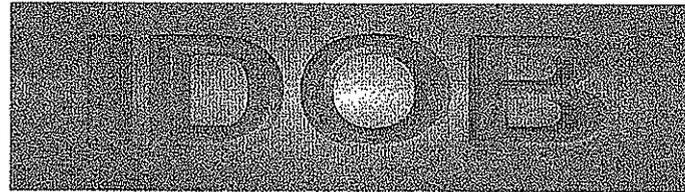


Iowa Division of Banking

2012 – 2016 Strategic Plan



Iowa Division of Banking

2012 – 2016 Strategic Plan

Table of Contents

Core

Our Guiding Principles	3
Assessment	4
Strategic Goals (Summary).....	9

Action Plan (Includes Goals, Strategies, and Actions)

Strategic Goal 1	10
Strategic Goal 2	11
Strategic Goal 3	12
Strategic Goal 4	13

Iowa Division of Banking

2012 – 2016 Strategic Plan

Our Mission

Protect the interests of those doing business with Iowa chartered banks, licensed financial service providers, and licensed professionals through regulation that ensures safety, soundness, and adherence to laws and regulations.

Our Vision

Regulated financial and professional services are provided to Iowans in a fair and competitive marketplace.

Our Guiding Principles

- **Integrity & Trust:** Maintaining and enhancing reputation is critical. It is the lifeblood of our work.
- **Collaborative Leadership will be utilized encouraging:**
 - **Open Communication**
 - Between the IDOB, financial service providers, licensed professions, and other regulatory agencies; and
 - Employee participation.
 - **Customer Focus, Long-range Thinking.**
 - **Performance-based Decisions.**
 - **Results Orientation with Continuous Improvement.**
- **Innovation & Responsiveness:** Adapt to the ever-changing financial services industry in a proactive and efficient manner.
- **Independence:** Maintain independence from organizations and institutions regulated by the Division.
- **Professional Excellence:** Provide the necessary training needed by our staff and continue the high standards for which the IDOB is known.

Iowa Division of Banking

2012 – 2016 Strategic Plan

Assessment

Brief Description

The IDOB consists of three functional areas: Bank Bureau (BB), Finance Bureau (FB), and Professional Licensing Bureau (PLB). Each functional area has three primary functions: Licensing/Chartering, Examining/Auditing, and consumer complaint investigation. The primary responsibility of the BB is the regulation of state-chartered banks and their affiliates, bank holding companies, and one trust company. The FB regulates financial service providers that hold the following licenses: mortgage bankers/brokers, mortgage loan originators, real estate loan closing companies, loan companies, delayed deposit services, money services, and debt management companies. The PLB exists to coordinate the administrative support for seven professional licensing boards: Accountancy, Architecture, Engineers & Land Surveyors, Landscape Architects, Real Estate Brokers & Salespersons, Real Estate Appraisers, and Interior Designers.

The BB and FB are not funded via the general fund. These bureaus have a combined separate fund which is funded by licensing fees, examination fees, and assessments to the state-chartered banks. The PLB, while partially funded by the general fund, is a net revenue generator to the general fund. Expenditures are limited through the budget/appropriation process. Performance oversight is provided by constituents, the Banking Council, and by the various professional boards.

Planning Process

Utilizing an integrated planning process with input from the State Banking Council, Board Executive Officers, and all IDOB staff, the IDOB prepares an annual performance plan and a five-year strategic plan. Elements of the IDOB's strategic plan are discussed with our employees through internal communications such as emails, surveys, and staff meetings. The entire IDOB strategic plan is available to employees and the public through the IDOB's Web site.

Action steps, developed from the Strategic Plan, are incorporated into the annual performance plan. Among the items considered in the strategic planning process are economic conditions, industry health, technology needs, human resources, and financial constraints.

