

AGENCY NAME:	State Board of Financial Institutions		
AGENCY CODE:	R23	SECTION:	79

**Fiscal Year 2015-16
Accountability Report**

SUBMISSION FORM

Agency Mission

The mission of the Board of Financial Institutions is to serve the citizens of the State of South Carolina. We will do this by...

- Licensing, supervising, examining, and regulating the financial community in our oversight jurisdiction.
- Protecting the public from unlawful or improper practices of our financial institutions. We will work to ensure that our financial institutions adhere to the law.
- Educating and communicating with the public, giving them the information they need to make wise financial choices.
- Operating a safe and sound financial system so that the public can have the highest confidence possible.
- Promoting the growth, innovation and financial stability of our State financial institutions, which allows them to be more competitive and profitable; therefore offering a broad range of products/services and making them more accessible and affordable to the public.
- Creating an environment where the State charter is the charter of choice for institutions headquartered in the State.

AGENCY VISION

The Board of Financial Institutions will create an environment that promotes a thriving, competitive, safe and sound financial community to serve the citizens of South Carolina.

Please state yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.

**RESTRUCTURING
RECOMMENDATIONS:**


No.

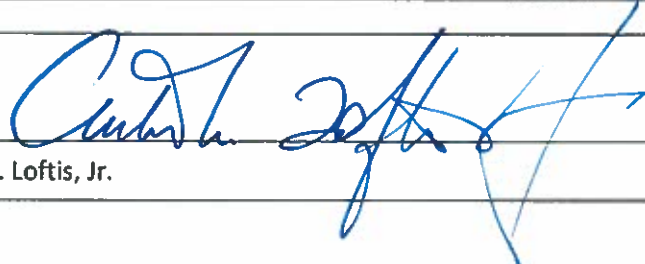
Please identify your agency's preferred contacts for this year's accountability report.

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	<i>Name</i>	<i>Phone</i>	<i>Email</i>
PRIMARY CONTACT:	Louie Jacobs	803-734-2001	louie.jacobs@banking.sc.gov
SECONDARY CONTACT:	Ronald Bodvake	803-734-2020	ron.bodvake@bofi.sc.gov

I have reviewed and approved the enclosed FY 2015-16 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN AND DATE):	
(TYPE/PRINT NAME):	Louie Jacobs / Ronald Bodvake

BOARD/CMSN CHAIR (SIGN AND DATE):	
(TYPE/PRINT NAME):	Curtis M. Loftis, Jr.

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AGENCY'S DISCUSSION AND ANALYSIS

The State Board of Financial Institutions is composed of eleven members, one of whom is the State Treasurer as an ex officio member and as the chairman. The remaining ten members must be appointed by the Governor with the advice and consent of the Senate. The Board's supervision is handled through its two divisions – the Banking Division and the Consumer Finance Division. The Board appoints a Commissioner of Banking who examines and supervises State chartered banks, trust companies, savings and loan associations, savings banks, credit unions, and development corporations. The Board is also authorized to designate or appoint a Commissioner of Consumer Finance who examines and supervises non-depository mortgage lenders/servicers and their branches, loan originators, consumer finance companies, deferred presentment service companies, and check cashing service companies. The first three levels of the agency's organizational chart are exhibited in Figure 1 below. The Board's oversight includes the promulgation of regulations and instructions relating to the supervision of financial institutions; the consideration of applications for new banks, trust companies, savings and loan associations, savings banks, credit unions, non-depository mortgage lenders/servicers and their branches, loan originators, consumer lenders, deferred presentment providers, and check cashing service providers; and the consideration of applications for branches of banks, savings and loan associations, savings banks, credit unions, and trust companies.

