



# Quarter

Newsletter of the Pennsylvania Department of Banking



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DEPARTMENT OF BANKING

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Office of the Secretary of Banking



## Moving Forward

By **Glenn E. Moyer**, Secretary of Banking

The Department of Banking revived its strategic planning process late last year. Our planning team sought to provide the department with a clear mission and values, articulate the important issues we must address and create measurable objectives. This plan will specifically guide our efforts into 2015, but our overarching focus is to create actionable strategies that can sustain our success well beyond that time frame. [Learn more](#)



### Taking the Uncertainty Out of Doing Business in PA

The newly appointed Area Executives in the Client Financial Services (CFS) unit have spent their first quarter discussing business and economic issues with leaders at Pennsylvania state-chartered banking institutions.

[Learn more](#)



### Department Welcomes Two Banks to State Charter

The Department of Banking converted two federally chartered depository institutions to the Pennsylvania state charter in the first quarter of 2012: [Learn more](#)



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## Moving Forward by Glenn E. Moyer, Secretary of Banking

Two issues regarding the future of our Department of Banking are under discussion, and I want to update you on their status.

### Merger Announcement

As part of his focus on improving overall government efficiencies, Governor Corbett is supporting the combination of the Department of Banking with the PA Securities Commission into one state agency. We anticipate this merger will take effect in

the 2012-13 fiscal year.

This merger of agencies with similar missions will result in a new, streamlined Department of Banking and Securities that will look like financial regulatory structures in some other states. The new department will enhance our ability to protect consumers while providing oversight and guidance to Pennsylvania's varied financial services businesses.

The Corbett Administration recognizes that this proposal will require the General Assembly to pass legislation. A Merger Planning and Integration Team is emerging to focus on how to combine our two strong organizations in an effective manner. The new department will maintain critical functions and look for short-term and longer-term efficiencies.

We are still in the discovery stage of this process and have reached few conclusions, but I can tell you this: we are confidently moving forward and will not "miss a beat" in serving our clients.

### Strategic Plan

The Department of Banking revived its strategic planning process late last year. Our planning team sought to provide the department with a clear mission and values, articulate the important issues we must address and create measurable objectives. This plan will specifically guide our efforts into 2015, but our overarching focus is to create actionable strategies that can sustain our success well beyond that time frame.

The process refined the department's mission:

***"The Pennsylvania Department of Banking fosters strong financial services industries for the commonwealth by ensuring the safety and soundness of state-chartered financial institutions, the compliance with laws that govern financial service entities and the protection of consumers in financial matters."***

This new mission statement focuses our attention and resources on the core functions of the department: "safety and soundness" and consumer protections.

This mission statement also reflects the Corbett Administration approach that Pennsylvania is "open for business." The Department of Banking's job is to ensure the fairness, integrity and competitiveness of the marketplace so that businesses and consumers can conduct financial transactions with confidence. With a foundation of confidence, Pennsylvania's economy will secure its footing, and our citizens can look forward to greater prosperity.

*Continued*



The planning process also identified five goals we must meet in order for the department to meet its mission.

**Goal #1: *To develop and advocate for a sustainable funding model that assures adequate, predictable funding and resources to achieve the mission of the department.***

To meet this goal, we are working with members of Governor Corbett's senior staff and industry representatives to develop a new funding model that will be fair to those we supervise and provide the department adequate resources to meet our core functions with excellence.

**Goal #2: *To attract, develop and retain a high-quality workforce.***

To meet this goal, we are strengthening our succession plan, working to improve communications with staff members working in the field, and evaluating our recruitment, orientation, training and development, and retention plans. Ensuring that we have the best professionals available to work with our clients is essential.

**Goal #3: *To foster the success of our clients and customers.***

To meet this goal, we must work to implement the Corbett Administration's "open for business" approach through several initiatives:

- Modernizing and streamlining the Banking Code, Mortgage Act, and other legislation that directly impacts our clients;
- Serving as a balanced regulator among our institutions and federal regulators;
- Promptly processing applications for bank charter conversions in a thorough manner; and
- Implementing the department's new Client Financial Services outreach initiative, while improving our internal business processes wherever possible.

