licenses granted by the finance bureau are renewable annually at different times during the year. The following licenses were renewed on-line: 131 (76%) of the delayed deposit licenses, 164 (82%) of the mortgage broker licenses, and 144 (43%) of the mortgage banker licenses. It was estimated that we saved 15 minutes in processing time for each renewal completed on-line (over 100 hours total).

Another major accomplishment was the implementation of an electronic risk monitoring tool to help better monitor our banks. This tool was developed in-house. It provides bank analysts and examiners valuable information they can use to schedule and scope examinations.

Additional accomplishments for the year included the following:

### **BANK BUREAU:**

Actions were taken on the following applications during FY04:

- 1 voluntary dissolution
- 10 mergers
- 4 financial institutions were converted from federal charters to state charters
- 0 financial institutions were converted from state charters to federal charters
- 56 applications to establish bank offices
- 14 applications to relocate bank offices
- 3 bank name change applications
- 1 bank charter was renewed
- 7 bank charters were terminated

Bank Examinations Conducted:

- 135 Full scope examinations were conducted
- 4 Visitation examinations were conducted
- 52 Holding company examinations were conducted
- 87 Trust exams were conducted
- 4 IT exams were conducted

### **FINANCE BUREAU:**

Refunds totaling \$113,423 were obtained for borrowers from licensees for overcharges, and other violations discovered at examinations.

- 299 Examinations conducted
- 374 Licenses issued
- 396 Applications received
- 18 Applications denied or withdrawn
- 183 Licenses canceled

## AGENCY OVERVIEW

The Iowa Division of Banking (IDOB) was created to ensure the stability and public confidence in banks organized under a state charter.

Today, the IDOB consists of two functional areas, the Bank Bureau and the Finance Bureau. The primary responsibility of the Bank Bureau is the regulation of 351 state chartered banks, 281 bank holding companies, and one trust company. The Finance Bureau regulates more than 900 other financial service providers (FSPs) that hold licenses as loan companies, delayed deposit or “payday” lenders, mortgage bankers/brokers, debt management providers, and money transmitters.

The IDOB’s vision is “to maintain a regulatory environment that best assures the citizens of Iowa are provided banking and other financial services that are safe, sound, profitable, and contribute to the economic well-being of the state and its communities.”

The Division’s mission statement is to “Protect the interests of those doing business with banks and other financial services providers by ensuring safety, soundness, and adherence to the laws and regulations of Iowa.”

Senior management believes to earn and maintain the confidence of its customers and employees, its essential to have and promote the following core values: responsibility, accountability, and integrity.

The core function identified in the IDOB Agency Performance Plan is regulation and compliance.

The primary purpose of the IDOB is to:

- Ensure the entities chartered and licensed by the IDOB are operated in a safe and sound manner;
- Confirm consumers’ rights of those conducting business with financial institutions regulated by the IDOB are protected; and,
- Enable and encourage supervised institutions to invest in their communities.

The IDOB accomplishes its purpose

by:

- Licensing/chartering FSPs including applications submitted by stakeholders and financial institutions to expand their activities or locations;
- Promoting safe and sound financial institution practices through examinations;
- Promoting institution compliance with consumer protection and fair lending laws;
- Resolving problems identified at supervised institutions. If necessary and appropriate, the IDOB has a range of informal and formal enforcement options available to help resolve issues;
- Investigating consumer complaints against licensed/-chartered entities, and
- Communicating regularly with industry officials.

The primary customers of the IDOB are the FSPs regulated, citizens of the state of Iowa who use the services of the FSPs, and other FSP regulators.

While the IDOB is the primary regulator for Iowa state chartered banks, supervisory and regulatory responsibility for the banks is shared with the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit

Insurance Corporation (FDIC), and other state bank chartering authorities which regulate banks with operations located in Iowa. These other regulators are considered customers of the IDOB.

While the IDOB is a Division of the Department of Commerce, the Superintendent is appointed by and reports directly to the Governor as is the case with all Division heads of the Department of Commerce. The State Banking Council, composed of six members appointed by the Governor, serve the IDOB in an advisory capacity on policy issues. The Superintendent serves as chair of the State Banking Council.

The Division has 65 funded staff in full-time equivalents (FTEs). Ten positions are considered supervisory. All 65 positions are merit exempt positions. Nineteen employees are housed in the Des Moines office. The other 46 positions work from their homes located within four regions covering the state of Iowa.

The IDOB funds its operation entirely from quarterly assessments, application and license fees, and examination fees paid by the FSPs it regulates. The IDOB was appropriated \$6,360,637 in Fiscal Year 2004. The Division expended \$6,212,265 of its appropriation and received \$6,212,775 in receipts in Fiscal Year 2004 from the entities it regulates. The IDOB is no cost to the general fund of the State of Iowa.

