



Networth News

State of Utah, Department of Financial Institutions, First Quarter 2007

COMMISSIONER'S COMMENTS

G. Edward Leary, Commissioner

UTAH INDUSTRIAL BANK UPDATE

Since industrial bank (IB) issues are in the news lately, I thought it would be helpful to provide an update and status report on Utah IBs including the applications that are pending.

As of December 31, 2006, there were 32 charters with total assets of \$186,192,821,000. Two weeks later Volvo surrendered its charter, reducing the current number to 31.

On July 28, 2006, the FDIC Board approved a six month Moratorium on all Industrial Bank (IB) applications to expire on January 31, 2007.

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CHIEFLY SPEAKING

Michael Jones, Chief Examiner

FOUR YEARS OF QUALITY ASSURANCE SURVEYS

The Department is in the fifth year of its post-examination survey program. It has been a while since the survey results were summarized, so I thought I would provide an update on how this program is doing. For any new readers, I will first give a quick summary of the Department's post-examination survey program.

In January of 2003, the Department began including a short two-page survey with each Report of Examination produced by our examiners. We titled it our Quality Assurance Survey. The survey asked for an assessment by management of the examined institution relative to 19 statements. The first ten statements deal with the just-completed examination. Each statement, from the clarity of the entry letter to the overall satisfaction with the examination process, asks for a rating on a scale from "1" (Strongly Agree) to "5" (Strongly Disagree). The final statements ask management to assess the examiners' effectiveness in analyzing nine critical areas reviewed during the examination. These statements are rated on a scale from "1" (Excellent) to "4" (Poor). Anonymity of a respondent's identity is maintained by using numbered surveys, with the numbering log tightly controlled by the Commissioner's Administrative Secretary. Each survey has an area where comments can be provided and has an optional section where management can identify their institution and indicate if any follow-up contact is needed.

In the past four years, 274 Quality Assurance Surveys have been sent out. For those surveys that were returned, the ratings were reviewed, analyzed, and tabulated. Comments were read and discussed, and follow-up contacts were made where it was requested. Below is a summary of the results of the surveys from 2003 through 2006 and for the Quality Assurance Surveys that were returned in 2006.

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On November 15, 2006, GMAC Automotive Bank was granted an exemption from the moratorium by the FDIC, which approved an investor group acquiring 51% control. On the same day, Utah also approved the change of control and name change.

On January 31, 2007, the FDIC Board extended the Moratorium for one year on all “non-financial” applications and issued a Notice of Proposed Rulemaking (NPR) which, among other things, creates four categories of industrial banks.

While the Proposed Rule is pending, the FDIC will consider applications for industrial banks that will be controlled by financial companies that are not subject to Federal Consolidated Bank Supervision (FCBS) on a case-by-case basis.

Under the Proposed Rule, currently existing Utah IBs will be classified in the following categories:

A. Federal Consolidated Bank Supervised Financial (FCBS) Companies - (6)

<u>Name</u>	<u>Federal Regulator</u>
American Express	Office of Thrift Supervision (OTS)
GE	OTS
Lehman Brothers	OTS
Merrill Lynch	OTS
Morgan Stanley	OTS
UBS	Federal Reserve Bank

- (1) *These institutions are **NOT** subject to the Proposed Rule.*
- (2) All applications will be considered for any entity meeting this criterion.
- (3) No applications are currently pending in this category.

B. Non-Federal Consolidated Bank Supervised Financial Companies - (13)

<u>Name</u>	
Advanta	
Allegiance Direct	
Celtic	
CIT	
Exante	
Goldman	(SEC not recognized in the NPR as a bank regulator)
LCA Bank	
Medallion	
Merrick	
Sallie Mae	
WebBank	
World Financial	
Wright Express	

- (1) *These institutions are “**grandfathered**”.*
- (2) All new applications would be considered for entities meeting this criterion, BUT would be subject to the conditions of the Proposed Rule.