Iowa Division of Banking

2012 – 2016 Strategic Plan

Internal Strengths, Challenges, Opportunities

The IDOB's best internal strength is its well-trained, experienced staff. Examination exit surveys have consistently praised the expertise, ability, and professionalism of our staff. Our regulated entities expect knowledgeable and well-trained examiners that provide high quality examinations. They know our banking system is built upon customer confidence and recognize the importance of maintaining a sound regulatory oversight program. The regulated entities willingly support the IDOB through their assessments to ensure this occurs.

Staff succession is our biggest internal challenge. The majority of the IDOB workforce has over 18 years of regulatory experience. The IDOB is facing retirements at unprecedented levels. Over 15 percent of the IDOB's most experienced employees and technical experts will be eligible to retire over the next two years. Over the next five years, 39 percent will be eligible to retire. These retirements will bring with them a significant loss of institutional knowledge and key leadership. Competition for IDOB employees continues from other regulatory agencies, financial institutions, and other industries that offer more desirable compensation and benefits. The IDOB must ensure that it continues to have the managerial and technical resources to effectively fulfill its mission and goals as those employees elect to retire. In order to ensure that its workforce has the necessary experience and qualifications to assume these responsibilities, the IDOB will:

- Place increased emphasis on recruiting well qualified new employees who: possess high integrity, possess the ability to work cooperatively with internal and external customers, readily adapt to change in the work place and financial services industry, work in a cost-efficient manner, and treat all customers fairly.
- Invest in training and development activities that will maintain a highly skilled workforce capable of handling anticipated workload and adapting to a rapidly changing and extremely complex industry.
- Develop succession plans for key positions.
- Implement programs that will make the IDOB an employer of choice. It is important the IDOB provide support for diversity, training and development, and family-friendly policies and programs. Work environments should remain flexible, work-life balance should be supported, and rewards for performance should be aligned with achieving the agency's mission and strategic goals.

Maintaining information technology capabilities that are responsive, reliable, and secure will continue to be critical for the IDOB to accomplish its mission. The IDOB must continue to collaborate with its internal and external stakeholders who include citizens, financial service providers, and other regulators. The use of specialized automated examination tools developed in collaboration with federal regulators will continue to be a key component of our examination program. This affords the IDOB an opportunity to work closely with other state and federal regulators in ensuring that examination tools stay abreast of changes occurring in the financial industry.

Iowa Division of Banking

2012 – 2016 Strategic Plan

The IDOB is the second oldest accredited state banking agency in the United States, having first been accredited in 1985. The Division's mortgage area obtained accreditation in 2010 and was among the first mortgage regulators in the nation to obtain this designation. Through the accreditation process conducted by the Conference of State Bank Supervisors, the Bank Bureau and Finance Bureau are measured against Best Practices intended to raise the bar for financial supervision. Many employees of the Division also have attained professional certifications which confirm the experience, qualifications, and accomplishments of our staff. If these high standards achieved by the Division are to continue, adequate funding for training programs must be available. Since Iowa has the third highest number of state-chartered banks of any state in the U.S., maintaining a well-trained staff is imperative.

External Strengths, Challenges, Opportunities

Iowa banks have elected to be state-chartered for several reasons: reduced cost, more accessibility, strong industry outreach program, highly trained and experienced examination staff, coordinated examination program with federal regulators, commitment to providing high quality service to the banks we regulate, and additional powers granted to state-chartered banks.

The risk profile of the Iowa banking industry has changed as a result of the severe recession that began in 2007. This has created challenges and opportunities for the IDOB and its oversight strategy. While Iowa state-chartered banks have fared much better than most states during this economic downturn, the banks have experienced reduced loan demand, increased asset quality problems, and reduced income. Considerable vulnerability remains in the financial markets. The ability of community banks to raise needed capital has become much more difficult. Due to the severity of the recession, the speed in which problems can be resolved has been slower. It is important that regulators not only be diligent in the performance of their duties, but also be flexible in working through these difficult times with the entities regulated. The IDOB has an opportunity by working in conjunction with other state banking regulators to reduce regulatory burden and ensure the community banking model remains viable so that small businesses and individuals have access to credit.

