

# The Quarter

Newsletter of the Pennsylvania Department of Banking



**pennsylvania**  
DEPARTMENT OF BANKING

**Protect. Regulate. Inform.**



### **National Trends vs. PA Reality**

Elected officials, journalists, commentators, the business community and the public are searching for the magic bullet to cure our country's economic woes. In response, state and national regulators are answering questions about a range of financial issues, including lending and foreclosure, based on reporting of national trends. [Learn more](#)



### **Department of Banking Aiding Economic Recovery**

The Office of Economic Development works with bankers and economic development organizations statewide to maximize economic activity for Pennsylvania businesses for job retention and creation. [Learn more](#)

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### **Compliance Corner**

The Department of Banking announced more than 90 enforcement actions taken in the first quarter of 2010, most of which involved companies that had failed to acquire surety bond coverage for their loan originators per federal SAFE Act requirements. [Learn more](#)

### **Financial Education Update**

The Office of Financial Education has announced the results of a study conducted by the Penn State University Survey Research Center, "The Status of Financial Education in Pennsylvania High Schools 2009." [Learn more](#)

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## National Trends vs. PA Reality

by Steve Kaplan, Secretary of Banking

It goes without saying that, in order for policy to be effective, it must be based on facts. It is, after all, important to know where you are in order to map the route to where you want to be. But in this Information Age, we are often so inundated with "facts" that deciding which ones are important or relevant to the question we are confronting can often be difficult.

The popular media tend to report "facts" based on what their readers, viewers or listeners find most compelling and that tends to be the specific case or the sweeping national or global story. We are all concerned when a neighbor faces a foreclosure or a local shop owner goes out of business. Actually, these local anecdotes reinforce our understanding of national and global realities when we hear reports that U.S. banks sharply curtailed

lending in 2009 or that 25 percent of American residential mortgages are "underwater." It is important, however, to guard against drawing the conclusion that those data necessarily describe the situation we are confronting here in Pennsylvania.

In fact, although it has been reported that nearly 25 percent of residential mortgages are under water nationally – with large states like California and Florida over 50 percent – Pennsylvania's rate is the fourth best among states reporting, at 7.5 percent. Statewide foreclosure activity does continue, at 4.68 percent, to exceed historic norms in Pennsylvania. However, our statewide foreclosure rate is 42.5 percent lower than the national average and 33 percent lower than the average of the four largest states bordering us, based on analysis of data from the National Delinquency Survey of the Mortgage Bankers Association. And although *The Wall Street Journal* reports that "U.S. banks last year reported their sharpest decline in lending since 1942," the same FDIC data used for the *Journal* analysis tells us that, although lending by Pennsylvania state-chartered banks and thrifts dropped slightly from 2008-09, loans are actually up nearly 2 percent since 2007, a remarkable accomplishment in light of our recent economic challenges.

One of the many important lessons of the last couple of years is that the United States, even in the 21st century, is not a single, homogenized economic entity. Regions, states and even metropolitan areas and municipalities continue to, in many ways, be different from their neighbors near and far. Good policy will therefore be achieved by data that are collected and analyzed with these differences in mind. That is why our federal system with power shared among federal, state and local governments remains so critically important.



**We can't move forward  
until you mail it back.**

Look for your Census form in the mail.



IT'S IN OUR HANDS

United States  
**Census  
2010**





## Department of Banking Aiding Economic Recovery

The Office of Economic Development works with bankers and economic development organizations statewide to maximize economic activity for Pennsylvania businesses for job retention and creation.

Staff members **Kevin Pyle**, **Donna Riling** and **Dick Moriarty** – themselves experienced financial professionals – operate on the front lines of the economic recovery. They serve as resources and intermediaries for lenders and businesses on complex issues such as direct loans, guarantees, tax credits and/or grant programs administered by state and federal agencies.

To illustrate how they work, in the past year, the OED has helped:

- ▶ A Pennsylvania business employing approximately 150 workers in three locations that needed a intermediary with a lender and a state agency in order to restructure company debt and find financing for a \$5.4 million solar panel installation.
- ▶ A retired high school principal who needed assistance developing a business plan and obtaining \$3.5 million in start-up capital for an early childhood education center.
- ▶ A Pennsylvania manufacturer and a lending institution, which needed a business and industry loan guarantee from the United States Department of Agriculture to save 30 jobs.
- ▶ A Pennsylvania business owner who needed financial expertise while working with a national mortgage lender regarding a loan modification.
- ▶ The Department of Community and Economic Development, which requested technical assistance from the OED to help resolve a troubled loan situation involving local, state and private loan dollars.
- ▶ The Department of Environmental Protection, which established a Green Energy Loan Fund utilizing \$30 million of public and private dollars for renewable energy technologies and energy saving improvements.