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Application Activity Report
 Utah Department of Financial Institutions
 For quarter ending December 31, 2006

Branch Approval	Address	Received	Status
State Bank of Southern Utah	145 S River Rd, St George	2/18/05	Approved 3/10/05
Bank of American Fork	2691 W 12600 S., Riverton	8/5/05	Approved 8/29/05
The Village Bank	650 W Telegraph St, St George	9/19/05	Approved 10/17/05
Centennial Bank	Center Street and Orem Blvd, Orem	9/29/05	Opened 10/10/06
SunFirst Bank	800 W 200 N, Cedar City UT	2/10/06	Approved 3/17/06
Western Community Bank	375 S Main, Alpine UT	3/7/06	Approved 4/6/06
Washington Trust Bank	191 S 500 E, American Fork UT	4/7/06	Opened 6/16/06
Intermountain Credit Union	7134 S Redwood Rd, SLC	3/16/06	Approved 3/22/06
Bank of Utah	980 W 800 N, Orem UT	7/6/06	Approved 7/20/06
First Utah Bank	3177 S Redwood Rd, SLC UT	8/14/06	Opened 9/18/06
Salt Lake City Credit Union	4900 S Highland Dr, SLC UT	11/8/06	Approved 12/11/06
Salt Lake City Credit Union	1575 S State Street, SLC UT	11/21/06	Approved 12/20/06

Relocations	Address	Received	Status
Barnes Banking Co.	<i>from</i> 229 E St George Blvd, St George <i>to</i> 2750 E Red Cliffs Dr, St George	4/7/06	Opened 7/31/06
The Village Bank	<i>from</i> 94 E Tabernacle, St George <i>to</i> 294 E Tabernacle, St George	5/25/06	Opened 10/10/06
Goldman Sachs Bank USA	<i>from</i> 756 E Winchester Ste 302, SLC <i>To</i> 295 Chipeta Way, 4 th Floor, SLC	10/31/06	Accepted 11/14/06

Bank Mergers

Bank	merging with	Received	Status
Lewiston State Bank	Lewiston State Bank Idaho	10/30/06	Approved 12/14/06
Volvo Commercial Credit Corp	Globility Bank	9/12/06	Accepted 10/26/06

continued on page 4 . . .

... **Application**, continued from page 3

Escrow Company	Address	Received	Status
Escrow Employees LLC		8/28/06	Accepted 9/18/06
Branch Closures	Address	Received	Status
Bank of Utah	3442 W 4800 S Roy UT	8/10/06	Closed 10/20/06
Universal Financial Corp	main office	10/27/06	Approved 11/3/06
De Novo Charter	Address	Accepted	Status
ComData	500 N Market Place Dr. #250 Centerville UT	9/25/03 11/19/04 5/27/05 12/6/05 5/9/06	Approved 12/19/03 Approved 12/23/04 Approved 6/15/05 Approved 12/14/05 Approved 6/7/06
Extension			
Extension			
Extension			
Extension			
Daimler Chrysler	268 S State St, Ste 200 Salt Lake City UT	7/6/05	Approved 4/6/06
CapitalSource Bank	2180 S 1300 E Ste 300 Salt Lake City UT	8/16/05	Approved 12/18/05
Marlin Business Bank	2795 E Cottonwood Pkwy Ste 120 Salt Lake City UT	1/10/06	Accepted 1/10/06
American Pioneer Bank	39 Jamestowne Ct Baton Rouge LA	2/13/06	Accepted 2/13/06
Blue Healthcare Bank	200 W Civic Center Dr Sandy UT	5/30/06	Accepted 5/30/06
Town & Country Bank	20 N Main #306 St George UT	9/29/06	Accepted 11/9/06
Loan Production Office	Location	Received	Status
AmericanWest Bank	6053 S Fashion Square Dr Murray UT	4/13/06	Approved 4/28/06
Magnet Bank	435 E Shore Drive Eagle ID	7/21/06	Approved 8/15/06
American Bank of Commerce	500 W 12300 S Draper UT	9/5/06	Approved 9/27/06

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... **Application**, continued from page 4

Imperial Capital Bank	1436 S Legend Hills Clearfield UT	9/11/06	Opened 10/10/06
Capital Community Bank	424 N State Road Salem UT	10/27/06	Approved 10/30/06
M&T Bank	Midvale, American Fork, Layton, and Logan	11/17/06	Approved 12/18/06
Golf Savings Bank	480 E 6400 S Murray UT	11/20/06	Approved 12/19/06
Field of Membership Expansion	Amend Bylaws to Include	Received	Status
Salt Lake City Credit Union	members, employees and volunteers of the Hogle Zoo and the Utah Library Association	8/29/06	Approved 10/23/06

