



Office of the State Bank Commissioner

Overview of the Office of the State Bank Commissioner

Presented to the
Senate Financial Institutions and Insurance Committee
January 15, 2014



Office of the State Bank Commissioner

Agency Structure

- The Office of the State Bank Commissioner is divided into five main areas:
 - Division of Banking and Trust
 - Consumer and Mortgage Lending Division
 - Legal
 - Administration
 - Information Technology
- Employ 109 full-time staff.



Office of the State Bank Commissioner

Division of Banking and Trust



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Division of Banking and Trust

- Statutory Duty to Examine all Banks and Trust Companies once every 18 month period
- In completing this responsibility, we alternate examinations with the FDIC and the FRB as well as complete joint examinations
- Currently, we supervise 227 state chartered banks, 40 active trust departments, and 10 trust companies



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Division of Banking and Trust

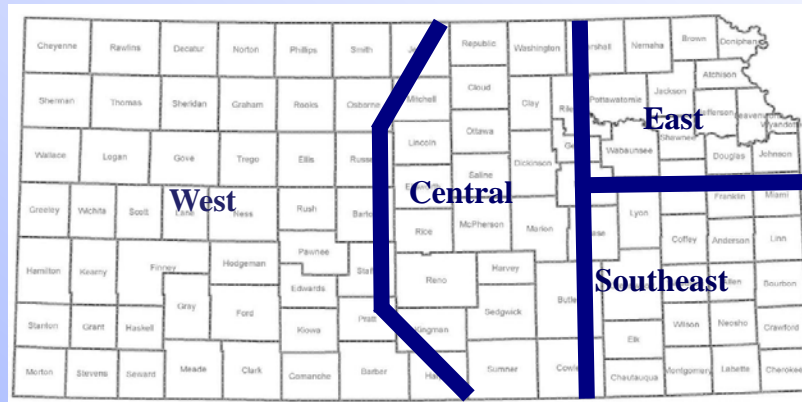
Kansas State-Chartered Bank	9/30/13	12/31/12	12/31/11	12/31/10
# of State-Chartered Banks	228	229	237	239
# State Federal Reserve Member Banks	44	43	40	40
Total State Bank Assets (millions)	\$33,946	\$32,953	\$30,206	\$28,961
Average Bank Size (millions)	\$149	\$144	\$128	\$121
% of Unprofitable Institutions	5.70%	5.26%	8.44%	14.64%

National Banks in Kansas	9/30/13	12/31/12	12/31/11	12/31/10
# of National Banks	53	58	67	72
Total Assets of National Banks in Kansas (millions)	\$16,532	\$18,230	\$19,678	\$21,204



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Division of Banking and Trust



West Region

- 56 banks
- Field Offices: Dodge City & Hays

Central Region

- 69 Banks
- Field Offices: Salina & Wichita

East Region

- 65 banks
- Field Offices: Lenexa & Topeka

Southeast Region

- 37 Banks
- Field Office: Erie

Trust

- 10 Trust Companies & 40 Active Trust Departments
- Field Offices: Topeka and Overland Park



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Division of Banking Staff

- Deputy Commissioner - Judi M. Stork
- Director of Examinations - Ken E. Torgler
- Regional Managers
 - East – Scott Hatfield
 - Central – James Hass
 - Trust – Scott Lowry
 - Southeast – Ed Spielbusch
 - West – Mike Jackson
 - Surveillance – Alan Rice
- Review and field examination staff in Topeka and seven field offices - 49



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Division of Banking and Trust

Conversions from National to State Banks

2013 Conversions

Citizens Bank of Kansas, Kingman – \$224,741,000
FirstOak Bank, Independence – \$85,198,000
Farmers Bank & Trust, Great Bend - \$652,339,000
Prairie Bank of Kansas, Stafford - \$ 113,847,000
Bank United, Natoma - \$111,913,000
First Heritage Bank, Centralia - \$115,588,000

2012 Conversions

Verus Bank, Derby – \$120,000,000
Equity Bank, Andover – \$1,222,000,000
Downs Bank, Downs - \$18,000,000
Bankers' Bank of Kansas, Wichita - \$142,000,000

2011 Conversions

Condon Bank & Trust, Coffeyville – \$104,000,000
First Federal Savings & Loan Bank, Olathe –
\$66,000,00

2010 Conversions

Community Bank, Topeka - \$88,723,000

2009 Conversions

Gardner Bank, Gardner – \$90,964,000
The Farmers Bank of Osborne, Osborne \$38,624,000
University Bank, Pittsburg – \$115,809,000



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Division of Banking and Trust

Money Transmitter Regulation

- Robin Lobb – Regional Manager over Money Transmission regulation
- We regulate 66 money transmitter companies
- Additionally, there are six pending new applications, including a virtual currency company
- Total number of Kansas agents – 6,027
- These companies are located in 19 states and Canada
- Significant growth in the supervision of money transmitters with the expansion of prepaid cards, use of bitcoins (virtual money), online transmission (aka e-wallets), etc.
- Currently have 35 open cases against unlicensed entities.