**Goal #4: *To establish constructive working relationships and respect with our colleagues and partners.***

To meet this goal, we must develop stronger relationships with our external constituencies (industry and other key stakeholders, including our federal counterparts and the new Consumer Financial Protection Bureau), while fostering positive working relationships with our internal partners, including the General Assembly and other state government agencies.

**Goal #5: *To assure the highest quality service through continuous improvement of the application of technology.***

To meet this goal, we must develop a Technology Strategic Plan for the next three years and develop a new, all inclusive update for our central database, which was designed a decade ago.

And there you have it! All of us charged with implementing this change recognize the great challenges that lie ahead for us as we work to merge and refashion two highly successful and respected agencies into one. The key will be good, consistent and continual communication and feedback – this way there will be no surprises! We welcome your thoughts and suggestions as well!



## CFPB Comes to PA to Learn About Consumer Processes

When the newly formed federal Consumer Financial Protection Bureau (CFPB) wanted to learn more about how to handle the consumer inquiries and complaints, their representatives came to Pennsylvania and a handful of other states to learn from experienced professionals.

In a day-long seminar in Harrisburg in March, Acting Deputy Secretary Tim Siwy and his staff demonstrated Department of Banking business processes, work flows and data system functionalities to a team from the CFPB.



"The CFPB is seeking to create a streamlined and efficient system that will align with systems and processes being used at the state level," said Siwy. "We are pleased that the Department of Banking is considered a 'best practices' site, and we are glad that we can use opportunities like this demonstration to ensure

that the flow of information between state and federal regulators goes in both directions."

Siwy and Executive Deputy Secretary Victoria Reider serve on a committee of state financial regulators working to develop recommendations to the CFPB on a federal consumer complaint system and ensuring that state concerns are brought to the federal regulatory table.

## Moyer to Co-Chair 2012 SECA Campaign

Secretary of Banking Glenn E. Moyer has been named to co-chair the 2012 State Employees Combined Appeal. Through SECA, state employees have the opportunity to make voluntary contributions to any of more than 1,300 charitable organizations in their communities, Pennsylvania or the world. He will work to assist the 2012 campaign chair, Secretary of Environmental Protection Michael Krancer, and assume the duties of SECA chair for the 2013 campaign.



## Money Transmitter Licensee Alert!

The department is making final preparations necessary to initiate a plan to transition all money transmitter licensees onto a new licensing management system referred to as the NMLS. NMLS is a secure, web based system created by state regulators to provide efficiencies in the processing of state licenses. Through NMLS, companies maintain a single record which they use to apply, maintain, renew and surrender licenses in more than one state. NMLS also contains the functionality for submission of financial statements, annual reports, supporting documentation, credit reports and criminal background checks. Your license applications and renewals will be managed by NMLS starting Nov. 1, 2012. Information on NMLS and what you will need to do to prepare yourself for this transition will be sent to you this summer.



## 2011 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 during an all-staff meeting in Harrisburg.

### Theresa Jones and Ryan Walsh

The work of Theresa Jones and Ryan Walsh over the past year addressing the issue of unlicensed activity has helped maintain integrity in the marketplace, protect Pennsylvania consumers from unlicensed lenders and enable important financial transactions to take place in a safe, regulated environment.

Jones was recognized for her work identifying unlicensed money transmitters, helping define a prospective, consistent and ongoing approach to this class of licensees. Due primarily to Walsh's efforts with regulators and law enforcement in other states - as well as his own investigation - the department has issued several enforcement orders against unlicensed "payday" lenders doing business over the Internet.

Their professionalism, dedication, enthusiasm and perseverance help protect consumers and ensure confidence for all parties in Pennsylvania's financial marketplace. Their work enhances the reputation of the department, and they are worthy recipients of the Secretary's Award for Excellence.