Application Activity Report
Utah Department of Financial Institutions
For quarter ending March 31, 2007

Branch Approval	Address	Received	Status
State Bank of Southern Utah	145 S River Rd, St George	2/12/07	Approved 3/6/07
Bank of American Fork	2691 W 12600 S., Riverton	8/5/05	Opened 3/19/07
The Village Bank	650 W Telegraph St, St George	9/19/05	Opened 11/24/06
SunFirst Bank	800 W 200 N, Cedar City UT	2/10/06	Opened 8/17/06
Western Community Bank	375 S Main, Alpine UT	3/7/06	Approved 4/6/06
Intermountain Credit Union	7134 S Redwood Rd, SLC	3/16/06	Approved 3/22/06
Bank of Utah	980 W 800 N, Orem UT	7/6/06	Opened 12/20/06
Salt Lake City Credit Union	4900 S Highland Dr, SLC UT	11/8/06	Opened 8/1/06
Salt Lake City Credit Union	1575 S State Street, SLC UT	11/21/06	Opened 2/1/07
Capital Community Bank	424 N State Street, Salem UT	12/11/06	Opened 3/14/0

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... **Application**, continued from page 5

Pacific Rails Credit Union	7134 S Redwood Rd, SLC UT	3/5/07	Accepted 3/6/07
Relocations			
Address	Received	Status	
Goldman Sachs Bank USA	<i>from</i> 756 E Winchester Ste 302, SLC <i>to</i> 295 Chipeta Way, 4 th Floor, SLC	10/31/06	Opened 2/12/07
Centennial Bank	<i>from</i> 872 W Heritage Park DR <i>to</i> 1333 N Hillfield Rd, Layton	2/22/07	Approved 3/30/07
Bank Mergers			
Bank	merging with	Received	Status
Lewiston State Bank	Lewiston State Bank Idaho	10/30/06	Completed 1/5/07
Volvo Commercial Credit Corp	Proficio Bank	9/12/06	Completed 1/16/07
Far West Bank	American West Bank	11/22/06	Approved 1/11/07
Escrow Company			
Address	Received	Status	
Escrow Employees LLC		8/28/06	Accepted 9/18/06
Branch Closures			
Address	Received	Status	
Universal Financial Corp	main office	10/27/06	Approved 11/3/06
De Novo Charter			
Address	Accepted	Status	
ComData	500 N Market Place Dr. #250 Centerville UT	9/25/03 11/19/04 5/27/05 12/6/05 5/9/06	Approved 12/19/03 Approved 12/23/04 Approved 6/15/05 Approved 12/14/05 Approved 6/7/06
Extension			
Extension			
Extension			
Extension			
Daimler Chrysler	268 S State St, Ste 200 Salt Lake City UT	7/6/05	Approved 4/6/06
CapitalSource Bank	2180 S 1300 E Ste 300 Salt Lake City UT	8/16/05	Approved 12/18/05
Marlin Business Bank	2795 E Cottonwood Pkwy Ste 120 Salt Lake City UT	1/10/06	Accepted 1/10/06
American Pioneer Bank	39 Jamestowne Ct Baton Rouge LA	2/13/06	Accepted 2/13/06

continued on page 7 . . .

... **Application**, continued from page 6

Blue Healthcare Bank	200 W Civic Center Dr Sandy UT	5/30/06	Accepted 5/30/06
Town & Country Bank	20 N Main #306 St George UT	9/29/06	Accepted 1/9/06
Loan Production Office	Location	Received	Status
Magnet Bank	435 E Shore Drive Eagle ID	7/21/06	Approved 8/15/06
American Bank of Commerce	500 W 12300 S Draper UT	9/5/06	Approved 9/27/06
Capital Community Bank (converted to branch app)	424 N State Road Salem UT	10/27/06	Approved 10/30/06
M&T Bank	Midvale, American Fork, Layton, and Logan	11/17/06	Opened 1/2/07
Golf Savings Bank	480 E 6400 S Murray UT	11/20/06	Opened 12/19/06
Goldman Sachs Bank USA	1 New York Plaza New York NY	11/1/06	Approved 1/8/07
First Utah Bank	255 S Main St Logan UT	3/1/07	Approved 3/5/07
Field of Membership Expansion	Amend Bylaws to Include	Received	Status
Salt Lake City Credit Union	members of International Footprint	1/2/07	Approved 2/23/07
Kings Peak Credit Union	residents of Uintah County	2/9/07	Accepted 2/15/07

The Names (and more) Behind the Faces . . .

