

the quarter

newsletter of the pennsylvania department of banking and securities



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DEPARTMENT OF BANKING
AND SECURITIES

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Office of the Secretary of Banking and Securities



Finding the Right Balance

By **Glenn E. Moyer**

Secretary of Banking and Securities

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[Learn more](#)



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[Learn more](#)



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The department's Investor Education team made presentations at the first "Making \$ense of Finance" conference in Pittsburgh on March 1.

[Learn more](#)



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Finding the Right Balance

by **Glenn E. Moyer**, Secretary

Three years ago, following a 34-year career as a community banker, I had the honor and privilege to walk through the doors at 17 North Second Street in Harrisburg as the new Secretary of Banking. My first column in this newsletter in April 2011 discussed how we planned to set about fulfilling Governor Tom Corbett's "open for business" mandate:

The Department of Banking...must be challenged to take a fresh look at how we can be most effective in this era of limited resources. My role will be to bring my experience in the private sector into our regulatory and licensing processes, where I can share the perspective of an "end user." Hopefully, that balance will allow us to consider both what we do and how we do it.

In those three sentences, you will find the important concepts that have guided our work these past three years:

1. Finding ways to more efficiently manage our business operations;
2. Taking into account the experiences and perspectives of our "clients" – the businesses and professionals under our supervision; and
3. Taking a balanced approach to regulatory oversight and consumer protection – with no room for "bad actors."

In these three years, built on a strong foundation and with the leadership of a terrific team of colleagues, the department has proven itself to be the financial services regulator that the Pennsylvania marketplace needs to be fair and competitive in an increasingly complex and interconnected world. Among the highlights of our journey:

Perhaps most significantly, when Gov. Corbett signed Act 86 of 2012 into law, the former PA Securities Commission was merged into the former PA Department of Banking in October 2012, creating the new Department of Banking and Securities. Annual cost savings from this merger have totaled more than \$2 million, and agency staffing levels have been reduced by nearly 10 percent.

We enhanced our focus on making the Pennsylvania state banking charter the "charter of choice." In the past three years, 16 federally chartered banks have chosen to switch to the state charter (no state-chartered banks have switched to the federal charter). Also, the first new bank approved in the United States in three years – Bank of Bird-in-Hand – chose the Pennsylvania state charter when it opened its doors for business in late 2013.

As part of Gov. Corbett's initiative to eliminate unnecessary regulatory burden, we worked with members of the General Assembly and the member-driven banking associations to review our laws and regulations with the goal of amending and updating outdated and confusing language in our statutes to reflect real-life practices and standards in the modern financial marketplace.

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We have made excellent progress championing a comprehensive legislative agenda. In 2012 and 2013 Gov. Corbett (photo, left) signed into law a package of four bills addressing banking issues:

- Act 170 of 2012 amended the Banking Code of 1965 by simplifying and modernizing all the commercial, mortgage and consumer lending provisions, as well as removing conflicting and antiquated lending provisions. The amendments also reflected and clarified the deregulated commercial, mortgage and consumer lending interest rates and fees.
- Act 171 of 2012 amended the Department of Banking Code by bolstering the department's operational and enforcement authority – bringing the

department into line with most other state regulators by including a provision for civil money penalties for banking institutions. (Pennsylvania had been one of only five states without this specific provision.)

- Act 172 of 2012 amended the Loan Interest and Protection Law by repealing requirements for duplicative mortgage loan disclosures.
- Act 23 of 2013 repealed the Savings Association Code of 1967. The remaining four state-chartered savings and loan associations have or are in the process of converting to a more flexible Pennsylvania state charter.

In addition, Gov. Corbett signed into law Act 38 of 2013, amending the Mortgage Licensing Act of 2008, updating and re-balancing Pennsylvania's major mortgage oversight statute, which had been passed during the height of the mortgage crisis. We are also working on amendments to the PA Securities Act of 1972, Credit Union Code and Money Transmitter Act.

Throughout the process of re-crafting statutes and regulations, industry feedback has been important: you asked, we listened. Let me be clear: there are no hidden agendas, no games of "gotcha." When compliance with Pennsylvania law is transparent, the marketplace works best for business and best for consumers. The bottom line is that we want good, strong, competitive operators who follow rules and regulations that are clear and easy-to-understand.

We are also incorporating more technology into our business processes. We have created online procedures that require less on-site time from our examiners. We removed the requirement for display of a paper license for our non-bank lenders. We have begun to post examination guidance on our website so that licensees know what to expect from us, as well as what we expect from them. We are encouraging more businesses to rely on NMLS (the Nationwide Multi-State Licensing System & Registry) for seamless and efficient management of their license applications and renewals. We are working to help our clients protect themselves and their customers from cybersecurity threats.