*Secretary Moyer, Theresa Jones, Ryan Walsh and Acting Deputy Secretary Tim Siwy*



*Secretary Moyer, Mary Rutkowski and Deputy Secretary Wendy Spicher*

### Mary Rutkowski

Mary Rutkowski, Field Office Supervisor in the Eastern Region, consistently takes the initiative to review, revise and implement new policies and procedures. She created a training program for new examiners in her region and a depository examiner manual to be used by all in her bureau. She also designed an interactive instructional program that she administers during the examiner's initial two weeks. When needed, she works one-on-one with new examiners preparing them for the next step of on-the-job training.

Mary epitomizes the professionalism and dedication the department strives to achieve, is an excellent role model and is a worthy recipient of the Secretary's Award for Excellence.

**2011 Nominees** > Manuela Breinich, Lou Fabian, Donna Milakovic, Jen Phillips, Jeff Perdue, Chuck Martier, Donna Weller, Darla Wolota, Don DeBastiani and Tim Siwy.





# Client Financial Services

## Taking the Uncertainty Out of Doing Business in PA

The newly appointed Area Executives in the Client Financial Services (CFS) unit have spent their first quarter discussing business and economic issues with leaders at Pennsylvania state-chartered banking institutions.

"These meetings have been invaluable to our efforts to create clearer conduits of communication with our depository institution clients," said Executive Deputy Secretary Victoria A. Reider, who oversees CFS. "The feedback we have been receiving – mainly from community bank presidents so far – has been enthusiastic and positive."

Among the issues at the top of these bankers' lists of priorities are two types of uncertainty.

First, they are concerned about business uncertainty being fueled by many issues, including: the impact of the near-zero interest rate policy of the Federal Reserve's Open Market Committee; anticipated costs attached to employer-sponsored health care benefits beginning in 2014; the decline in the quality of borrowers intent on paying down debt; the price of gasoline; high rates of unemployment; and the lack of vitality in the housing market.

"As a former community banker myself, I can understand that there is a bit of the 'wait and

see' approach to this economy," said Secretary of Banking Glenn E. Moyer. "In this business environment, everyone wants someone else to take the first risk. At the Department of Banking, our job is to do whatever we can to reduce that uncertainty."

Second, regulatory uncertainty is expressed by bankers' fears about the consequences – both expected and unintended – of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law in 2010. Among their chief concerns is the reach of the new Consumer Financial Protection Bureau.

Moyer points to several ways the Department of Banking is working to reduce regulatory uncertainty.

He stresses that the department is not in the "gotcha" business, where examiners and investigators spring surprises on their clients. "The businesses and professionals we supervise should know what to expect from us," said Moyer. "By increasing our level and depth of communication through our Client Financial Services executives, we increase the amount of regulatory transparency and reduce the amount of uncertainty."

Moyer also points out that the Department of Banking maintains good relationships with established federal regulators and is building up relationships with the new Consumer Financial Protection Bureau. "We are entering into agreements with the CFPB," said Moyer. "We not only expect that information sharing will work

*Continued* 



in both directions, but we also expect to use our seat at the table in Washington to be able to advocate for Pennsylvania interests."

As new federal rules and interpretations under Dodd-Frank are developed in the months and years to come, Moyer expects that state financial regulators will seek ways to affect the development and implementation process. "As we share concerns from our clients," Moyer pointed out, "it provides our federal counterparts the opportunity of taking into account the impact of their work on the state and regional levels."

One significant consequence of Dodd-Frank is already playing out in Pennsylvania. Several federally chartered banking institutions have sought to convert to the state charter. Five banking charters converted in 2011, two converted in the first quarter and several more applications for charter conversions are in process.

"We employ excellent, dedicated and qualified examiners," said Moyer. "Several banking leaders have already come to the conclusion that the Department of Banking clearly appreciates the distinctiveness of Pennsylvania and the diversity of business models needed to successfully serve our financial marketplace."

As the Client Financial Services executives develop relationships with Pennsylvania banking leadership, Moyer and Reider expect they will begin to work with credit union management, and owners and management of large non-bank lenders.

