

The Quarter

Newsletter of the Pennsylvania Department of Banking



pennsylvania
DEPARTMENT OF BANKING

Protect. Regulate. Inform.



Department Looks Back on Achievements in 2009

The Department of Banking made great strides in continuing its transformation into a full regulatory, enforcement, and consumer education and protection agency. [Learn more](#)



Financial Re-Regulation Requires State Regulators

Financial regulators nationwide, including the Pennsylvania Department of Banking, are facing the most challenging period in decades for the banks, credit unions, mortgage brokers and lenders, and other financial professionals the department oversees. [Learn more](#)

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PA Becomes First State Mortgage Regulator Accredited by CSBS and AARMR

The Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators announced in November that the department achieved accreditation under the joint CSBS-AARMR Mortgage Supervision Accreditation Program, making Pennsylvania the first state to receive this recognition.

[Learn more](#)

"Right on the Money" Training for Housing Groups

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Financial Re-Regulation Requires State Regulators

by Steve Kaplan, Secretary of Banking



Financial regulators nationwide are facing the most challenging period in decades for the financial industries and professionals we oversee. This crisis has demonstrated that the unfettered de-regulation of the financial industry over the past 25 years has created inevitable and unfortunate consequences for our economy.

In response, Congress is working on legislation to re-regulate the financial sector. However, there is broad disagreement on how to best guard against the recurrence of our recent troubles without imposing crippling burdens on the industries that can help to lead the economy back to prosperity.

The U.S. Senate banking committee is working on a bill that would consolidate federal regulation of banks into a new "super regulator." This agency, apparently in the name of clarity or simplicity, would combine the bank supervision activities of the OCC, the OTS, the Fed and the FDIC. Although this jargon-laden, alphabet soup of oversight may seem confusing to the lay person, professionals in the banking and regulatory communities understand that the existence of an array of regulators constitutes an important network of checks and balances.

Three-quarters of the nearly 7,000 banks in the U.S. are chartered by states and regulated jointly by the states and the Fed or the FDIC. In this way, the responsibility for the system is effectively diversified not just among the several federal regulators, but also includes perspectives that reflect attitudes and interests that may be unique to individual states or regions of the country. It is the diversity inherent in 50 state approaches that can best protect our banking system from the perils of a too-centralized approach. The strength of our American federalist approach is that state "laboratories" provide the opportunity to experiment with new ideas without jeopardizing the national economy.

The "super regulator" bill does not explicitly eliminate state-chartered and regulated banks. However, if a single federal regulator were to supervise all banks, it would only be a brief time before banks perceived it to be advantageous to be chartered and examined by a single agency, and the state chartering system would languish and die.

This potential development is of particular concern to those of us outside Washington, D.C. because state oversight helps to guard against the very real threat of "regulatory capture," a phenomenon that occurs when people in a regulatory agency become too cozy with industry representatives. This is especially true when regulators -- some of whom may wish to someday work in the industry -- are the concentrated focus of the industry and its well-financed lobbying efforts. By its inherent diversity, state regulation acts as an effective hedge against this possibility.

Some argue that accountability to state regulators is unreasonably burdensome. In truth, members of the financial sector that are large and sophisticated enough to have multi-state operations have little difficulty figuring out how to deal with multiple state regulators. In fact, most industries -- insurance is an apt example -- have always done so.

Our country is going to need to rely on both state and federal regulatory agencies in order to re-regulate the financial industry and right the national economy. Without the active participation of states in re-regulation, we risk leaving it for future generations to learn the lesson of "all the eggs in one basket" the hard way.





Department Looks Back On Achievements in 2009

In 2009, the Department of Banking made great strides in continuing its transformation into a full regulatory, enforcement, and consumer education and protection agency. Among its achievements:

In February, the Department began licensing 47 companies that offer **debt management** services for the first time in Pennsylvania.

In May and June, the Office of Financial Education hosted two successful educational outreach efforts, the **Common Wealth Symposium** and the **Governor's Institute on Financial Education**.

The Department created and convened an interagency work group addressing the issue of **loan modification scams**. The group includes representatives from the Department of State, the Attorney General's Office and the Pennsylvania Housing Finance Agency. Since April, the Department has ordered more than 20 companies engaged in loan modifications around the country to end their unlicensed business with Pennsylvania consumers and the Attorney General has sued four companies accused of deception regarding "mortgage rescues."

In June, Governor Rendell signed two bills designed to **combat mortgage fraud** by prohibiting a mortgage broker or

originator from being the only recipient of communications from lenders and protecting mortgage company employees who report illegal activity from retaliation by their employer.

On June 30, Governor Rendell announced that 10 Pennsylvania banks and credit unions agreed to offer assistance to the 69,000 state employees whose paychecks were delayed by a prolonged **budget impasse**. Consumer Services staff took calls from 590 Commonwealth employees inquiring about the financial assistance programs offered by these banks and credit unions (ultimately, more than 30 banks and credit unions offered such programs for state employees).

