Protecting Pennsylvania Consumers and Businesses

By Robin L. Wiessmann, Secretary of Banking and Securities

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Learn more

Governor Wolf Declares April ‘Financial Education Month’
Secretary Robin L. Wiessmann announced that Governor Wolf proclaimed April as “Financial Education Month” in Pennsylvania.

Learn more

New Game to Help Protect Citizens from Elder Abuse
This new video tells the story of ‘Fraud Bingo,’ which mixes learning, community, and fun to help senior citizens learn how to protect themselves from financial scams.

Learn more

RRRevUp! Workforce Initiative to Attract, Retain Staff
Designed to attract, develop, and retain a highly-skilled, professional workforce engaged in the regulatory oversight of financial services industries.

Learn more
Governor Wolf and I want Pennsylvania to be the desired destination for financial services, where consumers and businesses are confident in the integrity and transparency of our marketplace. Our department’s top priority will remain effective regulation. We have, however, been positioning ourselves to better help consumers and businesses protect themselves, contribute to economic growth, and to enjoy the prosperity that Pennsylvania’s financial marketplace offers.

Following Governor Wolf’s announcement of the Consumer Financial Protection Initiative last November, we have been focused on:

**Unlicensed Activities:** The department has been working with PennDOT, the PA Department of Human Services, and the PA Department of Labor & Industry to promote awareness of the risk to consumers of unlicensed lending, including “easy money” products such as payday loans and auto title loans, as well as the unfair competition to properly licensed businesses. The department continues its work to ensure that businesses engaged in lending to Pennsylvanians are properly licensed.

**Investors:** The department has been working with the Investor Protection Trust, AARP Pennsylvania, the PA Department of Aging, the PA Department of Military and Veterans Affairs, the PA Insurance Department, and the Pennsylvania Military Finance Alliance to promote ways for investors to protect and grow their money, including focusing on retirement saving, preventing elder financial abuse, and addressing the distinctive needs of the military and veteran’s communities. The department is also continuing its work to ensure that securities offered to Pennsylvanians are properly registered, and that investment professionals and firms are properly licensed.

**Cybersecurity:** Last year, the department created a Cybersecurity Task Force to assist the businesses it supervises protect themselves and their customers from threats over the Internet. The work of the task force remains ongoing, and the department has created a resource to assist consumers in their efforts to protect themselves from cyberthieves.

**“Fintech”:** The department is promoting awareness of new, innovative financial services and products dubbed “fintech,” including crowdfunding, virtual currencies, the blockchain, and marketplace lending. At the same time, consumers need to be aware of the complexities and risks with fintech.

**Information Sharing:** The department is leading a financial education exchange among almost 20 state government agencies that provide educational outreach and financial education to consumers and businesses.

This is an especially interesting time in finance because of the changes being brought to the marketplace by technology and innovation. We are seeing the fundamental relationships between consumers, businesses, and money change in front of our eyes. We are living in a world of increasing complexity, and ever-evolving financial products, services, and providers.

My colleagues at the Department of Banking and Securities are working hard to ensure that consumers and businesses have the information they need to navigate this highly dynamic financial environment.
Governor Wolf Declares April ‘Financial Education Month’

At a press conference in the State Capitol, Secretary Robin L. Wiessmann (center) announced that Governor Wolf proclaimed April as “Financial Education Month” in Pennsylvania. Secretary Wiessmann was joined for this announcement by Secretary of Aging Teresa Osborne and representatives of the PA Housing Finance Agency, PA Insurance Department, the Jump$tart Coalition for Personal Financial Literacy, PA Treasury, AARP Pennsylvania, PA Bankers Association, and PA Credit Union Association.

"In announcing the Consumer Financial Protection Initiative last November, Governor Wolf sought to raise awareness of the importance of financial literacy in helping Pennsylvanians of all ages plan for financial independence and self-sufficiency throughout their lives,” Wiessmann said. “During the month of April and throughout the year, Governor Wolf and I encourage all citizens, parents, teachers, community leaders, and others to seek ways to improve their own personal finance capabilities.” Learn more here.

Help Protect Your Family and Friends from Elder Financial Abuse

As Pennsylvania’s population grows older, more of our senior citizens are at risk of losing their hard-earned retirement savings. Through the PA Investor Education Facebook (facebook.com/PAINvestorEducation), the Department of Banking and Securities is promoting “Investment Fraud Bingo” through a video presentation, produced in cooperation with AARP Pennsylvania and the Investor Protection Trust.

This new video tells the story of this game, which mixes learning, community, and fun to help senior citizens learn how to protect themselves from financial scams. Social services providers can use the video, adopt the game for use with their clients, and help spread the word about this innovative approach to empowering our senior citizens. The video was shot at Garden Spot Village in New Holland, featuring testimony of several bingo participants and commentary by Mary Bach, Chair of the AARP Consumer Issues Task Force.