Continuing from the two prior issues of the Networth News, featured below are three more fairly recent employee additions to the Department. If you haven't already, you're sure to meet them in the future. We'll bio more employees in upcoming issues of the Networth News.

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. . . Leary, continued from page 2

- (3) FDIC will commence processing the following applications that have been held up by the Moratorium:

Comdata Bank - a Ceridian Corp subsidiary which plans to offer a "Fleet Card" and a "Business Link Card". Utah approved December 19, 2003.

CapitalSource Bank - asset-based loans to commercial borrowers. Utah approved December 20, 2005. The FDIC approved with conditions on March 20, 2007. The applicant has not indicated if they will pursue the charter. It was announced on May 17, 2007 that the parent company made an offer to purchase a federal thrift in Nebraska.

Marlin Business Bank - small ticket commercial leases/loans. Utah has not approved. The FDIC approved with conditions on March 20, 2007. The applicant has not indicated if they will pursue the charter.

Blue Healthcare Bank - Because of the moratorium, applied for a Federal Savings Bank charter which was approved by the OTS. Opened as a FSB on March 8, 2007.

C. **Individual Owned - (2)**

Name

Magnet Bank
Republic Bank

- (1) *These institutions are NOT subject to Proposed Rule.*
(2) All new applications would be considered for entities meeting this criterion.
(3) No applications pending in this category.

D. **Commercial Owned - (10)**

Name

BMW
Capmark (formerly GMAC Commercial)
EnerBank
Escrow (GMAC Affiliate)
First Electronic (Fry Electronics)
GMAC (formerly GMAC Auto)
Pitney Bowes
Target
Transportation Alliance (Flying J)
VW
Wright Express

- (1) *These institutions are NOT subject to the Proposed Rule; House bill (H.R. 689- see below) would "grandfather" these institutions with conditions.*
(2) New applications will NOT be considered for entities meeting this criterion until January 31, 2008.
(3) FDIC will NOT process the following applications until Congressional action is taken or January 31, 2008. Utah has put these applications in an "inactive status" and is not processing them.

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Daimler Chrysler - Utah approved April 6, 2006.

American Pioneer Bank - a Cargill/Firstcity joint venture. Utah has accepted as complete but not approved.

Wal-Mart Bank - Utah did not accept the application as complete. The application was withdrawn on March 16, 2007.

Home Depot/ EnerBank - a change of control application by Home Depot to acquire the charter of EnerBank. Utah has not accepted the application as complete.

Ford Motor Credit - Utah has not accepted the application as complete.

Congressional Action

House Financial Services Committee Chairman Rep. Barney Frank (D-MA) and Rep. Paul Gilmor (R-OH) introduced the *Industrial Bank Holding Company Act of 2007 (H.R. 698)* on January 29, 2007. The proposed bill contains some of the same provisions that passed the House last year but was not taken up by the Senate. The major provisions of H.R. 698 are:

- (1) require new IB parents to derive more than 85% of their revenue from financial activities,
- (2) IBs bought or chartered by a commercial firm between October 2003 and January 2007 could operate but not expand,
- (3) IBs owned by commercial parents before October 2003 would not be subject to any new restrictions, and
- (4) gives the FDIC holding company powers similar to that of the Federal Reserve and Office of Thrift Supervision, including examination authority and the ability to establish minimum capital levels at the holding company; except for “grandfathered” holding companies that existed before October 2003.

The bill passed the House Financial Services Committee on May 2, 2007, on a voice vote. There was a manager’s amendment which substituted the bill language but there were no other amendments passed.

At the time of the drafting of this article, the bill is scheduled to be voted upon under suspension of the rules on May 21, 2007.

