



Networth News

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

COMMISSIONER'S COMMENTS

G. Edward Leary, Commissioner

DIRECTOR TRAINING

The Department is often asked what material, resources or training is available for Director Training? In an attempt to partially answer this question, I have listed below some of the resources, especially web-based resources that are available from federal agency web-sites.

I have also listed two Director training sessions that your directors could attend, one jointly sponsored by the FDIC and the Utah Bankers Association and the other sponsored by the Conference of State Bank Supervisors.

The first is the **FDIC's - Director's Corner** - which may be accessed at:

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Chiefly Speaking

Michael Jones, Chief Examiner

As I sit at my desk, it is December 31st, the last day of 2007. It amazes me how quickly the year has passed. It seemed like just yesterday I was looking forward to the close of the 2007 Legislative General Session.

A story on the radio this morning indicated that it was already 2008 in Sydney, Australia. With fireworks over the harbor, the Australians welcomed in the New Year 18 hours before we would celebrate its arrival here in the Mountain Time Zone. This news took me back to that New Years Eve in 1999, as we anxiously anticipated the Y2K event. That year, news of the arrival of the New Year in Australia, China, France, and England helped to build confidence that everyone's efforts had adequately addressed the identified computer deficiencies. As midnight reached Salt Lake City, we were confident that any problems would be manageable and that we only needed contact our state-chartered institutions to confirm their operational status.

As I look back on 2007, there are a couple events that I will remember, which I want to share.

With the hiring of six examiners in late 2006, the Department was again fully staffed. This was the first time in nearly six years the Department had a full accompaniment of examiners. Having each examiner position filled allows the Department to better staff scheduled examinations, while having additional personnel to participate on specialty examinations and to expand into areas we previously were not able to review.

It is not easy to be fully staffed. While we hire new examiners as needed, we also seem to have constant turnover. Just when it looked like the Department would once again have no vacancies, someone would announce that they were leaving. It was the same in 2007. The time the Department was fully-staffed was short. By the end of July, the Department had two vacant examiner positions. These vacancies came from two events.

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<http://www.fdic.gov/regulations/resources/directorscorner/>

The FDIC and the other banking agencies frequently publish and issue guidance for insured institutions and their officers and directors to use to fulfill their responsibilities. This useful and practical information is now available in a special section of the FDIC's web site called "Director's Corner." The "Director's Corner" includes items such as Interagency Policy Statements, Supervisory Guidance, and Financial Institution Letters on the topics of Corporate Governance Practices, Auditing and Internal Controls, Accounting Practices and the Allowance for Loan and Lease Losses, and other areas of interest to bank directors. The FDIC's "Pocket Guide for Directors," which provides directors with accessible and practical guidance for meeting their duties and responsibilities, is also included in this section.

Corporate Governance Area

- Chairman's Remarks to the Independent Community Bankers of America
- Effect of the Sarbanes-Oxley Act of 2002 on Insured Depository Institutions
- Pocket Guide for Directors
- FDIC's Rules and Regulations Part 335 - Securities of Nonmember Insured Banks
- FDIC's Rules and Regulations Part 337.3 - Extensions of Credit to Directors, Executive Officers, Principal Shareholders and Their Related Interests
- FDIC's Rules and Regulations Part 364 - Standards for Safety and Soundness
- Statement Concerning the Responsibilities of Bank Directors and Officers
- Guidelines For Compliance With The Federal Bank Bribery Law
- **Auditing and Internal Controls** Interagency Policy Statement on External Auditing Programs
- Interagency Policy Statement on Coordination Between External Auditors and Examiners
- Interagency Policy Statement on the Internal Audit Function and Its Outsourcing
- Interagency Policy Statement on External Auditing Programs
- FDIC's Rules and Regulations, Part 363 - Annual Audits

Allowance for Loan and Lease Losses ("ALLL")