The Department of Banking and Securities can accommodate groups of 15 or more for Investment Fraud Bingo free of charge to the sponsoring group. Interested parties can call 717.783.4247 or email ra-DoBSInvestorEd@pa.gov for more information. Information on the department’s educational presentations can be found online here.
May Consumer Outreach Schedule Announced

Education and outreach staff from the Department of Banking and Securities are scheduled to meet with consumers in 12 counties during the month of May as part of Governor Tom Wolf’s Consumer Financial Protection Initiative. Among the financial topics to be addressed are:

For Senior Citizens - “Spending Plans” outlines the differences between wants and needs, setting “SMART” goals, creating a spending plan, and putting the plan into action.

“Understanding Reverse Mortgages” helps senior citizens and their families better understand this complicated mortgage product.

“Scam Jam” is an interactive and fun way for retirees and seniors to better detect and avoid financial scams.

For Students - “Save and Invest PA!” introduces students and young adults to the concepts and practices of saving, investing, and protecting themselves from financial scams.

For General Audiences - “Avoiding Scams and ID Theft” helps consumers protect themselves from financial scams as well as inform victims of scams how to get help.

Our Investor Education and Consumer Outreach staff offers a number of education presentations designed to help consumers of all ages learn how to protect and grow their money. To learn where we will be in May, visit our online Calendar of Events. Consumers can call 1.800.PA.BANKS for more information or learn more about our presentations here.

Quarter Reader Survey Results

More than 450 of our readers responded to our newsletter’s first survey. About 61 percent of respondents identified themselves as professionals licensed or regulated by the department; more than 11 percent are state government officials or employees; 7 percent are consumer advocates; and 4 percent work for trade associations; and the remainder are journalists, educators, working in the General Assembly or federal government, or “other.”

Most of you (70 percent) spend 5-10 minutes reading “The Quarter.” The issues that seemed most relevant are the desire for more industry news and more guidance on regulatory and compliance issues. Looking ahead, we will be working on providing more of this kind of news to readers. Many thanks to all our respondents!
RRRevUp! Workforce Initiative to Attract, Retain Staff

During a meeting in March with Kutztown University students, faculty, and staff, Secretary of Robin L. Wiessmann announced the department’s “RRRevUp!” workforce development initiative, designed to attract, develop, and retain a highly-skilled, professional workforce engaged in the regulatory oversight of financial services industries.

“The three R’s in the name of the initiative indicate our dedication to the recruitment, retention, and recognition of our employees,” said Wiessmann. “Due to innovations coming out of Silicon Valley and Wall Street, financial services has become an exciting and highly dynamic field. We want to help ensure that our staff can continue to keep pace with the increasing complexity of financial services, products, and transactions.”

The department is looking to fill examiner positions working with a variety of financial businesses, including banks, credit unions, trust companies, mortgage brokers and lenders, auto sales finance companies, debt services companies, and investment firms. Recent college graduates as well as more seasoned professionals who have experience in auditing, accounting, and/or the financial services industry can apply to the Civil Service Commission.

“Ultimately, our goal is to help ensure that consumers and businesses have confidence in Pennsylvania’s financial services marketplace,” said Wiessmann. “Governor Wolf and I want to make our commonwealth the desired destination for their financial transactions.”

Learn more about careers with the Department of Banking and Securities here.
The Federal Deposit Insurance Corporation (FDIC) has expanded the guidance it offers to combat cybersecurity attacks. While most of this guidance is geared toward banks and other similar institutions, many of the FDIC resources can be utilized by other businesses to guard against threats. Of particular interest is the Cyber Challenge, a series of YouTube videos role-playing in which businesses discuss operational risk issues and the potential impact of information technology disruptions on their business functions. You can view the videos and download accompanying guides here.

Patch-Management and Software Security Precautions

New threats to software systems occur every day. In order to protect the integrity of data, it is important to install updates to software systems on a regular basis. Patch-management can reduce the vulnerability of software systems by fixing gaps or bugs in a system. An effective patch-management policy can ensure that a financial institution maintains the highest level of protection for the safety of its systems and its customers’ money.

In addition, when a company installs off-the-shelf software, the built in safety precautions should be checked. Many times, the default setting is off or at the lowest level of security. If a financial institution is not vigilant, it may open itself up to liability. To learn more about patch-management and other programs and policies from the FDIC, download Supervisory Insights here (PDF).

License Renewal Updates

You can renew your license for Consumer Discount Companies and branches from now until May 31, 2016.

