

DEPARTMENT OF FINANCIAL INSTITUTIONS

**BEDL Appropriations
Subcommittee Meeting**

January 30, 2020

UTAH DEPARTMENT OF FINANCIAL INSTITUTIONS

MISSION STATEMENT

The **primary mission** of the Department of Financial Institutions is to charter, regulate, and supervise persons, firms, corporations, associations, and other business entities furnishing financial services to the citizens of the state of Utah.

In the case of ***depository institutions***, the statutory charge is to charter, regulate, supervise, and safeguard the interest of shareholders, members, and depositors through on-site examinations and remedial action orders. The primary activity of the department is the examination of supervised depository institutions to determine their financial strength and solvency.

In the case of ***persons or entities*** that provide financial services to the public, the statutory requirements is that these entities register with the department and that the department ensures credit is extended to consumers in the state of Utah in terms that are fair, lawful, and easily understood.

The department has a **secondary mission** to assist the development of the financial services industry in the state for the benefit of its citizens and the community in all ways consistent with safe and sound business practices.

The department provides a source of information and assistance to the citizens of Utah in connection with all forms of banking products and services.

The department is concerned with preservation and development of the state's role in providing financial services.

VISION

The Department of Financial Institutions' **vision** is to establish Utah as a nationally and internationally renowned center of financial services providers.

UTAH DEPARTMENT OF FINANCIAL INSTITUTIONS
(“UDFI”)
WHY STATE REGULATION THROUGH *UDFI* MATTERS
January 30, 2020

Dual Banking

- Both States and the Congress have bank/credit union chartering authority.
- In Utah, 87.5% of all banks and 49.2% of all credit unions are state-chartered.

Option to Leave Jurisdiction

- *UDFI* is the only Utah regulatory agency whose constituents are there by choice.
- State-chartered financial institutions can convert to federal charters at their election.

DFI Restricted Account in Statute

- *UDFI* operates entirely from a Restricted Account.
- All *UDFI*'s fees are in statute (UCA 7-1-401), not Administrative Rules.
- Changes to any fee requires Legislative approval.

Banks React to Importance of *UDFI*

- The Governor and the Legislature consistently demonstrates that financial institutions are important to the State of Utah.

WHY STATE REGULATION THROUGH *UDFI* MATTERS

Conclusion

Today, Utah enjoys a first-in-class bank regulatory agency. *UDFI* is the 5th largest state banking agency in the United States, when measured by total assets under its jurisdiction (\$313.5 billion, as of September 30, 2019).

The *UDFI* provides quality regulation and supervision of state-chartered financial institutions. The agency has a national reputation as a strong, well-funded (entirely by the industry), and independent agency.

These accomplishments have contributed to Utah becoming a national center for financial services.

UTAH DEPARTMENT OF FINANCIAL INSTITUTIONS

January 30, 2020

Challenges and Issues

1. Continue **Safety and Soundness** focus.
2. Train examiners as **effectively and efficiently** as possible.
 - 33.3% of *UDFI's* examiners have less than four years of experience.
 - 52.8% have less than seven years of experience.
3. Devote **more resources** to the examination of “Large” banks.
4. Enhance **supervision and examination** of Money Transmitters.

Challenges and Issues

5. Work to **mitigate the impact and burden** of increasing Compliance and Consumer Protection regulations.
 - *UDFI* is one of a few state banking agencies doing joint Compliance examinations with the Federal Banking Agencies.

6. Get **more state examiner presence** on joint **specialty examinations**.
 - Specifically holding company inspections and information technology examinations.

Utah Department of Financial Institutions

Schedule of Depository Institutions Headquartered in Utah

(Dollars in Billions)

	September 30, 2019	
	Number of Institutions	Total Assets (in billions)
Commercial Banks		
State	21	\$ 181.1
National	3	328.8
Total	24	\$ 509.9
Industrial Banks		
State	14	\$ 132.4
Total	14	\$ 132.4
Credit Unions		
State	30	\$ 1.9
Federal	31	29.7
Total	61	\$ 31.6
Savings Banks		
State	0	\$ 0.0
Federal	1	92.0
Total	1	\$ 92.0
TOTALS		
State	65	\$ 315.3
Federal	35	450.4
Total	100	\$ 765.7

UTAH DEPARTMENT OF FINANCIAL INSTITUTIONS
 State Chartered Banks in Utah - By Asset Size (In Thousands)
 As of September 30, 2019 -- 35 Banks