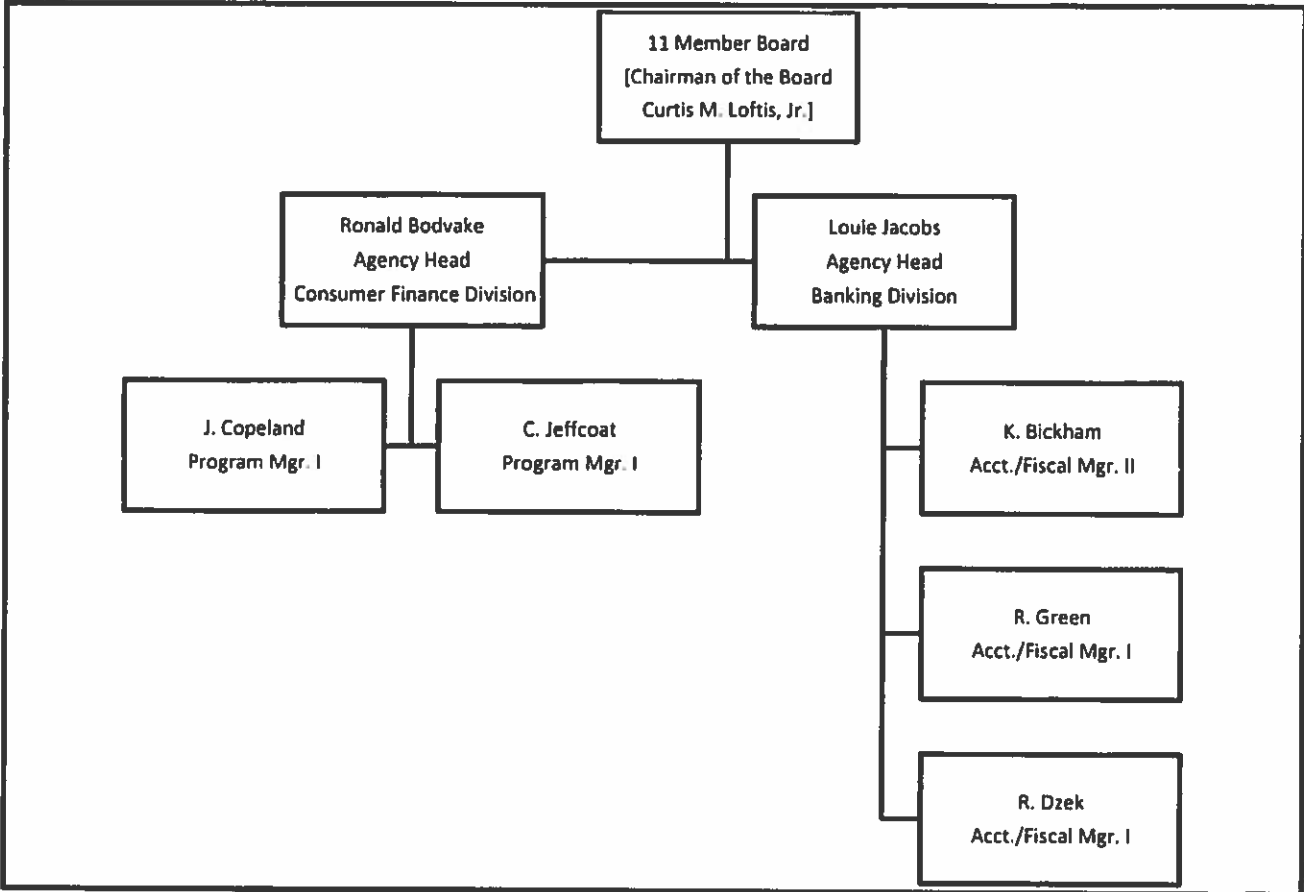


Figure 1

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The key goals of the agency are to ensure that procedures are in place to adequately monitor the safety and soundness of financial institutions under the Board's jurisdiction, to ensure that statutory responsibilities are met, and to ensure that the interests of the citizens of the State are protected. The agency strives to keep abreast of changes in financial products and services in order to conduct thorough and comprehensive examinations. The Chairman, Board members, and the directors of the two divisions are participants in the planning process. Programs and procedures are periodically reviewed, and measures are implemented to address changes in the financial industry and the economic environment.