Community banks continue to serve a critical role in Iowa's economic development, job creation, and market stabilization. Iowa community banks are the main economic driver of small businesses across our state and provide a stable source of funds for small businesses and individuals. It is important to our state's economic health that credit availability for small businesses is maintained. At the same time, these banks are operating in a very challenging business and regulatory environment. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) signed into law on July 21, 2010, is the most comprehensive legislation in our nation's history affecting the financial services industry. This legislation is intended to address weaknesses identified during the recent recession created largely by the nation's largest financial institutions. The new

Iowa Division of Banking

2012 – 2016 Strategic Plan

legislation brings some favorable provisions for community banks, such as an increase in the deposit insurance coverage to \$250,000, a reaffirmation of the dual banking system, and hopefully an end to the “too big to fail” practice. However, community banks will face increased compliance regulation and costs, as well as other uncertainties related to the trickle-down effect because of rules intended for the larger institutions. The real impact upon Iowa’s community banks will not be known until the rules to implement the Act are written and applied. Implementation of this Act will require significant commitment, time, and resources of the financial industry and regulators.

Iowa has benefited from a strong agriculture sector. This has enabled Iowa to perform much better than most states during the recent economic crisis. Many Iowa banks are heavily invested in agricultural and farmland loans. Record land prices have led many to question if we are seeing a “bubble” developing similar to that experienced in the housing sector in 2006-2008. The current strong land prices and record low interest rates have provided numerous opportunities for farmers and agriculture-related businesses to grow and thrive. Farm operations have been able to retire indebtedness given the strong commodity prices, which will prove beneficial should the agriculture economy begin to suffer. Iowa’s agriculture sector has benefited from strong global demand for our commodities. Challenges will exist for operators, lenders, and small businesses should the current strong agricultural economy start to reverse itself. Key factors that will cause the farm economy to decline are likely out of the control of farm operators, such as drought, increased input and energy costs, higher interest rates, increased inflation, government policy change, and a decrease in global demand. The importance of good risk management practices for small business and farm operators cannot be overstated.

Record low interest rates are expected to continue for the foreseeable future due to the struggling economy. This should encourage expansion for businesses generating profits. Should interest rates rise, many sectors of the economy will be at risk, including the agriculture and housing sectors. Increases in home mortgage loan defaults would most likely accompany any significant increase in rates, as fewer individuals could afford the higher mortgage payments. Farmland prices would certainly be at risk to trend lower as rates increase due to higher debt service requirements.

As financial institutions leverage new technologies, risk management and supervision issues will become more complex for both institutions and regulators. Due to financial modernization and advances in technology, problems have been encountered by companies in protecting the privacy of consumer information. Financial institutions will continue to be challenged as they try to maintain a proper balance between the need to protect a customer’s privacy and the sharing of information for normal business.

Mergers, consolidations, and conversions of federally chartered financial institutions to state bank charters have occurred over the past several years, with this trend expected to continue. The pace of conversions to state charters has increased since the passage of the Dodd-Frank Act in

Iowa Division of Banking

2012 – 2016 Strategic Plan

2010, as federal thrifts saw their primary regulator merged with the Office of the Comptroller of the Currency. Many community banks have sought conversion to a state charter as they see the state regulators being more responsive and in tune with their needs. As institutions become larger and more complex, they present greater risk management issues. Due to a significant number of de novo institutions failing during the most recent recession, the appetite for new start-up banks has slowed. While the number of Iowa banks continues to decline, the total volume of assets under the supervision of the IDOB continues to increase.

Iowa's population continues to shift from rural to urban communities. This, combined with an aging depositor base in rural communities, could lead to increased funding difficulties for rural banks. Community banks will continue to migrate to urban areas in an effort to follow the movement of depositors' funds. The value to the small town bank charter may diminish. Technological changes and consolidation in the agricultural sector have reduced the demand for farm labor; and the farmers have become less dependent on nearby small towns to purchase inputs and professional services. As a result, people have migrated from rural to metropolitan areas seeking better employment opportunities. Banks in the rural areas will need to be more reliant upon nontraditional funding sources. Counties losing population lose economic viability. As tax rolls shrink, the infrastructure—schools, utilities, streets—of the rural communities will be more difficult to maintain.