A companion bill was introduced in the Senate as S1365 sponsored by Senators Sharrod Brown (D-OH) and Wayne Allard (R-CO) on May 10, 2007. The language was not available yet but was reported to be exactly the same as HR698.

Application Received After FDIC Board Decision of January 31, 2007

A new *de novo* application was received on February 2, 2007 from WellPoint, a Blue Cross Blue Shield plan owner for a Utah IB charter. WellPoint is the second largest Health Care Plan provider in the United States. ~

. . . **Names**, continued from page 7

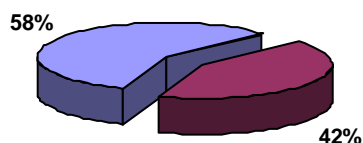
Dean Smith, Examiner

Dean started with the Department in December 2005. His past experience includes being a financial institution branch manager and owner of a mortgage company. Dean’s education includes a degree in accounting and “several year’s of daily lessons on everything that influences individual and business success or failure”. He is a native Utahan, currently living in

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■ Survey Returned ■ Survey Not Returned



Surveys, by their general nature, are not viewed positively. Since they require

Figure 1

time to complete and return, response rates are typically low. The Department’s response rate for 2003-06 has been remarkably good. Surveys were returned for 158 of the 274 Quality Assurance Surveys that were sent out. As shown in Figure 1, this is a response rate of 58 percent. Our highest response rate was 65 percent, in 2004, and our lowest rate was 53 percent, in 2006

Of the surveys returned, 66 percent of the respondents were comfortable enough with their assessments to identify themselves, but only 23 percent of the respondents provided any narrative comment along with their survey assessments. In 2003, 72 percent of the respondents identify themselves with 26 percent providing feedback, which was our highest year. Our lowest years were 2004, when 58 percent of the respondents identified themselves, and 2006, when only 12 percent provide any comments.

Assessments on our surveys from 2003 through 2006 have generally been good, as demonstrated in the following table . On a scale of 1 to 5, the aggregate average rating on the first ten survey statements was 1.55. This rating has been fairly consistent throughout the last four years. In 2006, the aggregate average rating was 1.41. The most favorable ratings received were generally for statement #7, the courtesy and professionalism of the examiners, and statement #5, the effectiveness of the Examiner-in-Charge in communicating examination findings. The least favorable ratings were received for statement # 3, the length of time used to conduct the examination, and statement #8, the accuracy of the report in reflecting the practices and condition of the institution.

Survey Statements

Survey Statements	<u>2003 through 2006</u>			<u>2006</u>
	Agree or Strongly Agree	Disagree or Strongly Disagree	Average Numeric Rating	Average Numeric Rating
1. Entry letter was clear and concise.	91%	3%	1.57	1.28
2. Lead time was adequate.	94%	3%	1.46	1.16
3. Length of examination was appropriate.	77%	8%	1.87	1.56
4. Management contact was maintained.	91%	3%	1.50	1.48
5. Examiner-in-Charge communicated findings	94%	2%	1.37	1.20
6. Examination conducted with little disruption.	87%	4%	1.66	1.72
7. Examiners’ were courteous and professional.	94%	2%	1.36	1.20
8. Report accurately reflected conditions.	90%	5%	1.69	1.60
9. Report was easy to read and understand.	95%	2%	1.46	1.32
10. Overall satisfaction with examination.	91%	4%	1.59	1.60

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... **Jones**, continued from page 10

11. Examiners effectiveness in examining the following key areas:	Excellent/ Good	Poor/ Fair	Avg. Numeric Rating	2006 Avg Numeric Rating
a. Overall Condition	94%	6%	1.54	1.52
b. Capital Adequacy	96%	4%	1.43	1.44
c. Asset Quality	93%	7%	1.54	1.48
d. Reserve of Loan Loss	92%	8%	1.50	1.40
e. Management	87%	13%	1.65	1.72
f. Earnings	94%	6%	1.62	1.40
g. Liquidity	93%	7%	1.52	1.44
h. Internal Operations	91%	9%	1.64	1.64
i. Sensitivity	94%	6%	1.54	1.54

While it is pleasing to see the overall positive tone of the survey responses, there was enough constructive feedback to tell us that we can refine and further enhance the quality of our supervisory efforts. Four years is a good start, but not enough to positively identify any trends. From the feedback we've received, the Department is able to identify critical areas in the examination process and the examiners' effectiveness that need improvement.