Commercial Banks (21)	
<u>Greater than \$10 Billion</u>	<u>1</u>
Ally Bank	\$ 167,073,000
<u>\$3 Billion to \$10 Billion</u>	<u>0</u>
<u>\$1 Billion to \$3 Billion</u>	<u>7</u>
Alta Bank	\$ 2,443,817
Cache Valley Bank	\$ 1,440,469
Bank of Utah	\$ 1,440,083
Green Dot Bank	\$ 1,325,576
State Bank of Southern Utah	\$ 1,249,788
Central Bank	\$ 1,109,874
Marlin Business Bank	\$ 1,078,824
<u>\$100 Million to \$1 Billion</u>	<u>10</u>
Transportation Alliance Bank, Inc.	\$ 757,178
Prime Alliance Bank	\$ 477,280
Rock Canyon Bank	\$ 471,121
Capital Community Bank	\$ 468,653
Grand Valley Bank	\$ 439,642
First Utah Bank	\$ 437,574
Brighton Bank	\$ 208,671
FinWise Bank	\$ 161,651
Continental Bank	\$ 152,949
Home Savings Bank	\$ 127,127
<u>Less Than \$100 million</u>	<u>3</u>
Utah Independent Bank	\$ 83,086
Holladay Bank & Trust	\$ 57,699
Liberty Bank	\$ 8,869
COMMERCIAL BANKS:	\$ 181,097,931

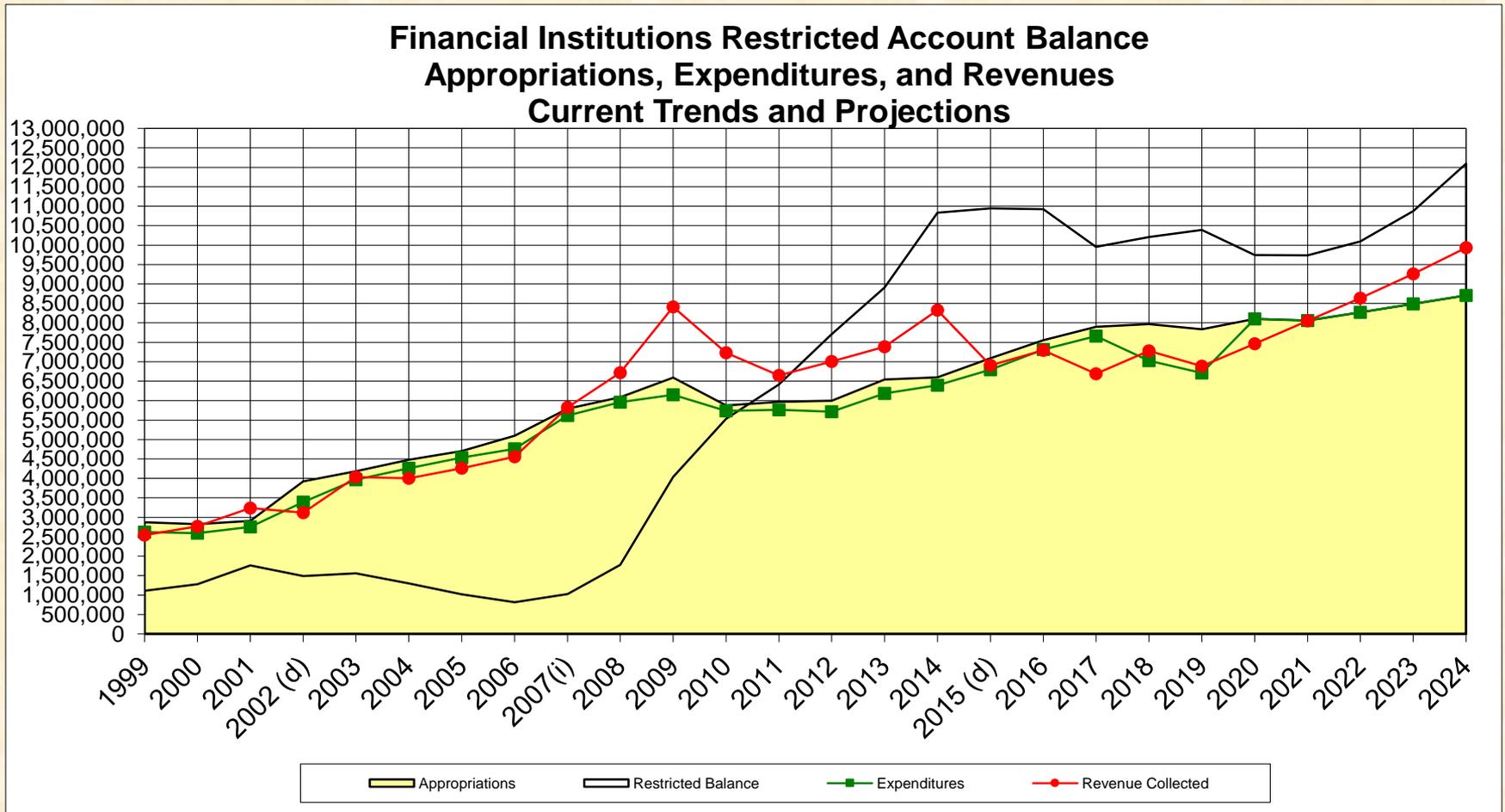
Industrial Banks (14)	
<u>Greater than \$10 Billion</u>	<u>4</u>
UBS Bank USA	\$ 56,853,199
Sallie Mae Bank	\$ 31,019,820
Optum Bank, Inc.	\$ 10,664,119
BMW Bank of North America	\$ 10,515,010
<u>\$3 Billion to \$10 Billion</u>	<u>3</u>
Comenity Capital Bank	\$ 9,708,535
Merrick Bank Corporation	\$ 3,927,661
WEX Bank	\$ 3,031,964
<u>\$1 Billion to \$3 Billion</u>	<u>2</u>
EnerBank USA	\$ 2,681,481
Medallion Bank	\$ 1,162,167
<u>\$100 Million to \$1 Billion</u>	<u>4</u>
Celtic Bank	\$ 947,059
WebBank	\$ 889,166
Pitney Bowes Bank, Inc.	\$ 743,594
LCA Bank Corporation	\$ 162,875
<u>Less Than \$100 million</u>	<u>1</u>
First Electronic Bank	\$ 55,872
INDUSTRIAL BANKS:	\$ 132,362,522