Challenges to the dual banking system will continue as the national bank system continues to gain more control of the nation's assets and the Office of the Comptroller of the Currency continues to preempt state laws and regulations. The dual banking system is crucial for survival of Iowa community banks. Community banks are crucial to the survival of Iowa communities.

The IDOB continually monitors changes in the financial services industry. The FB has reduced staff 25 percent over the last two years, while the number of licenses has dropped 23 percent. While the number of licensed companies regulated by the FB dropped to 818 as of December 31, 2010, (the lowest level in 5 years) the number has now started creeping up, as it reached 865 as of September 30, 2011. Much of the increase is attributed to the new licensing of real estate loan closing companies (RELCC) as required by legislation effective July 1, 2011. The new legislation also requires examination of RELCCs. With the new RELCC exams and a reduction in exam staff, exam time necessary for statutorily required exams is at 1554 hours per year per examiner (the highest level since 2008). Total potential exam hours per examiner is at 2057 hours per examiner (the highest level since 2007). As necessary, the IDOB seeks regulatory or statutory amendments or develops improved procedures to respond to these industry changes.

Iowa Division of Banking

2012 – 2016 Strategic Plan

Strategic Goals

- **Respond to Governor Branstad's challenge to:**
 - Create 200,000 jobs for Iowans
 - Reduce the cost of state government by 15 percent
 - Increase Iowa family incomes by 25 percent
 - Restore Iowa's Educational System to Number One in the Nation
- **Public and Industry Confidence:** Promote public and industry confidence in the financial service and licensed professional system through the rule making, examination and auditing processes.
- **Enhance the Oversight Process:** Enhance the oversight process to monitor and evaluate internal and external conditions, address industry trends, and ensure fiscal integrity.
- **Maximize Personnel Productivity, Professional Development, and Employee Satisfaction:** Improve efficiency and effectiveness of the Division through staff training and utilization of current technologies.

Iowa Division of Banking

2012 – 2016 Strategic Plan

Action Plans

BC—Bureau Chief	FBC—Finance Bureau Chief	EOs—Executive Officers
BBC—Bank Bureau Chief	PLB—Professional Licensing Bureau Chief	COO—Chief Operating Officer

Goal 1—Respond to Governor Branstad’s challenge to:

- Create 200,000 jobs for Iowans
- Reduce the cost of state government by 15 percent
- Increase Iowa family incomes by 25 percent
- Restore Iowa’s Educational System to Number One in the Nation

Lead Leader: Superintendent and Bureau Chiefs

Team: Entire Staff

Strategies	Actions	Person(s) Responsible	Due Date
1. Work with community bankers, state banking associations, congressional leaders, Iowa Economic Development Authority, and small business leaders to promote economic development, jobs creation, and community banking in Iowa.	1. Conduct roundtable discussions around the state.	1. Superintendent	1. 2012
2. Reduce regulatory burden for regulated entities.	1. Review and eliminate department rules and regulations deemed unnecessary and outdated. 2. Participate with other state regulators via the Conference of State Bank Supervisors to ensure that legislation proposed will protect and strengthen community banking.	1. Superintendent 2. Superintendent, BBC, FBC	1. 2012 2. Ongoing

Iowa Division of Banking

2012 – 2016 Strategic Plan

3. Strengthen Iowans' overall knowledge of financial matters	1. Partner with Iowa JumpStart to educate and assist Iowa's teachers in promoting financial literacy to school age children	1. FBC	1. Ongoing
--------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------	--------	------------

Goal 2—Public and Industry Confidence
Lead Leader: Bureau Chiefs
Team: Entire Staff