- Interagency Policy Statement on the ALLL Methodologies and Documentation
- Policy Statement on ALLL
- Interagency Policy Statement on the ALLL

Community Reinvestment Act

- Interagency Questions and Answers Regarding Community Reinvestment
- A Guide to CRA Data Collection and Reporting
- Final Rule on the Disclosure and Reporting of Community Reinvestment Act-Related Agreements

Director's College Program

- Atlanta Region Director's College Program
- Boston Area Office: New England Directors and Trustees College
- Chicago Region Director's College Program
- Dallas Region Director's College Program
- Kansas City Region Directors College Program
- New York Region Directors' College
- San Francisco Region Directors' and Officer's College - Classroom Training
- San Francisco Region Director's and Officers' College Computer-Based Training

Other Supervisory Guidance

- Account Management and Loss Allowance Guidance for Credit Card Lending
- Revised "CAMELS" Ratings System
- Revised Policy for Classifying Retail Credits
- Interagency Guidelines on Asset Securitization
- Uniform Retail Credit Classification
- FFIEC Guidance on Managing Risk with Outsourcing Services
- Part 362 Final Rule
- Subprime Lending Guidance
- Interagency Guidance on Loans Held for Sale
- Interagency Policy Statement on Income Tax Allocation
- Supervisory Policy Statement on Investment Securities and Derivatives
- Uniform Financial Institutions Ratings System
- Safeguarding Customer Information

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

<u>Branch Approval</u>	Address	Received	Status
State Bank of Southern Utah	145 S River Rd, St George	2/12/07	Opened 7/25/07
Western Community Bank	375 S Main, Alpine UT	3/7/06	Opened 10/15/07
Moroni Feed Credit Union	1050 S State, Mt Pleasant UT	4/24/07	Approved 5/2/07
Healthcare Credit Union	5300 S State St, Salt Lake City UT	5/29/07	Opened 10/24/07
Americanwest Bank	175 S Main, Salt Lake City UT	5/16/07	Opened 11/20/07
Americanwest Bank	9080 Village Shop Dr, Sandy UT	5/9/07	Accepted 5/23/07
Americanwest Bank	10757 S River Front Pkwy, S Jordan	6/11/07	Accepted 6/21/07
Central Bank	2000 W Pleasant Grove Blvd, PG UT	7/13/07	Approved 8/14/07
America West Bank	5570 S 900 E, Murray UT	7/17/07	Approved 8/22/07
Utah Central Credit Union	7990 S 1300 E, Sandy UT	7/17/07	Approved 8/13/07
Pacific Horizon Credit Union	375 E 300 S, Spanish Fork UT	8/27/07	Approved 9/4/07
Chevron West Credit Union	675 E 2100 S, Salt Lake City UT	8/28/07	Opened 9/18/07
Alpine Credit Union	10831 N Alpine Hwy, Alpine UT	9/18/07	Approved 10/9/07
American Bank of Commerce	50 W Main, Santaquin UT	9/21/07	Approved 10/18/07

<u>Relocations</u>	Address	Received	Status
Transwest Credit Union	<i>from</i> 37 W 1700 S, Salt Lake City UT <i>to</i> 39 W 2100 S, Salt Lake City UT	3/30/07	Approved 4/27/07
Republic Bank	<i>from</i> 801 N 500 W #103, Btfl UT <i>to</i> 1560 Renaissance Town Dr #260	5/15/07	Approved 7/12/07
Merrill Lynch Bank USA	<i>from</i> 2800 Scudders Mill Rd, Pennington NJ <i>to</i> 1600 Merrill Lynch Dr	4/27/07	Opened 10/1/07
Chevron West Credit Union	<i>from</i> 2355 N 1100 W, SLC UT <i>to</i> 1290 S 500 W #100, Woods Cross	8/28/07	Opened 9/10/07