The directors of the agency strive to take advantage of all opportunities available to achieve success in fulfilling the agency's mission and achieving its strategic goals. Since having a competent and effective staff is crucial to fulfilling the mission of the agency, the directors seek new opportunities for staff development, effective recruitment procedures, and diversity in the workforce. Because of the travel required for the agency's examiners, attracting and retaining competent employees is a major challenge. Major barriers include competition from other employers for experienced workers and the increasing complexity of financial products, which requires more training and more detailed review. Despite the aforementioned challenges, turnover for both divisions remains low. The directors continually evaluate the strategic challenges the agency faces and alter the agency's plans accordingly.

The agency's main service is to preserve a sound State chartered financial community and protect the borrowing public. Major products offered by the Board are licenses/charters to operate banks, savings and loan associations, savings banks, credit unions, trust companies, mortgage lenders/servicers and their branches, loan originators, consumer finance companies, deferred presentment service companies, and check cashing service companies. In addition to the licenses, the agency evaluates and monitors the condition of the institutions and determines compliance with applicable statutes and regulations. The citizens of South Carolina, the Legislature, and the Governor are the key customers of the Board of Financial Institutions. Regulated institutions are secondary customers of the Board. The Board's customers expect the Board to ensure the safety of deposits and protect the borrowing public by ensuring that the state banking and consumer finance laws and regulations are followed. The Board's key stakeholders are the taxpayers of South Carolina.

Since the Board of Financial Institutions is a regulatory agency, the employees of the Board are the key suppliers. Offices of the Board are located in Columbia, but employees travel throughout the state examining institutions under the Board's jurisdiction. The Board has two unclassified and 43 classified full-time positions. Other regulatory agencies such as the Federal Deposit Insurance Corporation, the Federal Reserve Bank, the Consumer Financial Protection Bureau, and the South Carolina Department of Consumer Affairs are the agency's partners in ensuring safe and sound State chartered financial institutions and protecting the borrowing public.

I. Banking Division

The primary responsibility of the Banking Division is to establish and supervise State chartered banks, savings and loan associations, savings banks, trust companies, and credit unions. In addition to meeting the statutory requirements to carry out these responsibilities, the Banking Division has identified several significant accomplishments in FY 2016 which helped the agency fulfill its mission more effectively and efficiently. These accomplishments are briefly described below.

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Fiscal Year 2016 Accomplishments

During FY 2016, all examinations of financial institutions were completed in the timeframes required by law. A review of capital adequacy, earnings, and past due and nonaccrual loans was performed quarterly on all banks. The reviews were used to monitor changes in individual institutions as well as to identify trends in the financial performance of South Carolina State chartered banks as a whole. The reviews were also utilized to determine supervisory strategies for ensuring safe and sound State chartered institutions.

In addition to on-the-job training in the field and computer based training in the office, examiners attended six Federal Deposit Insurance Corporation (FDIC) sponsored schools, two Federal Financial Institutions Examination Council sponsored schools, and one Conference of State Bank Supervisors (CSBS) sponsored school. Examiners also attended training conferences sponsored by the FDIC, CSBS, the National Credit Union Administration, and the South Carolina Bankers Association (SCBA). These schools and conferences covered a wide variety of topics including capital markets, accounting, commercial real estate lending, enterprise risk management, cybersecurity, loan analysis, examination management, asset/liability management, financial analysis, trust, and cash flow analysis. In addition, two examiners attended the University of South Carolina Graduate School of Bank Investments and Financial Management, and one examiner attended the first of three annual sessions needed to complete the Graduate School of Banking at Louisiana State University. Finally, the agency developed a training program specifically to help new employees gain the knowledge necessary to effectively and efficiently perform their job duties and to allow new examiners to practice examination procedures in the office.

Given the increasing importance of information technology and information security in the financial industry, the Banking Division selected two examiners to specialize in Information Technology Examinations of banks. One of the two examiners attended the Information Technology Examination Course hosted by the FDIC during FY 2016; the other examiner is scheduled to attend in FY 2017. Both examiners have also received on-the-job training from experienced FDIC IT examiners. During FY 2016, the division also selected an additional examiner to be trained in credit union examinations. This examiner will serve as a back-up for the current credit union examiner and will also assist on larger credit union examinations.