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Since the merger, our staff overseeing the securities industry has smoothly handled a myriad of transition issues. Additionally, our securities staff rose to meet a significant Dodd-Frank regulatory challenge known as the "IA Switch," when mid-sized investment adviser firms with assets-under-management between \$25 million and \$100 million switched from federal to state regulation.

Since late 2013, the public has been able to "like" our Investor Education program on Facebook! We have also begun a new initiative, starting with an investor education program roll-out in Pittsburgh this spring, for Pennsylvania veterans and active duty military servicemen and women. Plans are underway for similar programs in Harrisburg and Philadelphia in 2014 (See Page 8).

Finally, we stopped "kicking the can down the road" regarding the special-purpose Banking Fund, which underwrites the work of our Depository and Non-Depository deputates. The Banking Fund had been trending towards insolvency, due primarily to assessment schedules that had not been updated since the mid-1990s. This trend was certainly aggravated by the deep, extended economic downturn that affected the country. First, the department successfully implemented a fee restructuring for non-bank lending licensees. Then it submitted to the Independent Regulatory Review Commission a proposed regulation – approved on April 10 – that will update and modernize the assessment schedules applicable to Pennsylvania state-chartered banks, trust companies and credit unions (see story on Page 5).

All of these accomplishments were achieved on top of our "day jobs" overseeing the financial services marketplace by serving our clients and protecting consumers and investors. To those who claim that nothing ever gets done in Harrisburg, I point to this record of regulatory reform and organizational transformation with gratitude and appreciation for all the support and encouragement we receive from Gov. Corbett and his senior staff, as well as the members of the General Assembly.

Are we "finished" with our forward-looking initiatives? Absolutely not! The importance and impact that our many financial services firms and professionals can have on the financial strength and future of Pennsylvania's citizens motivates us every day to research, listen, test and implement better and more efficient ways to do our work and foster a strong economy for Pennsylvania. Thanks for your ongoing suggestions and support!

Learn More About Crowdfunding

New rules from the U.S. Securities and Exchange Commission, expected to be finalized this year, will allow for "equity crowdfunding," a non-traditional way for small businesses and start-up companies to raise capital over the Internet by offering equity, or ownership interest, in the company to investors.

The Department of Banking and Securities has developed a new educational brochure, "Understanding Crowdfunding," which is designed to help investors learn more about crowdfunding and make informed decisions. This publication, as well as other educational publications, can be downloaded from the department's website (www.dobs.state.pa.us).

You can also contact Ed Novak (enovak@pa.gov) if you would like to receive printed copies.



Independent Regulatory Review Commission Unanimously Approves Assessment Regulation

On April 10, the PA Independent Regulatory Review Commission (IRRC) voted unanimously to approve Regulation #3-51, which establishes a new assessment schedule for Pennsylvania's state-chartered financial institutions.

"When I assumed the office of Secretary of Banking in early 2011, I had the benefit of then-Governor-Elect Corbett's Transition Team Report to guide me as to the pressing issues facing the Department at that time," Secretary Glenn E. Moyer wrote in a

letter last summer to all state-chartered banks, credit unions and trust companies. "According to that report, the most critical issue requiring attention...was the lack of sustainability of the [special purpose] Banking Fund [which] has been trending towards insolvency. This negative trend in the Banking Fund...was primarily due to the antiquated assessment schedules that were in place for the Department's regulated banks, trust companies and credit unions [which had been unchanged since the 1990's]."

With IRRC's approval, implementation of the new regulation will occur following final review by the General Assembly and Attorney General, and publication in the PA Bulletin. The department expects to issue formal notification in June regarding implementation of the regulation. Affected entities can calculate their assessment online [here](#) at the department's website.

"The need for this new regulation has been in discussion since 2005, proving that taking responsible action with a long-term view sometimes requires persistence and leadership," says Moyer. "The Department of Banking and Securities is appreciative of the support and understanding demonstrated by our state-chartered financial institutions throughout this entire process."



Department Closes Vantage Point Bank

On February 28, the Department of Banking and Securities closed the \$63.5 million-asset Vantage Point Bank, Horsham. The FDIC entered into a purchase and assumption agreement with First Choice Bank, Mercerville, NJ, to assume all of the deposits of Vantage Point Bank. The cost to the Deposit Insurance Fund was estimated to be \$8.5 million. This failure was the fifth bank failure nationally in 2014 and the first bank failure in Pennsylvania since 2012.



