

DEPARTMENT OF COMMERCE
IOWA DIVISION OF BANKING

PERFORMANCE REPORT

Performance Results Achieved
for Fiscal Year 2007

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of Banking

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INTRODUCTION

I am pleased to present the Department of Commerce, Iowa Division of Banking (IDOB) Performance Report for Fiscal Year 2007 (July 1, 2006 - June 30, 2007). 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.

AGENCY OVERVIEW

Introduction

The IDOB was created in 1917 to ensure the stability and public confidence in the banks organized under a state charter. Today the IDOB is led by the Superintendent of Banking and consists of three functional areas: the Bank Bureau, the Finance Bureau and the Professional Licensing Bureau, which merged with IDOB as of 7-1-2006. A separate Performance Report has been prepared to correspond to the SFY07 Performance Plan that was submitted when Professional Licensing was a Division under the Department of Commerce.

The Superintendent of Banking also acts as superintendent of savings and loan associations. Currently there are no state chartered savings and loan associations, all are federally chartered.

INSTITUTIONS SUPERVISED BY THE BANK AND FINANCE BUREAUS

Iowa Chartered Banks	335
Industrial Loan Licensees	117
Regulated Loan Licensees	354
Money Services Licensees	40
Debt Management Licensees	39
Delayed Deposit Service Licensees	269
Mortgage Banker Licenses	411
Mortgage Broker Licenses	325
Mortgage Banker Company Registrants	23
Mortgage Bankers/Brokers – Individual Registrants	6,077
Trust Companies	1

The IDOB performs safety and soundness, trust, bank secrecy act, and information system examinations of IDOB-supervised institutions. The IDOB participates in an examination program under which examinations are performed on an alternating basis with the FDIC and the FRB. The examinations are conducted to assess an institution's overall financial condition, management practices and policies, and compliance with applicable laws and regulations. Through the examination process, the IDOB also assesses the adequacy of management and internal control systems to identify and control risks. The IDOB regularly reviews examination methodologies and adjusts them as necessary to remain effective.

If the examination process reveals weaknesses in an IDOB-supervised institutions' operations or conditions, the IDOB takes appropriate action. Informal or formal enforcement actions may be issued for IDOB-supervised institutions with significant weaknesses or operating in a deteriorated financial condition. The actions remain in effect until the weakness is corrected. If the problems remain unresolved, the IDOB may take further steps to encourage or compel institutions to comply with the actions. If these efforts are unsuccessful or if other weaknesses are evident, the institution would be instructed to seek additional capital or merger. If problems remain unresolved, the IDOB, as the chartering authority, may close the institution. The IDOB would then likely appoint the FDIC as receiver, with this agency overseeing the resolution of the institution.

Informal enforcement actions require the institution's acknowledgement and commitment to correct the problem. Informal actions include board resolutions or memoranda of understanding. Formal enforcement actions are taken when an informal action is ineffective or inappropriate. Formal enforcement actions include written agreements, cease and desist orders, civil money penalties, and officer and director suspension or removal.

Communication is an important component of the IDOB's safety and soundness program. Risks identified during an examination are discussed with the institution's management and its board of directors. In addition to examinations, the IDOB provides information on issues affecting the industry through letters, emails, and forums.

The IDOB also evaluates an IDOB-supervised institution's ability to manage risk when reviewing applications or notices for new or expanded activities. In order for the IDOB to expedite the review of an institution's application or notice, it must be well-capitalized, possess a qualified management team, be capable of operating in a safe and sound manner, and be compliant with applicable laws and regulations.

The development and implementation of effective risk-management policies and practices are the responsibility of individual financial institutions. As institutions enter new lines of business and activities, implement new technologies, or face changing economic conditions, risk-management policies and oversight become increasingly important.

Procedures normally performed in completing examinations may disclose the presence of fraud or insider abuse, although fraud detection is not a primary purpose of the examination program. The IDOB prepares its examination staff to recognize indicators of fraudulent activity, but fraud is often difficult to detect and losses may occur before the fraudulent activity is detected.

The close working relationship the IDOB has with the two federal financial institution regulators – FRB and the FDIC – enables the regulators to address issues and programs that transcend the jurisdiction of each agency. In many areas, the IDOB works closely with federal regulators to address risk areas. The IDOB also works to coordinate safety and soundness examination schedules with both the FRB and FDIC.

The IDOB also works closely with the Conference of State Bank Supervisors (CSBS), which represents the state regulatory authorities in Washington D.C.