If you are licensed under the Consumer Credit Code (formerly under the Motor Vehicle Sales Finance Act) your annual renewal period begins August 1, 2016, and ends September 30, 2016. This includes the following license types: Installment Sellers, Sales Finance Companies, and Collector-Repossessors.

Mortgage Originators and other licensees that fall under the Mortgage Licensing Act are reminded that your annual Continuing Education must be completed before submitting for your license renewal each year (prior to November 1). Continuing education can be taken anytime during the year so don’t wait until the last minute!

Mortgage Quarterly Call Report Deadlines

All licensees under the Mortgage Licensing Act must have your Quarterly Mortgage Call Reports submitted by the following dates: Q1 due by May 15, 2016, Q2 due by August 15, 2016, Q3 due by November 15, 2106, and Q4 due by February 15, 2017.
6 Things Banks Need to Know about FASB CECL (and what to do)

1. The **Financial Accounting Standards Board** (FASB) has proposed rules to overhaul the current impairment models.
2. FASB has proposed the **Current Expected Credit Loss** (CECL) impairment model, shifting from the previous standard of “probable” losses, to “expected” losses.
3. The new accounting standard will impact all applicable institutions (specifically banks) and applicable asset portfolios (e.g., loans, leases, debt securities). This standard will impact an institution’s current processes for establishing allowance for loan and lease losses (ALLL) and other than temporary impairment (OTTI).
4. The **Office of the Comptroller of the Currency** has estimated that the new FASB CECL model may result in ALLL levels increasing from 15 percent to 50 percent.
5. The intent of the proposal is to change accounting principles to address weaknesses in accounting for impairment under current U.S. GAAP which may delay the recognition of credit losses.
6. There is no benchmark level of increase in the ALLL upon adoption of CECL. Each institution is unique, so the level of allowance will also be unique.

What to do...

In preparation for implementing the CECL model when it takes effect, institutions should:

- Start preparing now;
- Become familiar with the standard – communicate with internal and external auditors/accountants, credit staff/departments, other institutions and federal regulators;
- Leverage existing ALLL and credit risk processes as applicable; and
- Identify data requirements needed to comply and begin to collect the information.

**Compliance Corner**

The Department of Banking and Securities issued **16 enforcement orders** during the first quarter of 2016. Fines and assessments for these orders totaled **$287,300**, including:

- Three Consent Agreement and Orders issued for violations of the Pennsylvania Securities Act of 1972, including one order barring an individual and company from securities activities in the commonwealth;
- One Cease and Desist order issued for violations of the Pawnbrokers License Act;
- One Consent Agreement and Order issued for violations of the Check Casher Licensing Act;
- One Consent Agreement and Order issued for violations of the Money Transmitter Act;
- Six Consent Agreement and Orders issued for violations of the Consumer Credit Code; and
- Four Consent Agreement and Orders issued for violations of the Mortgage Licensing Act, including two orders resulting in the suspensions of licenses.

Comprehensive lists of enforcement orders administered by the Department of Banking and Securities are available online at [dobs.pa.gov](http://dobs.pa.gov) under “Public Info.” Consumers 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).
Acting under authority granted through the Employee Retirement Income Security Act (ERISA), the U.S. Department of Labor in early April issued a "Conflict of Interest Rule" that imposes a "fiduciary" duty on professionals who provide retirement investment advice. Here are five things you should know about the new rule (plus one more thing):

1. The new rule treats as fiduciaries those who receive compensation for providing investment advice or recommendations to an employee benefit plan, plan fiduciary, plan participant or beneficiary, IRA, or IRA owners. Such advice can include, but is not limited to, decisions regarding what investments to purchase or sell and whether to rollover from an employer-based plan to an IRA.

2. The new rule imposes the fiduciary duty standard on those who provide retirement investment advice, regardless of the person's title, such as "investment adviser" or "stockbroker."

3. Under the new rule, being a fiduciary means that the advisers must provide impartial advice in their clients' best interest and cannot accept any payments creating conflicts of interest unless they qualify for an exemption (Best Interest Contract Exemption or BICE) intended to assure that the customer is adequately protected.

4. To satisfy BICE, advisers must enter into a contract with clients that: commits the firm and adviser to providing advice in the client’s best interest; warrants that the firm has adopted policies and procedures designed to mitigate conflicts of interest; and clearly discloses any conflicts of interest that may prevent the adviser from providing advice in the client’s best interest.

5. The rule will become effective in April 2017. The requirements of BICE will become effective January 1, 2018.

6. The Securities and Exchange Commission is still working on its own rule regarding investment advice conflict of interest, with finalization and implementation dates still to be determined.

To help you better understand the new rule and changes from previous standards, visit the Department of Labor’s Fact Sheet (here) Comparison Chart on Final Rule (here) and FAQ website (here).