The Banking Division continues to make enhancements to the information technology/information security program. During FY 2016, all employees completed information security training to enhance awareness of potential threats. In addition, all examiners were granted access to FDICConnect, which allows them to securely and efficiently exchange examination documents with both bankers and FDIC examiners. All examiner laptops were upgraded with a two-factor authentication for accessing email and network files. Additionally, the agency established a secure file room to store sensitive information that must be retained. Finally, the division upgraded its network switches in preparation of a telephone upgrade in FY 2017.

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During FY 2016, the division reorganized its office in order to provide individual workspaces for each field examiner. The individual workspaces allow each examiner to have a secure space to store his or her equipment and examination information. In addition, providing each examiner with his or her own workspace helps to increase employee satisfaction.

II. Consumer Finance Division

The primary responsibility of the Consumer Finance Division is to proficiently supervise the licensing and examination of all non-depository mortgage lenders/servicers, their branches and loan originators, consumer finance companies, deferred presentment service companies and check cashing services companies. In addition to meeting statutory requirements for the licensing and examination of these companies, the Division has identified several additional accomplishments in FY2016. These are briefly described below.

Fiscal Year 2016 Accomplishments

During Fiscal Year 2016, the Mortgage Compliance Department of the Division participated in several multi-state examinations of mortgage lenders and servicers facilitated by Conference of State Bank Supervisors (CSBS) and American Association of Residential Mortgage Regulators (AARMR) Multi-state Mortgage Committee (MMC). These examinations were performed concurrently with the Consumer Financial Protection Bureau (CFPB). This collaborative effort as well as internal knowledge gained continues in the discovery and correction of a number of significant violations resulting in substantial refunds to South Carolina borrowers. As opportunities to enhance skills and knowledge arise, the mortgage examination staff partakes in the training via webinars, conference calls, and any other means available. The Division strives to obtain additional knowledge and information in reference to regulating mortgage lenders and servicers; thus, resulting in a more thorough examination process. Three mortgage examiners have completed online courses required for National Mortgage Examiner Certifications. One examiner has obtained the national certification of "Certified Mortgage Examiner" issued by CSBS. Final certification for the other two examiners await pending continued on-the-job training and examination experience factors.

Consumer Finance examiners from the Division participated in annual training schools offered by the National Association of Consumer Credit Administrators (NACCA) and AARMR as well as training webinars offered by CSBS and the CFPB. These training opportunities provide information regarding upcoming changes in federal and state regulatory requirements pertaining to: the Real Estate Settlement Procedures Act (RESPA); the Truth-in-Lending Act (TILA); the Equal Credit Opportunity Act (ECOA); fair lending; pay-day lending; small and large scale consumer lending; installment lending; and automotive finance lending. The Division is dedicated to fostering a well-informed and highly-skilled workforce environment. The Division is proud to have two employees who have completed the Certified Public Manager (CPM) program. An additional employee has been enrolled in the CPM program and expects to graduate in 2018. The Division's monthly meetings and training program helps in preparing staff for the ever-changing financial environment. Training is encouraged for all staff whether seasoned or new to the Division.

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The Division has an ongoing process of further utilizing technology. The Division’s website was streamlined and additional content was added to further communicate with consumers and the industry. The Division continues to use its secure digital storage system OnBase through the South Carolina Division of Information Security (DIS). The OnBase system is used to store confidential licensee and examination information. Enhancements to the system were recently made to improve the information retrieval process. The Division continues to work closely with South Carolina Law Enforcement Division (SLED) in its quest to ensure policies, procedures, and certifications for criminal background information obtained through the national Criminal Justice Information System (CJIS) is maintained properly.