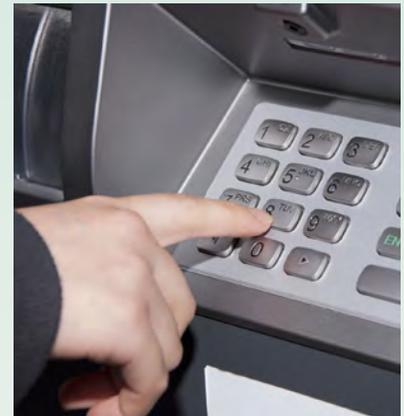
CYBERsection



SECURITY

Financial Regulators Address Cyber-Attacks on ATM and Card Authorization Systems

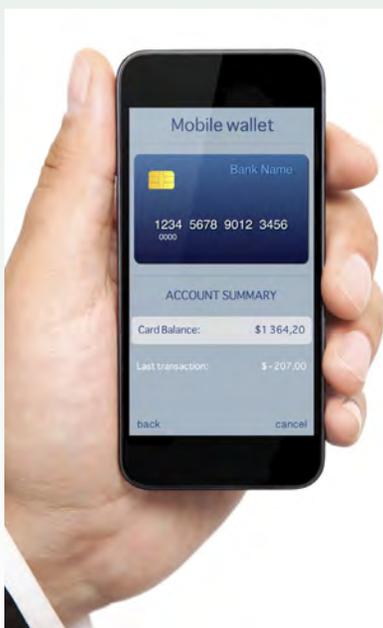
Cyber-attacks on financial institutions to gain access to, and alter the settings on, Web-based ATM control panels used by small- to medium-sized institutions are on the rise. The Federal Financial Institutions Examination Council (FFIEC) expects financial institutions to take steps to address this threat by reviewing the adequacy of their controls over information technology networks, card issuer authorization systems, ATM usage parameters, and fraud detection processes.



The FFIEC has issued a statement regarding the risks associated with cyber-attacks on Automated Teller Machines (ATMs) and card authorization. The statement describes steps financial institutions should take to address these attacks and highlights resources institutions can use to help mitigate the risks posed by such attacks. Learn more (PDF).

7 Steps to Protect Yourself from Mobile Banking Threats

Bankrate recently provided consumers and businesses a checklist of how to avoid smartphone apps that “masquerade as your bank’s mobile banking app.” According to an industry expert at Verizon, these fake apps are especially prevalent in third-party app stores, and users are encouraged to “check closely before downloading to see if the app developer is your bank or other reputable app developer.” Users should be aware of these seven solutions to mobile banking threats:



1. Use banking apps rather than mobile browser
2. Educate yourself about banking app weaknesses
3. Protect yourself from mobile banking malware
4. Avoid “rogue” smartphone apps
5. Be careful about public WiFi
6. Make your smartphone password-protected
7. Let developers update your banking apps

To learn more details and read this article, visit [Bankrate](#).



Senate Confirms James R. Biery to Banking and Securities Commission

On April 9, the Senate unanimously confirmed James R. Biery, former president and CEO of the PA Bankers Association, to serve as a commissioner on the Pennsylvania Banking and Securities Commission.

"Jim has proven his leadership and commitment to Pennsylvania's economic success throughout his career with the Pennsylvania Bankers Association," Governor Tom Corbett said in an announcement. "His exceptional experience has prepared him well for this position. I am confident that Jim will serve Pennsylvania and the Banking and Securities Commission with integrity and dedication."

In addition to serving with the PA Bankers Association, Biery chaired the State Association Division of the American Bankers Association and the Corbett Administration's transition team for the Department of Banking. Biery replaces Steve Irwin, who joined the Pennsylvania Securities Commission in 2006. Irwin continued service on the Banking and Securities Commission following the merger of the Securities Commission into the Department of Banking in 2012.

"Steve Irwin has served Pennsylvania investors, businesses and consumers with great skill and commitment," said Glenn E. Moyer, secretary of the Department of Banking and Securities and vice-chair of the Banking and Securities Commission. "He has been a stalwart advocate and an excellent representative of Pennsylvania's interests. We express our appreciation for his service to the commonwealth."

Comprised of five commissioners, the Pennsylvania Banking and Securities Commission serves as an adjudicatory body for the Department of Banking and Securities. Former Pennsylvania Attorney General Jerry Pappert serves as chair of the commission.