In June, Secretary Kaplan announced Banking's participation in a first-of-its-kind settlement between 14 state mortgage regulators and **Taylor, Bean & Whitaker Mortgage Corporation** in which the wholesale mortgage lender agreed to pay \$9 million in fines to the states and modify loans for struggling homeowners. The settlement came as the result of a review of TBW loans led by a Pennsylvania examiner.

In late June, Governor Rendell launched the "**Get Help Now, Pennsylvania**" volunteer initiative to provide financial and legal help to the many Pennsylvanians who faced difficult situations as a result of the recession. Department staff recruited hundreds of financial professionals to participate between July and mid-September. More than 800 state residents received help from more than 1,000 legal and financial professionals who gave a combined 5,000 hours of voluntary service.

The department scored an important victory over the **payday lending** industry in July when the Commonwealth Court agreed with the department's position that the Consumer Discount Company Act (CDCA) could be interpreted to apply to any company that makes consumer loans to Pennsylvania residents. The law had previously been



construed as applying only to companies with offices or employees physically located in the commonwealth. The decision will allow the department to enforce the interest and fee limits of the CDCA to lenders located out-of-state or on the Internet.

This summer, Governor Rendell signed a law that expands the range of mortgage professionals who need to be licensed and requires them to register in the Nationwide Mortgage Licensing System, a centralized database used by state regulators to monitor the industry. This legislation put the Pennsylvania in compliance with the federal **SAFE Act of 2008**.

The department developed a new informational brochure for consumers on **reverse mortgages**.

In late October, the Office of Financial Education and the Penn State Cooperative Extension received a 2009 **Excellence in Financial Literacy Education award** from the Institute for Financial Literacy for "*Right on the Money*," a program for teaching money management skills to families with young children.

October also saw the conclusion of **Pennsylvania Bankers Association v. Pennsylvania Department of Banking**, which involved six-years of litigation over the ability of state-chartered credit unions to convert to community-based charters. The courts discerned no errors of law in the approvals of the community charter conversions of Freedom Credit Union and Trumark Financial Credit Union, holding that Philadelphia and its four surrounding counties constitute a well-defined local community.

In fiscal 2008-2009, the Department of Banking's **non-depository examiners** looked at 906 companies resulting in:

- The levying of 96 fines totaling \$834,534;
- The identification and correction of 1,091 compliance violations;

- Refunds \$330,699.01 to Pennsylvania consumers; and
- The suspension, revocation or denial of 588 licenses and the issuance of 49 prohibition orders.

In fiscal 2008-2009, more than 6,300 consumers contacted Consumer Services with inquiries and complaints through our toll-free consumer hotline, 1-800-PA-BANKS and Web site: www.banking.state.pa.us, resulting in **\$3.4 million in refunds to 125 consumers**, nearly triple the amount of refunds secured in the previous fiscal year.

Pittsburgh Office Has Moved!



On December 29, the Department of Banking's Pittsburgh Field Office relocated to **11 Stanwix Street, Room 340, Pittsburgh, PA 15222**. The existing telephone numbers and email addresses for the office and staff have not changed.

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2009 Secretary's Award for Excellence

Each year, the Department of Banking recognizes employees who demonstrate the highest levels of service, dedication, hard work and expertise through the Secretary's Award for Excellence. This year's recipients were honored in front of their peers at meetings in State College and Harrisburg:



James Acri

As Director of the Trusts Office, Jim's expertise in the field of trusts and estates is nationally recognized among other state regulators, who frequently turn to him for guidance on addressing issues and to teach programs.

David Bogonovich and Theresa Serfas

David and Theresa (*being congratulated by Secretary Kaplan*) are examiners in the Bureau of Non-Depository Examination. Over this past year, they helped to revitalize the department's installment seller examination program.



Jamie Robenseifner

Jamie is Chief of the Licensing Division. Over the course of 12 months, she successfully managed three major licensing transition periods affecting Non-Depository licensees: the transition to the Nationwide Mortgage Licensing System, the licensing of debt management companies and implementing expanded mortgage licensing requirements under the S.A.F.E Act.

2009 Nominees

Don DeBastiani
 Jessica Delaney
 Sharon Dick
 Patrick Hall

Judith Jesikiewicz
 Jessica Kessock
 Tim Knopp
 Jennifer Kropa

Edwin Hammond
 Raymond Harper
 William Henry
 James Hogan

Mary Rutkowski
 Elizabeth Siminitus
 Tim Siwy
 Darla Wolota



PA Earns Mortgage Accreditation



The Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators announced in November that the department achieved accreditation under the joint CSBS-AARMR Mortgage Supervision Accreditation Program. Pennsylvania was the first state to receive this recognition since AARMR and CSBS agreed to accredit their members jointly.



"In our current economic environment, it is clear that strong financial regulation by the states is needed more than ever," Secretary of Banking Steve Kaplan remarked at the time. "Governor Rendell's leadership and strong support in our General Assembly has allowed Pennsylvania to become a national leader in consumer protection and marketplace integrity."

