



DEPARTMENT OF FINANCIAL INSTITUTIONS

BUSINESS, ECONOMIC DEVELOPMENT & LABOR APPROPRIATIONS SUBCOMMITTEE
STAFF: PATRICK LEE

BUDGET BRIEF

SUMMARY

The Department of Financial Institutions regulates state-chartered deposit taking institutions including: banks, savings and loan associations, credit unions, and industrial loan banks. The agency also regulates third-party payment providers, independent escrow companies, payday lenders, title lenders, and mortgage loan servicers operating in Utah.

BACKGROUND AND BUDGET DETAIL

The Department of Financial Institutions currently regulates 104 depository institutions, including: 29 commercial banks, 51 credit unions, and 24 industrial banks. It also regulates two trust companies, 42 travelers check or money order issuers, two independent escrow companies, 73 check cashers, 188 deferred deposit lenders, 62 title lenders and 157 residential first mortgage loan servicers. Currently the department employs 50.0 FTE.

The department's primary activity is the examination of depository institutions for safety, financial soundness, and compliance with all state and federal law and regulations. In the case of depository institutions, DFI's statutory charge is to charter, regulate, supervise and safeguard the interest of shareholders, members, depositors and borrowers, through on-site examinations and remedial action orders.

The budget for the Department of Financial Institutions is made up entirely of annual assessments upon the institutions it regulates and examines. The total FY 2012 base budget for DFI as passed in House Bill 5, 1st Substitute is \$5,969,000. The agency has had a relatively stable amount of FTE for examinations over the past few years. There was a drop in FTE from FY 2008 (54.0) to FY 2009 (50.0) due to an ongoing reduction to the DFI budget.

Figure 1: Financial Institutions - Budget History

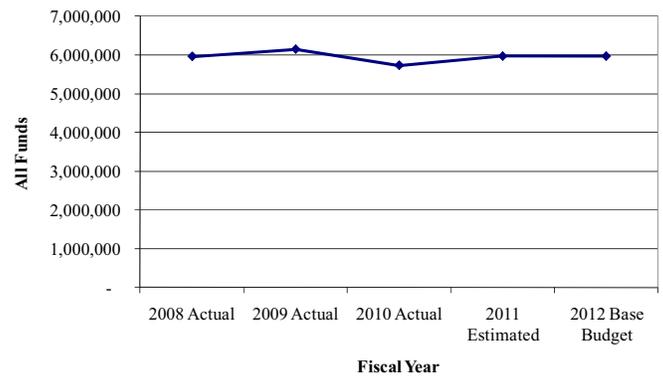


Figure 2: Financial Institutions - FTE History

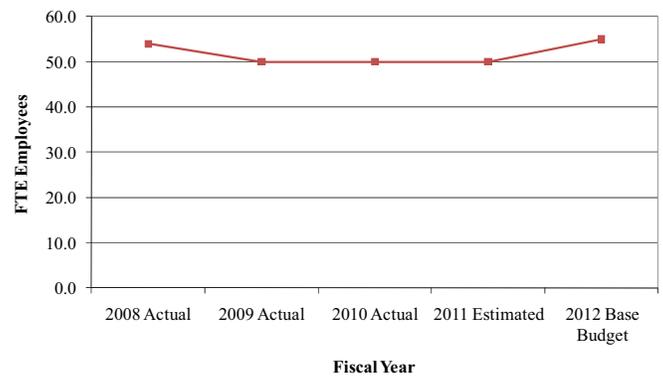
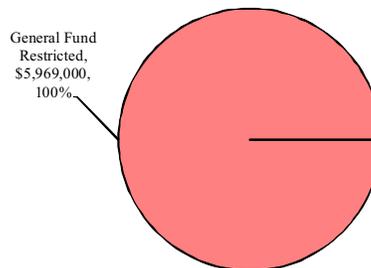


Figure 3: Financial Institutions - FY 2012 Funding Mix



GENERAL FUND RESTRICTED ACCOUNT FOR FINANCIAL INSTITUTIONS

The General Fund Restricted Account – Financial Institutions was created by the Legislature beginning in FY 1987 to specifically fund the regulation of financial institutions by a state agency and from a local level. According to statute **7-1-401**, “all financial institutions or other persons under the jurisdiction of the department shall pay to the commissioner...the fees, charges, and assessments for the costs of supervision, examination, and administration of the department and for processing all applications and notices as required under this title.” Additionally, “the commissioner may adopt a schedule of fees in addition to those provided in this section that may be assessed for services rendered by the department.”

As included in statute **63J-1-104**, “revenues in a restricted account or fund do not lapse to another account or fund unless otherwise specifically provided for by law or legislative appropriation.” Also, “the Legislature may appropriate restricted revenues from a restricted account or fund for the specific purpose or program designated by law.”

FEES

Fees for the Department of Financial Institutions are included in statute. See Appendix A for the sections of Utah Code that contain these fees assessed to the financial institutions.

BUDGET DETAIL

The following table shows the budget history for the Department of Financial Institutions. With the passage of H.B. 5 1st Substitute, the department’s FY 2012 base budget was approved by the Legislature.