The Division continues to work closely with the SC Department of Consumer Affairs (SC DCA) to supply and distribute educational information to consumers and lenders regarding foreclosure prevention and assistance. This program will continue to be supported in fiscal year 2016 -2017. During the fiscal year, consumers were refunded \$1,768,448 due to examination findings, and an additional \$54,912 as a result of complaint resolutions. The total in refunds to South Carolina consumers for this fiscal year is \$1,823,360. Due to the cooperation of our licensees, the aforementioned refunds did not require any administrative court actions. In addition, the Division participated in a round table discussion at the Fraud Forum hosted by SC DCA. Other agencies that participated in forum were the Carolinas Credit Union League, the Federal Trade Commission, and the Department of Homeland Security.

III. Risk Assessment and Mitigation Strategies

The agency has identified two potential negative impacts on the public that would result from the agency’s failure to accomplish its goals and objectives. The first potential negative impact on the public is that customer protections could be compromised. For the Banking Division, outside help is required if the number of financial institutions examined in a calendar year is less than twenty. If the number of institutions examined were to fall to this level, the division could request help from Federal regulatory agencies to complete examinations. The division will inform the General Assembly if the number of financial institution examinations completed in a calendar year is less than ten. For the Consumer Finance Division, outside help is required if the division fails to meet statutory responsibilities; however, no outside help is available to mitigate the negative impact. If the division ever fails to meet statutory responsibilities, the General Assembly will be informed.

The second potential negative impact on the public is that financial institutions cannot proceed with some operations in a timely manner. For both divisions, this would occur if the divisions are unable to process applications in a timely manner. Outside help is not available to mitigate such a negative impact on the public. The divisions will inform the General Assembly if completed applications are not evaluated within 90 days.

For both potential negative impacts, the General Assembly could help resolve the issue by amending statutory requirements, increasing authorization for Other Funds, or increasing salaries and travel reimbursement regulations to make agency positions more attractive.

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Item	Performance Measure	Performance Measure			Future Target Value	Time Applicable	Data Source and Availability	Calculation Method	Associated Objective(s)
		Target Value	Actual Value	Future Target Value					
1	State Chartered Financial Institution Examinations	32	42	30	January 1 - December 31, 2015	Excel spreadsheet	Totals from all data sources calculated on last day of calendar year	1.1.1	
2	Average Cost per Bank	\$42,000	\$41,914	\$46,250	July 1 - June 30	Excel spreadsheet	Total bank expenditures divided by number of banks	1.1.1	
3	Consumer Finance Examinations	1,250	1,132	1,050	July 1 - June 30	Internal database & Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.1.2	
4	Mortgage Examinations	20	15	15	July 1 - June 30	Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.1.2	
5	Refunds to Consumers from Examination Findings	50	\$1,768,448	50	July 1 - June 30	Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.1.2	
6	Death Claims	New Metric	1,285	1,200	July 1 - June 30	Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.1.2	
7	Financial Institution Applications Processed	35	26	35	July 1 - June 30	Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.2.1	
8	Consumer Finance Applications Analyzed and Reviewed	150	140	140	July 1 - June 30	Internal database & Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.2.2	
9	Consumer Finance Applications Analyzed and Reviewed within 30 days	100%	100%	100%	July 1 - June 30	Internal database & Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.2.2	
10	Mortgage Applications Processed	1900	2046	2000	July 1 - June 30	NMLS, internal database & Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.2.2	
11	Mortgage Applications Processed within 20 days	100%	100%	100%	July 1 - June 30	NMLS, internal database & Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.2.2	
12	Mortgage Amendments Processed	19,000	20,936	20,000	July 1 - June 30	NMLS, internal database & Excel spreadsheet	Totals from all data sources calculated on last day of FY	1.2.2	
13	Consumer Finance Complaints Investigated within 30 days	100%	100%	100%	July 1 - June 30	SC DCA & Excel spreadsheet	Totals from all data sources calculated on last day of FY	2.1.1	
14	Mortgage Complaints Investigated within 30 days	100%	100%	100%	July 1 - June 30	SC DCA & Excel spreadsheet	Totals from all data sources calculated on last day of FY	2.1.1	
15	Refunds from Complaints	50	\$54,912	50	July 1 - June 30	Excel spreadsheet	Totals from all data sources calculated on last day of FY	2.1.1	
16	Employee Turnover Ratio	5%	7%	5%	July 1 - June 30	SCES & Excel spreadsheet	Number of employees who leave the agency divided by total FTEs	3.1.1	
17	Staff Diversity (Minority and Women)	50%	60%	50%	July 1 - June 30	SCES & Excel spreadsheet	Totals from all data sources calculated on last day of FY	3.1.2	