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

First Electronic Bank	<i>from 11781 S Lone Peak Pkwy to 280 W 10200 S Ste 200, Sandy UT</i>	8/14/07	Approved 9/20/07
Morgan Stanley Bank	<i>from 2500 Lake Park Blvd to 200 S Main 5th fl, SLC UT</i>	9/28/07	Opened 10/25/07
Merrill Lynch Bank USA	<i>from 15 W South Temple to 200 S Main 2nd fl, SLC UT</i>	10/2/07	Approved 10/22/07
Credit Union One	<i>from 8621 S 700 E, Sandy to 2687 W 7800 S, W Jordan UT</i>	10/18/07	Opened 11/15/07
<u>Mergers</u>			
Credit Union	merging with	Received	Status
Utah Valley Credit Union	Utah First Federal Credit Union	3/29/07	Completed 6/30/07
Twin Peaks Credit Union	Cyprus Federal Credit Union	5/7/07	Completed 6/30/07
Industrial Supply Credit Union	Utah Central Credit Union	6/21/07	Completed 8/1/07
Balance Rock Credit Union	Utah Power Credit Union	11/15/07	Approved 12/12/07
Primary Hospital Credit Union	Health Care Credit Union	11/16/07	Accepted 11/20/07
<u>De Novo Charter</u>			
ComData	Address	Accepted	Status
	500 N Market Place Dr. #250 Centerville UT	9/25/03	Approved 12/19/03
Extension		11/19/04	Approved 12/23/04
Extension		5/27/05	Approved 6/15/05
Extension		12/6/05	Approved 12/14/05
Extension		5/9/06	Approved 6/7/06
Extension		5/9/07	Approved 6/14/07
Daimler Chrysler	268 S State St, Ste 200 Salt Lake City UT	7/6/05	Approved 4/6/06
Extension		3/13/07	Approved 4/3/07
Extension		9/24/07	Approved 10/5/07
CapitalSource Bank	2180 S 1300 E Ste 300 Salt Lake City UT	8/16/05	Approved 12/18/05
Extension		12/11/06	Approved 12/13/06
Extension		5/25/07	Approved 6/20/07
Extension		12/3/07	Approved 12/20/07

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

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	Approved 4/10/07
ARCUS Financial Services	2825 E Cottonwood Pkwy #150 Salt Lake City UT	2/2/07	Accepted 6/7/07
<u>Loan Production Office</u>	Location	Received	Status
American Bank of Commerce	500 W 12300 S Draper UT	9/5/06	Ext Approved 10/12/07
Goldman Sachs Bank USA 1 New York Plaza	New York NY	11/1/06	Approved 1/8/07
Franklin Bank SSB	1218 W South Jordan Pkwy South Jordan UT	6/20/07	Opened 7/10/07
Magnet Bank	1177 W Loop South, Ste 625 Houston TX	7/31/07	Opened 9/10/07
Celtic Bank	31255 Cedar Valley Dr #207 Westlake Village CA	11/6/07	Approved 11/9/07
<u>Field of Membership Expansion</u>	Amend Bylaws to Include	Received	Status
Premier Service Credit Union	add employees and retirees of DHRM and DTS	5/25/07	Approved 7/18/07
Intermountain Credit Union	members of Great SL Bowling Assn.	6/6/07	Approved 7/18/07
Grand County Credit Union	add residents of San Juan County	4/4/07	Approved 5/14/07
Intermountain Credit Union	add employees, students, and alumni of Certified Careers Inst.	10/29/07	Approved 12/10/07

... **Leary**, contined from page 2

The second is the **FEDERAL RESERVE's - Resources for Bank Directors** - which may be accessed at:

<http://www.kansascityfed.org/bankdirect/>

Resources for Bank Directors offers numerous resources designed to assist bank directors with their management oversight responsibilities. It was developed by the Federal Reserve Bank of Kansas City. Information available through the site includes:

- **Data Resources** - financial data for banks and bank holding companies
- **Publications** - examination manuals, regulation and supervisory letters issued by the Federal Reserve System, written director training materials (of particular interest is the "*Director's Primer*" and the "*Basics for Bank Directors*"), speeches by members of the Board of Governors, and other general information
- **Online Training** - materials used by Federal Reserve System examiners and the System's director training course
- **Events** - a calendar of Federal Reserve events
- **Banking Agencies** - links to the websites of other federal and state banking agencies

The third is the **FEDERAL RESERVE's - Insights** - which may be accessed at:

<http://www.stlouisfed.org/col/director/agenda.htm>

Insights is an online training course developed by the Federal Reserve Bank of Kansas City and supported by the Federal Reserve Bank of St. Louis. It introduces bank directors to corporate governance and director duties and responsibilities; covers basic bank financial analysis; and discusses the sources, control, and monitoring of portfolio risks, including credit, liquidity, and market risks. The course includes exercises and examples to reinforce points made in the study text. Additionally, it provides links to Internet sites that directors might find useful.

The forth is the **FEDERAL RESERVE BANK OF SAN FRANCISCO's - Resources for Bank Directors** - which may be accessed at:

<http://www.frbsf.org/banking/data/index.html#resources>

Resources for Bank Directors offers numerous resources designed to assist bank directors with their management oversight responsibilities. It refers to the sites previously mentioned plus an additional site at the Office of the Comptroller of the Currency (OCC).

On a lighter side for Credit Union Directors I found the, "Ten Commandments for the Credit Union Board of Directors" from the Filene Research Institute.

- I. Thou Shalt Worship No Other Authority Before Your Members
- II. Thou Shalt Not Take Thy Job in Vain
- III. Thou Shalt Not Commit Micro-management
- IV. Honor Thy Credit Union Purpose
- V. Remember Thy Board Meeting and Keep It Holy
- VI. Thou Shalt Make Decisions in Good Faith
- VII. Thou Shalt Not Allow Stealing
- VIII. Thou Shalt Not Murder Thy Fellow Board Members
- IX. Thou Shalt Not Disparage Thy Credit Union To The Members
- X. Thou Shalt Not Covet Thy President's Job

Also available to Directors is the FDIC's/UBA's Directors' College in Salt Lake City, currently scheduled for March 11, 2008. And, the CSBS's Annual Director Training in Couer d'Alene, Idaho is scheduled for September 7 - 9, 2008. Both of these sessions have proven to be very educational and worthwhile training for directors.~

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The first vacancy was created by the resignation of David Steele, an examiner who had been with the Department for nearly 6 years and who accepted a position with a state-chartered bank in northern Utah. While unexpected, this was a good opportunity for David. We wish David the best in his new position.

The second vacancy was created by the retirement of Senior Examiner Jim Thomas. This was the first retirement in the Department in over five years. Jim had been with the Department for over 18 years, including 5 years as the Department's Supervisor of Banks. We wish Jim the best in a well-earned retirement.

As the Department enters 2008, we are again looking to hire some new examiners, in hopes of again being fully staffed. Here to the New Year.~

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

Will Mitchell, Examiner

Will started with the Department in November 2006 as an examiner. His past experience includes a decade with a local government housing authority, dealing with housing issues, including accounting, human resources, and network administration. In addition, he was a consultant for a communications/information company. Will's education includes a bachelor's degree in accounting/business administration/economics from Augustana College, and an MBA from Brigham Young University. Originally from South Dakota, Will now lives in Orem with his wife, Benidita. His three step-children have graced him and his wife with nine grandchildren. He fills his time away from work with amateur radio, family, and community activities.

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New DoD Predatory Lending Regulation Takes Effect

October 01, 2007 the Department of Defense put into effect a new regulation that protects service members and their families from high-cost, short-term loans.

The regulation limits the fees and interest that creditors can charge on three specific types of loans: payday loans, vehicle title loans, and tax refund anticipation loans. These three products were targeted because they have high interest rates, coupled with short payback terms.