Financial Institutions						
Sources of Finance	FY 2010 Actual	FY 2011 Appropriated	Changes	FY 2011 Revised	Changes	FY 2012* Base Budget
GFR - Financial Institutions	5,874,900	5,969,000	0	5,969,000	0	5,969,000
Lapsing Balance	(140,700)	0	0	0	0	0
Total	\$5,734,200	\$5,969,000	\$0	\$5,969,000	\$0	\$5,969,000
Line Items						
Financial Institutions Admin	5,734,200	5,969,000	0	5,969,000	0	5,969,000
Total	\$5,734,200	\$5,969,000	\$0	\$5,969,000	\$0	\$5,969,000
Categories of Expenditure						
Personnel Services	4,966,800	5,148,700	(43,300)	5,105,400	33,700	5,139,100
In-state Travel	135,600	130,000	4,500	134,500	0	134,500
Out-of-state Travel	124,500	105,000	13,000	118,000	0	118,000
Current Expense	425,500	495,300	28,800	524,100	(30,700)	493,400
DP Current Expense	81,800	90,000	(3,000)	87,000	(3,000)	84,000
Total	\$5,734,200	\$5,969,000	\$0	\$5,969,000	\$0	\$5,969,000
Other Data						
Budgeted FTE	50.0	50.0	0.0	50.0	5.0	55.0
Actual FTE	48.8	0.0	0.0	0.0	0.0	0.0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

LEGISLATIVE ACTION

1. No action is necessary for the base budget for the Department of Financial Institutions due to previous actions taken by the subcommittee and the passage of House Bill 5, 1st Substitute.

APPENDIX A

The following sections of Utah Code detail the fees that are charged to financial institutions for examination services provided by the Department of Financial Institutions.

7-1-401. Fees payable to commissioner.

(1) Except for an out-of-state depository institution with a branch in Utah, a depository institution under the jurisdiction of the department shall pay an annual fee:

(a) computed by averaging the total assets of the depository institution shown on each quarterly report of condition for the depository institution for the calendar year immediately preceding the date on which the annual fee is due under Section 7-1-402; and

(b) at the following rates:

(i) on the first \$5,000,000 of these assets, the greater of:

(A) 65 cents per \$1,000; or

(B) \$500;

(ii) on the next \$10,000,000 of these assets, 36 cents per \$1,000;

(iii) on the next \$35,000,000 of these assets, 17 cents per \$1,000;

(iv) on the next \$50,000,000 of these assets, 14 cents per \$1,000;

(v) on the next \$200,000,000 of these assets, 11 cents per \$1,000;

(vi) on the next \$300,000,000 of these assets, 7 cents per \$1,000; and

(vii) on all amounts over \$600,000,000 of these assets, 2.625 cents per \$1,000.

(2) A financial institution with a trust department shall pay a fee determined in accordance with Subsection (7) for each examination of the trust department by a state examiner.

(3) Notwithstanding Subsection (1), a credit union in its first year of operation shall pay a basic fee of \$25 instead of the fee required under Subsection (1).

(4) A trust company that is not a depository institution or a subsidiary of a depository institution holding company shall pay:

(a) an annual fee of \$500; and

(b) an additional fee determined in accordance with Subsection (7) for each examination by a state examiner.

(5) Any person or institution under the jurisdiction of the department that does not pay a fee under Subsections (1) through (4) shall pay:

(a) an annual fee of \$200; and

(b) an additional fee determined in accordance with Subsection (7) for each examination by a state examiner.

(6) A person filing an application or request under Section 7-1-503, 7-1-702, 7-1-703, 7-1-704, 7-1-713, 7-5-3, or 7-18a-202 shall pay:

(a) (i) a filing fee of \$500 if on the day on which the application or request is filed the person:

(A) is a person with authority to transact business as:

(I) a depository institution;

(II) a trust company; or

(III) any other person described in Section 7-1-501 as being subject to the jurisdiction of the department; and

(B) has total assets in an amount less than \$5,000,000; or

(ii) a filing fee of \$2,500 for any person not described in Subsection (6)(a)(i); and

(b) all reasonable expenses incurred in processing the application.

(7) (a) Per diem assessments for an examination shall be calculated at the rate of \$55 per hour:

(i) for each examiner; and (ii) per hour worked.

(b) For an examination of a branch or office of a financial institution located outside of this state, in addition to the per diem assessment under this Subsection (7), the institution shall pay all reasonable travel, lodging, and other expenses incurred by each examiner while conducting the examination.

(8) In addition to a fee under Subsection (5), a person registering under Section 7-23-201 or 7-24-201 shall pay an original registration fee of \$300.

7-1-402. Time for payment of fees -- Schedule of additional fees -- Revocation of permit or license for failure to pay fees.

(1) All financial institutions or other persons under the jurisdiction of the department shall pay to the commissioner for the fiscal year beginning July 1, 1987, and annually thereafter, the fees, charges, and assessments for the costs of supervision, examination, and administration of the department and for processing all applications and notices as required under this title.

(2) All per diem and other examination fees shall be paid promptly upon order of the commissioner after completion of an examination. All other fees, unless otherwise provided, shall be assessed on July 1 and shall be payable to the commissioner on or before July 15.

(3) Any financial institution or other person subject to the jurisdiction of the department as of July 1 of each year shall pay the total fee for the fiscal year of July 1 through June 30.

(4) The commissioner may adopt a schedule of fees in addition to those provided in this section that may be assessed for services rendered by the department. These fees shall be reasonable and fair and shall reflect the cost of the services provided.

(5) The fees and assessments established in this section shall be in addition to any other fee or tax imposed by law.

(6) The commissioner may revoke the license or permit of any institution under the jurisdiction of the department for failure to pay the fees, charges, or assessments as provided in this title.

7-1-403. Funds and balances paid to treasurer -- Separate account -- Use of funds.

Unexpended balances and all funds accruing to the department shall be deposited by the commissioner with the state treasurer monthly and constitute a separate account within the General Fund. No part of the account may revert to the General Fund except an amount as required by law to be transferred for general government and administrative costs. With the approval of the director of the Division of Finance, the commissioner may withdraw sums from the account to pay costs and expenses of administration incurred in proceedings under Title 7, Chapters 1, 2, and 19, or to use in connection with the rehabilitation, reorganization, or liquidation of an institution under the jurisdiction of the department.