KEY RESULT TEMPLATE

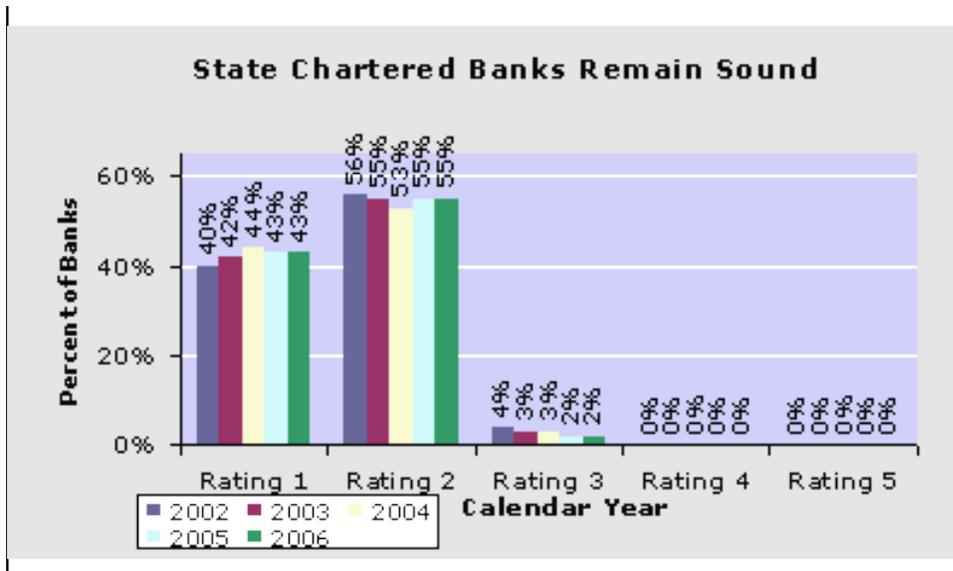
CORE FUNCTION

Name: Regulation & 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: A key product of a bank exam is a supervisory rating of the bank's overall condition, commonly referred to as a CAMELS rating. This rating system is used by state banking regulators and the federal banking supervisors to provide a convenient summary of bank conditions at the time of the exam. The CAMELS rating system is based upon an evaluation of six critical elements of a bank's operations: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Interest Rate Sensitivity. This rating system is designed to take into account and reflect all significant financial and operational factors examiners assess in their evaluation of a bank's performance. The ratings are assigned on a scale from 1 to 5. Banks with ratings of 1 or 2 are considered to present few, if any, supervisory concerns. Banks with ratings of 3, 4, or 5 present increasing levels of supervisory concerns.

What we're doing to achieve results: All financial institutions chartered and licensed by the Iowa Division of Banking are examined within statutory timelines and assigned a CAMELS rating.



What was achieved: 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 base.

Resources: These activities are funded through an initial general fund appropriation which is repaid by the financial services industry on a quarterly basis. The Iowa Division of Banking is no cost to the general fund.

AGENCY PERFORMANCE PLAN RESULTS FY 2007

Name of Agency: DEPARTMENT OF COMMERCE – BANKING DIVISION			
Agency Mission: 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.			
Core Function: Regulation & Compliance			
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
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.	100%	100%	<p>What Occurred: 100% of chartered and licensed financial institutions are operated in a safe and sound manner in compliance with applicable laws and regulations protecting the citizens of Iowa.</p> <p>Data Source: Internal database</p>
Service, Product or Activity: Regulation of state-chartered banks			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of state-chartered banks examined.	100%	100%	<p>What Occurred: 100% of state-chartered banks were examined within statutory time limitations.</p> <p>Data Source: Internal database</p>
Service, Product or Activity: Regulation of financial institutions			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of licensed financial institutions examined that are statutorily required to be examined.	100%	100%	<p>What Occurred: 100% of licensed financial institutions were examined within statutory time limitations.</p> <p>Data Source: Internal database</p>
2. Percent of financial institution complaints resolved.	90% responded to (or resolved) within 30 days of receipt.	74%	<p>What Occurred: 74% of complaints were resolved within 30 days; 79% were resolved within 45 days.</p> <p>Data Source: Internal database</p>
3. Percent of license applications processed.	The licensing decision will be communicated to 90% of the license applicants within 30 days of receipt of a completed application.	59%	<p>What Occurred: 59% of licensing decisions were communicated to license applicants within 30 days; 75% within 45 days. 282 applications were received.</p> <p>Data Source: Internal database</p>

AGENCY CONTACTS

Copies of the Iowa Division of Banking's Performance Report are available on the IDOB Web site at www.idob.state.ia.us. Copies of the report can also be obtained by contacting Kay Anderson at 515/281-4014.