# STRATEGIC PLAN RESULTS

## Key Strategic Challenges and Opportunities:

Key strategic challenges the agency is working to address are changes in the economy, changes in the structure of the financial services industry including the reduction of state chartered banks in Iowa, technological advancements, and human capital issues.

Changes in the financial services industry have presented new challenges for financial institutions and their regulators. These changes have been driven by financial modernization, privacy concerns, industry consolidation, trends in borrowing and lending, globalization and emerging technology. The IDOB continually monitors changes in the financial services industry. The IDOB develops improved procedures and, when necessary, seeks regulatory or statutory amendments to respond to industry changes.

The IDOB is confronting the same human capital issues as other government agencies. By 2008, four of the IDOB's most experienced managers and technical experts will become eligible to retire.

Goal #1. Make the IDOB bank charter the charter of choice for community, multi-state and de novo institutions.

## Strategies:

- Enhance examination process to address industry trends and ensure fiscal integrity.
- Recognize and promote the factors distinguishing the IDOB from the competitors.
- Assess the direction of the financial services industry and its customers.
- Continuously develop and enhance internal and external communications and access to the Division.
- Allocate sufficient financial resources to assure Division goals and objectives are met.
- Develop and maintain expertise in new financial products, services and technology, including electronic commerce and banking.
- Work with federal regulatory authorities to assure efficient and cost effective administration of regulatory policy and programs.
- Provide the banking industry with value added services that assist management in establishing effective risk management policies and procedures.

Goal #2. Promote public confidence in the banking system through the examination process.

Strategies:

- Enhance examination process to address industry trends and ensure fiscal integrity.
- Monitor and evaluate internal and external conditions affecting a financial institution, which may create a risk to its fiscal integrity.
- Promote open communication between the Division of Banking, financial service providers, and other regulatory agencies.
- Identify trends in the financial services industry and related industries and technology to assure policies and procedures are current.
- Assure the administration of sound regulatory policies and programs that best insure the safety and the independence of the Division.
- Utilize monitoring and examination processes that focus resources on discovering and evaluating risks.

Strategies:

- Maintain a working environment, which is rewarding and fulfills the career goals of employees.
- Maintain an experienced and professionally competent staff by assessing training needs and developing programs to meet those needs.
- Place increased emphasis on recruiting well qualified new employees.
- Invest in training and development activities that will maintain a highly skilled workforce capable of handling anticipated workload and responding to unforeseen workload.
- Implement programs that will make the IDOB an employer of choice.

Goal #3. The IDOB will ensure that it continues to have the managerial and technical resources and a workforce with the necessary experience and qualifications to effectively fulfill its mission and goals as eligible employees elect to retire.

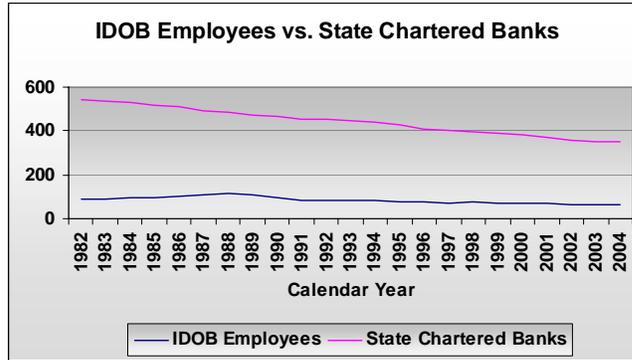
## Measures/Results

### Performance Measure:

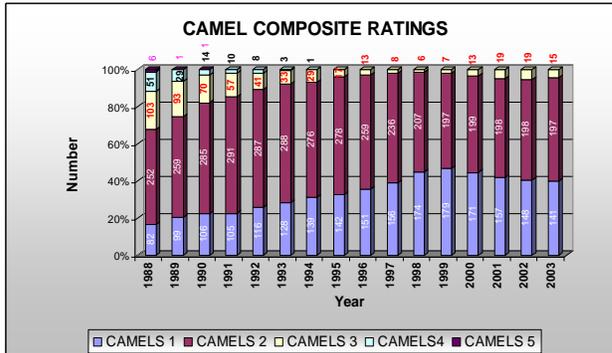
1. Number of banks to be examined is proportional to number of IDOB examiners.
2. CAMELS (Capital, Assets, Management, Earning, Liquidity, Sensitivity to Market Risk) Ratings assigned after examinations. CAMELS is the industry standard for rating the overall safety and soundness of a bank.
3. Percent of state chartered banks examined.

**Data Sources:** Internal IDOB databases.

### 1. Banks to be Examined



### 2. CAMELS Ratings Chart



### 3. 100% Banks Examined Chart



**Data Reliability:** 100%

**What was achieved:** 100% of chartered and licensed financial institutions are operated in a safe and sound manner.

**Analysis of results:** The number of banks regulated by the IDOB is declining. The decline in the number of banks has also resulted in a decline in the number of employees. These trends reflect not only the banking environment in Iowa but also the nation.