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Agency Code: **R23** Section: **079**

Legal Standards Template
Associated Program(s)
Statutory Requirement and/or Authority Granted

Item #	Law Number	Jurisdiction	Type of Law	Statutory Requirement and/or Authority Granted	Associated Program(s)
1	34-1-20	State	Statute	Establishes the Board of Financial Institutions (Board) and the appointment of its members.	Banking Examiners Program; Consumer Finance Examiners Program
2	34-1-60	State	Statute	Establishes the Board's authority to supervise banks and building and loan associations.	Banking Examiners Program
3	34-1-70	State	Statute	Establishes the Board's authority to approve charters and branches of banks, building and loan associations, savings and loan associations, and savings banks.	Banking Examiners Program
4	34-1-80	State	Statute	Establishes the Examining Department, the appointment of the Commissioner of Banking by the Board, and the hiring by the Commissioner of assistants. Allows the Board to examine the Business Development Corporation of South Carolina.	Banking Examiners Program
5	34-30-120	State	Statute	Establishes the Board's authority to approve charters of savings banks.	Banking Examiners Program
6	34-26-200	State	Statute	Establishes the Board's authority to supervise credit unions.	Banking Examiners Program
7	34-26-310	State	Statute	Establishes the Board's authority to approve charters of credit unions.	Banking Examiners Program
8	34-21-10	State	Statute	Establishes that the Board's approval is necessary to conduct trust business.	Banking Examiners Program
9	34-9-10	State	Statute	Gives authority to the Board to set capital requirements for new banks.	Banking Examiners Program
10	34-25-30	State	Statute	Establishes that the Board's approval is necessary to acquire a South Carolina holding company or a South Carolina State bank.	Banking Examiners Program
11	34-28-310	State	Statute	Establishes that the Board's approval is necessary to acquire a South Carolina savings and loan association or savings and loan holding company.	Banking Examiners Program
12	34-28-100	State	Statute	Establishes the Board's authority to approve charters of savings and loan associations.	Banking Examiners Program
13	34-29-200, 37-22-110(11)	State	Statute	Establishes the Board's authority to designate the Chief Administrative Officer/Commissioner of Consumer Finance Division.	Consumer Finance Examiners Program
14	37-22-140, 37-22-200	State	Statute	Establishes application qualifications and regulatory compliance for Non-depository Mortgage Lenders and Servicers.	Consumer Finance Examiners Program
15	37-3-501, 37-3-502, 37-3-503, 37-3-506	State	Statute	Establishes application qualifications and regulatory compliance for Supervised Lenders.	Consumer Finance Examiners Program

Agency Name:

Agency Code: Section:

Item	Report Name	Name of Entity Requesting the Report	Type of Entity	Reporting Frequency	Submission Date (MM/DD/YYYY)	Summary of Information Requested in the Report	Method to Access the Report
1	Accountability Report	Executive Budget Office	State	Annually	September 15, 2016	Agency's mission, objectives to accomplish the mission, and performance measures that show the degree to which objectives are being met	http://www.scstatehouse.gov/reports/ast2016/ast2016.php
2	Deferred Presentation Annual Report	House Labor, Commerce, and Industry Committee; Senate Banking and Insurance Committee	State	Annually	May 19, 2016	Monitor the deferred presentation industry	VerTex (database provided)
3	Capital Reserve Position of Financial Institutions	General Assembly	State	Annually	September 15, 2016	Capital position of all financial institutions supervised by the agency	Contact Banking Division