The Department thanks those who have taken time to complete surveys over the last four years. We especially appreciate those who provided us with comments. We will be continuing our post-examination survey program for the foreseeable future. So, look for a Quality Assurance Survey with your next Report of Examination. Please complete the survey and return it to us.~

2007 LEGISLATIVE UPDATE

Paul Allred, Deputy Commissioner

The 2007 Utah Legislature passed 423 bills during the General Session. In this article, the Department's annual legislative review, four bills will be highlighted. The first two bills are Department bills. Each of these bills will impact financial institutions and other entities under the jurisdiction of the Department of Financial Institutions.

S. B. 144 - Financial Institutions Amendments

Senate Bill 144 amends sections of title 7. There are four sections of the bill that deal with change of control, application fees, and form of entity for state chartered banks and industrial banks. The amendment to the definition of change of control brings the state's threshold level up from 5% to the current federal level of 10%. The bill lowers application fees from \$2,500 to \$500 for institutions that are less than \$5 million in assets. The bill clarifies that state chartered banks must be formed as corporations or limited liability companies. Finally, the bill prohibits banks and industrial banks from forming or converting to a series limited liability company. The bill was signed by the Governor and will become effective on April 30, 2007.

S.B. 16 - Lending Registration Acts Amendments

Senate Bill 16 amends chapter 23 and 24 of title 7. Chapters 23 and 24 are amended to impose a fine for those lenders that register late. Lenders will now be required to provide additional disclosures regarding consumer's statutory rights; the right to make partial payment of at least \$5; and the right to rescind the contract within the next business day.

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. . . **Allred**, continued from page 11

Lenders will be required to obtain a request from a consumer for a rollover during the 12 week rollover period allowed by law. The amendment will now allow the department to impose an administrative fine up to \$1,000 for each violation. Finally, the bill will change the exam cycle from a calendar year to annually based upon the registration cycle. The bill was signed by the Governor and will become effective on April 30, 2007.

H.B. 88 - Automated Teller Machines Charges for International Accounts

House Bill 88 amends a section in title 7 chapter 16 of the Department's statute. The amendment is supposed to fix an objection to the law, passed in the 2006 session, from Visa regarding fees charged to international visitors.

S.B. 118 - Mechanics' Lien and Payment Amendments

Senate Bill 118 addresses concerns raised by the passage of a similar bill in 2006. The bill defines the term "receives payment"; allows the use of waiver language different from the statutory language; unifies language used for a restrictive endorsement that waives a mechanics' lien right; removes provisions from the statutory waiver form concerning disputed claims; addresses the effect of failure to comply with lien waiver requirements; and makes technical changes.~

. . . **Names**, continued from page 9

West Jordan, with his wife of 30 years, and the last one of 4 children. Dean enjoys "spending time with family and friends exploring Utah's landscape: road trips and/or hiking: red rocks, mountains – and everything in between".

Jeff Sylvester, Examiner

Jeff joined the Department in December 2005. Born in Missouri (no wonder he's always skeptical . . .), Jeff has been a Utahan since age 12. His post-public education includes an undergrad degree from Utah State University, and an MBA from Missouri State University. Experience prior to joining the Department includes several years with 2 national banks as a collateral examiner. Jeff and his wife have one son, William, 21 months ("the most beautiful baby in the world", says Jeff), and another child on the way. Jeff's pastimes include tennis, biking (both road and mountain), gardening, and . . . "whatever William would like to do at any given moment".

Mark Tisch, Examiner

Mark was hired in December of 2005. He hails from Muskegon, Michigan. Related experience includes several years with two national banks working credit analysis, auditing, account management, and lending. Mark holds a finance degree from Western Michigan

University. He is a self-described SINK (single income, no kids) who keeps two cats for company. Hobbies include cycling, water-skiing, when the opportunity presents itself ("anyone have a boat?"), and an "auto industry follower"(?).~

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of Financial Institutions

Please contact
the Department at
801-538-8830
with questions,
comments, or
suggestions.