Department of Financial Institutions

Restricted Account Balance

Appropriations, Revenues, and Expenditures

Current Trends and Projections (2020 -2024 estimated)



Department of Financial Institutions

Performance Measures

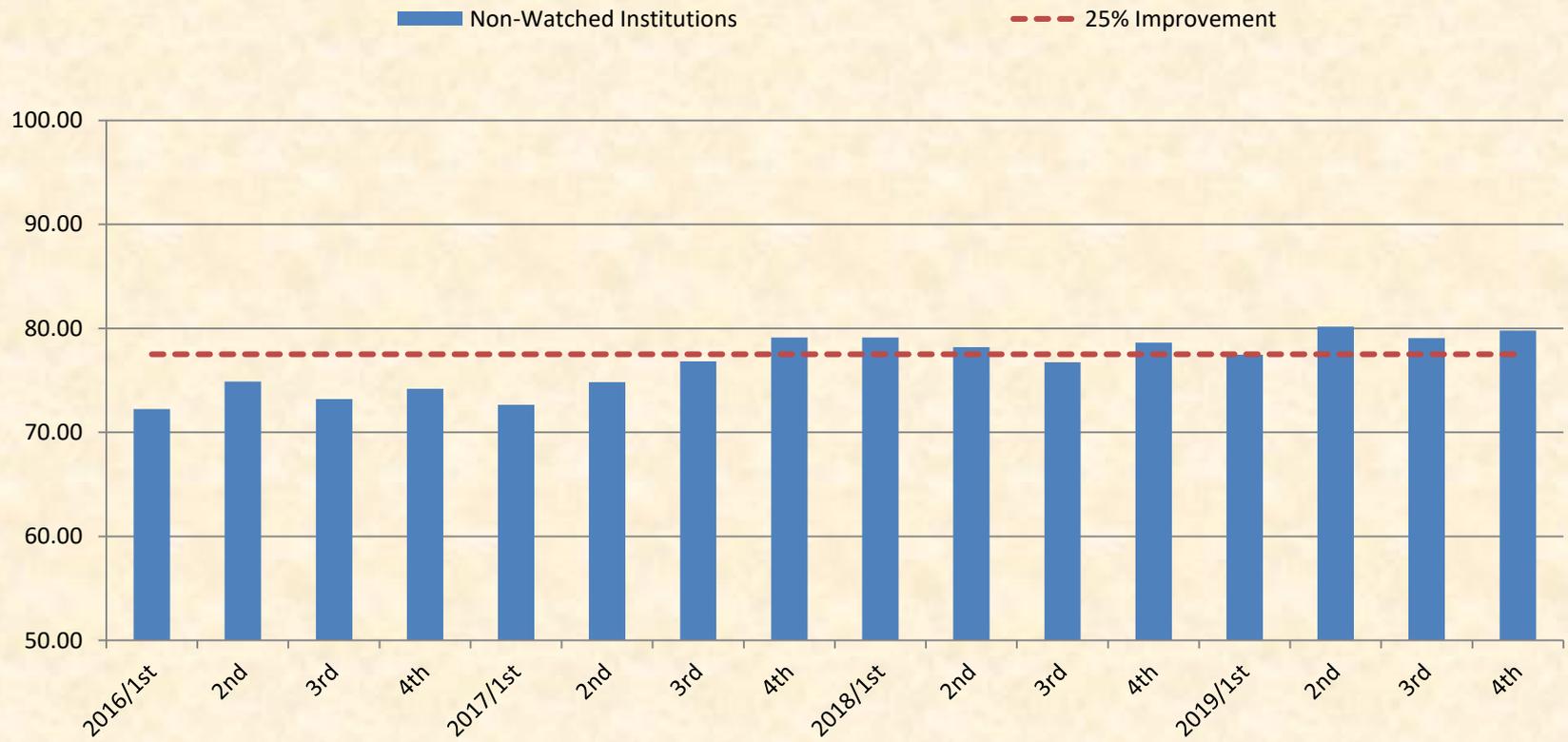
Examinations Performed By Type					
Fiscal Year	Safety and Soundness	Specialty	Follow-Up	Deferred Deposit	Total
2005	99	65	19	135	318
2006	116	52	12	690	870
2007	120	71	10	666	867
2008	102	66	7	738	913
2009	108	61	33	712	914
2010	110	56	27	670	863
2011	109	64	34	636	843
2012	98	59	38	663	858
2013	94	65	36	615	810
2014	89	78	26	623	816
2015	98	76	13	1,111	1,298
2016	94	69	11	258	432
2017	96	98	21	517	732
2018	86	73	9	318	486
2019	74	60	7	297	438
2020 <i>(est)</i>	80	70	5	280	435
2021 <i>(est)</i>	83	78	4	280	445

Department of Financial Institutions

Performance Measures

Assets Under Supervision Per Examiner			
Fiscal Year	# of Field Examiners	Assets Under Supervision	Assets Per Examiner
2005	32	121,183,572,000	3,786,986,625
2006	36	141,399,472,000	3,927,763,111
2007	41	209,032,586,000	5,098,355,756
2008	41	252,028,145,000	6,147,027,927