"The Department of Banking understands that the marketplace and economy have changed and that we must adapt to help Pennsylvania businesses and consumers regain their financial footing and expand their prosperity," said Moyer. "I am confident that the Area Executives we have chosen to launch the Client Financial Services initiative will create strong ties between the department and 'job creators' across Pennsylvania."

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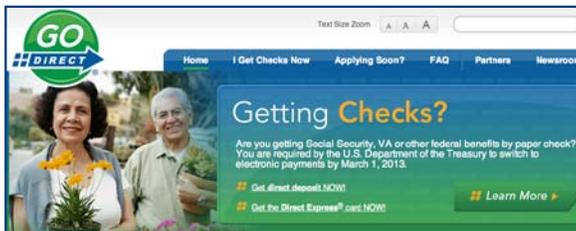


## Department Welcomes Two Banks to State Charter

The Department of Banking converted two federally chartered depository institutions to the Pennsylvania state charter in the first quarter of 2012:

- William Penn Bank FSB, Bucks County, converted from a federal stock savings bank to a Pennsylvania state-chartered stock savings bank to be known as William Penn Bank.
- Third Federal Bank, Bucks County, converted from a federal stock savings bank to a Pennsylvania state-chartered stock savings bank to be known as 3rd Fed Bank.

Five federally chartered depository institutions converted to the Pennsylvania state charter in 2011.



## Help Your Customers Switch to Electronic Federal Benefit Payments

Everyone who receives federal benefit payments by paper check is required by the U.S. Department of the Treasury to switch to an electronic payment option by **March 1, 2013**.

The Treasury recommends two electronic payment options:

- People with checking or savings accounts can sign up to get their money by **direct deposit**, ensuring their federal benefit payment will go straight into their account on payment day each month.
- Those beneficiaries without a bank account or who prefer a prepaid debit card, can switch to the **Direct Express®** card. Money will be posted to the card account on payment day each month. There are no sign-up fees, overdraft fees or monthly fees. Some fees for optional services may apply. For information on card fees and features, visit [www.GoDirect.org](http://www.GoDirect.org).

The Treasury notes that there are three ways federal beneficiaries can make the switch to **direct deposit** or the **Direct Express®** card:

- In person at their bank or credit union (direct deposit only) or their local federal benefit agency office;
- Online at the Treasury Department's **Go Direct®** website, [www.GoDirect.org](http://www.GoDirect.org); or
- Call the U.S. Treasury Electronic Payment Solution Center at (800) 333-1795.

People who do not choose an electronic payment option by March 1, 2013, will receive their benefit payments via the **Direct Express®** card so they will not experience any interruption in payment. For more information or to download or order free materials, visit [www.GoDirect.org](http://www.GoDirect.org).





## People for People CD Credit Union Closed

The National Credit Union Administration liquidated the People for People Community Development Credit Union in Philadelphia in late February. Memberships were transferred and loans sold to TruMark Financial CU, also based in Philadelphia.

Deposits at People for People were insured up to \$250,000 by the National Credit Union Share Insurance Fund, which has the backing of the full faith and credit of the U.S. Government.

People for People was the second credit union closed nationally in 2012. Four other credit unions based in Pennsylvania, all operating under a federal charter, have been closed in the last three years.

## Operation Red Tape Launched to Provide Regulatory Relief

The department launched an initiative dubbed "Operation Red Tape" last summer in an effort to provide regulatory relief to our mortgage licensees. The goal of the program was to eliminate unnecessary regulatory requirements that are burdensome to the mortgage industry and provide no consumer protection benefit. During "Operation Red Tape," the department reviewed complaints from mortgage licensees and discussed with industry representatives recommended amendments to the Mortgage Licensing Act.