The Mortgage Supervision Accreditation program involves a comprehensive review of the critical elements that assure a state regulator's ability to discharge its mortgage supervisory responsibilities. Details about the program may be found on the CSBS Web site www.csbs.org.

New Professional Development Academy



The department achieved one of its strategic goals this fall with the launch of the Department of Banking Academy to provide opportunities for professional development to all agency staff and to promote the mission of the agency through research and employee education and training.

"Our commitment is to provide for the evolving needs of employee education, training, and professional development," said Becky Doane, the agency's human resources director who headed a committee charged with developing the Academy.

Holly Chase and Becky MacDicken of the Office of Financial Education taught the first two courses offered by the Academy on credit and personal budgeting issues. A required course for all employees on the history of the agency and how state government works is being taught by Paul Wentzel, the agency's legislative liaison, and Cheryl Dondero, the director of administration. Additional courses are being developed on many issues facing financial regulators, including information technology, ethics and enforcement.

"Among the pleasures in developing the Academy is the realization that we often have world-class talent working in the office next door," said Secretary of Banking Steve Kaplan. "The Academy takes advantage of our in-house expertise, enhances collegiality among our far-flung staff and allows us to develop professionally in a creative and fiscally responsible fashion."



COMPLIANCE CORNER



On December 8, Secretary of Banking Steve Kaplan (*far left*) and Deputy Secretary David Bleicken (*far right*) joined U.S. Attorney Michael Levy and Special Agent-in-Charge of the FBI Janice Fedarcyk in Philadelphia to announce indictments in a \$14.6 million mortgage foreclosure scheme. It was the public capstone of a multi-agency investigation of Axxium Mortgage, Inc., initiated by the Department of Banking.

The Axxium case is just one among several investigations and enforcement actions taken recently by the department. In November, Pennsylvania's Attorney General announced four lawsuits against loan modification companies accused of deceptive practices:

- Foreclosure Awareness Inc., of Bensalem, PA, and Boca Raton, FL, along with owner Michael Squillace.
- Nationwide Foreclosure Prevention Center LLC, of Williamstown, NJ, and owner Robert P. Valentin.
- Best Interest Rate Mortgage Company LLC, of Huntingdon Valley, PA and Westmont, NJ, as well as company President Michael J. Diplacido.
- U.S. Mortgage Mod LLC, of Philadelphia, and owner Marc Dambrosio.

These lawsuits resulted from the work of another multi-agency group that included the Department of Banking, Office of Attorney General, Department of State and the Pennsylvania Housing Finance Agency.

Kaplan points to other enforcement actions, including the multi-state examination and \$9 million fine of Taylor, Bean & Whitaker and the suspensions of more than 15 mortgage licenses for failure to comply with new reform legislation as evidence that financial regulators are willing to take innovative steps to ensure compliance in a period of re-regulation of the financial industry.

"Governor Rendell and I are pleased when state and federal agencies can cooperate to protect consumers and deter improper and criminal activity," remarked Secretary Kaplan. "The U.S. Attorney's indictment and Attorney General's lawsuits help underscore our commitment to consumer protection and the Department of Banking's ability to bring financial expertise to criminal prosecutions."

Improved Web Service



In December, the Department of Banking **re-launched its Web site** in a new technology platform that allows consumers, financial institutions and others to navigate the site more easily and find the information they need more quickly: www.banking.state.pa.us.



“Right on the Money” Training Offered to Housing Groups

An award-winning financial education curriculum for families will benefit even more people through an innovative partnership between the Office of Financial Education and the Pennsylvania Housing Finance Agency.

“Right on the Money: Talking Dollars and Sense with Parents and Kids” uses popular children’s books to introduce financial concepts to kids and provides parents with tools and information to improve their own financial knowledge. It was developed by the Office of Financial Education in 2007 through a collaboration with the Penn State University Cooperative Extension and with funding from the Heinz Endowments. The program is used by libraries and community organizations and was recognized in 2009 with an Excellence in Financial Literacy Education award from the Institute for Financial Literacy.



Holly Chase, the curriculum’s editor, is now working to bring the program to residents of low-to-moderate income housing developments financed by the Pennsylvania Housing Finance Agency. Since managers and developers of these housing units are required to provide social services to residents, Chase saw *“Right on the Money”* as a natural fit. “We know that learning goes on in many environments,” Chase stated, “and *‘Right on the Money’* can be a tool for parents to use with their children at home.”

Chase hosted a Webinar to explain to service coordinators and housing managers how ROTM can be used with residents. In November, she also provided the curriculum as part of a financial education “boot camp” for service coordinators in Norristown. She will present another boot camp to service coordinators in March 2010.

Chase says her past experience as a housing counselor and educator proved to her that financial education is a basic need for many. “For some people, it is just learning how to say ‘no’ to those offers that often sound too good to be true.” ROTM can be downloaded for free at www.moneysbestfriend.com or ordered through the Office of Financial Education at (717) 783-2498.

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(Prior to Adoption of NMLS)**