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Consumer and Mortgage Lending (CML) Division



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Role of the CML Division

- The Consumer and Mortgage Lending Division licenses and regulates mortgage lenders, mortgage servicers, mortgage brokers, and other consumer credit providers. Licensed companies hold approx. \$1.03 trillion in assets. As of December 31, 2013, the Consumer and Mortgage Lending Division had 7,554 entities under its supervision.
- Administers grants to support consumer education and awareness
- Responds to consumer questions and concerns



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CML Staff

- The CML Division has 29 full-time employees
(Staff located in Main Office in Topeka, with field offices in Wichita and Lenexa)
 - Deputy Commissioner
 - » Jennifer R. Cook
 - Director of Examinations
 - » Mike Enzbrenner
 - Director of Licensing
 - » Jim Payne
 - Two Regional Managers
 - 20 Financial Examiners
 - Three Licensing Staff
 - One Consumer Affairs Staff



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Entities Regulated by CML

- Mortgage Lenders
 - Provides funding for mortgage loans
 - Typically, the entity that closes the loan
 - May also originate mortgages
- Mortgage Brokers
 - Originates mortgages
 - Brings the borrower and the mortgage lender together
- Mortgage Servicers
 - Receives and applies mortgage payments received from the borrower
 - Typically this is the entity that begins the foreclosure process



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Other Entities Regulated by CML

- Payday Lenders
- Title Lenders
- Supervised Lenders/Finance Companies
- Consumer Credit Grantors/Credit Sales
- Credit Services Organizations



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Supervision and Enforcement

The Consumer and Mortgage Lending Division supervises and enforces the following state and federal laws:

- Uniform Consumer Credit Code (UCCC)
 - K.S.A. 16a-1-101 to 16a-9-102
- Kansas Mortgage Business Act (KMBA)
 - K.S.A. 9-2201 to 9-2220
- Credit Services Organization Act
 - K.S.A. 2004 Supp. 50-1116 to 50-1135
- Federal Regulation Z (TILA)
- Federal Regulation X (RESPA)
- Federal Regulation B (ECOA)
- Federal Regulation CFR Part 232 (DoD)
- Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)
- Dodd-Frank Wall Street Reform and Consumer Protection ACT (CFPB Regulations)



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CML Examinations

- The CML Division staff conducts examinations of regulated entities through on-site and off-site examinations. Examinations take place in Kansas and out-of-state at the company's main office location.
- The target examination schedule for regulated entities is approximately every 36 months. More frequent exams may be conducted if necessary.



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CML Division

Licensed and Regulated Types

Year-end 2013

	Total:	7,554
Mortgage Company Licensees (includes branches)		489
Supervised Loan Licensees (includes branches)		974
Loan Originator Registrations		3,537
Notification Registrants		2,519
Credit Services Organizations		35
Total Assets of Licensed Cos.		\$ <u>1.03 Trillion</u>
Kansas Loan Volume		\$ <u>18.1 Billion</u>



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CML Licensing

- License fees are set through a combination of legislation, regulation and administration.
- For FY 2013, the CML Division collected \$3,820,300 through fees.



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Total Licensed/Registered

(at calendar year-end)



Total Kansas Loan Volume

(in Billions, as of last annual report)





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Mortgage Products

- Fixed-rate
 - Interest rate stays same over the entire term
 - Terms range from 15, 20, 30, or 40 years
- Adjustable-rate mortgage (ARM)
 - Lower initial rate than fixed-rate loans
 - Interest rate fluctuates over the life of the loan
- Federal Housing Administration (FHA)
 - Federally secured mortgage
 - Low down payment; fixed rate mortgage
- Veterans Affairs (VA)
 - Low or no down payment; fixed rate mortgage
 - Guaranteed loans for veterans and active duty personnel



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Mortgage Products

- Balloon
 - Low payments for a fixed period
 - After initial period, entire balance of the loan is due
- Interest-only
 - Borrower pays only the interest on the loan for a fixed period
 - After initial period, the payments will include principal payments or lump sum
- Home Equity Line of Credit (HELOC)
 - Agreement to lend a specified amount within an agreed period
 - Collateral is the borrower's equity in his/her house
 - Often used for home improvements