Mortgage Lenders Honored by PA Housing Finance Agency

Secretary of Banking and Securities Glenn E. Moyer (second from left) and PHFA Executive Director and CEO Brian Hudson (left) present the staff of Mortgage America the award for "Most Keystone Advantage Loans" during the annual PHFA Lender Awards Luncheon, which honors PHFA's lending partners who assist homebuyers throughout Pennsylvania in the application, processing and closing of PHFA loans. Out of approximately 100 lending partners, the Top 10 participating lenders were presented awards, in ranking order: Mortgage America; Howard Hanna Financial Services, Inc; Jersey Shore State Bank; Gateway Funding Diversified; Mortgage Network Corp., dba MNET Mortgage Corp.; Boulevard Mortgage Company of PA (BMC); Liberty Mortgage Corporation; West Penn Financial Services, Inc.; Allegheny Mortgage Corp.; and Continental Bank.



Investor Education Team at 'Making \$ense of Finance' Conference to Assist Military, Veterans



PA MILITARY FINANCE ALLIANCE *PA Investor Education team members Tina Kotsalos (seated, far right) and Doug Hassenbein (standing, third from left) with other members of the PA Military Finance Alliance at the first PMFA conference in Pittsburgh.*

The department's Investor Education team made presentations at the first "Making \$ense of Finance" conference in Pittsburgh on March 1. The conference was geared specifically towards the financial and investing challenges faced by members of the military and veterans.

The conference was presented by the Pennsylvania Military Finance Alliance (PMFA), a cooperative effort of the PA Department of Military and Veterans Affairs, the PA Department of Banking and Securities, the PA Office of Attorney General, Army OneSource, Better Business Bureau of Western Pennsylvania, Liberty USO, the Heinz Endowments and Advantage Credit Counseling Services.

"For more than 10 years, our Investor Education conferences have been delivering high-quality programs to Pennsylvanians of all ages," Secretary of Banking and Securities Glenn E. Moyer said. "I am pleased that we are working with the Pennsylvania Military Finance Alliance to continue this tradition by providing members of our military and veterans communities with face-to-face education on how to be wiser and safer investors."

PMFA is working on similar conferences for members of the military, veterans and their families in other Pennsylvania locations later this year. You can learn more on Facebook at **PA Investor Education**.



Doane Named Acting Deputy Secretary for Non-Depository Institutions

Becky Doane has been named Acting Deputy Secretary for Non-Depository Institutions, which oversees the licensing, examination and compliance functions for more than 17,000 non-bank financial services institutions and professionals, including: residential mortgage lenders and brokers, non-mortgage consumer lenders, check cashers, auto sales finance companies, pawnbrokers, debt management companies and money transmitters. She also oversees the

department's consumer services division, which responds to consumer inquiries and complaints, and the consumer outreach program, which conducts presentations on financial-related topics across Pennsylvania. Becky succeeds Tim Siwy, who has accepted an assignment with the Consumer Financial Protection Bureau. Becky is pictured here (center), along with her management team (l-r) Bob Knaub, Licensing; Christine Hodge, Consumer Services; Tim Knopp, Examinations; and Ryan Walsh, Compliance.



COMPLIANCE CORNER

1st Quarter 2014 Enforcement Orders

The Department of Banking and Securities issued nine enforcement orders during the first quarter of 2014. Final orders included fines, assessments and repaid costs of \$288,146.17, including:

- Six Consent Agreements and Orders and one Cease and Desist Order issued for unlicensed loan activity; and
- Two Consent Agreements and Orders issued for violations of the Pennsylvania Securities Act of 1972; and

Additionally, one of the Consent Agreement and Orders resulted in the revocation of a mortgage broker license and the surrender of a mortgage originator license for violations of the Mortgage Licensing Act.

Comprehensive lists of enforcement orders administered by the Department of Banking and Securities are available online at www.dobs.state.pa.us. Consumers, businesses and investors can make inquiries or file a complaint against any company or individual regulated or licensed by the Department of Banking and Securities online or by calling **1-800-PA-BANKS** (800-722-2657).

RESEARCH QUARTER

As part of the National Mortgage Servicers Settlement, the nation's five largest mortgage servicers (Ally/Rescap, Bank of America, Citi, JPMorgan Chase and Wells Fargo) were required to report on their cumulative consumer relief. In March, the Office of Mortgage Settlement Oversight issued its final report, which contained information specific to Pennsylvania homeowners who received assistance under the settlement. To read the report, visit: www.mortgageoversight.com.