In 2004, out of 351 state-chartered banks, 340 were rated satisfactory – banks rated 1 or 2. Only one bank was rated 4 and no banks were rated at the 5 level. All state-chartered banks were examined within the statutory time limitations. Any violations of law were brought to management attention with corrections required within specified time periods.

**Link(s) to Enterprise Plan:**  
None.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

**Name:** Regulation and Compliance

**Description:** All financial institutions chartered and licensed by the Iowa Division of Banking are operated in a safe and sound manner and in compliance with applicable laws and regulations.

**Why we are doing this:** To promote public and industry confidence, to enhance the exam process and to maintain independence.

**What we're doing to achieve results:** All chartered and licensed financial institutions are examined within statutory time limitations.

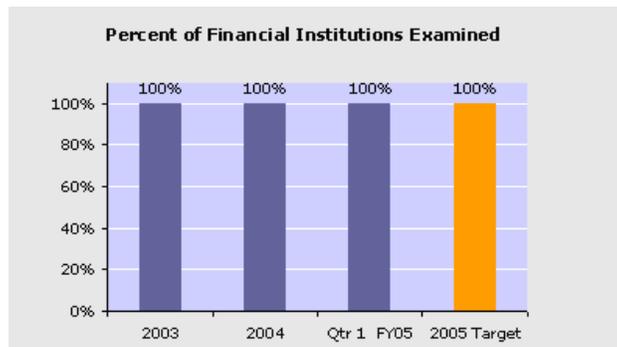
## Results

**Performance Measure:**

*Percent of chartered and licensed financial institutions operated in a safe and sound manner and in compliance with applicable laws and regulations based on risk profiles and statutory examination results.*

**Performance Target:** 100% of chartered and licensed financial institutions are operated in a safe and sound manner and in compliance with applicable laws and regulations.

**Data Sources:** Internal data bases.



**Data reliability:** *The percent of chartered and licensed financial institutions that are examined are tracked on an internal database. Information is 100% reliable.*

**Why we are using this measure:** *Financial institutions that are regularly examined ensure they will be operated in a safe and sound manner, promoting public and industry confidence and protecting the citizens of Iowa.*

**What was achieved:** *100% of chartered and licensed financial institutions are operated in a safe and sound manner.*

**Analysis of results:** *All financial institutions were examined within statutory guidelines. Any violations of law were brought to management attention with corrections required within specified time periods.*

**Factors affecting results:**  
*None noted.*

**Resources used:** *All activities of the IDOB are funded by the entities it regulates. The IDOB is no cost to the general fund of the State of Iowa.*

# PERFORMANCE PLAN RESULTS

## SERVICES/ PRODUCTS/ ACTIVITIES

**Name:** *Regulation of state chartered banks.*

**Description:** *Percent of state chartered banks examined within statutory time limitations.*

**Why are we doing this:** *To protect the interests of those citizens doing business with state chartered banks.*

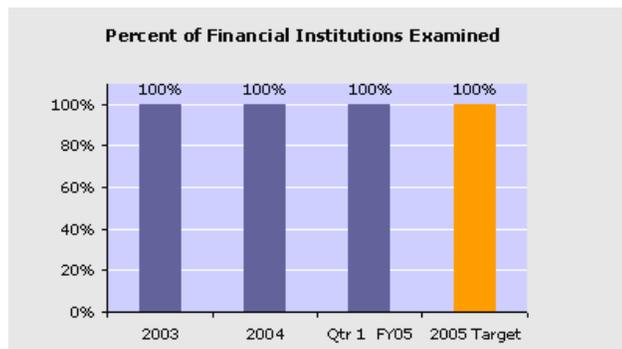
**What we're doing to achieve results:** *The Regional Managers schedule examinations and monitor the schedule to be conducted so that all examinations are conducted within the necessary time limitations.*

### Results

**Performance Measure:**  
*Percent of state chartered banks examined.*

**Performance Target:**  
*100% of state chartered banks will be examined within statutory time limitations.*

**Data Sources:** *Electronic exam tracking application.*



**Data reliability: 100%**

**Why we are using this measure:** *This measure tells the IDOB that the interests of those citizens doing business with state chartered banks are ensured safety, soundness and adherence to the laws and regulations of Iowa.*

**What was achieved:** *100% of all state chartered banks were examined within statutory time limitations.*

**Analysis of results:** *All state-chartered banks were examined within the statutory time limitations. Any violations of law were brought to management attention with corrections required within specified time periods.*

**Factors affecting results:** *None noted.*

**Resources used:** *All activities of the IDOB are funded by the entities it regulates. The IDOB is no cost to the general fund of the State of Iowa.*