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Mortgage Products – Reverse Mortgages

- FHA Reverse Mortgages also called Home Equity Conversion Mortgage (HECMs)
 - Homeowner age 62 and older
 - Paid off mortgage or have a considerable amount of equity
 - Occupy the property as your principal residence
 - Money from a reverse mortgage can be distributed several ways:
 - Lump sum
 - Annuity with regular intervals
 - Line of credit
 - Purpose:
 - Supplement retirement income
 - Pay off current mortgage
 - Pay for healthcare expenses



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Consumer Protections

- Mortgage licensees are subject to the following requirements:
 - Bonding \$50,000/\$100,000
 - Individual fingerprinting for mortgage company officers, directors and loan originators
 - Background checks
 - Continuing education
 - Routine compliance examinations by CML



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Consumer Protections

- **Good Faith Estimate (GFE) disclosure**
 - Provides consumer with an estimate of settlement charges and terms of the loan
 - Must be provided within three business days of application
 - Terms of GFE must be available for ten business days from the date it is provided to the consumer
- **Final Truth-in-Lending (TIL) disclosure**
 - Provides consumer with information about the cost of the loan
 - Annual percentage rate (APR)
 - Finance charge
 - Amount financed
 - Total of payments
 - Must have statement “You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.”



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Consumer Education Initiatives

- The CML Division provides grants to support consumer education programs statewide. Grant funds support programs for children and adults.
- Grants are funded through fines and settlements obtained by the CML Division.
- Approximately \$4 million in grants have been awarded since 1999.



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Grant Programs Funded by CML in 2013

- Kansas Council on Economic Education (KCEE)
- Consumer Credit Counseling Services (CCCS)
- Housing and Credit Counseling (HCCI)
- Communities in Schools – Reality University
- EverFi



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Responding to Consumers

- CML Division staff serve as the agency's first point of contact for consumers with inquiries or complaints.

Consumer Inquiries and Complaints

FY 2012

FY 2013

1,574

1,525

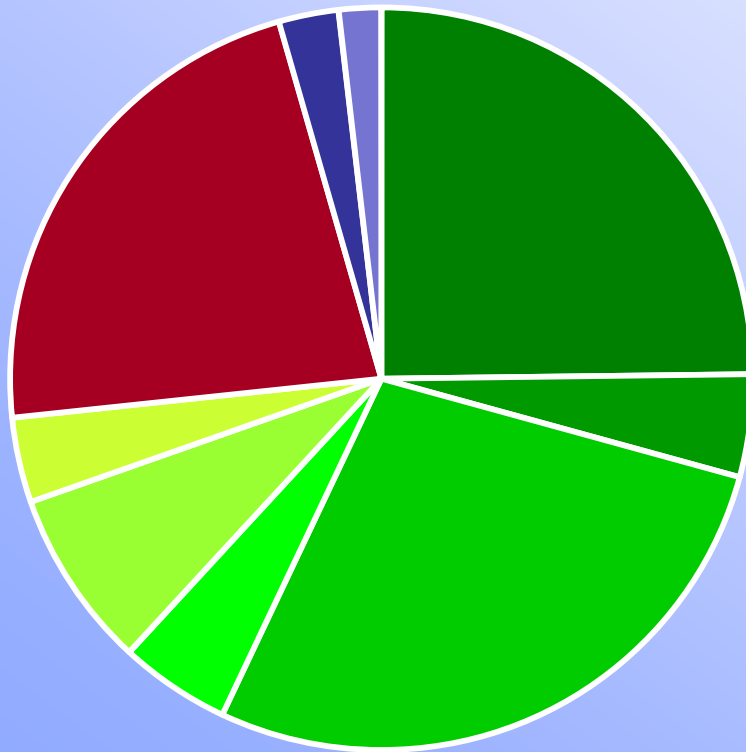
- Information about who we regulate and other consumer information is available on the OSBC website at: www.osbckansas.org.



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Consumer Complaints by Topic 2013

Total: 270



- **CML - Mortgage - 67**
- **CML - CSO - 12**
- **CML - Small Loans (Payday/Title/OE LOC) - 75**
- **CML - Debt Buyer - 13**
- **CML - Various UCCC / Auto / Sales Finance - 21**
- **CML - Miscellaneous - 10**
- **Banking - Deposit Accounts - 60**
- **Banking - Money Transmitters - 7**
- **Banking - Trust Companies - 5**



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Contact Information

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Deputy Commissioner

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