Strategies	Actions	Person(s) Responsible	Due Date
1. Assure that applicants for a charter/license will serve a need and necessity in their community and will operate lawfully, honestly, and fairly within the purposes of the charter/licensing chapter.	1. Days from receipt of an application to action. 2. Number of charters/licenses/etc. 3. Maintain a reliable database of licensed professionals.	1. BCs/EOs 2. BCs 3. PLBC	1. Ongoing 2. Ongoing 3. Ongoing
2. Assure the administration of sound regulatory policies and programs that ensure the safety of deposits, but also protect the interests of citizens doing business with banks, financial service providers, and licensed professionals.	1. Number of examinations or audits conducted. 2. Efficiency of examination process; exam to report to examinee response. 3. 12-Month Floating Examination Averages including: class/assets, class lns/Ttl Lns, Class/Cap, Tier 1 leverage ratios, Adj Total cap ratio, Loans/Deposit and Past Due. 4. Problem banks examined every 12 months (includes examined and in process of examining).	1. BCs 2. BCs 3. BBC 4. BBC	1. Ongoing 2. Ongoing 3. Ongoing 4. Ongoing

Iowa Division of Banking

2012 – 2016 Strategic Plan

Goal 3—Enhance the Oversight Process: Enhance the oversight process to monitor and evaluate internal and external conditions, address industry trends and ensure fiscal integrity.

Lead Leader: Bureau Chiefs

Team: Examiners, Bank Analysts

Strategies	Actions	Person(s) Responsible	Due Date
1. Provide the banking industry with value added services that assist management in establishing effective risk management policies and procedures.	1. Key question on post exam survey to bank.	1. BBC	1. Ongoing
	2. Track and follow up on recommendations made to financial institutions.	2. BBC	2. Ongoing
2. Work with federal regulatory authorities and other state regulatory agencies to assure efficient and cost effective administration of regulatory policy and programs.	1. Joint meetings and training sessions held.	1. BCs	1. Ongoing
3. Continuously develop and enhance internal and external communications and access to the Division.	1. Complaints logged and response time tracked.	1. BBC & FBC	1. Ongoing
	2. Improve utility of PLB web site.	2. PLBC	2. Ongoing
	3. Annual climate survey internal communications questions.	3. COO	3. Ongoing
	4. Staff meetings held	4. BCs	4. Ongoing

Iowa Division of Banking

2012 – 2016 Strategic Plan

Goal 4—Maximize Personnel Productivity, Professional Development, and Employee Satisfaction: Improve efficiency and effectiveness of the Division through staff training and education.

Lead Leader: Bureau Chiefs and COO

Team: Entire Staff

Strategies	Actions	Person(s) Responsible	Due Date
1. Allocate sufficient financial resources to assure Division goals and objectives are met.	1. Budget projection vs. actual, tracked monthly and year-to-date.	1. COO	1. Ongoing
	2. Key questions on climate survey regarding the right skills and knowledge to complete the job.	2. COO	2. Ongoing
	3. Employees meeting annual training requirements/expectations.	3. COO	3. Ongoing
2. Maintain an experienced and professionally competent staff by assessing training needs and developing programs to meet those needs.	1. Competency question on survey to bank following exam	1. BBC	1. Ongoing
	2. Examiners have the right skill sets to complete exams.	2. COO	2. Ongoing
	3. Track professional development of staff.	3. COO	3. Ongoing
3. Maintain a working environment that is rewarding and fulfills the career goals of employees.	1. Voluntary turnover rate by level.	1. COO	1. Ongoing
	2. Response to key exit interview questions.	2. COO	2. Ongoing
4. Assess the direction of the financial services industry and its customers and develop and maintain expertise in new financial products, services, and technology, including e-commerce and banking.	1. Responses to key questions on annual climate survey.	1. COO	1. Ongoing
	2. Key question on survey to institutions following exam.	2. BBC	2. Ongoing
	3. Comparison to CSBS technology profile.	3. BBC	3. Ongoing