Among the issues addressed by the proposed amendments are:

- An exemption to licensing for individuals not in the mortgage business who originate three or less mortgage loans per year;
- Streamlining the alternate site record-keeping process;
- Removing the requirement to license an occasional business location as a branch office in some circumstances;
- Changing the pre-licensing education requirement from the company owner to the company manager;
- Removing the requirement for lenders not funding government-backed or -insured loans to meet requirements for FHA/GSE lenders;
- Allowing the industry to escrow their licenses; and
- Removing the requirement to display or carry a license certificate.

These proposed amendments to law are currently being reviewed for comment by industry leaders and other state officials.





# COMPLIANCE CORNER

## Quarterly Report on Enforcement Actions

The Department of Banking's Bureau of Compliance and Licensing took 87 enforcement actions during the first quarter of 2012.

The department issued 83 orders against companies for statutory violations resulting in fines of \$531,050. Among the 83 orders:

- Six companies engaged in unlicensed mortgage loan origination activity;
- Ten companies engaged in unlicensed mortgage loan modification activity;
- Twenty-five companies engaged in other unauthorized mortgage loan activity;
- Seven companies engaged in unlicensed auto finance sales activity;
- One company engaged in illegal "payday" lending;
- One company engaged in unlicensed money transmitting activities; and
- Thirty-two companies were engaged in various other unauthorized non-mortgage related activity.

In addition, the department prohibited one individual from engaging in the mortgage business in Pennsylvania; suspended two mortgage originator licensees from engaging in the mortgage business in Pennsylvania; and revoked the licenses of two companies preventing them from engaging in the motor vehicle financing business in Pennsylvania.

A comprehensive list of enforcement actions taken by the Department of Banking against non-depository institutions and individuals is available online at [www.banking.state.pa.us](http://www.banking.state.pa.us). Consumers can make inquiries or file a complaint against any company regulated or licensed by the Department of Banking online or by calling **1-800-PA-BANKS**.



## Debt Management Services Company Licensee Alert!

The department is making final preparations necessary to initiate a plan to transition all debt management licensees onto a new licensing management system referred to as the NMLS. NMLS is a secure, web based system created by state regulators to provide efficiencies in the processing of state licenses. Through NMLS, companies maintain a single record which they use to apply, maintain, renew and surrender licenses in more than one state. NMLS also contains the functionality for submission of financial statements, annual reports, supporting documentation, credit reports and criminal background checks. Your license applications and renewals will be managed by NMLS starting Nov. 1, 2012. Information on NMLS and what you will need to do to prepare yourself for this transition will be sent to you this summer.



## Helping Seniors Avoid Reverse Mortgage Scams

by **Katrina Boyer**, Consumer Group Relations Coordinator



Senior citizens should be aware of several new breeds of reverse mortgage scams including:

### **Reverse Mortgage home repair scam >**

The Federal Housing Administration (FHA) may require repairs on a property before an FHA-guaranteed loan can close. Some scam artists posing as trusted lenders will try to steer this repair work to a contractor who charges an inflated cost to the consumer (and kicks back some of the contracting fees to the lender).

### **Charging for free information >**

One of the most common scams takes place when a scam artist posing as a reliable resource charges high fees for providing information about reverse mortgages that should be free. The U.S. Department of Housing and Urban Development (HUD) and many other government agencies and nonprofit groups provide free information about reverse mortgages.

### **Flipping >**

This scheme involves a scam artist purchasing a foreclosed home and "selling" it to a senior, using an FHA-guaranteed reverse mortgage based on an overvalued appraisal. The senior has been led to believe that the house is "free" and does not realize they must pay the taxes and homeowners insurance. The scam artist makes off with the proceeds of the reverse mortgage and leaves the victim and FHA responsible for the mortgage and maybe even a home that is unsuitable for habitation.

### **Using a Reverse Mortgage to fund other investments >**

Some scam artists work to persuade seniors to use the proceeds from a reverse mortgage to invest in mutual funds or annuities. Most financial professionals do not believe this is a wise choice. To avoid falling for a reverse mortgage scam, the Department of Banking urges senior citizens to:

- Do your homework:  
Call HUD at (888) 466-3487 for information on reverse mortgages. You can also visit [www.hud.gov](http://www.hud.gov).