# PERFORMANCE PLAN RESULTS

## SERVICES/ PRODUCTS/ ACTIVITIES

**Name:** *Regulation of non-bank financial service providers (FSPs).*

**Description:**

- *Percent of licensed FSPs examined that are required to be examined by statute.*
- *Percent of FSPs complaints resolved.*
- *Percent of license applications processed.*

**Why we are doing this:** *To protect the interests of those citizens doing business with licensed FSPs by ensuring safety, soundness and adherence to the laws and regulations of Iowa.*

**What we're doing to achieve results:** *Establishing and utilizing:*

- *An examination procedures manual that provides deadlines for each step in the examination process from scheduling to report distribution;*
- *A complaint processing manual that provides deadlines for each step in the process;*
- *An application processing manual that provides deadlines for each step in the process.*

## Results

### Revised Performance

#### Measure (FY05):

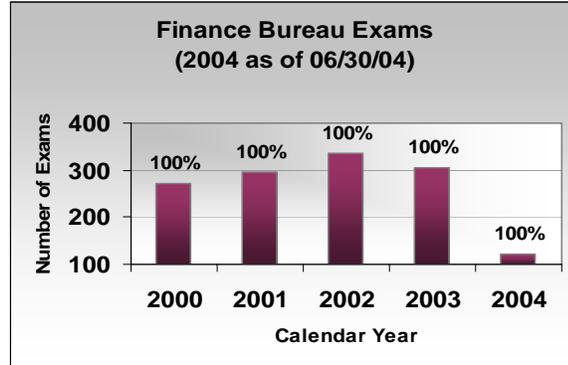
1. Percent of licensed FSPs examined that are statutorily required to be examined.
2. Percent of FSPs complaints resolved within 30 days of receipt.
3. Percent of licensed applications processed within 30 days of receipt.

#### Revised Performance Target (FY05):

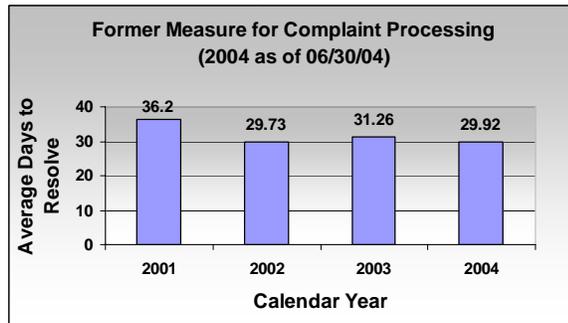
1. 100% of licensed FSPs will be examined within statutory time limitations.
2. 90% of consumer complaints will be resolved (or concluded) within 30 days of receipt.
3. The licensing decision will be communicated to 90% of the license applicants within 30 days of receipt of a completed application.

**Data Sources:** Internal data bases.

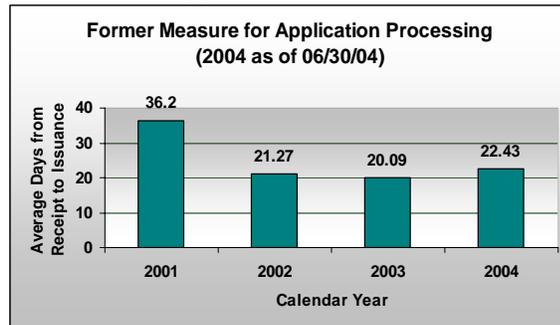
### 1. Percent of Licensed FSPs Examined.



### 2. Percent of Complaints Resolved



### 3. Percent of Applications



**Data reliability:** 100%

**Why we are using this measure:**

*This measure tells the IDOB that the interests of those citizens doing business with state-licensed financial institutions are ensured safety, soundness and adherence to the laws and regulations of Iowa.*

**Resources used:** *The Finance Bureau of the IDOB brought in \$872,338 in receipts in fiscal year 2004 for examination, investigation and license fees. The IDOB is no cost to the general fund of the State of Iowa.*

**What was achieved:**

- 1. 100% of licensed FSPs were examined within statutory time limitations.*
- 2. New measure. Previous measure was average days to resolve a complaint. Calendar year-to-date June 30, 2004, the average was 29.92 days.*
- 3. New measure. Previous measure was average days from receipt of an application to issuance of the license. Calendar year-to-date June 30, 2004 the average was 22.43 days.*

**Analysis of results:** *All financial institutions were examined within the statutory time limitations. Any violations of law were brought to management attention with corrections required within specified time periods. While the old measures for complaint investigation and application processing have a history, it is felt the new measures will better gauge the efficiency of each process as it pertains to our customers.*

**Factors affecting results:** *None noted.*

Copies of Iowa Division of Banking's Performance Report are available on the IDOB Web site at [www.idob.state.ia.us](http://www.idob.state.ia.us). Copies of the report can also be obtained by contacting Shari Fett at 515-281-4014.