2009	36	235,845,941,000	6,551,276,139
2010	36	179,516,571,000	4,986,571,417
2011	35	193,525,677,000	5,529,305,857
2012	30	224,191,743,000	7,473,058,100
2013	38	240,899,946,000	6,339,472,263
2014	38	258,691,918,000	6,807,682,053
2015	41	278,188,806,000	6,785,092,829
2016	40	263,597,855,000	6,589,946,375
2017	37	282,666,021,000	7,639,622,189
2018	36	278,500,786,000	7,736,132,944
2019	38	308,791,859,000	8,126,101,553
2020 (est)	40	325,775,411,000	8,144,385,275
2021 (est)	40	343,693,058,000	8,592,326,450

Department of Financial Institutions Success Framework Measurement Percentage of Non-Watched Institutions



Department of Financial Institutions

New Funding Request

Renewal of Department's Office Lease -		\$ 74,000.00
Fiscal Year 2021 – On-Going Appropriation		
	FY 2020	FY 2025
Square Foot Rate Increase	\$ 17.75	\$ 22.45
Lease Base Increase	\$ 178,719.00	\$ 236,741.00
Property Taxes Increase	\$ 15,818.00	\$ 19,826.00
Common Area Costs Increase	\$ 24,713.00	\$ 30,223.00
Park Costs Increase	\$ 26,750.00	\$ 33,210.00
Total	\$ 245,000.00	\$ 319,917.00
Office Lease Appropriation	\$ 246,000.00	\$ 320,000.00