Payday loan and vehicle title loans can often lead to a cycle of ever-increasing debt. Refund anticipation loans provide seven to 14-day advances on tax refunds, but at a high cost to the borrower. The financial stress service members and their families suffer in turn causes a decline in military readiness.

The new regulation is part of wide-ranging DoD efforts to increase 'financial literacy' among service members and their families. These efforts include 24/7 access to confidential financial planning and counseling, a variety of financial readiness training courses, improving the availability of small low-interest loans from financial institutions, promoting the practice of setting aside a \$500 emergency savings account, and educating service members on the availability of counseling, grants, loans and other services from military aid societies.

"We equate financial readiness with mission readiness," said David S. C. Chu, under secretary of defense for personnel and readiness. "This is part of a larger effort to create a culture that encourages our service members and their families to develop sound financial strategies. Preparing for emergencies is an important step forward and vital to avoiding predatory practices and a cycle of debt."

The regulation limits the annual percentage rate charged to service members and their families on payday loans, vehicle title loans, and tax refund anticipation loans to 36 percent. The method for calculating the annual percentage rate encompasses all fees required at the time of obligation, with very

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Special Recognition . . .

G. Edward Leary, Commissioner, Utah Department of Financial Institutions, was named among the 100 Most Influential People by Utah Business magazine in its December 2007 issue. Every three years for the past decade, Utah Business magazine has highlighted 100 business and community leaders as the most influential in the state. Commissioner Leary was recognized as heading the Department, which oversees state-chartered financial institutions, residential mortgage, and consumer lending activities. The magazine pointed out that in 2006 the Commissioner testified before Congress regarding industrial banks. Interestingly, he indicated his other dream job would be . . . President of Disney Theme Parks? (Sorry Commissioner, you're competing with every kid in the U.S. for that position.)

Orla Beth Peck, Supervisor of Credit Unions at the Utah Department of Financial Institutions (DFI), was appointed to fill the unexpired term of Elizabeth Dooley on the Board of the National Association of State Credit Union Supervisors (NASCUS) on December 5, 2007. Ms. Peck has been with DFI for over 26 years, and Supervisor since August 1992. She is currently Chairperson of both the National Institute for State Credit Union Examiners (NISCUE) Board of Trustees (NASCUS's educational foundation), and of the NASCUS Performance Standards Committee. She is also the Treasurer of the Utah Jump\$tart Coalition for Personal Financial Literacy.

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

Mark Peterson, Examiner

Mark was hired in November of 2006 as an examiner. Mark was born and raised in Bountiful, Utah. Now, he lives with his wife, 2 sons and a newborn daughter, still close to home, in Woods Cross. Mark's education includes a degree from the U, and an MBA from Westminster. Prior to working for the Department, Mark spent a decade with a national investment firm in sales, trading, fixed income, and management. He claims sports, flying remote control airplanes, and playing a little guitar as his pastimes. (Hopefully Mark will eventually get a bigger guitar.)

. . . **DoD**, continued from page 7

few exceptions. All financial institutions - without exception - are subject to the new regulation.

Chu said the process of developing the new regulation also resulted in stronger relationships with federal regulatory agencies. DoD is working with the National Association of State Regulators to develop similar collaborative processes. Currently, 27 states have committed to oversight and enforcement measures.

The regulation also requires that service members and their covered family members receive both a written and oral disclosure statement informing them of their rights before they become obligated on a consumer credit transaction.

"This statement tells members of the armed forces that they have several other options to get emergency funds that are far less financially hazardous than high-cost, short-term loans," said Leslye A. Arsht, deputy under secretary of defense for military community and family policy. "The protection the regulation offers is not a wall preventing a service member from getting assistance, rather it is more like a flashing sign pointing out danger and directing the borrower to a safer way of satisfying immediate financial needs."

In addition to counseling available through a service member's chain of command, legal assistance office or military aid society, DoD offers several online resources to service members and their families. ~

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