Useful information on reverse mortgages can also be found at AARP's website [www.aarp.org](http://www.aarp.org).

- Talk to family and trusted friends;
- Take full advantage of the FHA-required reverse mortgage counseling;
- Invite someone you trust to sit in on any and all meetings/discussions - particularly the loan closing; and
- Remember that in most cases you have three days to review your final contract and change your mind or "rescind" the loan if you decide that a reverse mortgage is not right for you.

If you are being pushed into a reverse mortgage that does not feel "right," you can:

- Contact your reverse mortgage counselor;
- Contact PA Attorney General's Elder Abuse Hotline (866.623.2137);
- Notify the Federal Trade Commission at [www.ftc.gov](http://www.ftc.gov);
- Contact the FHA at 800.CALL.FHA (800.225.5342)

If you have questions or concerns about a reverse mortgage, trained Pennsylvania Department of Banking professionals can answer your questions at 1.800.PA.BANKS (1.800.722.2657).

## Advancement

**Charles Jones** has joined the administrative services bureau, where he will focus on strategic planning, human resources and information technology issues.

Acting Deputy Secretary **Tim Siwy** has been named NMLS Ombudsman. In this voluntary role, he will foster constructive dialogue between industry users of NMLS and state regulators to mutually work toward the goal of modern and efficient state regulation.

The department is pleased to welcome back **Sharon Williams**, who joins the legal staff as an attorney. Sharon had previously served in several non-legal capacities, including licensing.

Assistant Counsel **Lauren (Sassani) Abbott** has joined the Financial Services Regulatory Group of Reed Smith LLP as an associate in the firm's Philadelphia office.

Compliance examiner **Ken Siebert** has accepted a position with the Consumer Financial Protection Bureau.

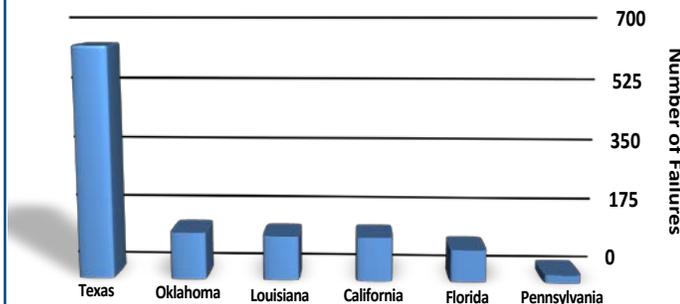
**Bob Willis**, who served the department for 15 years and thousands of Pennsylvanians seeking help with financial matters, has retired.



*Acting Deputy Secretary Tim Siwy congratulates Bob Willis on 15 years of service and his retirement.*

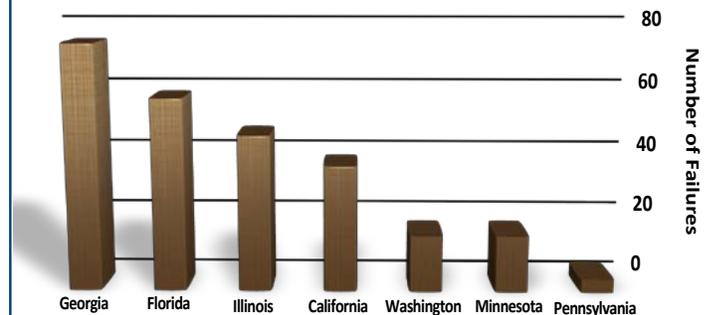
## RESEARCH QUARTER

### Bank Failures: S&L Crisis Top 5 States v. PA (1986-1992)



FDIC Insured Institutions Only (1986-1992);  
 Total Nationwide Failures: 1,967; Data Source FDIC

### Bank Failures: 2008 Recession Top 5 States v. PA (2008-2011)



FDIC Insured Institutions Only (2008-11);  
 Total Nationwide Failures: 411; Data Source FDIC

If you have any questions or comments, or would like to view previous editions of "The Quarter" click the icon.