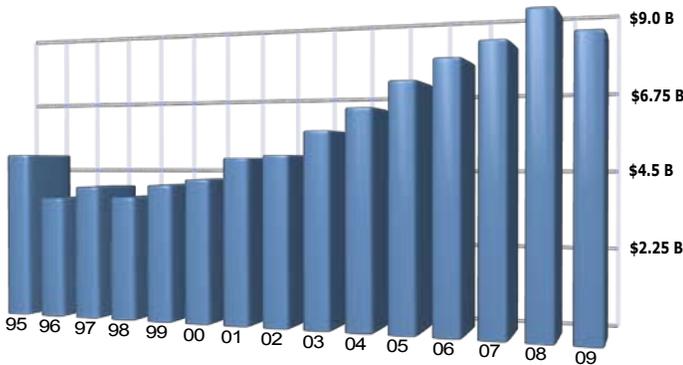
In addition, during the past year Office of Economic Development staff members traveled throughout Pennsylvania to educate more than 1,500 business people and lenders on how to take advantage of state and federal government resources as well as working on more than \$200 million of loan requests.

"Pennsylvania businesses and lenders are feeling a great deal of stress these days," says Pyle, the OED director. "We point them in the direction of the resources that will help them get a firmer footing in this difficult business climate and provide needed financial expertise to complete the deals that will help communities by nurturing their companies and jobs."



# RESEARCH QUARTER

■ Lending by PA State-Chartered, FDIC-Insured Institutions 1995-2009



Data Source: FDIC Quarterly Banking Profile

## GoDirect® Campaign

The GoDirect® Campaign helps prevent fraud, loss and gives consumers more control over their money. For senior citizens, people with disabilities and others who receive federal benefits by paper check, switching to electronic payments is a simple way to protect themselves from fraud and gain more control over their money.

In 2009, more than 440,000 Social Security and Supplemental Security Income (SSI) checks were reported lost or stolen and had to be reissued, while an estimated \$69 million in checks issued by the U.S. Treasury were fraudulently endorsed. In addition, by switching to electronic payments, money is immediately accessible on payment day from virtually anywhere. Two options recommended by U.S. Treasury are available:

- ▶ **Direct Express®** Debit MasterCard® card – No bank account is required. To sign up for the card, or to learn more about its features, people can call toll-free (877) 212-9991, go to [www.USDirectExpress.com](http://www.USDirectExpress.com), or visit their local Social Security office.
- ▶ **Direct Deposit** – To sign up, people can call (800) 333-1795, go online to

[www.GoDirect.org](http://www.GoDirect.org), or visit their local bank or credit union.

The Pennsylvania Department of Banking encourages all of our partners to visit the Partners section of the Go Direct® Web site: [www.GoDirect.org](http://www.GoDirect.org) (English) or [www.DirectoASuCuenta.org](http://www.DirectoASuCuenta.org) (Spanish), or call a campaign representative at (952) 346-6055.



*Congratulations to Mary Rosenkrans, director of the Office of Financial Education, for being named 2010 winner of the Roy W. Allison Award as the Penn State Harrisburg Outstanding Teacher Education Graduate.*



*Cheryl O'Hara and Linda Zang of the Office of Consumer Services take part in a consumer fair in the Capitol Rotunda this spring.*



## Financial Education Update

The Office of Financial Education has announced the results of a study conducted by the Penn State University Survey Research Center, "The Status of Financial Education in Pennsylvania High Schools 2009." Among the findings is that the number of high schools requiring a standalone personal finance course for graduation has increased in the past two years from 20 to 44. For more information visit our Web site at [www.moneysbestfriend.com](http://www.moneysbestfriend.com).

Governor Edward G. Rendell proclaimed April as "**Financial Education Month**" in Pennsylvania, noting that the Office of Financial Education:

- was a co-recipient with the Penn State Cooperative Extension for a national award from the Institute for Financial Literacy for creating "Right on the Money," an innovative curriculum offered by libraries, county extension offices and community-based organizations to teach money management skills to families with young children.
- during the 2008-09 fiscal year helped nearly 650 K-12 teachers and administrators integrate age-appropriate financial concepts into their instruction; helped more than 450 community-based professionals explore how to integrate financial education into their organizations' services or improve the financial education they are already offering to their clients; and is working with 24 Pennsylvania companies and state agencies in providing workplace financial education to nearly 11,000 employees.

The **4th Annual Common Wealth Symposium** for workplace and community professionals will be hosted May 11-12, at the Holiday Inn Harrisburg/Hershey.

### General session topics will include:

- Key elements of effective financial education programs
- Educator training and certification programs
- Program evaluation
- Financial education curricula, model programs and resources
- Marketing your program

You may register online. For additional information, please contact Rose Stoner at 717-783-2498 or [rosestoner@state.pa.us](mailto:rosestoner@state.pa.us).



## Q1 - 2010 Enforcement Actions

- The department ordered 83 companies to obtain the required surety bond coverage for their loan originator employees within 30 days or face fines of up to \$5,000 and suspension of their Pennsylvania licenses. The bond can be used to reimburse consumers for losses suffered as a result of misconduct by a loan originator.
- The department issued cease and desist orders against two unlicensed mortgage loan modification companies. Any employees who negotiate loan modifications must also be licensed.
- The department entered into consent agreements with nine mortgage companies for unlicensed activity or making misstatements on forms to the department.
- The department issued a cease and desist order against an Internet payday lender after receiving complaints from Pennsylvania consumers who were charged interest and fees in excess of the law.

